GLOBAL CITY THEORY IN QUESTION: THE CASE OF LONDON AND THE LOGICS OF CAPITAL

Dissertation

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By

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* * * * *

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ABSTRACT

Since the 1980s the greater London area has been home to an increasingly large proportion of the British population, economic activities and profits; its population growth has been quite phenomenal. Many observers over the past few years have been warning that this growth threatens to be self-inhibiting. This has to do with London’s escalating housing costs. Housing shortages in turn tend to create labor shortages in low-skilled low-paying jobs as much as for middle-and-higher-income positions.

This problem is quite common in large economically-booming cities, and even more so in what have been identified as ‘world’ or ‘global cities’, such New York City, Tokyo, and London. These cities are characterized, in particular, by their concentration of command and control functions of the world economy, and especially global financial functions. These have become a crucial aspect of capitalism in an era of increased globalization and financialization of capital. However, although the world city and global city literatures appear as a very important departure point for analyzing London’s housing crisis and, crucially from the standpoint of this dissertation, the ways different agents and coalitions of actors have been approaching this issue, I argue that it is necessary to go beyond the rather standard world/global city accounts that have ensued. This is so in particular because they do not allow us to fully understand how this situation has
emerged, the particular conditions, forces and space-time juxtapositions that have led to the production of London as a global city and the subsequent issues of labor reproduction that have to be dealt with today. In short, they are, in many instances, de-contextualized accounts.

In this dissertation I address some of the shortcomings of global city theory and I argue that global cities have a political geography of a quite complex nature, one that has been constructed over time and that has to be taken into account if we are to understand their production and reproduction. Through a reinvestigation of the case of London, using mainly intensive qualitative research methods, this research aims at providing some benchmarks through which to reassess global city theory through an emphasis on the capital accumulation process. First, by resituating global cities with respect to the capitalist accumulation process – understood as a production relation rather than an exchange relation – and how it unfolds within particular ensembles of space-time constraints and possibilities – characterized sometimes by a strong happenstance element – new light can be shed on the their production and continuing reproduction. Second, the concept of the politics of scale is very useful in understanding how global cities are always embedded in wider sets of socio-spatial relations that need to be managed if they are to be reproduced. Finally, the state appears as a key aspect of different historical geographies of capitalism, including the formation and reproduction of particular global cities.
Dedicated to my parents, François and Rosalie,

to my brother, Frédéric, to Aude, Marie and Arthur
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CHAPTER 1

INTRODUCTION

1.1 PROLOGUE

One hundred and ten pounds sterling.¹ That was my weekly rent in London. When I went there in order to conduct fieldwork in 2007, I was quite aware of what the housing situation was. I had been to London before, for a few days each time. I had read a lot about it, in academic articles and, perhaps most importantly, in the newspapers. In addition to regular reports about the government’s concerns and plans of action to solve the housing crisis in London, the British press was and remains full of anecdotal stories of those so-called public sector ‘key workers’ such as firefighters, nurses, teachers, police officers …etc, who work in the capital city but live sometimes up to three of four hours away from their workplace, because they cannot afford to live closer. This is especially true for those who have children at home and need larger housing units. Through a plethora of blogs, I had become acquainted with these people’s lives and the daily lives of the armies of lower-income workers and young medium-income professionals who service one of the wealthiest cities on earth, including their struggles to find decent and

¹ At that time the currency conversion rate was as follows: 1 pound sterling = 2 US dollars.
affordable housing. I even came across a blog specializing in providing daily-life tips for the “French in London”. At that time it was quite interesting to me, a French doctoral student coming from the United States who needed to find a place to stay in London while conducting interviews for her dissertation.

I knew that it would not be easy to find an affordable place to stay in a city that is known for its rapidly escalating housing costs and lack of affordable housing, the very thing that triggered my dissertation research interest. However, it was not until I looked for housing for myself there that I got to fully understand, through first-hand experience, the extent and intensity of the crisis. Rent levels were distressingly high. Subletting offers in shared flats were gone within a day of being posted. After a week of searching – in newspapers’ classifieds, but especially on social-networking websites specialized in housing, like the rather-famous ‘Gumtree.com’ website2 – I found a room to sublet. It was a furnished room in a tiny former council housing unit, which I shared with four other people (two of my flatmates – all young professionals – shared one room; one other lived in the living room). It was located in the East End, in Whitechapel to be more precise. This area was known as Jack the Ripper’s area of predilection, and is now commonly dubbed ‘Benglatown’ because of the presence of a very large immigrant community from South Asia. Although I really enjoyed living there – it is a very interesting and lively part of the city – it is one of London’s most derelict and socio-economically deprived inner neighborhoods. Still, my rent was 110 pounds sterling per week. And that was a good deal. It was when I paid my first weekly rent that I fully realized what ‘London’s housing crisis’ really meant. That was also when I became

2 The exact website’s address is: http://www.gumtree.com.
reassured that by choosing the housing question in London as a point of departure for my dissertation research, I had picked a timely and pertinent issue that would lead me to dig into the hows and whys of London’s incredible growth within a very polarized British space economy, the subsequent problems that this poses in terms of the reproduction of labor, and the governance issues raised by the necessity to solve or at least to mitigate this crisis.

1.2 OVERVIEW OF THE RESEARCH

Since the 1980s the greater London area (Figure 1.1) has been home to an increasingly large proportion of the British population, economic activities and profits; its population growth has been quite phenomenal. Many observers over the past few years have been warning that this growth threatens to be self-inhibiting. This has to do with London’s high and still-rising housing costs: in 2007, the average cost of a house in London (including all types of dwellings, from detached houses to flats) was £342,122, compared to £223,405 for the whole of the United Kingdom, and compared to £54,853 two decades earlier, in 1986, when the average for the United Kingdom was £36,276 (Source: Regulated Mortgage Survey, United Kingdom’s Department for Communities and Local Government). Housing shortages in turn tend to create labor shortages in low-
skilled low-paying jobs as much as for middle-and-higher-income positions. This problem is quite common in large economically-booming cities, and even more so in what have been identified as ‘world cities’, or ‘global cities’, such New York City, Tokyo, and London, according to Sassen’s original classification (1991). These cities are characterized, in particular, by their concentration of command and control functions of the world economy, and especially global financial functions. These have become a crucial aspect of capitalism in an era of increased globalization and financialization of capital. However, although the world city (Hall, 1966; Friedmann and Wolff, 1982) and global city (Sassen, 1991) literatures appear as a very important departure point for analyzing London’s housing crisis and, crucially from the standpoint of this dissertation, the ways different agents and coalitions of actors have been approaching this issue, it is necessary to go beyond the rather standard world/global city accounts that have ensued. This is so in particular because they do not allow us to fully understand how this situation has emerged, the particular conditions and space-time juxtapositions that have led to the production of London as a global city and the subsequent issues of labor reproduction that have to be dealt with today. They are, in short, thoroughly de-contextualized accounts. The broader objective of this dissertation is to reassess global city theory in the light of the logics of capital and how they unfold within particular uneven spatialities and unstable temporalities.
Figure 1.1: Map of Great Britain with insert of the greater London’s administrative area (Source: Ordnance Survey, by permission of the Ordnance Survey © Crown copyright 2001)  

6 Permission granted to the general public through the Ordnance Survey website: http://www.ordnancesurvey.co.uk/oswebsite/freefun/outlinemaps/
1.2.1  *London’s housing question, a pressing issue for numerous stakeholders*

As I mentioned above, I first became intrigued by what I shall refer to as ‘the London question’ through a regular reading of the British press and the remarkable number of articles devoted to the lack of affordable housing in the British capital echoing mounting anxieties among a range of different stakeholders. Failures of housing supply are nothing new in the cities of advanced industrial societies. In the United States (US), it has often taken the form of insufficient housing in the suburbs for the low-skilled and semi-skilled workers required in suburban industrial and service activities. Since the 1960s this has been associated with the so-called problem of ‘spatial mismatch’ (Kain, 1968): a sharp geographic dislocation between the unemployed in the central city and available job openings which they cannot access because they are in suburban locations. In Western Europe, the problem has been different: it has been one of metropolitan-wide housing shortages which have put an increasing pressure on land and property prices. Not surprisingly, housing costs in major European cities are typically much higher than in their North American counterparts and London is exemplary. Likewise, new political arrangements have typically been looked to as a solution to the housing question. In the US, and in the context of the ‘opening up the suburbs’ debate of the early 1970s, there was talk in numerous cities of new governance relations, i.e. new forms of political organization and coordination among actors and institutions, that would facilitate a relaxation of suburban planning restrictions on low income housing. Today in Western Europe they are reappearing on the political agenda in the larger metropolitan areas, such as Paris or London. This research, therefore, echoes two major issues there: the housing question and metropolitan governance.
In Britain, the London housing problem has been a top priority on the government’s agenda since the early 2000s, and there are now policies in place to attempt to mitigate this crisis. Several policies have been or are being implemented with a view to solving the shortage of affordable housing in London. The first of these, in the late 1990s-early 2000s, tended to target specifically the so-called public sector ‘key workers’ – a category previously mentioned and encompassing (e.g.) nurses, teachers, firefighters, police officers …etc –, through various forms of subsidy. These policies were motivated by the fear that the shortage of public sector workers would threaten London’s rapid growth. But these programs, initiated by Tony Blair’s New Labour government (1997–2007), have been increasingly criticized in the past couple of years. As one person I interviewed in July 2007 put it, they were dubbed by those in the know as ‘key voters programs’, and the heavily unionized public sector workers are indeed a key Labour voting bloc. The tendency today is to target the more broadly defined ‘intermediate-income workers’ rather than public sector key workers, through subsidies provided by the government’s Housing Corporation.

In addition to this, the government has initiated some infrastructural mega-projects to increase the stock of affordable housing. The Thames Gateway is a 40-mile-long residential and commercial project to the East of the city, where 180,000 new homes are being built (Figure 1.2). The central government is also teaming up in different projects with the Greater London Authority (GLA), London’s metropolitan government body, and the city’s business community so as to increase London’s commuting field by

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7 Although key-worker-specific schemes are still implemented by the government’s Housing Corporation (which works with local registered social landlords (RSLs) – also known as housing associations – to build shared-ownership, or part-buy part-rent, affordable housing) and the individual boroughs’ councils (usually through their arm-length management organizations (ALMOs).
improving accessibility in the broader London region. Crossrail is probably the most
telling and most ambitious of these projects. This is a £16-billion 74-mile urban rail
project which will run from Maidenhead in the west to Shenfield in the east (Figure 1.3).
This will allow greater dispersal of population and perhaps employment from Central
London.

Figure 1.2: Map of the Thames Gateway (Source: Department for Communities and
Local Government)

Figure 1.3: Map of the Crossrail project (Source: BBC News, 5 October 2007)
Besides the central government, a wide range of actors and institutions have been involved in attempting to mitigate this crisis, with a major focus on improving governance with respect to housing. Yet while all have an interest in seeing the housing question in London resolved, they all want to see it happen on their own terms. Metropolitan governance is on the agenda, but governance for whom? Central to understanding the problem is the politics of scale. The housing question is one that exercises numerous interest groups, embedded in structures of social relations at different spatial scales. On one level the financial services industry – embedded in the City of London – is concerned that the housing issue may make it harder to sustain growth in the future, either because the necessary workers cannot be attracted or, if they are, their wages have to increase commensurately. For London’s boroughs and the public service sector, attracting ‘key workers’ is problematic since they are paid according to a national scale and the ‘London allowance’ or ‘London weighting’ – a salary-supplement allocated to those working in Greater London and in its immediate vicinity, which decreases as distance from the city’s center increases – remains widely regarded as insufficient. Public services in some of the London’s boroughs are at risk of facing serious shortages of workers: “Public sector workers such as police, teachers, nurses and firemen cannot afford to buy property in two-thirds of UK towns […]. The biggest gap between average wages of public sector workers – often dubbed key workers – and house prices was in London”, according to a 2006 study by Halifax Bank” (BBC News online, 28 July 2006). Finally, there is the national government for whom London is seen as a crucial element in the national economy. Hence since the early 2000s it has been prioritizing housing as an issue to be addressed through various policy schemes since the early 2000s. But not all
British Members of Parliament (MPs) agree that the way to go in promoting growth is to rely on financial services. Many of them, mainly from outside of the London metropolitan area, would argue that it might be time for the British government to revert to a politics that supports industry and the provinces as much as London and its finance-based economy.

In understanding London’s housing problem and the ways in which different stakeholders may address it and cope with it, there are also supply constraints to consider. These vary across space and are a clear further indication of the politics of scale to which the metropolitan area has been subjected. The role of the surrounding greenbelt in forcing up housing prices in British cities has been known for a long time (Hall et al., 1973). There are also problems in converting sites within the built-up area into housing. London consists of the City of London and thirty two boroughs, each of which has control over land use planning, including the granting of planning permission for new housing developments. Particularly in the more affluent boroughs, there has been a marked reluctance to grant that permission; where it is granted, there have been tendencies, again particularly in the wealthier boroughs, to not insist, as indeed they have the power to, on the provision of some affordable housing in new residential projects despite pressure to do so. This may be a result of NIMBY-ism – ‘not-in-my-back-yard’ politics – (Barlow, 1995); but it could also be resistance from developers who have to allow for the higher cost of land in the wealthier parts of the capital. The consequence, though, is clear: boroughs encounter difficulty in hiring key workers, as mentioned before. For them, the result is a classic prisoner’s dilemma. All boroughs require key workers but they try to externalize their housing needs onto others, as the Member of Parliament (MP)
representing one of those wealthier inner boroughs admitted during an interview. In brief, and as summarized by another one of the people I interviewed, some boroughs, especially the inner ones with limited amount of land to be developed (Figure 1.4), are, as far as planning and housing are concerned, currently following what is known as a “BANANA rhetoric”: ‘Build Absolutely Nothing Anywhere Near Anything (or Anybody)’; hoping that neighboring boroughs will provide the very-much-needed housing units instead.

Figure 1.4: Administrative map of London (reproduced and adapted from Ordnance Survey map data by permission of the Ordnance Survey © Crown copyright 2001)
From the standpoint of facilitating a housing supply adequate to the continuing growth of London as a whole and its reproduction as a so-called global city, therefore, there is clearly a problem of metropolitan governance. It is here that the Greater London Authority (GLA) – a democratically elected assembly created in 1999 alongside the position of Mayor of London – enters in. London used to have a very active and quite powerful metropolitan government called the Greater London Council (GLC). This existed from the 1960s until 1986, when then-Prime Minister Margaret Thatcher abolished it. She viewed it as too-powerful an urban government and one which was led, not coincidentally, by her political opponents from the Labour Party. Significantly, the GLC shared planning powers and housing responsibilities with the individual boroughs.\(^8\)

The GLA was reinstated as a metropolitan government for London in 1999, with the purpose of, among other things, coordinating local economic development policies in a very politically and administratively fragmented city. Through national legislation, its prerogatives with respect to the land use planning decisions of the individual boroughs are being widened. Hitherto, for developments of a minimum size, the Mayor has been able to reject borough approvals on the grounds of failure to include sufficient affordable housing units. As ratified by the House of Commons, and after receiving Royal Assent in October 2007, the Mayor of London has now gained metropolitan-wide positive statutory land use powers from the national government to override borough refusals of planning permission (according to the GLA Act 2007). The London Assembly has received scrutinizing powers and is supposed to monitor the Mayor’s decisions with regard to

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\(^8\) This is quite apparent and important in the work that Young and Kramer (1978) did on the opening up of London’s suburbs in the 1960s-1970s.
planning and housing in particular, in addition to two other strategic areas, namely health and the environment.

The business community has its own anxieties about London’s rising housing costs. These are illustrated by the stories disseminated in particular by the financial services sector of a possible crisis of profitability of London’s businesses due to the housing crisis (Massey, 2007). Accordingly it has been quite supportive of the empowerment of the GLA in this way. This is also the case with the City of London Corporation, the financial district’s local government body. The business community is part of the politics of scale investigated in this research, and accounts for, in large part the desire of the GLA to act upon the housing question (as developed in the Mayor’s London Plan, 2004) and the willingness of the national government to go along with the new governance arrangements. However, although there is a wide consensus in Whitehall that London is a crucial element in the national economy – if not the main driver of the British economy – not all British Members of Parliament (MPs) agree that the way to go in promoting growth is to rely on financial services. Again, as stated before, the concern is that industry has received short shrift and that if London’s economy stagnates, at least a little, that might not be such a bad thing; rather the national government should pay more attention to the provinces and to manufacturing industry.

In closing, the above discussion of those different groups who have strong interests in solving London’s housing question suggests that the politics of London and of global cities in general are embedded in wider sets of relations, across space and at different scales. These not only include the global realm of their economic activities and the smaller jurisdictional entities within their boundaries – such as neighborhoods or
1.2.2 Analyzing the London question beyond a standard global city account: going back to the accumulation process and the production of geographically uneven development

As discussed above, there is a housing crisis in London today, and many are affected by it in different ways. But the question remains: Why is there a housing crisis in London? In other words, before understanding what is to be done to solve it, it seems important to identify and explain the root of the problem, the reasons for this hyper-growth of London. One of the latter considerations in the previous section points to the fact that the concentration of workers, firms and profits in Greater London has to do precisely with the development of London and its financial sector at the expense of other regions of the United Kingdom and at the expense of British manufacturing. Some might analyze this from the vantage point of global city theory and the increasing importance of a few cities as the nerve centers of the world economy owing to the concentration of the production of global financial services there; London is clearly one of these global financial nerve centers. But global cities only emerged as such in the 1980s, alongside the financialization of the world economy, whereas the roots of the polarization between ‘London and the rest of the country’ are much older. I will argue in this dissertation that they lie to a great extent in the changing balance of class forces between industrial and financial capital since the nineteenth century. The relation between financial and industrial capital in Britain and its most pronounced spatial expression – ‘London versus
the rest of the country’ – has extremely deep historical roots. These cannot be understood outside of a peculiar geo-historical context that goes back to the world-wide connections in both trade and finance that Britain was able to forge in the course of the nineteenth century, both within and outside its empire.

Among other things, this signals the importance of taking a geo-historical approach of broad scope, both temporally and spatially, to understanding the hyper-concentration of people and profits in and around London beyond what I refer to as a rather standard global city account. What I mean by the latter is an approach that emphasizes first and foremost the development and increasing importance of finance in global capitalism since the 1980s and the peculiarities of its spatial organization compared to other advanced producer services. This includes its clustering in very few urban nodes, like London, that have been identified as global cities (Sassen, 1991). Although the deregulation of financial markets in Britain in the 1980s – culminating with the 1986 financial ‘Big Bang’ – undoubtedly played a role in the rise of London as a, if not the, major world financial center in the past couple of decades, one cannot make sense of the city’s position in the international division of labor outside of a particular geo-historical context and of a particular national historical geography: a geo-historical context, furthermore, at different geographical scales and one which has roots extending a long way into the past. Various contingencies and space-time juxtapositions contributing to the development of particular historical geographies of accumulation have played an important part in this evolving configuration, as will be developed in this dissertation. These include, and quite importantly: the disconnection between industrial and financial capital owing to the historically peculiar nature of financial capital as embodied by City
banks; the increasing dominance of financial capital relative to industrial capital over time; the related rise and concentration of financial services in the City; the decline of Britain’s old industrial centers to some degree independently from the rise of financial services in London; but also the juxtaposition of London’s growth to the independent growth of Southeast England based in particular on a successful restructuring of its industrial base in the post-World-War-II period. All these – and other forces, conditions and seemingly random events that will be discussed in this dissertation – have contributed to the production of particular historical geographies of accumulation that have led to the production and reproduction of London as a global city. They all require careful examination and ought to be understood in the light of the logics of capital as they unfold within particular ensembles of space-time constraints and possibilities.

Today’s London question, including the issues the city’s economy faces in terms of labor reproduction, has to be understood as a phase in a history of periodic reconstitution as a different kind of ‘global city’. This has occurred under distinct sets of conditions and forces relations that are very peculiar to the London and British geohistorical contexts. Accordingly it is a history of the production of a global city – more accurately an historical geography – that has little to do with the conditions important in the case of New York or of Tokyo for instance. Therefore the conditions for its reproduction, the set of forces that constrain or facilitate the suspension of the contradictions that affect and condition the reproduction of London will be different from the ones found in other so-called global cities. In other words, and to conclude, while global cities express particular positions in an international division of labor (e.g. London and its financial services versus Silicon Valley and ) and also in a scalar division of labor
(e.g. both London and Leeds are financial centers but only London is a global city), they have been long in formation, and cannot to be understood in isolation from particular historical geography of accumulation and all the conflicts behind its production and transformation. This will be illustrated in this dissertation by an examination of the case of London.

1.3 RESEARCH QUESTIONS, STRATEGY, AND SIGNIFICANCE

1.3.1 Research questions

The broad research question underlying this dissertation project is that of London’s housing crisis as an aspect of a broader ‘London question’: its hyper-growth within a very polarized British space economy, the tensions that it has generated at multiple scales, and the new governance structures that have been emerging to cope with it. Two main questions have guided this research: First, how does one make sense of the huge concentration of people, (particular) economic activities and profits in London, its wider metropolitan region, and Southeast England at large, and the subsequent problems that this has produced in terms of the reproduction of labor in the area, and without resorting to a standard world/global city account? Second, how does one explicate the particular governance arrangements and peculiar politics of scale that have been emerging out of the necessity to solve issues of the reproduction of labor that threaten to inhibit London’s continuing economic growth? As will be discussed in Chapter Five, these new governance arrangements have been controversial and one of the ways in which they have been contested is precisely through a particular politics of scale. More broadly, the
politics of scale will emerge as a crucial analytical tool in understanding the production and reproduction of so-called global cities given that they are always intertwined within wider sets of spatial and scalar relations and wider geographies of uneven development.

1.3.2 Research strategy

With respect to the housing question and the related one of governance – the departure point for the research discussed in this dissertation – I conducted fieldwork between September 2006 and August 2007, followed by several months of post-fieldwork analysis between September 2007 and March 2008. Further analysis then inevitably led to further reconceptualization of the issues under investigation. The purpose of the fieldwork research was in part to gain in-depth knowledge of the housing policies implemented by and on behalf of different configurations of agents; and also in part to start building an understanding of the politics of scale underlying the strategies aiming at mitigating the housing crisis, particularly the introduction of new governance arrangements. It was during this phase of my research that I realized that before comprehending how the current housing crisis was being dealt with, I needed to understand how this situation had occurred; i.e. the history of the housing crisis. This is how I came to explore the historical geography of the London question. In this way I hoped to understand the forces, often of a historically global nature with long historical roots, that have conditioned the construction of contemporary London as a global city and, furthermore, contributed to its subsequent issues of labor reproduction, including the housing crisis. This led me to survey mainly two bodies of literature.
First, I reviewed the growing body of work that has been produced since the 1980s on so-called ‘global cities’, alongside an even wider and older literature on so-called ‘world-cities’. The latter is a more encompassing category of cities that emerged in the 1960s in the field of geography, as will be discussed in Chapter Two. However, it appeared that none of these literatures allow for a satisfying explanation of the hows and whys of the greater London area’s contemporary and overwhelming demographic and economic weight in the British space economy. This is in my view and in great part because of a common misconception of the accumulation process and class issues in both literatures. These literatures typically fail to acknowledge the centrality of the accumulation, as a class relation, in understanding the production and reproduction of world or global cities. The world city literature overwhelmingly focuses on patterns of power or, rather, of corporate command. It investigates, for instance, the clustering of corporate headquarters, of research and development firms, information and communications flows between various cities across the world. To the extent that the economic puts in an appearance it is in terms of exchange relations. The global city literature is more promising in this regard since it puts an important and rightful emphasis on the changing dynamics of the production process through its concern with the production of financial services. But to talk about production is not necessarily to talk about accumulation and all that it implies, as a re-investigation of the London case will show.

Second, I studied parts of the very extensive and more general literature on London and Britain’s political economy. This was in order to understand, first, the geo-historical peculiarities and path-dependencies that explain London’s position in today’s
international division of labor; and second, the associated problems that its reinvention as a global city since the 1980s has produced in terms of the reproduction of labor. This helped to put the accumulation process and class back at the center of global city politics, shedding light in particular on the changing balance of forces between different fractions of capital in Britain over time, through a financialization and internationalization of the British economy in general as well as the spatial concentration of economic activities and of profits within the British space economy, more precisely within London. I was able to carry out most of this archival work through my position as a research assistant for a project called DEMOLOGOS. DEMOLOGOS – “Development Models and Logics of Socioeconomic Organisation in Space” – was a Specific Targeted Research Project (STREP) under the European Commission Framework-6 Programme, coordinated by the Global Urban Research Unit (GURU) at the School of Architecture, Planning, and Landscape, at the University of Newcastle-upon-Tyne in the United Kingdom.9 My empirical and theoretical work for this project was centered on London’s logics of socio-economic development since the nineteenth century.

For the fieldwork part of this project I used intensive qualitative methods. This was justified by the objective of understanding the processes and power relations involved in the various attempts at solving the housing crisis.10 I relied mainly on archival research and semi-structured in-depth interviews, alongside informal conversations. The first phase of fieldwork involved reviewing official policy documents,

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9 The DEMOLOGOS website is located at: http://demologos.ncl.ac.uk. The project’s contract number CIT2-CT-2004-505462.
10 Some quantitative data obtained mainly but not exclusively through Britain’s Land Registry and the United Kingdom Census were also used in this research, as they help to shed light on the variegated geography of the housing crisis.
newspaper archives, and various reports from think-tanks, planners, consultants, the GLA, and central and local government officials. These helped me to assess the land use planning issues, how they affect the supply of affordable housing, and the political and social cleavages involved. During this period, I met with several scholars in Britain as well as London-based activists; this was during informal meetings as well as in more formal settings, such as conferences and workshops. They helped me to understand what the general issues in the research area were, and gave me direction regarding what to look for and where to look for this information. This phase of the research occurred between September 2006 and July 2007 and overlapped with the following phase.

In the second phase of the fieldwork I conducted a series of semi-structured interviews between June 2007 and September 2007. These aimed at understanding how different actors have approached the housing crisis as much as the solutions to it envisaged or already implemented. Some of the key informants included: government officials; GLA policy managers who are involved on a day-to-day basis in developing solutions to the housing crisis; boroughs’ elected representatives at the GLA (from different political parties, and representing very different constituencies from a socio-economic standpoint); registered social landlords (RSLs); delegates from the London Council of Tenants; senior policy consultants specialized in housing issues (working together with public authority and businesses); local political representatives – Members of Parliament11 (MPs) and councilors – and policy officers in Hammersmith and Fulham as well as in Tower Hamlets, two London boroughs with very different socio-economic profiles and land availability.

11 The MPs who were interviewed were from the two major political parties in the United Kingdom, i.e. from the Labour Party and from the Conservative Party.
Before conducting each interview, I designed basic open-ended questionnaires, with some variations in the questions depending on who I was going to be talking to, and depending in particular on the interviewee’s function. This included questions that were meant to help me arrive at answers to the following sorts of questions: Who from within London has been pushing to give the GLA its widened powers? Why have the boroughs, particularly the outer ones, been so unwilling to cooperate in a policy of providing more affordable housing given the constraints on hiring public service employees that they face? Why has the national government seen fit to grant the GLA its increased powers with respect to land use planning? Why has London experienced difficulty in expanding at its edges in order to accommodate more people?

The selection of interviewees was made according to a snowball process. The initial contacts I made were through three people who proved to be very important in guiding me through the fieldwork part of this doctoral project, and to whom I remain very grateful. First and foremost, Louanne Tranchell, a former borough councilor for Hammersmith and Fulham and a long-term activist, whose deep concern for the city where she has spent most of her life only compares to her knowledge of decades of urban policies and urban politics in London. She introduced me to a couple of key informants the very first day I arrived in London for a longer stay. I had met Louanne at the INURA conference in London two weeks before that. After several informal discussions about my dissertation project, she had offered to host me for a couple of weeks in her London house, so that I would have time to find something “affordable and decent” – an increasingly rare thing in London – for the remainder of my fieldwork time there. The many informal discussions that we have had since then, in person or by email, have been
feeding my fascination with London ever since. Second, Michael Edwards, from the Bartlett School of Planning at University College London, also proved to be an important intermediary. His knowledge of London’s planning issues and involvement in urban activist groups there helped me to identify some of the major issues at stake in terms of housing in London today, and some major actors involved in this housing crisis. Third, John Tomaney, from the Department of Geography at the University of Newcastle-upon-Tyne recommended me to a key GLA policy official as well as to a corporate partner of the consulting firm PriceWaterhouseCooper, who advises local governments on housing issues. Last but not least, I initiated contacts directly with Members of Parliament for some London boroughs. They not only made themselves quickly available for answering my questions but also provided me with the names and contact information of further informants – when they did not make the phone calls themselves to ensure that I would get an interview – which got the snowball process going.

The third major phase of the fieldwork part of the research project corresponded to the transcribing and analysis of interviews, as well as their triangulation (Flick, 1998; Fontana and Frey, 2002) with information and data previously collected through archival research and discussions with various scholars with a knowledge of London history and geography and/or world and global cities, as indicated above. This phase overlapped with the second one, the ‘interview phase’ (June-August 2007) and lasted until March 2008. I started the transcribing process while I was still in the field and still conducting interviews. I chose to do so, usually in the evenings, so as to identify recurrent issues in a timely manner, i.e. so as to be able to use the issues by previous interviewees in further interviews. This is how and why my questions tended to change over time, as some issues
appeared as more pressing or more crucial than others. In particular, this is how I came to identify governance and “meta-governance” – referring to “the organizations of the conditions for governance” (Jessop and Sum, 2006) – as fundamental issues in understanding London’s housing problem and the apparent inability to solve it.

In the post-fieldwork period, I resumed archival research in order to deepen my understanding of that historical geography of the accumulation process in Britain that had led to the production of London as a global city. It appeared to me as essential to an understanding of how it is being reproduced and the issues surrounding this reproduction, such as issues of labor reproduction – as they are expressed in particular through the contemporary housing crisis – but also the regional tensions that are exacerbated as a consequence of this reproduction process, expressed in particular through the ‘North-South divide’ debate. It is also in this post-fieldwork phase of analysis of my data that I realized that ‘the London question’ is embedded into a wider regional question through its juxtaposition to the independent growth of Southeast England, within which London is located. As a consequence, ‘thinking regionally’ started to play a significant role in refining my critical re-evaluation of global city theory through an investigation of the case of London.

1.3.3 Practical significance and contribution to political and economic geography

In the first place this research has clear practical significance. This was made very clear as those interviewed expressed a great deal of interest in my research and desired to be informed of the results. The contribution to theory, however, has to do with two bodies of literature that are brought together here: on the one hand, the global city literature, and,
on the other hand, the literature on the politics of scale. Through an investigation of the geohistorically-rooted reinvention of London from a world financial center from the nineteenth century onward, and then into a global city from the 1980s onward, this dissertation contributes to an understanding of the construction of global cities as the outcome of an accumulation process embedded in particular historical geographies, especially but not exclusively national historical geographies. A major objective of this dissertation is to spatialize global city theory beyond its emphasis on the space of competition, by bringing back the accumulation process to the center of our analysis: the accumulation process as it unfolds within particular sets of space-time relation, conditions and constraints. In that respect, the concepts of scale and the politics of scale are very useful in understanding how global cities are always embedded in wider sets of socio-spatial relations that needs to be managed if they are to be reproduced, as illustrated by the case of the London housing question.

At a more abstract level, the research underlines the importance of state structure and state-capital relations to understanding the political geography of global cities and the production of uneven geographic development. On the one hand, the centralized character of the British state is fundamental to what is unfolding. The sort of central intervention that is occurring in the United Kingdom with respect to London is unthinkable in the radical separation of powers, both territorial and otherwise, that is the American state. This itself is a contribution since the role of the state is paradoxically very under-theorized in the literature on the politics of local and regional development toward which my dissertation contributes. On the other hand, particular state-capital relations ought to be taken into account here as well, as a comparison between Britain
and France tends to indicate in Chapter Six: both have very centralized states, but their politics of local and regional development, including with respect to their respective global cities – London and Paris – are different.

1.4 PLAN OF THE DISSERTATION

This dissertation is organized around five core chapters beside the introduction (Chapter One) and a chapter devoted to some conclusions (Chapter Seven). I will now outline the content of and major arguments underlying these core chapters.

Chapter Two of the dissertation constitutes a critical assessment of the world and global city literatures. As discussed by these literatures, global cities, including London, have a very privileged position in the international division of labor; they act as the nerve centers of the global economy. However, I will argue that the literatures in question do not allow a full grasp of why this is the case. In particular there is a characteristic neglect of the deep-rooted geohistorical material conditions that have come together as necessary to the production of the global city of London, to the transformation of London from an imperial capital into a world city, and then to a global one. An explanation of ‘London as a global city’ or of the production of any global city requires that more attention be paid to the particular historical material conditions of this production. Their existence should not be taken for granted. More specifically, a key argument in this chapter is that there is a need to resituate these cities and their politics with respect to the accumulation process and its geohistorical conditions. By situating so-called world or global cities with respect to the capitalist production process, i.e. the accumulation process, new light can be shed on their production and continuing reproduction. This is something that the world and
global city literatures have tended to neglect and wrongly so, in my view. I will highlight in particular three essential contributions to an understanding of the historical geography of world city formation and reproduction: the role of happenstance juxtapositions in understanding historical geographies of accumulation; the geopolitical nature of the formation of that historical geography owing to the contradiction between fixity and mobility of capital; and the role of agglomeration and agglomeration economies in understanding the concentration of financial services in global cities.

Accordingly, I argue that in order to make sense of the London area’s various positions in the international division of labor, as well as the growth they have stimulated, one has to go beyond a standard global city account. The same applies to the problems that that growth has created for the reproduction of labor, including the shortage of affordable housing, as it will be discussed later. Not least the particular qualities of London as a global city have to be situated with respect to a historical geography that goes back well into the nineteenth century. This is the focus of Chapter Three. The growing dominance of finance capital over industrial capital in Britain is inseparable from the rise of London as a major financial center and, ultimately, as a global city. However, I argue in Chapter Three that there was nothing intrinsically inevitable about the rise of finance capital and the relative decline of industrial capital. Rather it occurred against the backdrop of a number of particular space-time juxtapositions characterized by a strong chance element; what Massey has referred to as “happenstance juxtapositions” (Massey, 1992; 2005). These include, for instance, the fact that Britain was the first country in the world to experience an industrial revolution and that, arguably, it became a victim of its early lead. They also include the fact that the City of London has benefited
from a succession of finance-related activities whose concentration in London also had a random element about it. Therefore, the chapter emphasizes three dominant and interrelated themes. The first of them is the conflict between financial and industrial capital in Britain around issues like the protection of industry and the devaluation of the pound sterling. A second overriding theme is the way in which various contingencies worked to the advantage of financial capital, providing it with new advantages over time. The third and final key idea here has to do with the way in which success in the struggle against industrial capital and the contingencies that worked to the advantage of financial capital allowed a growth in the body of expertise in the City of London. This promoted certain economies of agglomeration, as the City became the place to be for foreign banks, for example, and, in virtue of the access to capital that it provided, the place in which to try to raise money either through bonds or public offerings for major foreign investments. With the arrival of more firms, increased specialization has occurred. This in turn has facilitated innovation and the development of new financial products that embody the interaction of more specialized sources of expertise, experience and ideas.

Chapter Four focuses on the juxtaposition of London’s growth to the independent accumulation dynamics of its surrounding region to produce a wider regional problem. I argue in particular that London as a global city, its hyper-growth, and the problem that expansion faces today – as illustrated, for instance, by the housing crisis, which will be investigated in more detail in Chapter Five – have to be understood against the background of geographically uneven development in Britain in general, and in particular in relation to the growth of its own surrounding region in Southeast England. In other words, the London question is to be understood against the backdrop of London’s
regional problem. The discussion examines the changing geography of uneven geographic development in Britain since throughout the nineteenth and twentieth centuries, and explains how the Greater Southeast has become the growth pole that it is, in particular through the successful restructuring of its industrial base, independently from London’s accumulation dynamics. The growth the Greater Southeast juxtaposed to that of London, has contributed to the polarization of the British economy and to the development of regional tensions and a regional question often framed in terms of the ‘North-South divide’. This points to the need to contextualize the growth of so-called world or global cities with respect to broader geographies of uneven development.

One implication of the wider regional problem discussed in Chapter Four is that London has difficulty externalizing its housing supply problems to surrounding cities since they already face problems of provision of their own. Chapter Five precisely turns to the London housing question and the ways in which it is being addressed and mitigated. The Chapter presents empirical findings of research conducted on the new governance structures that have emerged out of the necessity to solve London’s housing crisis from the standpoint of multiple stakeholders. The chapter comprises a discussion of how the multiplicity of actors and institutions at very different geographic scales with strong interests in London’s housing question have set up the conditions for a politics of scale. In addition to that, the difficulty London faces in trying to solve its housing crisis is rooted in its existing political arrangements or governance structures. I pay particular attention to the high degree of jurisdictional fragmentation of Greater London, the limited fiscal autonomy of London’s individual boroughs, and the impact of the highly centralized form of the British state on London’s housing question beyond the issue of
jurisdictional fragmentation. I argue that the juxtaposition of the above constitute a set of conditions and forces that limits the degrees of freedom within which potential solutions to the housing crisis can be sought.

Chapter Six introduces a comparative dimension to the study of the development of London into a global city within a very uneven national space economy. I argue there that state forms, national forms of capitalism – including the relation between the state and capital – and how these have been reproduced and/or transformed in the context of struggles within civil society, make a difference in understanding the variability of the politics of local and regional economic development in the two countries in general, and in particular with respect to the two global cities and their respective city-regions. A major objective of this chapter, and as I try to highlight consistently throughout the dissertation, is to emphasize the ways in which the logics of capital in general, and the relation between the state and capital in particular here, unfold within particular ensembles of space-time constraints and possibilities, which produce variegated historical geographies of uneven development. These include the formation of particular global cities or global city-regions and particular sets of tensions around their reproduction.
CHAPTER 2

WORLD/GLOBAL CITIES AND THE LOGICS OF CAPITAL: A REASSESSMENT

2.1 INTRODUCTION

You wake up in the morning and make yourself a cup of Colombian coffee. You then go to work where you use a computer made in South Korea using software written in India. Afterwards, you decide to have lunch at an Ethiopian restaurant. On your way home after work, you stop for a newspaper sold at a store run by a Chinese family and buy some bread from the French bakery in Italian Village. In the front page of the paper you read that carbon monoxide production in Mexico City may cause flooding in Bangladesh, that currency devaluation in the Philippines might mean cheaper clothes in the United States and that the level of poverty in Lebanon has dramatically increased in the last five years. At the end of the day, you take your shoes off (made in China) and sit down on your couch (made in Sweden) and drift to sleep dreaming of a beautiful beach in New Zealand. You are in Columbus, Ohio, but you have had a very ‘global day’, very likely without thinking to much about it as a ‘global day’. We do live in an increasingly interconnected
and global world, and scholars across the social sciences have picked up on that for several decades now, writing copiously about it. A major corollary to the profusion of writings about globalization has been the abundance of works on cities and globalization, as we also live in an increasingly urban world.

Globalization is seen as a major factor of change in urban life, whether in economic, political, cultural, social or environmental terms. Since the early 1990s, many urban phenomena and processes have been re-thought through a ‘global’ framework, from governance (Brenner, 1998; 1999) to real-estate (Haila, 2000), from architecture (King, 2004) and the built environment (Beauregard, 1991) to social polarization (Fainstein et al., 1992; Hamnett, 1994) and immigration (e.g. Samers, 2202; May et al., 2006; Massey, 2007), among other issues. Two major types of cities – similar although differentiated in the literature – have emerged from and laid the foundations of the current scholarship on globalization and cities: the world city (Hall, 1966; Friedmann and Wolff, 1982; Friedmann, 1986; Knox and Taylor, 1995) and the global city (Sassen-Koob, 1984; Sassen 1991; Sassen, 2006). Both concepts have in common a strong emphasis on their links with the global arena, with other major nodal urban points in the world, through various kinds of networks and flows. Therefore, an important focus of this literature is on the sphere of exchange and mobility, particularly from an economic or cultural perspective. Another major emphasis of these literatures is the economic structures and economic bases of their respective sets of cities. While the world city literature classifies the level of ‘world city-ness’ of various urban centers throughout the world with reference to the importance of advanced producer services in their economic bases and the number of corporate headquarters among other things (Knox and Taylor,
1995; 2004), the dominance of financial services and flows of invisible revenues is a crucial characteristic of the global city (Sassen, 1991). However, this is not enough to define a city as a global one: it has to be a global financial center, i.e. a nerve center of the global financial economy (Sassen, 2006). The same applies to world cities: a *sine qua non* condition for cities to be placed at the top of the global urban hierarchy is their level of command of the world economy, in particular through various advanced producer services.

London is all of these. It is consistently ranked as an ‘alpha city’ in various world city classifications, and is a model of the global city – one of very few. It is a world financial center: a main nerve center of the global financial economy. It has a very privileged position in the international division of labor, though I will argue, that the literatures in question do not allow a full grasp of why this is the case. In particular there is a characteristic neglect of the deep-rooted geohistorical material conditions that have come together as necessary to the production of the global city of London, to the transformation of London from an imperial capital into a world city, and then to a global one. I will endeavor to provide some insights on that topic in Chapter Three. In short, an *explanation* of ‘London as a global city’ or of the production of any global city requires that more attention be paid to the particular historical material conditions of this production. Their existence should not be taken for granted. More specifically, a key argument in this chapter is that there is a need to resituate these cities and their politics with respect to the accumulation process and its geohistorical conditions. In this chapter I argue that by situating so-called world or global cities with respect to the capitalist production process, i.e. the accumulation process, new light can be shed on their
production and continuing reproduction. This is something that the world and global city literatures have tended to neglect and wrongly so, no matter how appealing their narratives are to the booster activities of policy-makers across the world.

The first major part of this chapter will provide a brief overview of seminal works in the world and global city literatures as well as their ‘extensions’, such as the emergent literature on global city-regions. The second part will then shed light on the limitations of these literatures from the standpoint of understanding the production of particular world or global cities, including London, the global city that is at the heart of this dissertation. I will put particular emphasis on the necessity to bring back some major aspects of the logics of capital to the center of our study of world/global cities. These include the capitalist production process and the class relation, both historical and geographical nature. I will highlight in particular three essential contributions to an understanding of the historical geography of world city formation and reproduction: the role of happenstance juxtapositions in understanding historical geographies of accumulation; the geopolitical nature of the formation of that historical geography owing to the contradiction between fixity and mobility of capital; and the role of agglomeration and agglomeration economies in understanding the concentration of financial services in global cities. The third and final part will provide some interim conclusions that will form a conceptual framework for the remaining chapters of this dissertation.

2.2 THE WORLD AND GLOBAL CITY LITERATURES

Cities are increasingly the key sites of capitalism in its contemporary form (Harvey, 1973; 1996). And from the standpoint of world city theorists, it is the restructuring of
global capitalism that has led to and justified the emergence and elaboration of the concept of ‘the world city’ – and later on ‘the global city’ – as a key concept in urban studies. As argued by Taylor, “the world city literature as a cumulative and collective enterprise begins only when the economic restructuring of the world-economy makes the idea of a mosaic of separate urban systems appear anachronistic and frankly irrelevant” (Taylor, 2003: 21). In the following section, I will briefly review the genesis of these concepts through the seminal works of founding authors as well as the direction(s) in which they are expanding. I will put particular emphasis on their recent rescaling through the developing body of literature on ‘global city-regions’ (Scott, 2001).

2.2.1 The foundations: the ‘world city’

Although most of the literature on it is less than two decades old, the concept of world city is not such a new one. It has an historical legacy that dates back to the early works of Geddes (1924) and Hall on “the world cities” (1966) or Braudel on the “villes-monde” (1979) for instance, who all refer to ‘world cities’ that are transhistoric to a degree (in particular in Braudel’s writings). For Hall, in 1966, world cities are:

“[…] usually the major centres of political power. They are the seats of the most powerful national governments and sometimes of international authorities; of government agencies of all kinds. Round these gather a host of institutions, whose main business is with government: the big professional organizations and the trade unions, the employers’ federations, the headquarters of major industrial concerns. These cities are the national centres not merely of government but also of trade. Characteristically they are great ports, which distribute goods to all parts of their countries, and in return receive goods for export to the other nations of the world […]. Traditionally, the world cities are the leading banking and finance centres of the countries in which they stand. Here are housed the central banks, the headquarters of the trading banks, the offices of the big insurance organizations and a whole series of specialized financial and insurance agencies” (Hall, 1966: 7).

Although nowadays the ‘political’ dimension in the sense of world cities as the sites of formal political power or the sites of national government offices, is not a dominant
characteristic of the world city, since many of those cities now defined as world cities are not necessarily capital cities (e.g. New York) – Hall’s early work provided the foundations for the development of a vibrant scholarship. Particularly seminal were the contributions of Friedmann and Wolff (Friedmann and Wolff, 1982; Friedmann, 1986). Their definition of world cities is heavily based on an economic interpretation of power. This puts emphasis on the functions of command and control of the global economy located and concentrated in certain cities. For Friedmann and Wolff, a crucial component of ‘world city-ness’ is the position of a city in the new international division of labor. This position is determined in particular by the number of corporate headquarters – headquarters of multinational corporations especially – located there. The world economy is seen as being increasingly global rather than international and articulated through transnational networks of key urban nodes rather than through a system of national economies as under the ‘old order’, i.e. a less integrated and interconnected world economy.

Therefore, a city like London that was a world city in Hall’s terms (see citation above) owing to its political imperial status in addition to its position as a world financial and trade center, was still a world city in the 1980s and beyond as per Friedmann and Wolff but for different reasons. What makes London a world city today is the location and embeddedness of international capital – or rather multinational corporations that have the power to organize global markets – there:

“Even imperial London, ruling over an empire ‘where the sun never sets’, controlled only portions of the world. The present transnational system of the space economy, on the other hand, is in principle unlimited. […] The world economy is no longer defined by the imperial reach of a Rome, a Venice or a London, but by a linked set of markets and production units organized and controlled by transnational capital. World cities are a material manifestation of this control, and they occur exclusively in core and semi-
peripheral regions where they serve as banking and financial centres, administrative headquarters, centres of ideological control” (Friedmann and Wolff, 1982: 311-312).

This allows another connection to be made. For as indicated by the above quote, Friedmann and Wolff’s work in the 1980s was heavily influenced by Wallerstein’s world-system theory (1974; 1980). According to this, power in the capitalist world economy is essentially located in a set a countries defined as core countries, and, to a lesser extent, in another set of so-called semi-peripheral countries. Similarly, key to Friedmann and Wolff’s “world city hypothesis” is the idea of an urban hierarchy; an urban hierarchy of command and control that has emerged out of the restructuring of the global capitalist economy, with so-called world cities at the top.

An important limitation of this founding work though was that it took the location of multinational firms’ headquarters in these particular so-called world cities for granted. One was left to wonder exactly what the precise conditions might be. Many within the abundant world city literature that has developed since then have worked toward overcoming this lacuna. Organized to a large extent through the institutional and intellectual leadership of GaWC – the “Globalisation and World Cities” network12 – the world city literature now provides a very large pool of studies of the different factors that explain the location of transnational corporate headquarters in particular cities. These include, for instance, airline networks (Derudder et al., 2008), patterns in the professional migration of highly-skilled workers (Beaverstock, 1999) or inter-city connectivity (Taylor et al., 2002).

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12 GaWC is a network-based community of scholars who do work on world/global cities; the network is coordinated via the University of Loughborough in the United Kingdom.
Most importantly, and adding to and refining the work of Friedmann and Wolff, many scholars have emphasized the role of advanced producer and financial services in locating power in particular cities in the world, and so in determining their rank in the urban hierarchy of world cities. Cohen (1981) argued in particular that with the development of multinational corporations these services – such as corporate law, accountancy, and consulting – have become crucial to business operations in a globalized environment. Because of the strong clustering tendency that characterizes these activities (Thrift, 1987; Daniels, 1991; Moulaert, 1991; Taylor and Walkers, 2001) they are now concentrated in a few world cities, putting them at the top of the urban hierarchy (Lyons and Salmon, 1995). Beaverstock et al. (1999), for instance, provided one of the first comprehensive classification schemes, ranking cities based on the provision of advanced producer services such as advertising, accountancy, finance and legal services.

2.2.2 The ‘global city’ and its ‘global functions’

In the early 1990s, Sassen (1991) picked up on Cohen’s emphasis on the role of world cities as places where global corporate functions were being performed, and its implications for a role as a command center in an increasingly global economy. She elaborated on this idea, arguing that in today’s world economy where economic activities and markets are of global reach, there was an increasing need for centralizing corporate control and coordination functions – commercial and financial functions – in a few nerve centers in the world, in a few ‘global cities’. As she puts it in the introduction to her foundational book:

“A combination of spatial dispersal and global integration has created a new strategic role for major cities. Beyond their long history as centers for international trade and banking,
these cities now function as centers in four new ways: first, as highly concentrated command points in the organization of the world economy; second, as key locations for finance and specialized service firms, which have replaced manufacturing as the leading economic sectors; third, as sites of production, including the production of innovations, in these leading industries; and fourth, as markets for the products and innovations produced” (Sassen, 1991: 3).

Although Sassen’s global city resembles the world city discussed above, her understanding of the power embedded in these cities is different: what puts a global city at the top of the urban hierarchy of the global capital world is not the location of the headquarters of the multinational firms that control the global economy; rather, it is its capacity to produce commercial and financial services. These, she claims, are the new drivers of the global economy since the 1980s. The 1980s are a milestone in Sassen’s analysis because that was when the financialization of the world economy, long in gestation, really developed, in particular through neoliberal deregulation policies such as the famous ‘Big Bang’ of 1986 in the United Kingdom. So it is important to note here that according to Sassen, the emergence of these global cities is situated in time and was conditioned by a particular geohistorical material context: that of a financialization of the world economy, made possible through the development of information and communication technologies in particular: what Castells refers to as the development of “spaces of flows” (1989) in an “the information age” (1996).

London, New York and Tokyo are for Sassen the most representative of these global cities because they are the major sites of the production of business and financial services in today’s world. Most importantly perhaps, they are the most innovative sites for the development and production of new business and financial products, as well as the market for the consumption of these products given the very high level of agglomeration apparent in global cities: (e.g.) the reliance of banking on a series of other advanced
producer services such as legal services or consulting. Fainstein and Harloe (2000) describe the development of New York and London since the 1980s as the command centers of a new, post-industrial, global economy driven by financial capital:

“The early 1980s marked the beginning of a new stage in the development of London and New York. While other economic sectors were dispersing geographically, certain advanced service industries centring around financial activities intensified their presence in the centres of these cities. This intensification resulted primarily from the enlarged role of financial capital in co-ordinating the world economy and the extremely active deal making that accompanied this role. The decade witnessed the birth of new financial markets for the exchange of arcane financial instruments and the raising of huge pools of credit to underwrite speculative activities in property development, mergers, and leveraged buy-outs, as firms themselves became negotiable assets” (Fainstein and Harloe, 2000: 155).

Many have argued since Sassen’s original triptych of global cities that more cities are, somehow, global too, or in the process of becoming global cities, at least in certain aspects. Accordingly, Marcuse and van Kempen (1998), for instance, have preferred the term “globalising cities”, while Taylor (2004) has talked about “cities in globalization”. In the same vein, one could also add that some cities do perform ‘global city functions’ but only with respect to certain parts of the world: Miami, for instance, can be seen as ‘a world or global city for Latin America’.

Since the 1990s, an important body of work has been produced around the concept of ‘the global city’. Some have studied the transformation of the built environment due to its economic restructuring (Fainstein, 1990; Beauregard, 1991; Zukin, 1992), including gentrification (Hamnett, 2004); others have focused on socio-economic polarization (Fainstein et al., 1992; Hamnett, 1994), in particular as related to issues of labor markets (Sassen, 1995; Buck et al., 2005) and housing provision (e.g. Sassen, 1995; Massey, 2006; 2007 with respect to so-called public sector ‘key workers’ in London). Immigration (Samers, 2002; Massey, 2007) has also been increasingly on the
global city research agenda. The world and global city literature has also been expanding beyond the realm of the advanced capitalist countries and has started to direct its attention toward the global south through various empirical case studies that have questioned the paradigmatic models often based on studies of cities in ‘the West’, with the exception of Tokyo (e.g. Simon, 1995 on sub-Saharan African cities; Robinson, 2002; Olds and Yeung, 2004). Finally – although the list is far from being exhaustive of course, given the profusion of contributions since the 1990s – and going back to the original work of Friedman and Wolff, culture has been at the heart of global city research. Global cities are seen as key nodal points for the emergence, development and consumption of culture (Zukin, 1995; Scott 1997), including transnational cultures through increasing immigration (Massey, 2007). Culture is a major business of global cities: they are the sites of large concentrations of creative industries (Hall, 2000), as illustrated by the case of London (Pratt; 1997).

2.2.3 A rescaling of the global city? The ‘global city-region’

Since the early 2000s in particular, the concept of the global city has experienced a certain rescaling as the literature has increasingly addressed the ‘global city-region’ (Scott, 2001). The emergence of the latter is to be situated in a broader context of a rescaling or, rather, an ‘upscaling’ of urban issues and urban politics to the metropolitan and regional scale. Indeed, this whole vein of scientific contributions on city-regions and metropolitan regions has both echoed the contemporary concerns of local planning circles and policy-makers, and seduced them (González, 2006).
A distinctive feature of post-World-War-II urban politics in most advanced capitalist societies is the development of large and highly populated metropolitan regions or “mega-regions” (Florida, 2008) as integrated production spaces (Scott, 1988; 2001). These areas greatly benefit from agglomeration economies and are conceived as areas requiring integrated approaches to the governance of their further economic development (Swyngedouw, 1997; Knapp, 2003; Weiss, 2005). Examples of such urban regions can be found in North America – e.g. the Metroplex area of Texas linking up Dallas and Forth Worth; Southern California from Santa Barbara to San Bernardino and San Diego – as well as in Western Europe – e.g. the Randstad linking up Amsterdam and Rotterdam in the Netherlands; the Rhine-Ruhr region in Germany, the Ile-de-France around Paris in France, and London and the Southeast in Britain.

These city-regions are increasingly viewed as the new fundamental economic units or scales of accumulation (Storper, 1997; Agnew, 2000); and the bigger they are, the more advantages they have. These include large integrated labor markets, and in particular large pools of skilled labor (Veltz, 2005) which allow for high levels of innovation (Florida, 2008). This idea has been applied to the particular type of city that is under investigation here, the global city. Accordingly, this gave birth to the concept of the ‘global city-region’ (Scott et al., 2001). This concept puts great emphasis on the links between the global city and its broader regional hinterland, including other surrounding towns or cities. For Scott et al. (2001):

“[…] The concept of global city-regions can be traced back to the “world cities” idea of Hall (1966) and Friedmann and Wolff (1982), and to the “global cities” idea of Sassen (1991). We build here on these pioneering efforts, but in a way that tries to extend the meaning of the concept in economic, political, and territorial terms, and above all by an effort to show how city-regions increasingly function as essential spatial nodes of the global economy and as distinctive political actors on the world stage” (Scott et al., 2001: 11, emphasis in original).
More recently, and with explicit reference to Western Europe, the concept of the ‘global mega-city region’ has emerged, as “an area surrounding major cities that is becoming increasingly interconnected by advanced service networks” (Pain, 2005).

2.3 WORLD CITIES, GLOBAL CITIES AND THE LOGICS OF CAPITAL

The world and global city literatures provide valuable approaches to an understanding of the relationship(s) between urban development and the restructuring of global capitalism, particularly since the late 1960s-early 1970s. The post-1970s period has seen the development of “spaces of flows, the “network society” and the “information age” (Castells, 1989; 1996). These have, allowed for an increasing dematerialization and financialization of the world economy and the development of networks among a variety of nodal points in the world where advanced producer and financial services have become increasingly concentrated; i.e., the world and global cities. However, the world and global city literatures provide a limited set of tools for understanding why these world and global cities have become world and global cities; why are they the nodal points of the global economy? Why these particular cities? For instance, it is true that the rise of financial services in London has greatly benefited from the financialization of the world economy, but why has London become one of the command and control centers of global financial capital, and not another city in Europe, such as Amsterdam, Frankfurt or Paris?

In order to understand the production of particular world and global cities, I argue, we must reintegrate the logics of capital, a spatialized understanding of the logics of capital, to what I call a ‘standard global city account’. This standard global city
account would be one that focuses in particular on the importance of financial services in
global cities, while neglecting the particular geohistorical conditions and process(es) that
have led to their concentration there. As a result consideration of space and the meaning
of space for understanding their politics is often limited to the space of competition with
other global cities. In this part of the chapter, I argue that bringing the accumulation
process back to the center of our analysis of so-called world or global city through an
understanding of capital as a production relation that unfolds within a particular ensemble
of space-time constraints and possibilities rather than an exchange relation will allow to
shed new light on their production and continuing reproduction. I will stress the particular
importance of three major contributions to an understanding of the historical geography
of world city formation and reproduction. These are: first, the role of happenstance and
the random space-time juxtapositions that leads to the development of particular
historical geographies of accumulation (Massey, 1984; 1992; 2005); second, the
geopolitical nature of the formation of that historical geography (Harvey, 1982; 1985;
2000); and, finally, the role of agglomeration economies that help understand the
concentration of financial services in a few cities in the world, the tendencies to fixity due
to the creation of various embedded relations and tendencies towards increasing returns
to scale.

2.3.1 Capital as an exchange relation versus capital as a production relation

World cities are part of a capitalist development process. As discussed in the previous
section, they are profit-making machines. They are defined to a great extent with respect
to particular positions in the international division of labor. They have been connected to
the financialization of the world economy: their emergence and its material conditions are inseparable from the rise of financial capital subsequent to its liberalization from central bank control in the 1970s and the related elimination of capital controls in advanced capitalist countries. They compete with each other. So processes of capitalist development definitely shed light the development of world cities, as acknowledged by world/global city theorists indeed. However, this capitalist development process needs qualification here: is it one that depends purely on exchange relations and on competition for markets? Or does it extend to the sphere of production? The world city literature does not provide much insight on the latter and has remained focused to a great extent on the sphere of exchange and competition.

The world and global city literatures are based on a particular understanding of capital. Capital is understood as an exchange relation rather than as a production relation. In most of the world city literature, the emphasis is on what Castells (1989; 1996) has termed “spaces of flows”, e.g. flows of invisible revenues, transportation flows, migration flows …etc and on the position of different cities in the networks of exchange that structure these flows. Their emphasis on the sphere of exchange is illustrated by a recurrent focus on competition between global cities (e.g. Sassen, 1991; Gordon, 1999; Beaverstock et al., 2002; Sassen, 2006). A case in point would be recent writings about New York where emphasis is placed on the implications for that competition of the 2002 Sarbanes-Oxley legislation. Supposedly, through the increased level of regulation of listings on the American stock exchange in particular; this has tended to privilege new listings at the, more relaxed in regulatory terms, London Stock Exchange.
Because of this emphasis on the sphere of exchange, these literatures typically fail to acknowledge the centrality of the accumulation process, one at the heart of which is the class relation. The global city literature is somewhat more promising than the world city literature in this regard since it puts an important emphasis on the changing dynamics of the production process and changes in the international division of labor with the rise of financial services in a few major global centers. However, overall, reference to underlying accumulation dynamics remains quite marginal. Friedmann and Wolff’s (1982) arguments heavily rely on the location and concentration of transnational or multinational corporations in particular cities as a conditions for their ‘world city-ness’.

The common understanding of capital as an exchange relation in these literatures contrasts with capital as a production relation where the fact of wage labor, its exploitation and the concomitant accumulation process are central elements. Approaches that privilege exchange relations have a hard time recognizing the role of class relations in the politics of world and global cities. They struggle to integrate exploitation into their analyses and the class relation is often replaced by concerns with inequalities, gentrification, social polarization or income bifurcation, as indicated above. These concepts, albeit useful, eclipse the class relation as a central axis of investigation, by putting the emphasis on social strata – e.g. the ‘upper middle class’, the ‘working poor’ …etc – as highlighted in the works of Esping-Andersen (1993) for instance. But social strata are not social classes: their definition is based on socio-economic indicators, not on the idea of an exploitation of one class (the working class) by the other (the capitalist class). Social strata refer to fractions of the working class, who may ‘compete’ with each
other with a view to bettering their socio-economic conditions, in the workplace as much as in the living place.

Often in the world and global city literatures competition is the key concept – competition within cities, competition among cities – and class relations are seen as a consequence of that competition. But competition can only be understood in terms of an underlying class relation that has to be reproduced. This leads to a focus different from that of these literatures on how the class relation is dealt with in world and global cities in order to facilitate competition at the global scale. This is illustrated, for instance, through the concern with the shortage of affordable housing in London and the way it is being mitigated and will be mitigated in the future, as I will discuss in Chapter Five. The housing question is an important one from the standpoint of the reproduction of these cities’ economies in general and the viability of financial service industries in London in particular: the fundamental issue here is that shortages of affordable housing might lead to labor shortages. Hence the concern with the housing question and how to mitigate it: shall there be an increase in the provision of affordable housing? If so, how? Or shall employers in London (or in other global cities facing the same housing issue) increasingly resort to the hiring of immigrants (with more modest housing expectations especially if they are temporary migrants, for example)?

The interpretive framework of urban policies and politics offered by these literatures is limited by a particular understanding of capitalism. I would like to argue here that by situating global cities with respect to the capitalist production process, the accumulation process, new light can be shed on their production and continuing reproduction. One of the objectives of this dissertation will be to bring back the
accumulation process as central to the study of one of these so-called global cities, London. However, the focus here is geographic, as in the idea of world cities itself. Yet, in what I have referred to as ‘standard global city accounts’ space is first and foremost understood as the space of exchange and competition with other global cities. I argue here that global city theory needs to be spatialized in a broader way: the accumulation process ought to be understood as it unfolds within a particular ensemble of space-time constraints and possibilities. So an understanding of world/global cities has to foreground the accumulation process, but one that unfolds over and constructs space drawing on historical geographies of a highly sedimented character. In this regard another feature of the mainstream literature calls for critical attention. This is the way in which the contextual specificities in the formation of different global cities tend to get neglected. Rather there is seemingly an interest in generalizing and homogeneizing across them, on looking for similarities and common patterns – though never with respect to the accumulation process – rather than in their highly specific relations to (e.g.) particular national space economies, particular state forms …etc, which affect both their production in the first place (which will be discussed in particular in Chapters Three, Four and Six) and their ongoing reproduction (as examined in Chapter Four through the case of the London housing question).

2.3.2 Bringing the accumulation process and the class relation back to the center

Bringing the accumulation process back to the center of our understanding of global cities will allow us to gain new and fundamental insights on their production and continuing reproduction. The accumulation process depends on a class relation that has to
be constantly reproduced if accumulation is to continue. In reproducing it, contradictions emerge. They are suspended in highly diverse ways, through (e.g.) new technologies, new products, new geographies of production …etc, only to reappear again, in the future, elsewhere, to be suspended once more. And so on and so forth. Central to the suspension of these contradictions has been the division of labor. This has occurred in diverse ways. One typically thinks of the distinction between the detail division of labor within the workplace and the social division of labor, depending on what is produced. However, in addition, and characteristic of the development of capitals, one should also note a division into four distinct types of capital: industrial, financial, commercial and property capital. Without the development of a distinct branch of the capitalist division of labor around banks and stock brokers, for example, it would be impossible to talk about world or global cities in the way in which we talk about them today. On the other hand, the division of labor introduces new contradictions into the accumulation process, including tensions between the different fractions of capital. For example, industrialists prefer low interest rates, while financial firms and banks prefer higher ones. Industrial capital favors long-term loans while financial capital has a preference for shorter ones. This helps to account for the tensions occasionally apparent between financial and industrial capital.

The accumulation process is necessarily geographic in character. It reproduces and transforms both economic and political geographies, embedding capitalists and workers in particular places, challenging their reproduction through the endless search for higher profits, no matter where. But this always happens within a particular set of geohistorical conditions which are in their origin outside of the control of the accumulation process itself and subject to a good deal of chance. The accumulation
process has a spatially expansionary character rooted in its contradictions and the constant need to find new markets, cheaper labor and cheaper raw materials ... etc. So the idea of the world market has become an increasing reality. Without that, it would not make any sense to talk about world cities. There were always financial centers but their global functions were either weak or nonexistent as long as there was not a world market for them. For instance, before it became a global city, London served primarily a British market, then a European one, and, later on, an imperial one. On the other hand, once financial functions have become internationalized, the contradiction between financial capital and industrial capital assumes new forms, not least around maintaining the value of the national currency. The level of interest rates is an important source of contradiction between financial and industrial capital, insofar as high interest rates facilitate the attractions of financial centers for foreigner investors, while having a tendency to be detrimental to domestic industries, making exports more expensive.

To conclude, while world or global cities have particular positions in an international division of labor – (e.g.) London is a global center for financial services while Silicon Valley is a global technopole – and also in a scalar division of labor – (e.g.) London and Leeds are both financial centers but only London is a global one), their formation as such have been long-in-the-making. Their formation and reproduction as global cities needs to be explained and cannot be understood in isolation from the historical geography of accumulation and all the conflicts behind their production, transformation and reproduction.
2.3.3 Three essential contributions for understanding the historical geography of world city formation and reproduction

As argued above, a key way of bringing the literature on world and global city forward is to bring the accumulation process and the class relation back to the center of our analysis of world/global cities and understanding how it unfolds within a particular ensemble of space-time constraints and possibilities. The question now is: how do we go about that? I would like to highlight three conceptual tools that appear as essential to an understanding of the historical geography of the accumulation process: the role of happenstance or chance events and their juxtapositions; the geopolitical nature of the formation of that historical geography owing to the contradiction between fixity and mobility of capital; and, finally, the role of agglomeration and agglomeration economies.

2.3.3.1 Happenstance and time-space juxtapositions

As explained above, those cities that are now called global cities were always financial centers, but why some of them have become world financial centers is an important question. I argue here that this owes to a great extent to chance events and conditions that have favored their development as such. Therefore, the concept of happenstance and the role of particular space-time juxtapositions characterized by a strong chance element – “happenstance juxtapositions” – as developed in particular by Massey (e.g. 1984; 1992; 2005) are of high importance to an understanding of the historical geography of the formation and consolidation of so-called global cities.

For instance, colonial histories cannot be ignored here. London and Paris were both huge trade and distribution centers for their empires – and beyond imperial
boundaries in the case of London through its seaport, the largest in the world until the twentieth century. Their imperial status created particularly advantageous conditions for their transformation into global cities toward the end of the twentieth century. However, this does not imply by any means that all former imperial capitals have become or will become global cities; Madrid or Lisbon have not followed this path, for example. A reason for that may be that a strong financial sector presupposes a strong industrial sector at some point in a country’s history; Spain and Portugal have never been major industrial powerhouses. Geography also helps: the proximity of major financial centers such as London, Paris or Frankfurt makes the competition harder for additional contenders in Europe. On the contrary, and as a means of example, Johannesburg, although not a former imperial capital, can be an important financial center for Southern Africa, because there are no competitors in the area. On the other hand, colonial and imperial history is just one condition that has juxtaposed with other conditions and events, typically in a highly unpredictable manner, to be drawn on in the production of particular so-called global cities. So while they might all share certain characteristics today, such as the overwhelming presence of financial services in their economic base, they are far from similar in their production.

Some scholars that have written on global cities have recognized the importance of grounding their production in particular geohistorical contexts and at the nexus of particular time-space juxtapositions. For instance, Machimura (1992), in his study of Tokyo – a ‘model’ global city as per Sassen’s original classification (1991) – devotes a lot of consideration to the specific geohistorical preconditions and dynamics that have led to the global city formation of the Japanese capital, including particular institutional and
political arrangements. However, his analysis is limited to rather recent times, mainly the post-Word-War-II era, and especially the post-1980s period. One would imagine that the modernization of Japan’s industries and the opening-up of the country to foreign trade through the Meiji Restoration in the 1860s almost certainly would have had an impact on the transformation of the Japanese space economy. Likewise, Abu-Lughod (1999), in her longue-durée approach to an understanding of the formation of global cities in the United States, does emphasize the importance of an historical succession of changing dynamics of capitalist development at multiple scales for adequately understanding current urban patterns in the United States, instead of focusing solely on the most recent round of globalization (roughly since the mid-1970s). The strength of her analysis also lies in the way she stresses the importance of happenstance in the global city formation process. For example, with respect to New York, she notes that:

“[…]New York’s port, so favorably endowed by nature, did not expand dramatically until the commercial invention of direct port auctions gave the city’s brokers a monopoly over foreign trade, and until the engineering achievement of a through waterway to the Great Lakes made New York the dominant break-in-bulk point in internationally linked trade. And it was the capital accumulation facilitated by sophisticated institutions of insurance, banking and credit that consolidated New York’s lucrative role as broker for the slave-produced cotton crop, in preference to any southern port” (Abu-Lughod, 1999: 4).

So chance events have played an important role in the development of world/global cities. In the case of London empire was important, as discussed above, but so were conflicts between financial and industrial capital. As I will discuss in more detail in Chapter Three chance events have also played an important role in the outcomes of the conflict between these two fractions of capital, leading in most instances to the ‘victory’ of financial capital over industrial capital, often thanks to favorable macroeconomic state policies. It is also a combination or rather random juxtapositions of favorable conditions and events that has led to the recent rise and concentration of financial services in
London; the increasing dominance of financial capital relative to industrial capital in Britain since the nineteenth century is without any doubt a key condition here, but it is not the only one. Other contingent conditions have included the City’s relations to other competing financial centers such as New York, through (e.g.) a common use of the English language – a colonial legacy – and the locational consequences of the US Sarbanes-Oxley legislation, which have both contributed to the increasing concentration over time of American firms in London.

2.3.3.2 Fixity, mobility and the geopolitics of capitalism

Based on Marx’s founding work on the necessary unevenness of capitalist accumulation, Harvey points out that the accumulation process necessarily unfolds in different places and is shaped by geographically differentiated contexts. The latter are in turn endlessly re-invented by the accumulation process itself as it struggles with its own contradictions. One of the most important contradictions, according to Harvey, at least as far as an understanding of geography is concerned, is the one between the fixity and mobility of capital (1982; 1985; 2000). While the former is related to the social and physical built environments that embed capital in particular places, including a range of local dependences (Cox and Mair, 1988), the latter refers to the fact that, once produced, value can circulate and does not have to be re-invested in the place where it was produced. Given that the very logic of capitalist accumulation is the maximization of profits, capitalists tend to re-invest in places and sectors of the economy where profit margins and rates of return on investments are the highest (Harvey, 1996). In this regard cities have become key sites of capitalism in its contemporary form (Harvey, 1973; 1996), and
world or global cities in particular given the high value-added and high rates of return that can be expected in the sector of advanced producer services, along with the fact that they are crucibles of innovation (Veltz 2005).

A major political implication of the contradiction between fixity and mobility is that cities aim at creating “spatial fixes” (Harvey, 2000) that will anchor capital. In this sense they compete with each other (Harvey, 1973; 1996), to attract and, most importantly, to retain inward investment in their territory rather than elsewhere i.e. rather than in another locality. This territorial competition, this territorialization of the politics of local and regional development (Cox, 1998a; 2008), is exacerbated in an era of increased globalization, neoliberalization and deregulation, financialization and mobility of capital. These will all be important explanatory elements in the study of London and its relations with and impact on the changing British space economy, as will be developed in the following chapters.

In their 1982 seminal contribution on world cities, Friedmann and Wolff acknowledge the importance of fixity and mobility in understanding the politics of world cities:

“This conception of the world city as an instrument for the control of production and market organization implies that the world economy, spatially articulated through world cities, is dialectically related to the national economies of the countries in which these cities are situated. It posits an inherent contradiction between the interests of transnational capital and those of particular nation states that have their own historical trajectory. World cities are asked to play a dual role. Essential to making the world safe for capital, they also articulate given national economies with the world system. As such they have considerable salience for national policy makers who must respond to political imperatives that are only coincidentally convergent with the interests of the transnationals. World cities lie at the junction between the world economy and the territorial nation state” (Friedmann and Wolff, 1982: 312; emphasis in original).

The use of “territorial” in the last sentence suggests recognition of the contradiction between fixity and mobility of capital and the role this contradiction plays in
understanding the development of cities in general and of world cities in particular. But, in the end, they underestimate the fixity of “transnationals” or multinational corporations in particular places, especially in the sector of advanced producer services, including transnational corporate banks and other financial institutions. Friedmann and Wolff’s (1982) understanding of world cities and their politics is overwhelmingly in terms of the mobility of the transnational corporations and the immobility of workers, except for a limited number of them, i.e. the highly-skilled technical strata. It also put great emphasis on the fluidity of money while highlighting the significance to the majority of workers of their ‘life spaces’ which are territorial. They argue that:

“Capital has become almost instantaneously mobile over the entire globe. Even fixed capital costs can often be recovered within the span of only a few years. Although other factors of production are less mobile, the critical long-distance mobility of technical elites approximates that of fixed capital (in some instances, electronic communications may be a substitute for physical relocation). Other workers, both blue and white collar, are more dependent in their lives upon community support and consequently far less mobile” (Friedmann and Wolff, 1982: 317).

However, the financial transnational corporations in London, for instance, do not have that mobility. Rather as part of London’s financial services industry they are highly dependent on place-specific assets. These include, for example, the concentration of highly skilled workers, the importance of the highly developed division of labor between specialized firms for the development of new products through cooperation and the cross-fertilization of experience, expertise and ideas …etc. As far as the latter is concerned, although electronic devices now allow for advanced remote audio and visual communication, face-to-face interaction remains a crucial condition. As Thrift puts it, with reference to London:

“Electronic communication seems to have acted as a supplement to face-to-face communication, rather than an alternative, increasing the overall level of communication […] into and out of the City” (Thrift, 1994: 351).
Another crucial element of understanding here, as far as fixity issues are concerned, would be the embeddedness of world or global cities in particular nation states. This means embeddedness in a particular national territory, in a particular national space economy, so that they are vulnerable to particular state policies, not to say a particular form of the state. For instance, both New York and London are leading global financial centers, but they are parts of distinctive national economies, in which financial services have very different weights. While the British economy relies disproportionately on finance-related industries and on the profits generated in London, the United States still has an important industrial base. Accordingly, the balance between industrial capital and financial capital is significantly different. Because of that, the viability of New York’s current accumulation strategy based on financial services does not have the same implications for the American state as does London’s economic future for the British state. This, of course, has also to do with the fact of very different state structures. It is interesting to point out here, and by way of example, how the US federal government resisted the request of the New York City municipality for fiscal relief in 1975, when the city had serious financial problems, prior to the revival of the financial service industry. Today, the federal government does not seem much more inclined to step in to ‘help’ New York as the federal response to the impact of the Sarbanes-Oxley legislation has tended to demonstrate: several firms, including American ones, have redirected their activities from New York toward London since 2002 to avoid the various restrictions and heavy reporting constraints imposed by this piece of legislation. The British government, on the other hand, has been actively involved in solving various contradictions of
London’s urbanization and growth as a way to sustain the future growth of its golden goose, despite increasing protest and resentment from other parts of the United Kingdom.

2.3.3.3 Agglomeration

In addition to the role of happenstance, fixity and mobility, the concepts of agglomeration and economies of agglomeration provide additional insights essential to our understanding of historical geographies of accumulation, how they emerge, develop and change over time, and generate new forms of urbanization. As explained above, some features of world or global cities that have been created over time act as “spatial fixes” that anchor capital there (Harvey, 2000), in particular financial capital. In an era when many fear the so-called hyper-mobility of capital and its implications for the socio-economic fortunes and misfortunes of places, it is very unlikely that the City of London, for instance, would lose its position in the international division of labor as a world financial center. This is so because of the importance of agglomeration economies for most service industries (Scott, 1988), and even more so for advanced producer services (Moulaert, 1991), including finance-related activities. These all have strongly immobilizing effects, creating strong local dependences (Cox and Mair, 1988). Agglomeration economies are a source of local dependence; this is because they are difficult to reconstitute elsewhere if a firm that depends on those agglomeration economies should contemplate moving out. In addition, it takes time, money and energy for a firm like a financial one to build the social and personal relations, knowledge and trust, which allow it to take advantage of its proximity to other firms. So, even if similar agglomeration economies could be found elsewhere, the opportunity costs of taking
advantage of them would be inhibiting. Moreover, the labor market for these firms is also highly concentrated in a few cities around the world: while one will not find a very large pool of traders or financial analysts in Madrid or Lagos or Buenos Aires, there are tens of thousands of them in London or New York. In other words, the presence of agglomeration economies helps understand strong tendencies to fixity. To the extent that a place’s preeminence is challenged there is no salvation from trying to move. So maintaining the agglomeration becomes a political question, involving a wide range of stakeholders who have particular interests in it.

The idea of agglomeration also provides us with insights on the ability of places to reinvent themselves. Large metropolitan areas, in particular, are often, though not always, characterized by highly developed divisions of labor. These facilitate innovation (Veltz, 2005; Florida, 2008) through cooperation and the exchange and cross-fertilization of a variety of experience, expertise and ideas. These also facilitate quick reaction to market changes by allowing firms to draw on a deep pool of highly developed expertise (Veltz, 2002; 2005). For example, and as will be developed in Chapters Three, the accumulation over time of diverse technical capacities and understandings in trade, insurance and finance related businesses has allowed the City of London to remain a major innovator in financial services. Among other things City firms have been able to react quickly to the need for new financial products and services adapted to changing regional and global conditions, exploring new and profitable niches in financial services, providing London with additional advantages in the global financial market and triggering further agglomeration of financial service industries in this city. This was the case when the Eurodollar and Eurobond markets developed in the 1960s, as a result of the
heavy constraints imposed by the US federal government to US firms on overseas investment.\textsuperscript{13} London quickly became the major place in Europe for trading on these new markets – 70 per cent of Eurobonds were traded in London by the beginning of the 1970s – and this led many American firms in particular to move to the British capital or at least to open branches there, rather than elsewhere in Europe.\textsuperscript{14} The end result was an increased concentration of banks and financial services in London.

Finally, agglomeration means tendencies towards increasing returns to scale, and economies of agglomeration allow for the elimination of competing centers. As per the above example of the development of the Eurodollar and Eurobond markets, London became the uncontested principal financial center of Europe in the 1960s, repelling potentially serious competition from, say, Frankfurt and Paris, two other important centers of financial services and stock exchange activity in Europe.

On the other hand, there is always the danger that continuing agglomeration will result in diseconomies and firms. To some degree firms can handle this challenge themselves as they (e.g.) seek to relocated more routinized parts of their operations to cheaper locations (Scott, 1986). This has happened to a certain extent in the case of London as the City has become a victim of its own success and office space there has become increasingly expensive. Accordingly, City firms have relocated parts of their back office functions to relatively cheaper parts of London such as Croydon or Canary Wharf, or to other locations within the Southeast, such as Reading. Of course, this can only take them so far in dealing with diseconomies of agglomeration and this is why the

\textsuperscript{13} The emergence and development of the Eurodollar and Eurobond markets will be discussed in more detail in Chapter Three.

\textsuperscript{14} I must note here that the English language played an important role in American firms’ decision to relocate to London rather than to other major European financial hubs like Paris or Frankfurt for example.
state has become so important recently in the reproduction of London as a global city, as we will shortly see.

2.4 CONCLUDING REMARKS AND RECOMMENDATIONS FOR THE STUDY OF WORLD/GLOBAL CITIES

Processes of urban change are the outcomes of the restructuring of capital, and the world or global city – two terms that I will tend to use interchangeably in the following chapters – is a reflection of the latest round of restructuring of capital through so-called globalization. Global cities are characterized by a concentration of the production of advanced producer services and in particular financial services, which, according to the world and global city literatures, places them at the top of the world’s urban hierarchy. Although these literatures provide very useful insights in understanding the politics of contemporary (e.g.) London, New York, Paris or São Paulo, their emphasis on levels of control and command of the world economy and flows and circulation in particular denotes a particular understanding of capital: capital as an exchange relation, rather than capital as a production relation. In this chapter, I have argued that this understanding does not allow one to fully comprehend the role of the accumulation process in the production of these cities. I have therefore advocated for the need to bring back the accumulation process, i.e. the *production* process, at the heart of which is the class relation, to the center of the analysis of so-called global cities.

Based on the above considerations and the insights from the three major contributions discussed in the previous section – the role of happenstance in understanding historical geographies of accumulation, the geopolitical nature of the
formation of that historical geography, and the role of agglomeration – I propose here a few provisional conclusions and recommendations for the future study of world/global cities. First, the formation of so-called contemporary world or global cities has been long-in-the-making. Why some of them have become global financial centers, and why they have been able to retain that position over time, are both important questions. Second, various contingencies have played an important role in that development. Being imperial capitals at some point in time was important, for example, but so too were struggles between financial and industrial capital. Third, they have been the sites of important economies of agglomeration. This has encouraged the further concentration of financial firms. The development of a division of labor among different firms has promoted and keeps promoting innovation by allowing the cross-fertilization of different expertise and ideas. This facilitates the development of new products adapted to changing global politico-economic conditions. Last but not least, the development of world cities has been conditioned by an accumulation process that is inevitably tension-ridden. The fundamental tension is that of class. The accumulation process depends on a class relation that has to be constantly reproduced if accumulation is to continue. In the process of reproducing it, contradictions emerge, which have to be suspended in different ways before re-emerging again. Given the contradiction between fixity and mobility, one can expect the tensions generated by the class relation to have sharply territorial forms, as in the competition between world cities that is emphasized in the global city literature. But this competition can only be understood in terms of an underlying class relation that has to be reproduced, as mentioned above. In addition, class interests are always in particular places, but sometimes class conflict in a particular place can give way to territorial
conflict between cross-class alliances. This should lead us to refocus our analysis on how (cross-class) growth coalitions manage the class relation in order to facilitate competition on a world stage. This explains, for instance, the concern with solving the housing question in London so as to ensure its continuous reproduction as a global city and its particular position in the international division of labor and global urban hierarchies.

The remainder of this dissertation reflects the critical concerns developed in the present chapter, through an investigation of the case of London. In the next chapter, Chapter Three, I am particularly concerned with situating London relative to an historical geography of accumulation that goes back to the nineteenth century and is still in construction. A particular focus will be the long and sustained genesis of disconnection, opposition and sometimes convergence of interest between industrial and financial capital, and how this relation has varied over time, ultimately resulting in a victory for the latter thanks to the juxtaposition of quite random favorable conditions in several instances. This, in turn, helps shed light on the importance of the contemporary financial services industry in Britain and on the contested preeminence of London in the British economy. This is complicated by the fact that the London question might not be as controversial if it were not also assimilated to the broader regional question in the United Kingdom today. As will be discussed in Chapter Four, because of its location in Southeast England, and because the Southeast has grown for its own reasons, the hyper-growth of London has, to a degree, been assimilated to a broader contemporary regional question. This is framed around the North-South divide debate, or, more accurately, a
‘Southeast versus the rest of the country' debate. In other words, the Southeast is a problem so therefore is London.

Moreover, this is a geography of accumulation that is still in the process of formation as, for example, various interests in London seek a solution to challenges which threaten its reproduction as a global city. This is illustrated in Chapter Five by a discussion of the housing crisis in London, the debates around the emergence of new governance structures to cope with this issue, and the subsequent complex politics of scale that extends to the national level. In Chapter Six, then, I use a comparison between London and Paris to emphasize the difference that national contexts make in understanding the politics of development in global cities, and in particular the difference that the state and national forms of capitalisms make. In short, the remainder of this dissertation aims at demonstrating that an understanding of London as a so-called world or global city cannot be divorced from a long historical geography of accumulation, the contestation within the United Kingdom of major class fractions, and the peculiarities of a particular time-space location.
CHAPTER 3

LONDON AND THE RISE OF FINANCIAL CAPITAL

“[When the Tariff Reform movement was defeated in 1906], [...] British finance triumphed even as British industries flagged. The world domination of the City of London became, if anything, more complete than ever before in 1870-1913, and its role in the balance of payments more vital. The City could function only in a single untrammeled world economy, at all events one in which free flows of capital were unimpeded. Governments – themselves closer to the City than to industry – knew it. Even during the First World War heroic efforts were made to safeguard it against disturbance. Given the choice between industry and finance, industry would have to suffer. It was not until the slump of 1931 finally destroyed the single web of world trading and financial transactions whose centre was London and the pound sterling that Free Trade went. Even then it was not Britain that abandoned it. It was the world that abandoned London” (Hobsbawm, 1968: 244).

3.1 INTRODUCTION

London is a huge metropolis, particularly by Western European standards. The metropolitan area – limited to the area contained within the city’s administrative boundaries, and not including the wider commuting field that extends well into surrounding counties (see Figure 1.1 in Chapter 1) – is home to an estimated 7.5 million people today. At the most recent census in 2001, Greater London was home to 14.6% of the British population (source: Census, United Kingdom Statistics Authority). Significantly Greater London also represents about 20% of the British GDP (Sources: Oxford Economic Forecasting, 2005). Accordingly there is an overwhelming concentration of people, economic activities and profits in London. This has been an important condition for difficulties in particular with respect to housing and other
physical infrastructures like airports, as in the saturation of Heathrow airport, and internal transport. These problems are common among what have been identified as world cities, and even more so in global cities as defined in Chapter Two. These are cities where property prices have reached vertiginous heights and where the armies of low-paid unskilled workers in hotels, catering, construction, contract cleaning … etc needed to sustain the financial services economy (Sassen, 1991; 2006; Massey, 2006; 2007) have difficulty finding affordable housing. London is a so-called global city, and, as such, its hyper-growth owes a lot to the growth of financial services there. But how did it become the global financial center that it is today? How did this imperial capital transform itself, or, as per Massey’s terms (2007), “reinvent” itself, into a global city? This chapter aims at providing answers to these questions and will focus on the growing dominance of financial capital in Britain over time and the historic emergence of London as a financial services center and eventually as a global city.

As argued in Chapter Two, the world and global city literatures are often unsatisfying from the standpoint of understanding the peculiarities of the geohistorical conditions that facilitate the emergence and development of particular cities into so-called world, but especially global cities. While all so-called global cities share an emphasis in their respective economies on the provision of financial services, the process(es) that have led to this, along with their underlying social and power relations, remain unclear. In the British case, the construction of London as a global financial command center is closely tied to the hegemony of finance capital in the United Kingdom from Victorian times on. As explained in more detail in Chapter Two, situating London relative to an historical geography of accumulation that goes back to the nineteenth
century and is still in construction appears as necessary if one aims to overcome the shortcomings of what I have called a standard world or global city account. This is so because world or global city formation needs to be cast not only within a framework that prioritizes the accumulation process at a global scale but also its more local incarnations as will be developed in this chapter. This broad methodological injunction also applies to the continued reproduction of global city status, as in the current struggles around solving London’s housing question, which will be at the heart of Chapters Four and Five of this dissertation.

The growing dominance of finance capital over industrial capital in Britain is inseparable from the rise of London as a major financial center and, ultimately, as a global city. However, I argue in this chapter that, contrary to conventional claims, there was nothing intrinsically inevitable about the rise of finance capital and the relative decline of industrial capital. Rather it occurred against the background of a number of particular space-time juxtapositions characterized by a strong chance element (Massey, 1984), or “happenstance juxtapositions” (Massey, 1992; 2005). These include the fact that Britain was the first country in the world to experience an industrial revolution and that, arguably, it became a victim of its early lead. They also include the fact that the City of London has benefited from a succession of finance-related activities whose concentration in London also had a random element about it. Accordingly, the chapter emphasizes three dominant and interrelated themes. The first of them is the conflict between financial and industrial capital in Britain around issues like the protection of industry and the devaluation of the pound sterling. A second overriding theme is the way in which various contingencies worked to the advantage of financial capital, providing it
with new advantages over time. The third and final key idea here has to do with the way in which success in the struggle against industrial capital and the contingencies that worked to the advantage of financial capital allowed a growth in the body of expertise in the City of London. This promoted certain economies of agglomeration, as the City became the place to be for foreign banks, for example, and, in virtue of the access to capital that it provided, the place in which to try to raise money either through bonds or public offerings for major foreign investments. With the arrival of more firms, increased specialization has occurred. This in turn has facilitated innovation and the development of new financial products that embody the interaction of more specialized sources of expertise, experience and ideas.

The chapter’s first major part will bring some clarification on ‘finance capital’ versus ‘financial capital’ and will provides some important clues with respect to the peculiarities of the financial activities carried out in the City of London – often referred to as simply ‘the City’. In the second part of this chapter I will examine the troubled and changing relation between financial and industrial capital in Britain. A conventional understanding is that financial capital – represented by the financial firms of the City – has tended to both neglect and work counter to the interests of British industrial capital. I will argue that the case against the City has been somewhat overstated. The third major section of this chapter will revisit the ‘story’ of the progressive construction and eventual solidification of the hegemony of financial capital relative to industrial capital in Britain. I will argue that there is still a case to be made for the idea that financial capital and the interests associated with it have worked contrary to the interests of British industry, although it is a more nuanced story. I will put emphasis on the fact that despite important
instances of conflicts in which financial capital was the winner and industrial capital the loser, the growth of financial services in London has owed in significant part to a series of chance time-space juxtapositions of conditions that have tended to work to the advantage of the City at critical junctures.

3.2 FINANCE, FINANCIAL CAPITAL AND THE ‘CITY’ OF LONDON
Finance is a dominant aspect of Britain's economy today; London has become a world financial center, while British traditional industries – the ones that developed during the industrial revolution such as (e.g.) mining, heavy industries, textile and woolen production – have almost disappeared from the country’s economic base. Before getting to how this happened, it is important to start here with a clarification, in more abstract terms, of what is meant by financial capital and what its relation with industrial capital is. This will help situate the remainder of the chapter within a particular conceptual framework.

3.2.1 Financial capital, finance capital, and the relation to industrial capital
Financial capital is a way of bringing together savers seeking a return on their money – as interests or dividends or capital gains – and borrowers or investors. The latter may be willing to share ownership with those looking for a return on their savings through offering shares. However, and importantly, financial capital assumes different institutional forms. There are notably: the banks; the insurance companies, which, in an important sense, take in savings in the form of premiums and invest them; the stock markets and the securities firms that mediate between individual investors and those
seeking investment capital; and the bond markets. The same institutional form can perform different functions. For instance, German banks have engaged in long-term lending to industry. British banks have been less inclined to do so. On the other hand, British investment banks have been important intermediaries in raising capital for industry by floating and selling bonds.

The difference between German and British banks leads me to another consideration here. ‘Financial capital’ is to be differentiated from another abstract category. This is the idea of ‘finance capital’, first developed by Hilferding (1910) and reflecting his experience of capitalist development in his native country of Germany.

Although they seem similar, they refer to different ways in which the two types of capital relate to industrial capital. To start with:

“The integration of financial and industrial capital, in a general sense, is not specific to finance capital. Throughout capitalism the existence of specialized financial capitalists holding, exchanging, borrowing, and lending money is possible only because of their articulation with the productive sectors; it is only by lending money to industrial capitalists that they can appropriate surplus value through interests, and only by operating the payments and foreign exchange systems for the transactions of the whole economy that they can appropriate surplus value through profit” (Bottomore, 1991: 173).

However, the difference between financial and finance capital has to do with their degrees of integration with industrial capital, i.e. the degree of integration between banks and industries. Finance capital corresponds to a high level of integration with industrial capital (which according to Hilferding can only happen at a definite stage of capitalism): the relationship between financial capital in the hands of financial institutions and industrial capital, on the other hand, is “at arm’s length” (ibid.), albeit with a dominance of the former over the latter. But under finance capital, banks (the institutional embodiment of financial capital) direct and force change upon industry. They establish their control over industry through three channels: the acquisition of shareholdings, to the
degree that manufacturing firms are joint stock companies; personal linkages as in appointments of bank officials to the boards of industrial companies and vice-versa, creating shared personal interests at the managerial and executive levels (Bottomore, 1991); and insider’s expertise and knowledge of firms’ everyday business, transactions and finances. While all those have been common practices in Germany or France, for example, finance capital has not developed in Britain, at least not in the context of the City banks.

3.2.2 Financial capital City-style

Emphatically, what is discussed in this chapter is financial capital, in the sense of interest-bearing capital (e.g. loans, bonds and equities) used to finance production, and profiting the financial capitalist in the form of interest received on the amounts of money lent rather than in terms of dividends and capital gains on stock owned. More accurately what is discussed here is a particular sort of financial capital and one that has changed in its emphases over time. During the nineteenth and early twentieth centuries, the City was important in financing trade, i.e. in expediting the international circulation of commodities by offering credit to industrial capital. In other words, the City’s commercial banks provided loans to industrial firms to cover the time between the products leaving the factories and customers taking receipt of them and bills falling due. Interest was paid on that loan (that was the exchange value of financial capital, while its use value was to speed up the circulation of the industrial firm’s own capital). Anderson points out that:

“Amidst the general boom of the Atlantic economy, London had become by the mid-18th century the largest centre of international trade, and its merchants the most prosperous in
Europe. Acceptance and discounting houses now lubricated the exchange of physical commodities by advancing credit through ‘bills on London’ (1987: 32).

In addition to that, the City has always been important for raising money for foreign investment. But what needs to be emphasized here is the sheer variety of financial services that the City has performed, sometimes over longer periods of time, sometimes over shorter ones. In the first half of the nineteenth century, for example, government securities and the insurance of foreign trade constituted important business of the City. The City then became important as a financial intermediary for the trade of the Port of London with the rest of Europe. During the latter part of the nineteenth century, its banks became the intermediaries for the sale to investors of foreign government bonds; industrial bonds came later. In the 1960s City banks became very important as lenders of Eurodollars to firms which had a preference for borrowing in dollars (not only American firms) because they believed it to be a more secure currency. Today, firms with listings on the London Stock Exchange raise money through public offerings for foreign investment and City firms are the intermediaries for this, receiving fees in exchange. In many instances, City banks have also been favored resting places for ‘hot’ money from various points around the world. This has been particularly the case in recent years when interest rates in Britain have been considerably higher than those in the ‘Eurozone’. Currently, currency trading is a major activity for some City banks but this was only possible subsequent to the collapse of the Bretton Woods agreements in the early 1970s and the move towards floating exchange rates. Profits are made through bets on movements of currencies relative to one another. The international insurance business is also at the heart of the City’s activities. It is separate from banks’ business, but it also seeks to place its revenues so as to secure a good return.
In short, the history of the City has been one of constant shifts in the ways it makes money from money. This has not occurred automatically. Rather it has meant constant attention to innovation and the development of new financial products; something which has become a more conscious object of policy in recent years. As will be explained later, its highly specialized division of labor has been important here, allowing it to be, through cooperation and cross-fertilization of expertise and ideas, a crucible of innovation. In closing, the City’s activities have been transformed as the international context has changed. City firms have adapted to take advantage of new global conditions, either through existing forms of organization, as in the banks or through new forms, as with today’s specialized investment houses. There have, however, been two major constants: First, their orientation has always been more international rather than domestic; and, second, City’s firms have always been more interested in trading in various securities (e.g. through equities, bonds and loans to foreign governments and corporations …etc) and not their ownership. These have contributed to fuel a widespread critique of the role of financial capital in the decline of industrial capital in Britain. I will now turn to a more detailed exploration of what this conventional complaint has been and will question its validity.

3.3 FINANCIAL AND INDUSTRIAL CAPITAL IN BRITAIN: A STORY OF CONFLICT AND NEGLECT?

The emergence of London as a financial services center is historically deep-rooted and is to be examined here in the light of the particular relation between financial capital and industrial capital in Britain. A common view is that industrial capital in Britain has
suffered as a result of neglect by and/or conflict with financial capital. According to the conventional complaint, the decline of British industries has been caused to a great extent by: the City’s reluctance to grant long-term loans to industrial firms; its greater interest in international investments rather than domestic ones; and its pressure on the government to implement macroeconomic policies to the disadvantage of industry. Although there are elements of truth in these claims, I would like to revisit this conventional complaint a little bit here and to argue that financial capital cannot be solely blamed for the decline of British industries. This is so for several reasons. First, there has not always been conflict between industrial and financial capital; there have been instances of both complementarity and convergence of interests between the two branches of capital at times. Second, the City’s short-termism is not necessarily an issue for the financing of industry. Last but not least, British industries have encountered difficulties of their own since the nineteenth century, independently of the rise of financial services in Britain; difficulties which have almost certainly affected their relation with financial capital, insofar as investing in British industry may not have been a good investment for the City’s financial institutions. In other words, in understanding the relation between the two it might be that industrial capital has been the ‘independent’ variable, rather than the other way round.

3.3.1 The City and British industries: the common view

The nature of capitalist accumulation in Britain and the relation between financial and industrial capital have been widely debated. Barratt Brown (1988), among other scholars emphasizes strong connections between what Longstreth (1979) terms “fractions of
capital”, i.e. industrial, commercial and financial capital, in particular in the eighteenth and nineteenth centuries. Cain and Hopkins’ “gentlemanly capitalism” thesis (1993) points out a growing disjuncture between, on the one hand, the so-called “gentlemanly capitalists” who embodied financial capital and, on the other hand, Britain’s industrialists, as the global context changed in the late nineteenth and early twentieth centuries. According to Cain and Hopkins (1993), while in the last decades of the nineteenth century British industries started facing competition from Germany and the United States in particular, Britain, through the City of London, reinforced its position as the ‘banker of the world’, and the two fractions of capital – industrial and financial – eventually entered into a conflict of interests and a struggle that ended with the establishment of the hegemony of financial capital and the decline of British industries.

These arguments are contested by some scholars for whom there was never a connection between British industrial capital and financial capital to start with. This is implied, for instance, by Foster (1976a), for whom these two branches of British capital developed in a separate manner from the start. This is consistent with the arguments advanced by scholars like Ingham (1984), Leys (1986) and Anderson (1987). However, one must note here that this view is inconsistent with a classical Marxist view that starts with industrial capital, which then differentiates itself, throwing off other branches, including financial, commercial and property capital.

Despite their divergence on whether or not industrial and financial capital were ever connected in Britain, the perspectives of all the scholars mentioned above all reflect a common view according to which financial capital, institutionally embodied by the financial firms of the City, has tended to both neglect and work against the interests of
British industrial capital. There have been three major criticisms that have fed this conventional complaint about financial capital in Britain, particularly that associated with the City. The first one is that the City has only been interested in short-term credit as opposed to long-term loans for (e.g.) the purchase of capital equipment. It is actually fair to say that the City’s specialty has always been transactions with rapid turnover. These have included: dealing in securities such as bonds, securitized mortgages, treasury bonds or shares; short-term loans and financing; currency dealing; and money management for investors. As previously mentioned, its particular emphases have changed over time, depending on varying international political and economic conditions. For instance, currency dealing only took off after the collapse of the Bretton Woods agreements in the early 1970s.

A second criticism has been addressed toward the City’s international bias. It has been claimed that City firms are more interested in international investments rather than in investments in British industry. The interest of City banks overseas investments is not new. In the nineteenth century, for instance, one of the City’s specialties was to mediate the purchase of bond issued by foreign governments to build in infrastructures like (e.g.) railroads. Historians (e.g. Hobsbawm, 1968; Kirby, 1981; Anderson, 1987) have argued that while there was some degree of complementarity between British financial and industrial capital in the second half of the nineteenth century overseas, there was only limited investment on the part of British financial capital in domestic industries, compared to the City’s investments abroad. For Hobsbawm, for instance:

“The British economy as a whole tended to retreat from industry into trade and finance, where our services reinforced our actual and future [industrial] competitors, but made very satisfactory profits. Britain’s annual investments abroad began actually to exceed her net capital formation at home around 1870. What is more, increasingly the two became
alternatives, until in the Edwardian era we see domestic investment falling almost without interruption as foreign investment rises. In the great boom (1911-1913) which preceded the First World War, twice as much, or even more, was invested abroad than at home; and it has been argued – and is indeed not unlikely – that the amount of domestic capital formation in the twenty-five years before 1914, so far from being adequate for the modernization of the British productive apparatus, was not even quite sufficient to prevent it from slightly running down” (1968: 191-192, emphasis in original).

In a similar vein, Anderson discusses the surge in overseas investments in the last three decades of the nineteenth century and until the outbreak of World War I in 1914. He claims that:

“After 1970, capital exports regularly surpassed capital formation at home; by the last years before the First World War, their volume was twice as large. The value of UK holdings abroad in 1913 – no less than 43 per cent of the world total – was probably greater than that of US corporations in 1973. This enormous outflow generated rentier revenues that for a brief Edwardian spell even exceeded the City’s commercial and financial earnings. Yet the latter were the real prize of the fin-de-siècle economy. The dominance of London within the networks of international exchange binding the world market together increased as Britain’s national performance within it slipped” (1987: 42).

Third, it has been claimed that to the extent that the City was able to bring pressure to bear on the government for various reasons, the latter imparted a macroeconomic bias to the disadvantage of industry, though for different reasons over time. This was illustrated during the Tariff Reform episode at the beginning of the twentieth century (which will be discussed in more detail later on), for example, or through the constant concern with maintaining the value of the pound sterling. So, based on these major criticisms, the conventional ‘story’ regarding financial and industrial capital in Britain is that the former has tended to both neglect and work counter to the interests of the latter.

3.3.2 Reassessing the case against the City

The conventional complaint about financial capital in Britain that I have just outlined is based on some undeniable elements of truth. However, in my view, this conventional story would benefit from some critical re-examination. In other words, the case against
the City may be, to a certain extent, overstated. I will argue here that: conflict between industrial and financial capital has not always been the case; short-termism is not necessarily an issue; and the City’s international bias and its failure to satisfy the needs of British industry with loan finance may be the outcome of rational decisions with respect to profit-making and reflect British industry’s own failings.

3.3.2.1 Some complementarity and some convergence of interests
Conflict between industrial and financial capital has not always been the case. There have been instances of both complementarity and convergence of interest between the two fractions of capital since the nineteenth century. For instance, ‘the first globalization’ was one of those moments of complementarity. What is referred to as ‘the first globalization’ is the period of world history, between the mid-1870s and the early twentieth century, corresponding to a first step in the direction of a certain financialization of the world economy, with, in particular, the introduction of the Gold Standard as a the basis of world money. During this period there was some degree of complementarity between financial and industrial capital: the overseas investments that the City mediated went largely into physical infrastructure in countries like (e.g.) Canada, Argentina, Australia or the United States. The huge amount of British investment in these countries, largely in the form of purchases of the bond issues of foreign governments for things like railroads, had important positive consequences for British industries, particularly for the manufacture of iron and steel (e.g. for the railroads) and of transport equipment (e.g. locomotives and ships for the growing trade with those countries). British investments overseas were not limited to the financing of government activities, as they also went into “mines,
plantations, docks and other infrastructural activities, often with government guarantees but in private undertakings, generally by very large companies” (Barratt Brown, 1988: 30). In other words, the investment portfolio of the British mediated by London banks in (e.g.) Australian ports or Argentinean railroads stimulated a demand for British industrial products. A case in point are the South African gold mines which, in their early years, were entirely British financed.

Beside instances of complementarity such as under the first globalization, particular geohistorical contexts have also meant that the interests of both fractions of capital might have converged sometimes, although in a purely contingent manner. This was the case with the restoration of the Gold Standard in the 1920s. This was a system that guaranteed the convertibility of Bank of England notes to gold, making the pound sterling the standard economic unit of account, exchangeable for a fixed weight of gold. In certain respects, there was an agreement around the return to the Gold Standard between industrial capital and financial capital, although worker resistance made it much harder for industrial capital to maintain its resolve. What is interesting here is that both industrial and financial capital agreed on a return to the Gold Standard, but for different reasons! There was, in other words, a certain convergence of interests between the two fractions of capital, but a contingent one. For financial capital a return to the Gold Standard meant international confidence in the pound sterling and therefore its enhancement as a reserve currency. That was thought to be what Britain (or, more accurately, the City) needed to become the world’s banker again; if other countries maintained reserves of the pound sterling, then they would want to keep those reserves in London banks where they could earn interest. Two of the most important effects of
World War I on the British economy were the depreciation of the pound sterling, driven off the Gold Standard in 1914, and a very negative balance of payments largely due to the great decrease in loans and other financial operations made through (the City of) London. By the end of the war, the new ‘banker of the world’ was definitely New York, and Britain, a former creditor of the United States, had become one of its major debtors. The City’s banking activity was maintained mainly thanks to loans to the Empire in the early 1920s, especially to Australia (Attard, 2004). The government had a strong interest in the well-being of the financial sector owing to the contribution of its foreign earnings to the British balance of payments, and so compensating for a negative balance on the visible side of the ledger (Anderson, 1987); in other words, Britain’s industrial exports were insufficient to pay for its imports, much of which were made up of the country’s food supplies.

The dominance of financial capital that has in Ingham’s view (1986) always characterized British capitalism, is to a great extent related to the British state’s continual commitment to the stability of the pound sterling. This of course has worked to the advantage of the City:

“Ingham’s central thesis is that capitalism requires a world trading system which in turn requires a trustworthy world currency and an efficient way of settling international accounts, insuring international trade, arranging international shipments, extending credit and the like. […] The political requirement of a world currency is above all that the issuing state can be relied on not to subordinate the interests of foreign users of that currency to purely national economic needs. The providers of commercial services in a country whose state acts in this way can make large profits from handling a large share of the world’s commercial business. Britain has so far been the only country whose commercial activities have made its currency capable of playing this role, and whose state has been willing to let it” (Leys, 1986: 114).15

15 Commercial activities are assimilated to financial capital in Ingham and Ley’s writings.
In this instance, though, industrial capital found a basis for agreement with the City. This was because in its view a return to the Gold Standard meant wage discipline. Return to the Gold Standard would entail a more austere macro-economic policy and this would serve to curb labor’s demands for higher wages partly through its implications for the maintenance of what Marx called “an industrial reserve army” (1976 [1867]: 781). This would allow British manufactured product to be cheaper and more competitive on the world market. British products were indeed too expensive. As Hobsbawm observes: “[...]

the traditional economy of Britain not only ceased to grow, but contracted” (1968: 207), and this was due to increasing difficulties in overseas markets. Furthermore, with the growing electoral strength of the Labour Party and the strengthening of the labor movement in Britain in general in the post-war period (Foster, 1976b), the balance of advantage seemed to be shifting to labor and this was something which British industry believed it could not afford. The return to a Gold Standard and the imposition of austere macro-economic measures would curb workers’ pretensions.

This juxtaposition of convergent interests worked to the advantage of the capitalist class and the capitalist state; a highly contingent convergence given that the main supporters of a return to the Gold Standard were championing it for different reasons. Accordingly, the Gold Standard was indeed reinstated in 1925 by then-Chancellor of the Exchequer Winston Churchill, to the satisfaction of British capitalists, but not to the benefit of the working class. This was because a major outcome of the return to the Gold Standard was the predicted squeeze on wages. This in turn, triggered the 1926 General Strike and an historic defeat for British labor. Both financial and industrial capital were therefore victorious – obtaining respectively a lowering of wages
and international confidence in sterling – though Britain again left the Gold Standard in 1931 in the context of the world-wide great depression.

3.3.2.2 The question of short-termism

The decline of British industries, it is often argued, is to a great extent the outcome of the City’s reluctance to provide firms with long term loans for (e.g.) the purchase of capital equipment and its disinterest in close links to industrial capital through investments in the form of share-ownership in British industries. This is reflected in particular in Ingham’s analysis (1984). For Ingham, British capitalism was always characterized by the preeminence of financial capital as a “dominant class” embodied in the City of London: a fraction of capital “in total indifference of domestic industry” (Ingham, 1984: 150), supported by the state, and without any link with Britain’s industrial capital. Ingham’s (1984) analysis offers useful insights on the nature of British capitalist accumulation. However, his claim regarding the “total indifference of domestic industry” on the part of City’s financiers, which supposedly led to the decline of British industries early on, would benefit from some sympathetic reassessment. While one can agree that the City’s orientation has always been international and not domestic, the argument here is that the City was not indifferent to domestic industry, but, rather, it was not interested in a productive relation with British industrial capital. Nor was it interested in a productive relation with international industrial capital. To the extent that the City has had a relation with industrial capital anywhere in the world it has been a distanced one. For example, unlike Germany, where ‘finance capital’ is key to an understanding of the history of capitalist accumulation and where banks (originally the German universal bank) have
historically owned shares of domestic productive firms, City banks in general have never taken large ownership positions in industrial firms, with all that that entails for day-to-day monitoring of firm activity. By the same token, City firms, including banks, trade in industrial bonds but do not own them themselves. Likewise, City financial institutions play an important role in facilitating takeovers, through the provision of expertise and loans, but they do not themselves ‘take over.’

So while one might claim that the City has not been interested in a productive relation with British industrial capital or, from a more radical standpoint, that financial capital in Britain has been totally oblivious to the needs of domestic industries (Ingham, 1984), because of its lack of interest in long-term investment commitments, the same would apply to its relation with international productive capital: it will raise money in the form of bonds for foreign firms, but has no further interest in the production process and future profits or losses from production. This is not necessarily a problem though. Short-term loans made by City banks through bonds or public offerings have proven to be a successful way of supporting industrial development overseas, as in the cases of Argentina or South Africa in the nineteenth century, as previously mentioned. In other words, short-termism is not necessarily an issue: public offerings and bonds provide long-term finance of industry, and in both of these City firms have been important intermediaries.

3.3.2.3 The international bias of the City: a reflection of British industries’ failings?

The City’s international bias and its neglect of domestic industries has been criticized as a cause of the decline of the latter. But one might wonder: Why would that be otherwise?
Why would the City be interested in investing in British industries? Some have suggested that there were cultural issues here, i.e. that industry was always regarded with wariness and/or disdain by certain elements in the British ruling class, especially the landed aristocracy and the rentiers (Wiener, 1981; Cain and Hopkins, 1993; Rubinstein, 1993). While recognizing its merits, Hobsbawm (1968) points out the limits of a socio-cultural interpretation of Britain’s economic history. According to him, it is important to rather focus on the contradictions inherent in capitalism. These forces explain its intrinsic geographic instability, and how that is fundamental to its ever-changing geopolitics (Harvey, 1985): capitalists are interested in where profits are to be maximized. In the last decades of the nineteenth century, and ever since then, Britain’s traditional industries – i.e. those that emerged with the industrial revolution such as iron and steel production, textiles and woolen products, machine-tools, shipbuilding …etc – may not have been good investments, or at least not the best, compared to other possible investments for the City firms, even if they had been interested in making long term loans.

These industries encountered their own difficulties that were independent of any lack of investment from City financial institutions. This started much before the deindustrialization of the post-World-War-II era, when Britain began to become a victim of its early lead. Britain was the site of the development of the first industrial revolution in the late 1700s-early 1800s. This is where the first network of railways linking various production sites and urban centers was built. This is where most of the major nineteenth-century innovations in electro-technics, chemistry, metallurgy …etc occurred. It is also where the first machine-tools were created and used for industrial production. But in the last decades of the nineteenth century British industries had a hard time competing with
emergent industrial powerhouses elsewhere, notably Germany and the United States. This was so for different reasons, including the fact that Britain was lagging behind its competitors in several key domains. The latter included (e.g.) the systematic organization of mass-production, the enlargement of the scale of economic production – through trusts, monopolies or oligopolies rather than a myriad of small producers – and, very importantly, the continuous industrial and commercial exploitation of technological innovations, especially in the new growth-industries such as chemical industries, iron and steel, or electro-technics (Hobsbawm, 1968). The latter are telling examples, as highlighted by Hobsbawm:

“Electro-technics were […] a pioneer achievement of the British. […] Yet by 1913 the output of the British electrical industry was little more than a third of the German, its exports barely half. […] Much of the domestic industry was initiated and controlled by foreign capital […] and when in 1905 the London underground was to be electrified and the first ‘tube’ constructed, the enterprise and finance were largely American. […] The saddest case was perhaps that of the iron and steel industry, for we see it losing its pre-eminence at the very moment when its role in the British economy was greatest, and its dominance in the world most unquestioned. […] Not only did British production fall behind that of Germany and the USA in the early 1890s, but also British productivity. By 1910 the USA produced almost twice as much basic steel alone as the total steel production of Great Britain” (1968: 180-181).

The question is: Why was it that Britain, the birthplace of the industrial revolution, had such difficulties competing with these new industrial nations? A major element of explanation here is that British industries became the victims of their early start. As pointed out by Hobsbawm, the difficulties encountered by British industries at the end of the nineteenth century in competing with rising industrial powers such as Germany and the United States was a matter of fixity, the fixity of capital:

“The commonest, and probably best, economic explanation of the loss of dynamism in British industry [in the 1870-1914 period] is that it was the result ‘ultimately of the early and long-sustained start as an industrial power’. […] [T]o change from an old and obsolescent pattern to a new one was both expensive and difficult. It was expensive because it involved both the scrapping of old investment still capable of yielding good profits, and new investments of even greater initial cost; for as a general rule newer technology is more expensive technology. […] [As far as the iron and steel industry were
concerned] the heavy investment in obsolete plant in obsolete industrial areas anchored the British industry to an obsolete technology” (1968: 187-189).

The conclusions here are two-fold. One the one hand, there is no such thing as a zero-sum relation between industrial and financial capital. The decline of industrial capital was not necessarily a result of the rise of financial capital alone. Industrial capital was placed at a disadvantage due in considerable part to the fact that Britain was the first great industrial power. On the other hand, one could argue that the fact that financial capital was not always willing to invest in industry did not help; but again, as previously mentioned, why would City financiers invest in British industry if more profit was to be made elsewhere? Given the failures of British industry to maintain its early lead, it is very likely that, even if the City had been interested in long term investments, its lower profitability would not have made it an attractive customer. In other words, the City’s decisions with respect to where and how it invested may have been entirely rational and not so much inspired by a wariness or disdain of industrialism.

3.4 THE CITY AND BRITISH INDUSTRIES: A MORE NUANCED STORY

After reassessing the case against the City, in this section I will argue that there is still a case to be made for the idea that financial capital and the interests associated with it have worked contrary to the interests of British industry, although it is a more nuanced story. Despite some moment of complementarity or convergence of interests – arguably both of a rather contingent nature – there have been importance instances of conflict. In most cases financial capital emerged as the winner and industrial capital the loser. These victories provided the former with additional advantages – including more power to bring pressure to bear on the government to impart a macroeconomic policy bias in their favor.
and often to the detriment of industry. However, this story of advantage (and disadvantage) ought to be more nuanced. This is so because chance events have tended to work in favor of the City at critical junctures. In other words, the growth of financial services in London has owed in significant part to a series of chance time-space juxtapositions of conditions that have favored the concentration and growth of expertise and innovation in the City. This in turn leads to the question of whether or not this amounts to a case of path-dependent development.

3.4.1 Conflicts and the recurrent ‘victories’ of financial capital

Despite some instances of both complementarity – as under the first globalization – and convergence of interests – illustrated by the restoration of the Gold Standard in the 1920s – there have also been important moments of conflict in which financial capital and the interests associated with it have worked contrary to the interests of British industries. I would like to illustrate this point through two case studies in particular: the 1906 defeat of Tariff Reform, and the ‘stop-go’ economic policies of the 1950s-1960s.

3.4.1.1 The 1906 defeat of Tariff Reform

The first example is that of Tariff Reform at the beginning of the twentieth century. The debate around Tariff Reform emerged as a major political issue in 1902, and became institutionalized with the formation of the Tariff Reform League (TRL) in 1903. The TRL was a lobby led by a high-profile businessman and politician, then-Mayor of Birmingham, Joseph Chamberlain. Chamberlain quit his position in the national government as Colonial Secretary to fully commit himself to a national campaign in
favor of ‘imperial preference’ and the imposition of high tariffs on foreign goods entering
the British Empire. The objective of the proposed reform was to protect British industries
from foreign competitors, from neighboring European industrial nations such as France,
Belgium and, most importantly, Germany, but also from the growing industrial power of
the United States. This could be done, it was thought, by converting the British Empire
into a single trading bloc, protected by tariff barriers against external competition, and
following the model of Bismarkian Germany. Although the economic depression
between 1873 and 1896 that brought severe price depreciation and business closure
across Western European countries in its wake was “[…] not great enough to frighten
British industry into really fundamental change” (Hobsbawm, 1968: 191), it had led other
imperial powers such as Germany and France to fall back on their imperial markets and
to protect them, so limiting the markets for British manufactured goods.

The TRL was supported by a large portion of the Liberal Unionist Party, to which
Chamberlain belonged, but also by the majority of supporters of the Conservative Party
nation-wide, as well as many businessmen and industrialists from across the country, who
provided the League with financial support. Overall, Tariff Reform was supported by
most of those who had an interest in the protection of British industries, some industrial
capitalists as well as some workers who were anxious to protect their jobs. I am referring
to some industrialists here because the industrial bourgeoisie was actually divided with
respect to Tariff Reform. While the foreign challenge to the metal industries explained
the support of manufacturers in the Midlands, Northern industrialists in the three major
export branches of the early twentieth century – textiles, coal and shipbuilding – were not
feeling the need for tariffs on imports, not yet at least, given the relativecompetitiveness
of their products at that time (Anderson, 1987). Likewise, I am referring here to some workers and not the working class, because many workers also rallied behind the banner of ‘consumer Britain.’ Opposition to Tariff Reform was spearheaded by the Liberal Party which sold Britain’s longstanding commitment to free trade to the electorate in general, and to British workers in particular, as a way of keeping the cost of living down. ‘Consumer Britain’ was not the only opponent to Tariff Reform: ‘financial Britain’ – i.e. the City’s financiers and banks – also opposed Tariff Reform that would impose constraints on commercial relations with foreign firms: “National protectionism was anathema to its interest in global intermediation” (Anderson: 1987: 43). In the face of fierce opposition from ‘consumer Britain’ and ‘financial Britain’, the TRL tried to rally as many supporters as possible by emphasizing how Tariff Reform could finance the beginning of a welfare state, while also keeping taxes down: social reforms would be made possible through the revenues generated by high tariffs on non-imperial imports. Among other things, Chamberlain planned an old-age pension scheme, aimed at improving the welfare of Britain’s working class. The TRL also argued that increasing tariffs on foreign products would ensure the maintenance of low levels of domestic taxes.

But despite Chamberlain’s enthusiastic promises and an intensive campaign that took him to the country’s major cities, the Tariff Reform movement was defeated in the 1906 election when the Liberal Unionist Party, which supported Tariff Reform was defeated by the Liberals. The Liberals, indefatigable supporters of free trade, won the general election, mainly as a result of the rift created within the Conservative Party by the tariff issue, along with the relative political and electoral weakness of Chamberlain’s Liberal Unionist Party outside of the West Midlands. The deep-rooted attachment of the
British population to free trade combined with the territorially limited embeddedness of Chamberlain’s Liberal Unionist Party and the divisions within both industrial capital and the working class undermined the chances of success of the TRL, and gave an advantage to financial capital in its opposition to Tariff Reform. In other words, a quite random juxtaposition of conditions worked to the advantage of financial capital, providing it with additional advantages over industrial capital.

Undoubtedly a major issue was the future of the financial service industries clustered in the City of London. A major concern was the fact that London was a major transshipment point for imports into and exports from the rest of Europe. In other words, exports from, say Denmark, destined for Canada, would first come to London and then be put in a British ship for the rest of the trip. This transshipment activity was another focus of the City’s lending activity. Tariff Reform threatened this trade since any commodities coming into Britain, whether for transshipment or not, would have had to pay tariffs, therefore making London much less attractive for the transshipment activity. The defeat of the Tariff Reform movement, therefore, was also a victory of financial Britain over industrial Britain and a marker of the balance of class forces, or, rather, of class fractions in Britain at the dawn of the twentieth century. For some, the pre-World-War-I years sealed a disengagement of financial capital from its domestic economy and an increasingly fragile industrial base:

“[B]y the First World War a pattern was clearly established: a national banking system disengaged from production: a risk-averse London stock market based on international investment; equity finance made available on the most onerous terms, heaping large dividend demands on British producers; a Bank of England concerned to preserve price stability and the international value of the pound sterling; and an industrial base losing ground to foreign manufacturers with higher productivity – and having to respond by bidding down wages to maximize retained profits, the only reliable and cheap form of finance” (Hutton, 1995: 123).
3.4.1.2 The ‘stop-go’ economic policies of the 1950s and 1960s

A second instance in which the interests of financial and industrial capital conflicted was the so-called ‘stop-go’ economic policies of the 1950s and 1960s. While the interwar period had been marked by episodes of convergence of interests between financial and industrial capital as illustrated by their ‘alliance’ in pushing for a restoration of the Gold Standard in the 1920s, after World War II, the relation between industrial and financial capital became much more conflictual. This was the context for the so-called ‘stop-go’ economic policies of the 1950s. The last thing that British industries needed in the post-war period was a strong pound sterling. This was because it would make industrial exports significantly more expensive. British industries were especially challenged by increased competition after the Attlee administration (Labour; 1945-1951) was forced to abandon Imperial Preference as a condition for a loan from the US government to deal with the financial crisis following the termination of the Lend Lease by the United States. This was a program under which the US provided the United Kingdom and other Allied nations with various supplies, including war material, in exchange for free occupation of British and other territories by US military bases (Anderson, 1987: 55). This meant that American firms could now export more easily to countries that had hitherto been virtual monopoly markets for British industry. In addition reconstruction in Germany and France were to make things even harder during the ’fifties. This is the background to the conflict between industrial and financial capital during that decade: the decade characterized by so-called ‘stop-go’ economic policies.

‘Stop-go’ policies were macro-economic interventions aimed at, first an expansion of demand, and then a contraction. The objective of ‘stopping’ (i.e.
contraction) after a period of ‘going’ (i.e. expansion) was to curb inflationary tendencies which threatened to create a serious balance of payments deficit, and, most critically, pressure to devalue the pound in order to rectify it. Part of the problem was commitment to maintaining full employment, since this reduced the policy options available to the government and in fact resulted in more vigorous expansionary phases than would otherwise have been deemed necessary. So expansion quickly led to ‘overheating’ of the economy as labor shortages set in. The resultant inflationary tendencies would then be curbed by such tactics as credit squeezes in order to reduce domestic demand. In short, the goal of these policies was to prevent inflation from spiraling out of control, so as to preserve a high and stable exchange rate for the pound sterling.

It should be added that the latter was regarded as a crucial condition for the revival of the City after the imposed ‘pause’ of the war years. The revival of the City was seen as a way to boost invisible earnings, and these were important because they appeared as a solution to the severe balance of payment problem experienced by the United Kingdom. Given the extent of the destruction of physical infrastructures due to the war and the costs of reconverting British industrial infrastructure to peacetime uses industry was not seen as a promising generator of exports. But ‘stop-go’ policies ended up impeding economic growth by making it difficult for industrialists to plan for expansion, and they continued into the 1960s.

An interesting contrast is France. As will be discussed in Chapter Six, it engaged in strategic devaluations of the franc in order to stimulate the export performances of its industries. Britain did not follow this path. The British government did not consider devaluation as an option because of the importance of maintaining the value of the pound
sterling as an international reserve currency and therefore to maintain the City of London’s status as a dealer in pound-sterling-denominated securities and as an international banker. In this respect, Dunford and Perrons note that:

“[…] The strength and political ascendancy of the financial sector were connected with the priority given to a reserve function for sterling and high rates of interest and exchange and with the consequent harm done to the competitiveness of domestic manufacturing industry” (1988: 75).

Moreover, a more directly political element is to be added to the above. Maintaining the pound sterling’s status as a reserve currency in the post-World-War-II period was also part of the United Kingdom’s fantasy that it was a great power – despite the losses from the War and the ongoing dismantling of its Empire – and so its currency should be a reserve currency. If it was not the case, Britain would not be considered a great power. The stubborn refusal to change the value of the pound sterling, despite the fact that its overvaluation was harming British industries – making British products much more expensive than those of its neighboring competitors such as the Germany or France, but also from its former colonies such as India – had serious material effects.

The 1950s-1960s ‘stop-go’ economic policies ended up constraining Britain’s rate of economic growth. In spite of that, when the first Wilson administration (Labour) was voted into office in 1964, the government initially pursued the same stop-go policies and vowed to avoid a devaluation of the pound. The government’s main concern – beside the electoral concern of course – was not to disturb the world’s financial system and the position of London within it. As a financial center London was becoming preeminent again in the 1960s, thanks to the creation of the Eurodollar and the Eurobond markets in particular, which I will return to in later on in this chapter. The interests of financial capital were a priority, and at the expense of British industries. Not devaluing the pound
as early as 1964 has been described by some observers as a “fatal mistake” (Bale, 1999). Starting in 1964, Wilson’s Labour government had grand plans for the revival of British industry but they failed, and it is important to link the failure of British industry in the period to the weight of financial capital in the deliberations of the British government.

Nevertheless, in November 1967 the pound did eventually get devalued under Wilson, in an attempt to make British manufactured products cheaper for export and competitive again. Given the long standing predominance of financial capital, an explanation is in order. Although Wilson did implement industrial modernization programs aiming at rescuing British industries, the devaluation of the pound in 1967 says less about any changing configuration of social forces in the late 1960s and refers more to a new moment of complementarity between financial and industrial capital, or, rather, to a moment of ‘non-struggle.’ This owes, once more, to very particular, broader circumstances of a rather accidental nature. For when the pound was eventually devalued in the 1967, with a view to rescuing British industries after the failure of the Wilson administration’s ‘modernization strategy,’ it was not a threat to the post-war revival of the City. This is because at the same time the City banks were expanding their activity considerably thanks to the development since 1963 of the Eurodollar and Eurobonds markets, with all the profits that these new products entailed, and without the angst of maintaining the value of the pound sterling:

“The complete failure of Labour’s attempt to reconstruct industrial capital by deliberate state action, meanwhile, coincided with the unpremeditated emergence of a quite new basis for the hegemony of financial and commercial capital. The fall of the pound in 1967 meant the end of the Sterling Area as a coherent economic zone, a change long feared and resisted by a City grow accustomed to it since the thirties. But just before Wilson came to power, the US authorities had blocked foreign borrowers from the New York bond market. The result, from 1963 onwards, was the birth – little noticed at the time – of an offshore Eurodollar market. The London merchant banks moved quickly to capture the bulk of the enormous flows soon accumulating in this novel medium of international
credit, which promised the City greater prosperity and strength than the Commonwealth of the past had ever afforded it” (Anderson, 1987: 61, emphases added).

Under these contingent circumstances – the happenstance juxtaposition of the planned (the modernization of industries through state action) and the unplanned (the restrictions imposed by the US federal government on overseas investment) events and conditions (Massey, 1992; 2005) – the City did not strongly oppose the devaluation of the pound sterling as one might have expected. But although the devaluation of the pound was meant to help rescue declining British industries and it should have been seen as a ‘victory’ for industrial capital, it came too late (Bale, 1999) and traditional manufacturing never recovered.

In both of these cases, Tariff Reform and the ‘stop-go’ policies of the 1950s and 1960s – including the eventual but too-late devaluation of the pound – financial capital was the winner and industrial capital the loser, providing the former with further advantages. Quite importantly, financial capital has increased its ability to bear pressure on the government to decide macroeconomic policies that favor its development as financial services became increasingly important for the British state to mitigate the country’s recurrent negative balance of payments problem.

3.4.2 The role of chances events and time-space juxtapositions

A major geographic implication of the increasing dominance of financial capital in the British political economy has been the growing importance of London within the national space economy. This is where financial services in Britain increasingly clustered throughout the twentieth century. Today London is the largest financial center in the
world for international wholesale activities in the money markets. As the leading center for international cross-border bank lending (Table 3.1), the City of London is often considered as the command center of the global financial industry. Almost one third of the financial workforce is employed in the three key niches of the London’s financial industry: international commercial banking, fund management, and insurance (Source: Lombard Street Research, 1998: 30). However one fifth of this economy consists of a set of side activities that support the activity of the London’s banks and various financial institutions such as (e.g.) consulting, accounting, law firms …etc (ibid.). Other relevant activities include security bonds, international and United Kingdom equities, marine services and commodity markets, and some domestic commercial banking. The London economy is driven to a great extent by the activity of almost five hundred foreign banks – 481 in 2000 (Source: Centre for Economic and Business Research, 2000) – whose presence in London is motivated by the opportunity “[…] to participate in the thriving offshore financial markets, providing access to these vast pools of funds to foreign corporations, banks, and governments” (Roberts, 2005: 293). London is a, if not the world financial center.

However, the reasons for the growing dominance of financial capital and the resulting emergence of such an agglomeration economy based on finance in the City of London – the transformation of London from an imperial world city into the global financial center that it is nowadays – are to be understood against the backdrop of a set of particular chance conditions and contingencies.

16 ‘Wholesale’ is opposed to ‘retail’ financial activities here: wholesale financial activities refer to services to governments, public agencies, corporations and large businesses, as well as the financial industry itself (e.g. insurance, real-estate …etc), while retail financial activities are linked to a mostly domestic customer base of individuals and small businesses.
Table 3.1: United Kingdom’s shares in key financial services compared to other advanced capitalist countries (Source: HM Treasury, 2006)

<table>
<thead>
<tr>
<th>% share</th>
<th>UK</th>
<th>USA</th>
<th>Japan</th>
<th>France</th>
<th>Germany</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross border bank lending (March 2005)</td>
<td>20</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Foreign equities turnover (Jan-Sept-2005)</td>
<td>43</td>
<td>31</td>
<td>--</td>
<td>--</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>Foreign exchange turnover (April 2004)</td>
<td>31</td>
<td>19</td>
<td>8</td>
<td>3</td>
<td>5</td>
<td>34</td>
</tr>
<tr>
<td>Derivatives turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) exchange traded (contracts, volume, 2004)</td>
<td>7</td>
<td>31</td>
<td>2</td>
<td>4</td>
<td>12</td>
<td>44</td>
</tr>
<tr>
<td>(ii) over-the-counter (April 2004)</td>
<td>43</td>
<td>24</td>
<td>3</td>
<td>10</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>International bonds – secondary market (2004)</td>
<td>70</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Fund management (as a source of funds, 2004)</td>
<td>8</td>
<td>45</td>
<td>12</td>
<td>5</td>
<td>4</td>
<td>26</td>
</tr>
<tr>
<td>Hedge fund assets (December 2004)</td>
<td>20</td>
<td>69</td>
<td>1</td>
<td>2</td>
<td>--</td>
<td>8</td>
</tr>
</tbody>
</table>

I argue here that the growth of financial services in London unfolded within contexts that continually provided it with advantages and allowed the formation of a critical mass of skills and knowledge that embedded London’s advantages in the international division of labor. These particular contexts are the outcomes of both domestic forces and international developments.

3.4.2.1 Domestic conditions

The conditions for the defeat of Tariff Reform in 1906 as discussed above provide an illustration of how a chance juxtaposition of conditions worked to the advantage of financial capital, providing it with additional advantages over industrial capital. By the same token, the ‘stop-go’ policies of the 1950s and 1960s and the government’s refusal – until 1967 – to devalue the pound sterling were the product of particular time-space juxtapositions of conditions and forces in the postwar reconstruction period characterized in particular by great concerns about solving the severe negative balance of payments. Industry was not regarded as promising as a generator of exports because of the physical
destruction and the cost of converting to peacetime uses. So the answer was to build up
the City again as a source of invisible export earnings. This meant maintaining the value
of sterling, but Britain’s ‘great power’ ambitions meant that was already something the
government wanted to do anyway. This worked against the interests of the (declining)
British industries, which needed a weaker pound to make their product more competitive
on the international markets.

Another example of how particular sets of conditions and forces worked to the
advantage of financial capital rather than industrial capital is the neoliberal turn of the
1980s, following the 1979 electoral advent of the Conservatives and the leadership of
Prime Minister Margaret Thatcher (1979-1990). There are two aspects of the revival of
liberalism under the Thatcher administration to be considered here: on the one hand, the
dismantling of industrial policy and of the regional planning apparatus sealed the fate of
many British industries, such as coal mining; on the other hand, the deregulation of
financial markets between 1982 and 1986 established the hegemony of financial capital
in Britain’s political economy and boosted the continuation of the City’s renaissance as a
leading global financial center: something which had started in the 1960s with the
creation of the Eurodollar and Eurobond markets.

Under the Wilson administration in the 1960s, modernization programs aiming at
rescuing British industries had been initiated, alongside redistributive policies. The fear
of ‘overheating’ in London, the Southeast and the Midlands in particular, as highlighted
more than two decades earlier by the 1940 Barlow Report and the government’s desire to
redistribute employment and population away from the so-called axial belt and London in
particular re-emerged in the 1960s and 1970s, as will be discussed in more detail in
Chapter Four. Although this fear was somewhat exaggerated (Allen et al., 1998), active regional policy had helped to bridge the socio-economic gap between the greater London region and the rest of the country up to the late 1970s (Moore et al., 1986). Without measures of regional redistribution, this gap might have widened; although some observers would point out that decentralization would have occurred in any case as firms sought lower wages and as deskilling allowed them to tap into areas offering them. But in the 1980s, regional and industrial policies, whether at the national or European scale, disappeared from the (Conservative) government’s agenda. They were replaced by policies driven by the idea of enhancing the competitiveness of the most promising sectors of the economy. This meant supporting the most competitive places in the country where these sectors were the most developed, as in the case of London and the financial services sector, rather than by principles of regional equity and redistribution.

While most of British manufacturing industry agonized throughout the 1980s, financial services blossomed thanks to the deregulation of financial markets in the United Kingdom. This is crucial in understanding the overwhelming weight of financial capital in the contemporary British economy. Financial deregulation in the 1980s was meant to support the continuation of the City’s renaissance as a leading global financial center, to make up for decline elsewhere in the British economy. Exchange controls were abolished as early as 1979 (including controls over direct investment, portfolio investment, and currency exchange). This allowed British residents and UK-based institutions (especially pensions funds, insurance companies and unit trusts) to invest capital abroad through (e.g.) direct foreign investments without permission from the Treasury, therefore enlarging the City’s market in mediating those investments. Most importantly, the lifting
of restrictions on exchange controls in the United Kingdom contributed to the internationalization of Britain’s stock markets, including of course the largest of all, the London Stock Exchange. In 1982, in order to maximize the benefits of the abolition of exchange controls in Britain, the London International Financial Futures Exchange (LIFFE) was created, following the US model of the Chicago Board of Trade and the Chicago Mercantile Exchange. LIFFE was a stock exchange that allowed for making short-term high-risk bets on the future value of commodities and currencies. The London Stock Exchange was fully deregulated four years later, on October 27th, 1986, when fixed commission charges were abolished, and electronic screen-based trading was adopted to replace old-fashioned open-outcry methods. This prompted a massive arrival of foreign banks and firms and contributed greatly to the internationalization of financial capital in Britain, to the “Wimbledonization”17 of the London economy, and to the sealing of a disconnect between Britain’s financial and industrial capital. As soon as 1987, less than a year after the Big Bang, these effects were already very tangible as Anderson wrote:

> “The deregulation of the Stock Exchange […] has since paved the way for an inrush of New York security houses or Swiss banks into the oldest citadel of the City. The gigantic nova of money capital now floating over London, in other words, has become denationalized in a quite new sense – no longer merely disconnected from the fortunes of domestic industry, as the City’s commercial transactions always largely were in the past, but estranged from any original linkage with the national economy at all” (Anderson, 1987: 69).

As per the neoliberal mantra, the Thatcher government was determined to support economic ‘winners’ and the financial sector was one of them. It was one of the largest contributors to the British of payments, it was competitive (and increasingly so since the

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17 “It doesn't matter if you don't own the winners – as long as you host the tournament. So, don't worry that Wimbledon tennis does not produce a UK victor – just count the money coming in. […] Similarly, don't fret that Big Bang – which liberalised the City – ended up with the square mile being foreign-owned: just think of the enormous wealth and employment generated in the south-east as a result” (The Guardian, 19 June 2004).
1960s), it was definitely a ‘winner’ compared to the moribund traditional manufacturing sector. In short, financial services were seen as a growth sector able to offset decline elsewhere in the British economy and this worked to the advantage of the City. One must also note here that the outcome of this ‘last battle’ between industrial and financial capital in Britain was greatly influenced by the increased financialization of the world economy following the 1973 oil shock. In other words, after the mid-1970s, it became clear that financial services were becoming an increasingly important aspect of global capitalism, so betting on financial capital on the part of the Thatcher administration could appear as a rather rational choice for a capitalist state that relies on revenues generated by its national economy.

Another important condition for the most recent growth of the City – among others – has been North Sea oil. The exploitation of North Sea oil since the late 1960s contributed to reducing the deficit of Britain’s balance of payments.¹⁸ This in turn reassured foreign investors and so increased demand for the pound sterling. As a result, it has also increased the value of the pound, making it harder for British industries to compete on world markets. The overvalued pound sterling, on the other hand, has been important for maintaining the demand for pound-sterling-denominated stocks and bonds on the part of foreign investors, and, therefore, for maintaining the role of London as a major world financial center. This has tended to increase the value of the pound still further, making British exports of manufactured products even more expensive.

¹⁸ North Sea oil has also been a very important source of revenues for the state, in particular with respect to covering unemployment compensations; in the 1980s the taxes on oil revenues allowed the government to buy off the unemployed through compensations (Anderson, 1987).
3.4.2.2 International contexts

Chance events that have tended to work in favor of the City at critical junctures have not been just a matter of domestic outcomes. There have also been international developments which have facilitated its rise. So its success has not been just a matter of its relation to industrial capital in Britain but also its relation to competing centers elsewhere.

One of the first conditions that gave London its ‘financial edge’ since at least the nineteenth century was its large seaport. London was a nodal point of world trade, as a warehousing and distribution center, with very important re-export functions that were a major source of profits for the City. London was in particular the point through which other European countries gained their imports from (e.g.) parts of Africa and Asia, and the City financed the warehousing function of London with respect to the rest of Europe. Commodities were re-exported mainly via the port of London. London became the major international trade center in Europe in the first half of the nineteenth century, after the 1815 victory over Napoleon’s armies at Waterloo: its only serious contender, Amsterdam, never recovered from the war’s blockade:

“[…] The combination of the Industrial Revolution at home and the destruction after Waterloo of any barrier or competition to English global hegemony overseas brought into being a quite new form of world economy, in which British manufacturers possessed overwhelming preponderance amid generalized free trade. As the density of commercial exchanges multiplied between ever more states and regions drawn into a common network, the functional necessity for a central switchboard to direct its flows grew steadily. The regular reproduction of multilateral transactions, in a world economic space segmented into independent political units, depended on the existence of at least one major clearing-house of universal scope” (Anderson, 1987: 33).

As a result, throughout the nineteenth century, the city developed and accumulated monetary reserves as well as experience in trade and maritime insurance among other skills. The growth of this body of expertise in the City gave it an edge in merchant
banking, currency trading and speculative operations when the world economy became much more financialized under the aegis of the Gold Standard in the course of what I have referred to as the first globalization (1870s-1914).

London was the largest seaport in the world until the twentieth century and its docks functioned as trans-shipment points for imports into and exports from the rest of Europe. So this provided a market in terms of insuring vessels and financing the import and export trade. This is how London became, and still is, the world center for business insurance, represented in particular through one of Britain’s flagship insurance/reinsurance markets since 1871: Lloyd’s of London. Exports from say Denmark, destined for Canada, would first come to London and then be put in a British boat for the rest of the voyage. Financing this transshipment activity was another focus of the City’s lending activity. The importance of the transshipment activity partly explains the widespread opposition in London to Tariff Reform at the beginning of the twentieth century. This would have increased the prices of all products entering Britain, even those that were in transshipment, because any goods coming into Britain, whether for transshipment or as a final destination, would have been subject to the imposition of tariffs. As a result London might well have been challenged in this transshipment function. Today London is still a gateway city, though in a different way: it is a gateway for overseas and especially American investments in Europe.

American investments in Europe, and in particular through the City, developed tremendously in the 1960s with the creation of the Eurodollar and Eurobond markets.

19 It is no longer the case though; in fact, ironically enough, financial services have now colonized former parts of London given over to port activities at Canary Wharf for instance, and most recently in the former royal docks area closer to the City.
These are an illustration of the positive and unplanned impact of pieces of foreign legislation upon London’s attractiveness for foreign investors. In the 1960s, US companies started coming en masse to London, attracted by the possibilities offered by the Eurodollar and the Eurobond market, mainly as a consequence of the limits placed by US legislation with regard to financial flows. In the 1950s and 1960s, the American banking system was still heavily constrained by the 1933 Glass-Steagall regulations enacted in the midst of the Great Depression so as to control speculation and to avoid another stock market crash as in 1929. Some of the provisions included very strict interest rate caps imposed on saving accounts by the Federal Reserve (as per the (in)famous Regulation Q), the quasi-prohibition of inter-state branching in the banking sector, and the tight regulation of US capital markets especially with respect to foreign lending.\footnote{Except to particular institutions such as the World Bank – overseen by the US government – or the European Coal and Steel Community.} In addition, in the early 1960s, the federal government imposed more restrictions on foreign investment. These were prompted in part by a balance of payments crisis resulting from the policies implemented to pay for the Vietnam War: money creation resulted in inflation which, in turn, made American exports more expensive than their imports. US banks found in the Eurodollar and Eurobond markets the possibility of escaping domestic constraints and controls by moving their international lending activities overseas and opening branches in particular in control-loose Britain. Again, the place in Britain that benefited the most from that was London and its banks.

Several decades later, the 2002 Sarbanes-Oxley Act (commonly referred to as Sarbox or SOX, and already mentioned in Chapter Two) was enacted after several
corporate financial scandals that shook the US economy in the early 2000s.\textsuperscript{21} In order to restore confidence in the securities markets and to avoid future scandals, the Sarbanes-Oxley Act has imposed higher standards for public accounting firms in particular and new requests for transparency, which in turn enhanced corporate accounting controls. The increasing complexity and straitening of the US corporate regulatory environment have led major international firms to reconsider their listing on the US stock exchange: many now tend to favor a listing on the London stock exchange to one in New York. So SOX has had favorable yet unexpected locational effects on London through the redirection of stock exchange listings from New York to the British capital.

One must note the importance of the English language here in influencing the choice of those companies willing to circumvent the increasingly constraining US regulatory environment with respect to financial activities – exacerbated now by the so-called ‘war on terror’ that has resulted in even more controls on financial flows. The growth of international firms in London owes to a great extent to the legacy of the empire in the form of the widespread use of the English language through the world, including North America. Since the 1960s and the creation of the Eurodollar and Eurobond markets, this common language has played a crucial role in attracting American banks to London rather than to other European financial centers. As previously mentioned, these markets were created as a result of US federal restrictions on investment overseas along with the blocking of foreign borrowers from the New York bond market in the early 1960s. The demand for Eurodollars and Eurobonds basic to the emergence of markets for them came from American firms that wanted to invest or to keep investing outside of the

\textsuperscript{21} These included the ones involving (e.g.) Enron, Tyco or again WorldCom. These scandals affected many investors, big and small, who lost billions of dollars.
United States: borrowing in London rather than in New York allowed them to get around the federal restrictions. The Eurodollar, a new financial product, was created as a stable link between the US dollar and European currencies. The dollars earned by American exporters would be deposited in European banks and so remain in Europe. Therefore, under these new conditions, US banks, if they were to benefit from this new market, had to establish branches in Europe at the very least. Because of the language connection – a legacy from the time North America was under British colonial rule – most American banks ended up opening offices and branches in London rather than in (e.g.) Paris or Frankfurt. As a result, the amount of total deposits in London banks in the 1960s soared (Table 3.2), as did the number of US banks in the British capital:

“In 1958 there were seven American banks which had branches in London. Ten years later, their number had nearly trebled, and they included many smaller regional banks from places like Denver and Seattle as well as the familiar names of the giant banking corporations of New York and the Eastern seaboard of the United States. By 1968, too, there were over a hundred foreign banks of all kinds including American, European, and Commonwealth banks and their number was still increasing every month. This was not simply a reflection of a developing international economy. Much more than that, it reflected a particular relationship between London as a convenient expatriate financial centre and the expanding use of the dollar in international finance. For it was striking that although foreign bank branches did increase in European centres – notably in Brussels, Luxembourg, Zürich, Frankfurt, and Paris – no other European financial centre had the same concentration of foreign banks as London” (Strange, 1971: 234-235).

<table>
<thead>
<tr>
<th>Year</th>
<th>British overseas banks and Commonwealth</th>
<th>US banks</th>
<th>Other foreign banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>600</td>
<td>144</td>
<td>125</td>
</tr>
<tr>
<td>1960</td>
<td>767</td>
<td>389</td>
<td>311</td>
</tr>
<tr>
<td>1964</td>
<td>1,453</td>
<td>944</td>
<td>454</td>
</tr>
<tr>
<td>1965</td>
<td>1,676</td>
<td>1,432</td>
<td>523</td>
</tr>
<tr>
<td>1966</td>
<td>1,811</td>
<td>2,215</td>
<td>568</td>
</tr>
<tr>
<td>1967</td>
<td>2,300</td>
<td>3,283</td>
<td>649</td>
</tr>
<tr>
<td>1968</td>
<td>2,744</td>
<td>5,301</td>
<td>959</td>
</tr>
<tr>
<td>1969 (March)</td>
<td>3,033</td>
<td>6,545</td>
<td>1,017</td>
</tr>
</tbody>
</table>

Table 3.2: Total deposits of foreign banks in London, £ million (Source: Strange, 1971: 235)
The English language factor has become increasingly important in the past few decades with the multi-nationalization of financial services, i.e. the creation of banking networks spanning international borders. With respect to that, London also benefits from the fact that its business day overlaps with that of New York and Hong Kong, two major contemporary financial centers, whose working language is also English. Although a chance condition, the use of the English language in the City has clearly contributed to attracting financial firms and a critical mass of highly-skilled workers, whose experience, expertise and ideas have come together there to create new financial products, giving London an edge in the world of finance. This, in turn, has promoted further economies of agglomeration and positive feedbacks, a key aspect of the formation and reproduction of global cities as explained in Chapter Two.

3.4.3 London’s on-going financial success story: a case for path dependence?

For a variety of quite different reasons outlined above, over the years London has built up a workforce skilled in various aspects of financial services along with firms specialized in related legal and accounting activities so that it has become a highly competitive financial center with the capacity to withstand challenges to its preeminence. Much of that has to do with a succession of finance-related activities whose concentration in London had a chance element about it, as I have emphasized above. The question here is: Does that amount to path dependent development? Applied to geography, path-dependence emphasizes the time-dependent and unplanned nature of some processes of spatial change. As per path dependence theory, these may originate in small chance events, sometimes combined together, and unfold at large geographical scales over time. In other
words, particular large scale geographic patterns may be explained by processes that find their origin in small random events that have produced positive feedbacks over time.

Path dependence theory puts a particular emphasis on the significance given to positive feedbacks and increasing returns to scale. In the case under investigation here, these could be seen as having worked through the state. To the extent that financial capital became more important to maintaining a positive balance of payments, the British state was more inclined to take its interests into account in its policies. This has fed the growth of the financial services sector and an even greater state reliance on it as the means to resolving the balance of payments problem. And so on and so forth. However, this is not to say that there was anything ‘necessary’ to the growing dominance of financial capital over the British political economy. As I have tried to emphasize, the growth of financial capital relative to industrial capital was also helped by quite random conditions of the sort discussed throughout this chapter. These gave additional momentum to the growth of financial capital relative to industrial capital and provided further reasons for state support and sympathy. Perhaps indicative of this is the way in which the current New Labour administration that came to power in 1997 has resolved to work with the City rather than continue its historic and antagonistic position towards it.22

Based on the above considerations, some case could be made for a path dependent understanding of the growth of financial services in London based, at least to a certain extent. Random events have given an impetus to City expansion and economies of agglomeration have then taken over and resulted in increasing returns to scale as laid out in Chapter Two. With the rise of financial services at the global scale in general and

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22 One sign of that was the decision to give the Bank of England the power to set interest rates – and these have been set high so far, to the satisfaction of City bankers.
within the British economy in particular, London further benefited from the strong clustering tendency of advanced producer services, including financial services and related activities. The geography of advanced producer services is one of very unequal distribution characterized by very significant clustering patterns in general (Moulaert, 1991). Britain is no exception, with a growing concentration of advanced producer services firms in London since the 1970s (Daniels, 1995): as early as 1971, over one third of all employment in producer services was located in London (ibid.: 125); during the 1970s decade of economic recession, and growing unemployment, the rate of increase in employment in producer services in London (3.28 per cent) remained above the national average of 2.42 per cent (ibid.: 127).

The growth and increasing concentration of advanced producer services in London can be explained to a great extent by the development of a range of service activities that sustain the banking and insurance sector in particular, such as legal services or accounting. So as financial services grew in London, so did employment in (e.g.) corporate law, consulting, and accounting, as well as the number of firms specializing in those services coming to London. For instance, when US banks started opening branches en masse in London in the 1960s-1970s, they were often followed by other parts of their division of labor, including and notably their law firms (Gaedeke, 1973).

The formation of such a critical mass of skills and knowledge in finance and related activities has entrenched London’s advantages in the international division of labor. What I refer to here in particular is the enormous amount of time, money and energy that it takes for a company like a financial firm to build the social and personal relations, knowledge, expertise and trust, necessary to economic success. Most of the
City banks’ business partners, the banks they compete with, the ones that they might end up merging with or taking over, have at least an office, if not their headquarters, in London, and are listed on the London Stock Exchange. Moreover, and as explained in Chapter Two, the labor market for these firms is also highly concentrated in a few cities around the world. As a result of, on the one hand, the development of this critical mass of skills and knowledge in finance and related activities and, on the other hand, the intensification of the division of labor in financial services as more firms have arrived and increased specialization has occurred, it is very unlikely that the City will soon lose its top position in the international division of labor as a world financial center. The intensification of the division labor in financial services in particular has two important effects: one, it results in the development of a pool of expertise; two, it facilitates the development of new financial products though bringing together different types of expertise. The juxtaposition of more specialized areas of expertise is what has promoted cross-fertilization and cooperation, making London one of the most innovative places in the world for financial services, and so giving it its leading edge in the global economy.

On the other hand, the theory of economies of agglomeration also point out that the fact that there is always the danger that continuing agglomeration will result in diseconomies of agglomeration and therefore decreasing returns to scale. To some degree firms can handle this challenge themselves as they (e.g.) seek to relocate more routinized parts of their operations to cheaper locations (Scott, 1986). This has happened to a certain extent in the case of London as the City has become a victim of its own success and office space there has become increasingly expensive. As a result, some City firms have relocated parts of their back office functions to relatively cheaper parts of Greater
London such as Croydon or Canary Wharf, or to other locations within the Southeast, such as the town of Reading. However, this can only take firms so far in dealing with diseconomies of agglomeration. Accordingly, this is why the state has become so important recently in the reproduction of London as a global city as will be developed further in this dissertation.

3.5 CONCLUSION

The emergence of London as a global city largely based on financial services is inseparable from the increasing dominance of financial capital over industrial capital in Britain over time. However, I have argued here, there was nothing straightforward and inevitable about that. The growing importance of financial capital over Britain’s political economy has been helped by a set of particular and quite random time-space juxtapositions that have worked to its advantage in instances of conflict with the interests of industrial capital, and continuously provided (the City of) London with a number of advantages and embedded them in the international division of labor.

The common view according to which financial capital, embodied in the financial firms of the City, has tended to both neglect and work counter to the interests of British industrial capital needs to be reconsidered. I have pointed out, in particular, that there has not always been conflict between financial and industrial capital; there have been moments of convergence of interests, as in the episode of the restoration of the Gold Standard in the 1920s, and even complementarity, like during the first globalization. Moreover, the criticism of the City’s short-termism, according to which the City banks’ reluctance to offer long-term loans and their disinterest in owning shares of industrial
firms contributed to the decline of British industries, is not necessarily valid. Bonds and public offerings provide long-term financing. For instance, these tools have been used extensively to finance industrial development overseas in the second half of the 1800s, and the City’s firms have been important intermediaries there. Finally, the claim that the City has had an international bias needs reevaluation as well. Failure to satisfy the needs of British industry with loan finance may reflect British industry’s own failings. It may not have been a good investment for City firms compared to other investments.

Nevertheless, as explained in this chapter, there is still a case to be made for the idea that financial capital and the interests associated with it have worked contrary to the interests of British industry. It is a more nuanced story though. There have been important instances of conflict, such as the debate around Tariff Reform and the ‘stop-go’ policies of the 1950s-1960s and the conflict around maintaining the value of the pound. In both cases, financial capital was the winner and industrial capital the loser. But this story of advantage and disadvantage is more nuanced because chance events have tended to work in favor of the City at critical junctures, such as (e.g.) at the time of the Tariff Reform debate, the postwar reconstruction period characterized by the government’s concern about the balance of payments, or the rise of North Sea oil as a major source of revenues for the British economy. However, it has not been just a matter of domestic outcomes. There have also been international developments which have facilitated the rise of the City such as (e.g.) the financialization of the world economy, the creation of the Euromarkets – Eurodollar and Eurobonds – the collapse of the Bretton Woods system (allowing for the full convertibility of currencies and their trading), or, more recently, the constraints imposed by the Sarbanes-Oxley act on listings on US stock exchanges. In
other words, the City’s success has not been just a matter of its relation to industrial capital in Britain but also its relation to the global economy and to competing centers elsewhere. All these events and conditions, which juxtaposition has been characterized by a strong happenstance element, have tended to work to the advantage of the City, leading to increasing agglomeration of financial and related services. Economies of agglomeration have then promoted further clustering and growth of financial and related services. With the arrival of more firms, increased specialization has occurred. This in turn has facilitated the development of new financial products as the juxtaposition of more specialized expertise has fostered cross-fertilization and cooperation on products that embody that interaction of experience and ideas. This had made the City of London one of the most innovative global financial centers, providing it with further advantages over its competitors and leading to further growth.

London’s growth, largely based on the expansion of global financial capital, has been sustained since the 1980s. This has created an interrelated set of issues of labor reproduction such as a shortage of affordable housing that now threatens to inhibit this growth by triggering labor shortages. This will be the topic of Chapter Five. However, before addressing the ways such issues are being dealt with, Chapter Four will provide additional keys in understanding the contradictions of urbanization that are affecting London today, including the problem that expansion – (e.g.) as a way to solve the housing problem – faces. While Chapter Three has been about the emergence of London as a financial services center, Chapter Four will address London’s regional problem. I will focus on how London’s growth, stimulated by the growth of financial services, has combined with a wider regional question to create obstacles to further expansion.
CHAPTER 4

LONDON’S REGIONAL PROBLEM

4.1 INTRODUCTION

Because of London’s extraordinary growth and wealth based on the rise of financial services in the past few decades, the ‘London question’ has become a major aspect of the regional question in the United Kingdom. A common view is that the British government is supporting the British capital’s growth at any cost because it is seen as Britain’s cherished golden goose; and this focus of the government on London is sometimes seen as happening at the expense of other regions, which are left to cope with the long-lasting effects of deindustrialization on their own. As a result an ‘anti-London sentiment’ has emerged within the United Kingdom, a sentiment that the Conservatives have picked up on in their 2008 electoral campaign against New Labour in particular in the Northeast. For instance, they have promised more road infrastructure in the North of England, to balance the fact that transport links are better in the greater London area – a major asset
for local and regional economic development – as a result of major public investments by the New Labour government.\(^{23}\)

As explained in Chapter Three, London has undeniably become a priority for the British government, a key “spatial selectivity of the state” (Jones, 1997) at least since the neoliberal turn of the 1980s. This, alongside the abandonment of industrial planning and regional redistributive policies under the Thatcher administration, has exacerbated the socio-economic gap between the British capital and the rest of the United Kingdom. This is especially true of the parts of the country that are still struggling with industrial decline, i.e. the old industrial centers that were the pillars of the British economy in Victorian times. However, in this chapter I argue that London as a global city, its hyper-growth, and the problem that expansion faces today – as illustrated, for instance, by the housing crisis – have to be understood against the background of geographically uneven development in Britain in general, and in particular in relation to the growth of London’s own surrounding region in Southeast England. What the connections are deserves some dissection, which will be the object of the following sections. In other words, the London question is to be understood against the backdrop of London’s \textit{regional} problem. This, in turn, points to the need to contextualize the growth of so-called world or global cities with respect to broader geographies of uneven development.

A major geographic object of this chapter is ‘the Southeast’. I should point out that there are two common uses of the term ‘Southeast’. One refers to one of the

\(^{23}\)”[The Conservative Party] has […] identified transport as an area where voters in the North East feel they are missing out. Mr Cameron accused Labour of unfairly favouring London in transport investment, spending £1,637 per head in the capital since 2000 compared with £577 in the North East. Transport Secretary Ruth Kelly last year sparked anger in the region by ruling out any major improvements to the A1 until at least 2015. Councils and business leaders want the road dualled, claiming it will boost prosperity and reduce road deaths” (BBC News, 2008).
Government Office Regions used as the basis of, for example, England’s nine Regional Development Agencies (RDAs), as shown on Figure 4.1. The other is a looser, often rhetorical one, which refers to the Southeast as a wider region surrounding London and often extending beyond the government region called ‘South East’, especially into another adjoining government region called ‘East of England’ where Cambridge and its high-tech industries – the so-called Silicon Fen – are located, for example. This wider area is growing, has similar problems in terms of housing as London and is the focus of the British regional question that will be discussed here. This is the area that will be referred to in this chapter, often under the more accurate term of Greater Southeast.

Figure 4.1: Map of England’s nine Government Office Regions
The chapter will focus in particular on how London’s growth, stimulated by the growth of financial services as discussed in Chapter Three, has combined with a wider regional question, a ‘Greater Southeastern question’, to create obstacles to its further expansion. These regional issues are fairly recent but the conditions for them are historically deep-rooted, dating as far back as the 1930s. This was a period that saw the growth of industry on the north side of London and in some of the surrounding towns and cities like Slough, Ilford, Dagenham and Oxford. This was a period of growth in consumer industries and a location close to the London market was seen as strategic. Since then, the Southeast has survived the deindustrialization process that decimated local and regional economies elsewhere in Britain in the 1960s and 1970s and has become Britain’s leading industrial region. This has been as a result of the development of a range of new and/or dynamic industries such as (e.g.) information and communication technologies (ICT), electronic and software industries, aerospace and aircraft production, and pharmaceutical and health industries. Although the growth of London and of the Southeast are based on two rather distinct space-time processes of capital accumulation, with different sectoral emphases, they are connected to each other in the sense that they have combined to produce a wider growth region and, subsequently, a wider regional problem. One implication of this is that London has difficulty externalizing its housing supply problems to surrounding cities since they already face problems of provision of their own.

In the first major section of this chapter I outline the contours of the regional question in Britain, how it has changed over time, and what it is today. I point out that the ‘London question’ is embedded in a broader geography of uneven development that has
produced Britain’s contemporary regional tensions along the line of what is often referred to as the ‘North-South divide’. This dualism, based on a real socio-economic gap, implies that the ‘London question’ is often equated with a wider regional question: ‘London and the Southeast versus the rest of the country’. This coupling, however, fails to recognize that to a significant degree their growth dynamics are different. The second major section of this chapter will focus on the industrial growth of Southeast England, its conditions and how they have changed over time, making it one of the major industrial regions of the United Kingdom today. In the third major and penultimate section I emphasize the fact that the emergence of the Southeast as a major growth region is significant for the ‘London question’ for two major reasons: one, it has aggravated the housing question (which will be at the heart of the next chapter); two, because of its location in the Southeast and the fact that the Southeast has grown for its own reasons, the London question has, to a degree, been assimilated discursively to the contemporary regional question. Therefore, the ‘London question’ has become a wider regional problem: ‘London’s regional problem’. A fourth section provides some discussion and concluding comments.

4.2 THE REGIONAL QUESTION IN BRITAIN TODAY: ‘LONDON AND THE (GREATER) SOUTHEAST VERSUS THE REST OF THE COUNTRY’

As discussed in Chapter Three, London has been the major beneficiary of the increasing dominance of financial capital in the British economy. This is because financial services have tended to cluster there. Through policies and legislation that has been extremely favorable to financial activities and therefore attractive to financial firms, and in
particular since the 1986 ‘Big Bang’, the British state has created and reproduced the conditions for the development of London as the world’s major financial center. And, as will be developed in Chapter Five, it has also been very actively involved in strategies to mitigate problems that might eventually threaten the economic future of the city. This has created resentment in those other parts of the country that are still struggling with the quite disastrous effects of deindustrialization and the difficulties encountered in trying to restructure their local and regional economies. However, London by itself is not the sole issue here; the London question is embedded in a wider geography of uneven development that is often defined in terms of the ‘North-South divide’. As a result the London question often ends up being equated with a wider regional question: ‘London and the Southeast versus the rest of the country’.

4.2.1 The North-South divide debate

Talk about uneven geographic development in Britain today is mainly framed by the ‘North-South divide’ debate (Martin, 1988a); this emphasizes the wealth of the Southern part of England, and in particular Greater London and the whole of Southeast England along with some parts of the East of England – what I will refer to as the Greater Southeast –, compared to the rest of the country, and differences in relative rates of growth. This divide between the greater London area and the rest of the country, in terms of economic growth, was preceded discursively by another major geographic division that opposed Britain’s industrial ‘coffin’ or ‘axial belt’ (Hall, 1973; Hall, 1981) to the rest of the country in the immediate post-World-War-II period:

“While areas like Central Scotland, the North-East and South Wales seemed to be unable to share the gradual climb out of the trough [created by the 1930s Great Depression]
other areas like London, Birmingham and Leicester never seemed to have gone through it. Seeking to generalize about this distinction, the geographers and planners of the time seized on the notion of the axial belt. Under the alternative names of the hourglass and the coffin, it became a main them of public controversy in the late 1930s” (Hall, 1973: 84).

As indicated in the above quote, this area (Figure 4.2) corresponded to Britain’s fastest growing industrial region during the interwar period and after the war until 1960 at least. Its corners were defined roughly by Manchester, Liverpool, Leeds and the capital city, with Birmingham in the middle. This included several other major industrial centers like Coventry, Leicester, Sheffield, Stoke, Wolverhampton, Nottingham, Derby as well as towns like Oxford and Northampton. So in the immediate post-war period, it was not only London and the Southeast that were seen as the growth areas.

Figure 4.2: The ‘coffin’ or axial belt as defined by C.B. Fawcett (left) and E.G.R. Taylor (right) (Source: Hall, 1973: 86)
The 1940 Barlow Report “on the distribution of the industrial population” and submitted to the government warned against the overheating of the coffin’s economy as a result of concentration in that area; this growth was seen as occurring at the expense of areas that were losing out, notably old industrial and mining areas like South Wales, Northeast England and Scotland. The authors of the Barlow Report advocated in favor of industrial decentralization, away from this central area. It is worth noting here that immediately after the publication of the Barlow Report, Baker and Gilbert (1941 – cited in Hall, 1973) reinvestigated the coffin or axial belt hypothesis to point out that this was not an homogeneous area in terms of concentration of population – there were many areas of low density between the southeastern and northwestern ends of the axial belt –, and that “the growth of London was the outstanding feature of the economic geography of Britain in the interwar years” (Hall, 1973: 90). In fact, the authors of the Barlow Report conceded that:


In the 1960s-1970s, the fear of overheating reemerged, with a growing concern for the broader London region (Allen et al., 1998) and the Midlands. The fast growth of the coffin at that time was related to a great extent to the boom in the automobile industry in England in the 1950s and 1960s: the major factories were located in the Birmingham, Oxford and Coventry areas, at the heart of the industrial coffin. Regional policies to redistribute people and activities away from the so-called industrial coffin were put in

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24 The concern about ‘overheating’ was a concern about protecting the value of the pound. This is because overheating tended to be accompanied by a surge in imports and a deterioration in the balance of payments. This would be followed by speculative selling of pounds; speculative because it was thought to bring a devaluation of the pound closer.
place, with a view to altering the distribution of employment to the advantage of the regions that were starting to decline. Figure 4.4 displays the areas that were designated as priority target areas in 1966, under the Labour administration of Prime Minister Harold Wilson, for redistributing economic activities through investment incentives to firms willing to relocate. The development areas and special development areas were located mainly in and around the old industrial centers that developed during the industrial revolution, in the northern part of England, in Wales and Scotland, as well as in the more rural parts of Southwest England.

Figure 4.3: Development and special development areas as per the 1966 Industrial Development Act (Source: Industrial Development Act 1966, Cmnd. 2874, HMSO; reproduced in McCrone, 1973: 127)
Despite these decentralizing and redistributive policies, regional tensions have remained, and increasingly focused on particular parts of the industrial coffin over time. Resentment has increasingly built up in other parts of the country vis-à-vis the growth of London and the Southeast as these areas have become the major growth poles in Britain since the 1980s. This is developed in a narrative which ascribes this uneven development to what the government has and has not done. In other words, for many London and the Southeast are richer than other regions in the United Kingdom, enjoy lower rates of unemployment (although this is not in fact true, but it is part of the imaginary that underlies the North-South divide), to a great extent thanks to heavy governmental support. This support, according to political representatives in the lagging regions of the North including Scotland, should be redirected away from London, with a view to bridging Britain’s North-South divide.

4.2.2 Britain’s changing geography of uneven development

Britain’s geography of uneven development has changed over time. These changes provide a crucial background to understanding the contemporary preeminent position enjoyed by London and the Southeast within Britain’s space economy. Figure 4.4 illustrates the changing geography of uneven development in Britain throughout the nineteenth and twentieth centuries. These maps were obtained by plotting the component scores from a principal component analysis of population change by county from 1801 to 1991, into a Geographic Information System (GIS) – ArcMap. The rationale here is that changes in population would indicate changes in local economic fortunes (procedure and loadings on components, i.e. population change variables, are provided in Appendix A).
Figure 4.4: Distribution of component (factor) scores from principal components analysis of population change in Britain, by counties, from 1801 to 1991 (Derived from calculations from census data)
Component 1 in Figure 4.4 is a population change variable that corresponds to the first industrial revolution in Britain, throughout the nineteenth century and until the interwar period (1801-1931). The map for Component 1 (based on pre-1974 county boundaries, therefore using pre-1974 county names) shows that the British space economy was largely configured around the coalfields during this time period. It identifies strong growth regions in the coal-mining areas of Scotland (West and Mid-Lothian around Edinburgh, Stirlingshire, and Lanarkshire to the southeast of Glasgow), Northeast England (County Durham and Northumberland), South Lancashire, Yorkshire, Derbyshire, Nottinghamshire and Staffordshire, and parts of the so-called ‘Black Country’ of the Midlands (Worcestershire, Warwickshire, and Staffordshire again) and South Wales (Glamorgan and Monmouthshire). Other growth areas included the woolen production regions of the Scottish borders (Peebleshire and Selkirkshire) and cotton and woolen industries in Northern England, particularly Lancashire and West Yorkshire. The major cities of the country were also located in these areas (Birmingham, Glasgow, Leeds, Liverpool and Manchester). London (along with the adjacent county of Middlesex) was also a major growth area. The growth area to the south of London along the Channel coast was owing in part to the growth of the ports of Southampton, and Portsmouth along with the development of retirement resorts.

As illustrated by Figure 4.4 (Component 2 map, compared to Component 1 map), Britain’s space economy changed with a dramatic shift of growth southward between the interwar period and the 1960s (1921-1971). Component 2 in Figure 4.4 is a population change variable that corresponds to the...
change variable that corresponds to the growth of Britain’s ‘industrial coffin’ or ‘axial belt’ (Figure 4.2) based on the production of the new consumer goods of the time (e.g. automobile, small electric appliances, etc). This period also corresponds to the beginnings of decline in some of the traditional coalfield areas, particularly Durham in Northeast England and Lanarkshire and West Lothian in Scotland. Figure 4.4 (component 2) shows growth in most counties in the Midlands (East and West Midlands), especially in the counties of Worcestershire, Northamptonshire and Rutland. Most of the Southeast grew (e.g. Sussex, Hampshire, Oxfordshire, Berkshire, Buckinghamshire), although not London (Middlesex). As far as the northern part of England was concerned, the eastern part of Yorkshire and Cheshire were still growing, while Lancashire appeared to be declining in that time period. Most of the Southwest also experienced growth (Devon, Dorset, Somerset, Wiltshire, Gloucestershire) except for Cornwall. It is worth noting that the data here do not entirely reflect the ‘industrial coffin’ idea. This may be because of patterns of growth that were less clear in the 1930s, when the ‘coffin’ thesis was proposed, but stronger later on during the 1921-1971 period, including the first waves of retirees moving to the Southwest.

The pattern displayed by the Component 2 (1921-1971) map in Figure 4.4 is consistent with the argument that the bases of today’s uneven geography – the (in)famous North-South divide – were laid far before the 1960s (Martin, 1988a), in the 1930s (Aldcroft, 1964; Hobsbawm, 1968), with the decline of the industries which dominated Britain’s first industrial revolution (particularly coal, cotton and woolen textiles), located mainly in the North, Wales and Scotland, and became more fully developed subsequently with the deindustrialization of the 1970s and 1980s. Table 4.1 shows that the so-called
‘industrial coffin’ gained a slightly bigger share of the British population in the interwar period (from 55.5 per cent in 1921 to 57.1 per cent in 1937) while the percentage of total population in what Hall (1973) refers to as “peripheral industrial areas” started decreasing in the same period (from 15.4 per cent to 14.2 per cent in the same time period). In terms of levels of employment and unemployment, Table 4.1 (on next page) shows that the share of the total employed population remained stable (and even slightly increased) in the axial belt between 1923 and 1937, i.e. during the Great Depression, indicating that this region came through the economic depression relatively well. This is especially true when one compares these figures to those for the peripheral industrial areas of Scotland, South Wales and the Northeast, where the share of the British employed population fell from 17.2 per cent to 14.8 per cent in the interwar period.

The third map on Figure 4.4, the 1971 to 1991 map was derived from a separate principal component analysis as a result of changes in county boundaries in 1974 (more details are provided in Appendix A). It is representative of the post-1970s geography of uneven development in Britain. It displays in particular a consolidation of the southern bias of the British space economy, including strong population growth around London, but not in London itself. The highest scores for this population growth variable are for the counties of Berkshire, Buckinghamshire, Cambridgeshire (boosted by the high-tech industries of ‘Silicon Fen’ that I will refer to later), Suffolk, and West Sussex in what is sometimes referred to as the Greater Southeast. Other major growth counties include the West Midlands counties of Hereford and Worcester and Shropshire on the Welsh border.
A. Percentage distribution of total population

<table>
<thead>
<tr>
<th></th>
<th>1801</th>
<th>1901</th>
<th>1921</th>
<th>1931</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>London and Home Counties</td>
<td>18.0</td>
<td>23.4</td>
<td>23.5</td>
<td>24.8</td>
<td>25.7</td>
</tr>
<tr>
<td>Lancashire</td>
<td>6.4</td>
<td>11.9</td>
<td>11.6</td>
<td>11.2</td>
<td>10.9</td>
</tr>
<tr>
<td>West Riding, Notts and Derbyshire</td>
<td>8.5</td>
<td>10.7</td>
<td>10.9</td>
<td>11.0</td>
<td>10.8</td>
</tr>
<tr>
<td>Midlands</td>
<td>8.1</td>
<td>9.2</td>
<td>9.5</td>
<td>9.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Total axial belt</td>
<td>41.0</td>
<td>55.2</td>
<td>55.5</td>
<td>56.6</td>
<td>57.1</td>
</tr>
<tr>
<td>Northumberland and Durham</td>
<td>3.0</td>
<td>4.8</td>
<td>5.2</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Mid-Scotland</td>
<td>3.7</td>
<td>6.2</td>
<td>6.2</td>
<td>5.9</td>
<td>6.0</td>
</tr>
<tr>
<td>Glamorgan and Monmouth</td>
<td>1.1</td>
<td>3.1</td>
<td>4.0</td>
<td>3.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Peripheral industrial areas</td>
<td>7.8</td>
<td>14.1</td>
<td>15.4</td>
<td>14.6</td>
<td>14.2</td>
</tr>
<tr>
<td>Rest of Great Britain</td>
<td>51.2</td>
<td>30.7</td>
<td>29.1</td>
<td>28.8</td>
<td>28.7</td>
</tr>
<tr>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

B. Percentage distribution of the insured (employed) population

<table>
<thead>
<tr>
<th></th>
<th>1923</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>London and Home Counties</td>
<td>22.4</td>
<td>26.0</td>
</tr>
<tr>
<td>Lancashire</td>
<td>15.7</td>
<td>13.8</td>
</tr>
<tr>
<td>West Riding, Notts and Derbyshire</td>
<td>13.0</td>
<td>12.2</td>
</tr>
<tr>
<td>Midlands</td>
<td>11.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Total axial belt</td>
<td>62.3</td>
<td>63.7</td>
</tr>
<tr>
<td>Northumberland and Durham</td>
<td>5.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Mid-Scotland</td>
<td>7.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Glamorgan and Monmouth</td>
<td>4.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Peripheral industrial areas</td>
<td>17.2</td>
<td>14.8</td>
</tr>
<tr>
<td>Rest of Great Britain</td>
<td>20.5</td>
<td>21.5</td>
</tr>
<tr>
<td>Total Great Britain</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.1: The development of regions of the axial belt (coffin) and regions outside it, until 1937 (Source: Hall, 1973: 89)

Cornwall, in the Southwest, also displays strong growth. Reasons for this pattern have varied. In part it is a matter of the growth of commuting to the industrial areas surrounding Birmingham (Shropshire and Worcestershire) as well as the presence of major new towns (Telford in Shropshire and Redditch in Worcestershire). Retirement has also been important in all four of these counties as well as in Dorset, Somerset and Wiltshire to the southwest of London. Reasons for the growth of the retiree population in these areas include pleasant countryside, a relatively mild climate, and, quite importantly,
lower property prices. We should note here in passing that the growth of the wealthy retiree population has given an important boost to the growth of a number of counties in the southern half of the United Kingdom. An exception to this growth pattern with its southern bias, are the most northern parts of Scotland (Highland, Grampian), which have benefited from the exploitation of North Sea oil.

On the other hand, the counties that have lost the most in population (i.e. the counties that have the lowest scores) include: County Durham and Tyne and Wear (around Durham and Newcastle) in the Northeast, West Glamorgan\(^{27}\) (around Swansea) in Wales, Strathclyde (around Lanark and Glasgow) and Tayside (around Dundee) in Scotland, all reflecting the decline of British coalmining and heavy industry, including shipbuilding; and West and South Yorkshire as well as Merseyside (around Liverpool), an indication of the difficulties encountered respectively by the woolen and cotton textile industries. Much of the decline of Merseyside owed to the decline of the port of Liverpool. This in turn was a result of the shift in British trade patterns. As long as Britain’s trade was dominated by the empire, Liverpool (along with Glasgow) remained important ports. But with membership of the European Union (EU) in 1973, trade with Western Europe increased, and emphasis shifted to ports in Eastern and Southeastern England, in particular Harwich in Essex and Dover in Kent. Finally, the greater London and greater Manchester areas also lost population, a reflection in both cases of suburbanizing tendencies between the 1970s and early 1990s. Apart from the case of suburbanization, the pattern displayed in the 1971 to 1991 map of Figure 4.4 owes mainly to the spatial implications of the accelerated and aggravated deindustrialization of Britain.

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\(^{27}\) This region also suffered from the decline of the tinplate industry.
since the late 1960s-early 1970s – accelerated and aggravated compared to other advanced capitalist countries (Rowthorn, 1988) – along with the growth in England’s Greater Southeast in particular of new industries such as the software industries (for instance in Buckinghamshire and Cambridge), pharmaceuticals (for example in Hatfield and Stevenage in Hertfordshire), or airplane production (in Hatfield again).

The effect of deindustrialization on the British geography of uneven development were later aggravated by Thatcher’s policies in the 1980s. These favored ‘regional winners’, namely London (as explained in Chapter Three) and the Southeast (Allen et al., 1998). In addition to the 1971 to 1991 map in Figure 4.4, the contemporary geography of uneven geographic development is also reflected in the regional differentials in Gross Value Added (GVA) per capita (see Table 4.2): London is by far at the top of the ranking, followed by Southeast England. This reinforces the idea of a ‘London and the Southeast versus the rest of the country’ regional question, embedding the hyper-growth of London as a global city in a broader geography of uneven geographic development:

“The ‘North’ is poorer than the ‘South’. Although some dispute the existence of a ‘north-south gap’ in prosperity, it is clear that within the UK there is a ‘winner’s circle’ in the Greater South East of the UK (consisting of London, the East of England and South East regions and parts of the South West). The rest of the country has lower levels of prosperity, and three regions lag significantly: Northern Ireland, Wales and the North East of England” (Adams, Robinson and Vigor, 2003: i).

Dorling and Thomas’ thorough analysis of the most recent (2001) census reinforces these claims, as well as that of a continuation of the demographic trend shown by the third map in Figure 4.4 (the 1971-to-1991 map):

“Our conclusion is that the country is being split in half. To the South is the metropolis of Greater London, which now extends across all of southern England in its immediate spatial impact. To the North and West is the archipelago of the provinces, a series of poorly connected city cluster islands that appear to be slowly sinking demographically, socially and economically” (2004: 7, emphases in original).
I must add that other more localized growth poles comprise the oil-producing parts of Scotland, which the aggregated regional data in Table 4.2 in particular do not allow to shed light on very clearly, although the whole of Scotland appears as relatively highly ranked in this table.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>GVA per capita (in pounds sterling)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>London, England</td>
<td>26,192</td>
</tr>
<tr>
<td>2</td>
<td>Southeast England</td>
<td>21,514</td>
</tr>
<tr>
<td>3</td>
<td>East of England</td>
<td>19,599</td>
</tr>
<tr>
<td>4</td>
<td>Scotland</td>
<td>17,789</td>
</tr>
<tr>
<td>5</td>
<td>Southwest England</td>
<td>17,467</td>
</tr>
<tr>
<td>6</td>
<td>East Midlands, England</td>
<td>16,982</td>
</tr>
<tr>
<td>7</td>
<td>West Midlands, England</td>
<td>16,583</td>
</tr>
<tr>
<td>8</td>
<td>Northwest England</td>
<td>16,234</td>
</tr>
<tr>
<td>9</td>
<td>Yorkshire &amp; the Humber, England</td>
<td>15,968</td>
</tr>
<tr>
<td>10</td>
<td>Northeast England</td>
<td>15,177</td>
</tr>
<tr>
<td>11</td>
<td>Wales</td>
<td>14,386</td>
</tr>
</tbody>
</table>

Table 4.2: Gross Value Added (GVA)\(^28\) per capita for regions of Great Britain in 2006, in pounds sterling (Source: Office for National Statistics, United Kingdom)

### 4.3 THE INDEPENDENT GROWTH OF SOUTHEAST ENGLAND

Although as far as uneven regional development is concerned the London question often get assimilated to a broader ‘Southeastern question’, the growth of London and that of the Southeast have, to a considerable degree, been two quite distinct processes. Southeast England has experienced a growth of its own, and the conditions for its economic development throughout the twentieth century have been different from the conditions that have sustained the growth of London. As will be shown in this section, while the expansion of industry was historically limited in London, an industrial base developed in the Southeast, different from that of the north, and more strongly embedded than in

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\(^{28}\) Gross Value Added = Gross Domestic Product – taxes on products + subsidies on products.
London. The Southeast’s industries and their conditions have changed over time, and today the Southeast seems to have survived deindustrialization through a restructuring of its industrial base, from consumer goods produced to a great extent for the regional and national markets to new high-tech industries and information and communication technologies (ICT).

However, this success does not account on its own for the Southeast’s contemporary growth. I will argue here that recent growth in the Southeast has had highly variegated sources. While these have indeed included growth dynamics based on high-tech industries and other growth industries like pharmaceutical and health industries and aircraft and aerospace industries, in addition there have been consumption-based growth dynamics based on the consumption of wealthy retirees and tourists in particular. At smaller scales, there have been other sources of growth. Since accession to the European Union (EU), the major container ports of Dover and Harwich have clearly benefited from their proximity to the European mainland. Oxford has a revivified automobile industry and Swindon has a new one.

4.3.1 The historically limited expansion of industry in London

London itself also has an industrial history dating back to the eighteenth century (Stedman Jones, 1971):

“Historically, the economic importance of London depended upon three closely related factors: firstly, it was the major port of the English import and trans-shipment trade; secondly, it was by far the largest single consumer market in England; and thirdly as a centre of government and the court, it was the focal point of conspicuous consumption and its attendant luxury trades. In the period before the Industrial Revolution, because of the predominance of handicraft production, and primitive transport facilities, these factors encouraged the growth, not merely of finishing and consumer trade, but also of semi-processing and capital goods industries like leather and sugar manufacture, shipbuilding and silk production. The closeness to market, the access to raw materials, the close
However, the industrial revolution put many of London’s industries out of business. To a great extent this was a result of improvements in transportation that allowed manufacturing to take place closer to domestic sources of raw materials and energy around the coalfields of the North, Scotland and South Wales, and further away from consumer markets like London. Some of London’s industries survived the industrial revolution, but its industrial development was limited compared to other parts of the country. By the second half of the nineteenth century it was mainly in the form of home or small workshop family production, with a higher concentration around the port area. There were a few exceptions. Printing and publishing remained a major industry in London, one sustained by London’s growing press. Shipbuilding was important in East London; Thames Ironworks, for instance, remained the largest employer until the beginning of the twentieth century. The growth of the shipbuilding industry in London as much as in Newcastle, Sunderland and along Glasgow’s Clydebank, was a consequence of the growth of world trade in the second half of the nineteenth century. Industrial flour mills also blossomed around the London Docks in the second half of the nineteenth century, as well as furniture and leather industries in the East End.

Nevertheless, despite the existence of some industrial activities in the capital city, Britain’s nineteenth-century industrial geography, London was not a key part of Britain’s industrial geography in the nineteenth century. What constituted ‘industrial Britain’ was often contrasted with “metropolitan Britain” (Mackinder, 1914) or “consumer Britain” (Hobsbawm, 1968). The latter focused on London, where industrial development was relatively backward compared to other British cities. In other words, a particular
geographical imaginary of the British space economy opposing London to the rest of the country developed very early on and it had a material basis.

The conditions for the revival of industry in the London area were set in the 1930s. The interwar period saw the development of the production of consumer goods in London, making it a pillar of Britain’s ‘industrial coffin’. As mentioned above, this ‘industrial coffin’ was the area where the production of the new consumer goods industries of the period, such as (e.g.) the automobile, along with its phalanx of suppliers, and small electric goods, like radios and vacuum cleaners, prospered. Most of the industrial growth was on the periphery of the city, in suburbs like Ilford, Wembley, Hendon, Slough with its Citroën automobile plant, Black and Decker and Gillette factories and, of course, Dagenham with its large Ford factory. White describes London then as:

“[…] the beacon illuminating the nation’s path out of depression, the forcing ground of new ideas, new industries, new ways of living. The image had its material grounding in the glass and concrete industrial suburbs of the Lea Valley and West Middlesex. London and its flattening towns were home to the fastest growing industries of Britain, a growth at its most dramatic between 1925 and 1935: radios, batteries, vacuum cleaners, electric lamps, radiant fires, extractor fans, meters and photographic equipment; motor cars, buses and vehicle parts, ladies’ nylon, potato crisps, celluloid dopes, artificial limbs – all made in London, now more than ever, the capital of finished goods manufacture” (White, 1986: 36).

On the other hand, although it is true that London did develop its industrial capacity in the interwar period, many of the new industrial products were produced elsewhere in the Greater Southeast and in the Midlands. Birmingham, Coventry and Oxford were major centers of growth in the automobile industry, for example, and the Midlands as a whole was extremely important as a location for the industries that supplied them with components like rubber tires, engines, brakes and clutches, and machine tools. Birmingham, the second biggest city in the United Kingdom, was a major, diversified
industrial center, not just in automobiles, machine tools and auto components but in engineered products more generally.

In the post-World-War-II period, and until the early 1960s, London still had a significant manufacturing base, with a particular emphasis on the printing and furniture industries around the docks area in the East End and light industries in the immediate surroundings of the financial City, in areas like Shoreditch, Hoxton and Bethnal Green (Hamnett, 2003). However, industrial production in London dramatically declined in the 1960s and 1970s, and manufacturing employment was quickly replaced by service jobs as the economic base of the city became increasingly tertiarized in the 1980s. Nowadays London has the lowest employment in manufacturing in the United Kingdom: 6 per cent of its workforce according to the Office for National Statistics (2003), compared to 18 per cent and 19 per cent in the West Midlands and East Midlands respectively, which are the two British regions with the highest percentage of workers in industrial employment. Most factories have disappeared from the London landscape and brownfield areas are being converted into office parks, residential developments, and, most recently in the eastern part of the city, facilities for the upcoming 2012 Olympic Games. Hamnett notes that:

“Most of the old Victorian manufacturing belt [in London] has now disappeared. The same is true of the larger manufacturing plants spread across Inner London and the port processing industries. The last major industrial employer in London is now Fords at Dagenham and they are shortly to cease car production and switch to engines-only production. […] The last large industrial employer in Hackney (Lesney toys) closed down when production was shifted to South East Asia. In the old city fringe of Shoreditch, Clerkenwell, Hoxton, Whitechapel, and parts of Southwark, the printing industries, the furniture, engineering and food manufacturers have all gone” (2003: 214).
‘Industrial production’ in London now often refers to the so-called creative industries focusing on the production of intellectual property. These have been flourishing in London since the 1990s (e.g. design, music, film, video game industries).

4.3.2 The industrial development of the Southeast now and then

The conditions for the development of industries in the Southeast were somewhat similar to the conditions of the London area’s growth in the 1930s, but with important differences. Most importantly, they differed over time, as the industrial base of the Southeast managed to transform itself in the post-World-War-II period while it shrank and has almost disappeared in London today. In the 1930s, the Southeast (Figure 4.5), like the immediate London area, experienced industrial development, based in part on the production of consumer goods such as (e.g.) automobiles, small household electric appliances, photo equipment ...etc to service the growing market of the London’s metropolitan area. So an important condition for the development of industries in the Southeast was its geographic proximity to consumer markets. However, an equally important condition was the proximity to major transport networks that facilitated accessibility to markets across the United Kingdom. London’s centrality to the British market as a whole, in terms of the configuration of highways and railroads – which ‘all lead to London’ – was a major asset for the development of industrial production in the Southeast. That was how the 1930s saw the growth of manufacturing in some of the towns surrounding London such as Slough, High Wycombe, Basildon, Luton, Ilford, Dagenham or Oxford. These constituted the southeastern end of the ‘industrial coffin’ that developed in the interwar period as displayed on Figure 4.2 above.
However, there is more than the growth of consumer goods industries to the industrial history of this region. Major growth industries like pharmaceuticals and military aircraft manufacturing – whose markets were never local or regional, but rather national, European or global, especially in the case of the latter – have had important bases in the Southeast since at least the interwar period. They have been an important factor in the development of the British ‘sunbelt’ in the post-war period (Massey, 1984). Indeed, the location of the Southeast in Britain’s ‘sunbelt’ has been a crucial aspect of the development of these industries, and still is. This is owing to their labor requirements; in particular a stratum of highly skilled so-called ‘white-coated’ and higher level ‘white collar’ workers. As Massey (1984) emphasized, sunbelt location means the ability to attract the professional, managerial and technical strata, who tend to be more mobile and
selective in their locations. Owing to the scarcity of their skills, highly qualified workers have more leverage with respect to where they want to work and live and this has allowed them to place a premium on access to the countryside, the sea, a relatively nicer climate … etc.; the qualities of Britain’s so-called ‘sunbelt’ (Hall et al., 1987).

Since World War II, the Southeast has maintained some consumer goods production. Japanese automobile production has become a major activity in Swindon for instance; Ford has a major production plant in Southampton and car production continues to be a major part of Oxford’s economic base. Pharmaceutical and military production (e.g. aerospace firm BAE Systems in Farnborough) are also still prospering and developing, as are pharmaceuticals and health industries:

“The UK's health technologies sector is one of the most successful in the world. South East England is the driving force behind this success. It has the highest concentration of health technologies companies in the UK and employs a third of the sector. It is home to world renowned universities, medical schools and institutes undertaking pioneering health research. 30% of the UK's life sciences research and development activity is carried out in the South East; 9 out of 10 of the world’s leading life sciences companies; and the top 12 global pharmaceutical companies have operations in the South East” (South East England Development Agency website, retrieved on 19 June, 2008).29

The Southeast industrial base has also changed over time with the emergence and development of information and communication technologies (ICT) and electronic industries in particular in the 1980s (Morgan, 1988). Table 4.3 shows how the communications sector, financial services and business services, alongside the utilities, have been Britain’s fastest growing industries since the early 1980s. And these growth industries developed mainly in the Southeast (Figure 4.6).

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Food, drink &amp; tobacco</td>
<td>6.1</td>
<td>6.3</td>
<td>6.4</td>
<td>0.9</td>
<td>0.7</td>
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<tr>
<td>Textiles, clothing &amp; leather</td>
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<td>6.6</td>
<td>5.0</td>
<td>-2.0</td>
<td>-2.1</td>
</tr>
<tr>
<td>Wood and wood products</td>
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<td>3.8</td>
<td>3.8</td>
<td>0.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Paper, printing and publishing</td>
<td>6.5</td>
<td>6.7</td>
<td>8.0</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Chemicals, rubber and plastics</td>
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<td>5.5</td>
<td>5.6</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Other non-metallic mineral products</td>
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<td>6.3</td>
<td>4.9</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Metals and fabricated metal products</td>
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<td>6.1</td>
<td>5.0</td>
<td>-1.0</td>
<td>-1.1</td>
</tr>
<tr>
<td>Machinery &amp; equipment</td>
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<td>7.5</td>
<td>4.8</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Transport equipment</td>
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<td>4.8</td>
<td>4.8</td>
<td>0.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Other manufacturing</td>
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<td>6.5</td>
<td>5.9</td>
<td>-0.6</td>
<td>1.1</td>
</tr>
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<td>4.6</td>
<td>4.7</td>
<td>2.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Construction</td>
<td>5.2</td>
<td>5.7</td>
<td>5.7</td>
<td>1.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Distribution, hotels &amp; catering</td>
<td>5.8</td>
<td>6.1</td>
<td>5.3</td>
<td>2.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Transport</td>
<td>6.7</td>
<td>6.8</td>
<td>6.9</td>
<td>2.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Communications</td>
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<td>5.1</td>
<td>6.4</td>
<td>5.8</td>
<td>6.5</td>
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<tr>
<td>Financial services</td>
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<td>4.4</td>
<td>2.9</td>
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<td>Business Services</td>
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<td>3.6</td>
<td>4.2</td>
<td>4.7</td>
<td>4.7</td>
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<tr>
<td>Other (mainly public) services</td>
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<td>5.6</td>
<td>5.8</td>
<td>1.9</td>
<td>1.9</td>
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<td>Total GVA</td>
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<td>2.4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.3: UK industries’ shares of OECD (Organization for Economic Cooperation and Development) output – Historic and forecast performance (Source: Simmie et al., 2004: 23)

Since the 1980s, the locational specifics of the Southeast space economy have also changed. There has been additional industrial growth further away from London – including in new towns like Bracknell, which was “one of the most successful of its kind in attracting employers” (Barlow and Savage, 1986: 158), including firms like (e.g.) Hewlett Packard or Digital – and based on newer and/or dynamic industries. Airplane manufacture, for instance, is a major activity in (e.g.) Hatfield. Cambridge and its so-called ‘Silicon Fen’, which emerged around the Cambridge Science Park founded in 1970, have specialized in software, electronics and biotechnologies.
Reading’s ‘specialty is computer software: both Microsoft and Oracle have their European headquarters in this town, while Sun Microsystems is established in Blackwater, Hampshire. Publishing is a major industry in several Southeastern growth poles such as Abingdon, Oxford (Oxford University Press), or Hook (Virgin Media).

The Southeast has also benefited from the development of financial services in London so its growth dynamics have not been entirely independent of London, and it has certainly benefited from shared physical infrastructure such as London’s airports. In the 1960s and 1970s some firms started to relocate from London to near-by places in the Southeast such as Reading, in Berkshire, which by the mid-1980s had become, after the
City and Croydon, the third largest insurance center in Britain, (Barlow and Savage, 1986: 160). Many of the places affected are small or medium sized towns, scattered across the Southeast, forming a growth region that has been described as one of the most dynamic “polycentric mega-city regions” in Europe (Pain et al., 2006), and they are the places where the highest growth rates have been observed in Britain since the 1990s (Hall, 1991; Dunford and Fielding, 1997; Veltz, 2005).

The way in which this new industrial growth has depended on a variety of conditions that just happened to be juxta posed in time and space bears emphasis. First, and perhaps most importantly, a major reason for the recent industrial development of the Southeast has to do with the advantages provided by large metropolitan areas in terms of their labor markets; in the case of the Southeast, we can talk about an extended metropolitan area or “polycentric mega-city region” (Pain et al., 2006), a network of smaller towns with London in the middle. What a lot of growth industries in the Southeast have in common is their basis in knowledge workers. According to Veltz (2005), major metropolitan areas are important in this regard, because of their highly developed divisions of labor. These facilitate innovation (Veltz, 2005; Florida, 2008) and the ability to react to market changes by allowing firms to draw on a deep pool of highly developed expertise (Veltz, 2002; 2005). Some of this division of labor is a legacy of the earlier wave of industrialization around consumer goods industries, pharmaceuticals and military industries, initially in the interwar period, and to a greater extent in the 1950s and 1960s.
A second consideration has been insertion into knowledge communities such as those focused on Cambridge\textsuperscript{30} and Oxford Universities. This has been very attractive for high-tech firms in search of highly skilled graduates; these universities are also important high-tech incubators: an example would be the previously mentioned Cambridge Science Park that is at the origin of the development of the so-called Silicon Fen.

Third, a combination of factors has contributed to attract highly skilled workers in the technical and professional grades into the Greater Southeast (Hall et al., 1987). As emphasized above, these workers tend to be able to move almost anywhere, but they will, like everyone else, express a preference for living close to amenities, physical and cultural. The Southeast’s ‘attractive factors’ include: a somewhat warmer climate, giving rise to the unlikely label Britain’s ‘sunbelt’; a pleasant countryside sprinkled with old market towns; proximity to leisure amenities and London’s large cultural scene; and access to major transportation infrastructures. These include the international airports of Heathrow in London, Luton, Gatwick and Stansted, and the Eurostar terminal. If the Southeast had not been in this British ‘sunbelt’ and close to London, then its chances of success in developing the presence of knowledge industries in its industrial base would have been weaker.

Finally, another factor has been the location or re-location by the British government of state research facilities (I will return to this in the next section), including, quite importantly, defense facilities. The location of the latter has reinforced an existing southeastern bias (Morgan and Sayer, 1988; Lovering, 1991), amplified by the trickle-down effects resulting from the strong clustering tendency of high-technology industries.

\textsuperscript{30}In Figure 4.5, Cambridge appears close to the Southeast standard region but is not comprised in it. Here I will consider Cambridge as belonging to the Southeast functional growth region, as most scholars do.
4.3.3 The juxtaposition of other growth dynamics in the Greater Southeast

In addition to its successful industries, the Southeast has benefited from the juxtaposition of consumption-led growth dynamics, not the least that of the large numbers of retirees who move to the Southeast. The consumption dynamic prompted by incoming retirees is different from that of other residents. While other residents typically spend the money that they earn in the place or region where they have earned it, thus contributing to the circulation of money in the locality or the region, the spending of incoming retirees is a propulsive dynamic for that region. This is so because the money that they bring to the locality or to the region has typically been earned through a productive activity elsewhere, in another region. In other words, these incoming retirees represent an economic base for the region.\footnote{This has been the case, for instance, in Florida, in the United States, where the massive arrival of retirees from out-of-state has prompted a particular and important growth dynamic based on the consumption – the high levels of consumption in many instances – of relatively wealthy retirees. In the past few decades, Southeast England (alongside Southwest England) and the beauty of its countryside in the ‘Home Counties’ has attracted an increasing population of wealthy retirees. This has been the case since at least the mid-1970s, with a higher concentration of retired people moving to the coastal areas of the southern parts of England (Law and Warnes, 1976). Figure 4.7 shows the disproportionate increase of young retirees – under 75 – in some} This has been the case, for instance, in Florida, in the United States, where the massive arrival of retirees from out-of-state has prompted a particular and important growth dynamic based on the consumption – the high levels of consumption in many instances – of relatively wealthy retirees. In the past few decades, Southeast England (alongside Southwest England) and the beauty of its countryside in the ‘Home Counties’ has attracted an increasing population of wealthy retirees. This has been the case since at least the mid-1970s, with a higher concentration of retired people moving to the coastal areas of the southern parts of England (Law and Warnes, 1976). Figure 4.7 shows the disproportionate increase of young retirees – under 75 – in some

\footnote{The high levels of credit card use and indebtedness in the Southeast (Allen et al., 1998: 19-22) add to the fact that increasing home values in the Southeast have allowed people to take out mortgage loans to buy other commodities, prompting levels of consumption over and above the spending of salaries and wages there. However, this does not constitute a growth dynamic, in the sense that it is not dynamic. It is, rather, a multiplier effect of the injection of spending power in the Southeast resulting from the growth of its economic base. The latter comprises, for instance, financial services and tourism – as discussed later – in London and high-tech industries and advanced producer services in both London and in the Greater Southeast.}
areas of the Southeast compared to other parts of the United Kingdom between the 1991 and 2001 censuses. This increase is disproportionately due to the movement of recent retirees from other parts of the country to the South, including the Southeast.

There are also some complementarities between the growth of London and that of the Greater Southeast to be considered here and to be added to the various growth dynamics discussed above. One of them is the development in localities of the Southeast, mostly on the fringe of Greater London, of back-office functions for the City’s financial firms. This is how, for instance, Reading developed as a secondary financial center. Croydon has been another major beneficiary. Another growth factor that has benefited London and its surrounding areas is the role of London as a political capital and the amount of state money spent to sustain political and administrative functions there, including the salaries of a very large amount of civil servants; this is something that London shares with other global cities such as (e.g.) Paris or Tokyo, but not with others: New York, for instance, is not a political capital. This has meant that a disproportionate share of the tax money raised by the British state is spent in London to pay in particular for the salaries of civil servants who live in or around London. This also intensifies the pressures on local labor and housing markets and on items of physical infrastructures like urban transport (e.g. the Tube – i.e. London’s subway –, buses) and airports (e.g. the saturation of Heathrow airport despite the (disastrous) opening of a fifth terminal in the summer of 2007). With respect to airports, I already made reference earlier to the growth stimulated in the Southeast by the airports of Stansted, Gatwick and Luton: they are all located in the Southeast, outside of London, but they were all built in considerable part to serve London.
Figure 4.7: Change in population of young retirees (under the age of 75) in the United Kingdom between 1991 and 2001 (Source: Dorling and Thomas, 2004: 94)
Quite importantly, tourism is another growth dynamic that has benefited the Southeast as a whole, first and foremost thanks to the presence of London though. The Southeast has benefited from the development of international tourism in the past few decades. This has to do with the concentration, in London, of museums and art galleries (e.g. the Tate Gallery and the Tate Modern), concert venues (e.g. in the O2 arena in Greenwich) and theaters (e.g. the reconstructed Shakespeare’s Globe Theater along the River Thames, among many others on the South Bank and around Covent Garden), as well as historic building such as Buckingham Palace, the British Parliament and Big Ben, or Saint Paul’s Cathedral. The Southeast is also where several of Britain’s historic and architectural landmarks such as Windsor castle – home to the royal family – and the cathedrals of Canterbury, Salisbury and Winchester, or the universities of Oxford and Cambridge, are located. These attract many tourists every year. “This ‘region’ is the point of arrival for most international tourists, and many venture no further” (Allen et al., 1998:33). This is so for different reasons, one of them being that the Southeast is very well connected to the rest of Britain, to the rest of Europe and to the rest of the world through an array of transportation infrastructures such as several international airports and the Shuttle/Eurostar train link. The Eurostar terminal was recently moved from London’s Waterloo station to Saint-Pancras, which is a major point of departure for many regional trains that can potentially bring tourists to other part of the United Kingdom; it is also a short walkable distance from another major train station with many regional connections: King’s Cross station. That was a major part of the advertisement around the opening of the revamped Saint-Pancras station in November 2007, as most tourists do not move beyond a base in London very often, taking day trips to (e.g.) Oxford, Cambridge
or Stratford-upon-Avon, Shakespeare’s birthplace. Moreover, although it is much less the case now that low-cost airlines allow for cheap traveling to Mediterranean destinations in particular, the Southeast was also a major destination for British tourists until the 1980s. In the interwar and post-World-War-II periods, the relative attractiveness of the Southeast’s climate (relative compared to more northern regions) and the proximity of the sea (the Channel and the North Sea) prompted the development of seaside resorts and towns, like Brighton for instance.

The industrial and consumption-led development of the Southeast as just outlined clearly indicates that the increasing predominance of London and the Southeast in the British space economy cannot be attributed solely to the rise of financial services in London as explained in Chapter Three. Rather, the growth of London and the growth of the Southeast as explained in this section – including through complementary dynamics – have come together since the 1980s to produce a broader regional growth area and, to the degree that this has been accompanied by deindustrialization elsewhere, a wider regional question. Most importantly, the combination of the diverse growth dynamics discussed above illustrates again the importance of time-space juxtapositions characterized by an important chance element (Massey, 1984; 2005) in the production of particular geographies of uneven development as introduced in Chapter Two and developed in Chapter Three.

4.4 THE ‘LONDON QUESTION’: A WIDER REGIONAL QUESTION

The ‘London question’ is linked to the growth of the Southeast for two major reasons. On the one hand, it intensifies the infrastructural crisis in London. With respect to housing,
many towns in the Southeast towns have their own economic bases and internal demand for housing, and face some of the same challenges as London with respect to increasing their stock of affordable housing (these challenges include for instance the greenbelt legislation and NIMBY-ism). There is also the fact that London is a part of that wider, vibrant regional economy and this places further stress on the area’s transport infrastructure. The networks at the heart of which are, for example, the high-tech industries of Cambridge, invariably include connections with firms in London – legal firms, venture capital firms, for example, and this increases the to-and-fro centered on the city.

On the other hand, there is a discursive and political issue. Because of its location in Southeast England, London is often constructed as part of the wider region and so gets assimilated to the contemporary regional question in the United Kingdom. This is one framed by the ‘Southeast versus the rest of the country’ narrative. In other words: ‘the Southeast is a problem, London is in the Southeast, therefore London is a problem’. There is no doubt that the emergence and intensification of this territorial discourse in the United Kingdom in the past few years is subsequent to the intensification of geographically uneven development. Lending fuel to the flames has been the widespread perception that this uneven development has been exacerbated by government policies, and therefore amplifying the political dimension of the North-South divide debate. This too is part of the dominant narrative, though that does not mean that there is not some truth to it.
4.4.1 The housing issue

London’s housing problem has been aggravated by the growth of the surrounding region. Towns in the Southeast, like Reading, Crawley or Bracknell have their own vigorous economic bases in addition to serving as dormitories for commuters to London. This means that they have their own internal demand for housing and their own shortages of affordable housing:

“[In the 1980s] the concentration of particular forms of growth in the region – at the expense of other regions of the UK – had the effect of substantially increasing labour and other costs, generating skills shortages and making it more difficult to resolve them. The operations of the housing market provide only the most obvious example of the negative consequences of unequal growth. Because growth was concentrated in the south east, housing costs rose dramatically there” (Allen et al., 1998: 119).

Because of escalating housing prices, the Southeast has been experiencing the same issues as London with respect to shortages of so-called public sector key workers. It is increasingly hard for local authorities in the Southeast to hire and/or retain (e.g.) school teachers, firefighter or police-officers. Anecdotal stories have fueled the newspapers since the late 1990s, like this one:

“The headteacher of a Hertfordshire primary school says the cost of living in the London commuter belt is driving teachers away. Peter Evans, head of Brookmans Park School, near Hatfield, blames rising house prices and low teachers’ salaries for problems in recruiting new teachers to his school. The extra £573 a year paid to teachers employed on the fringe of London us insufficient, he says, and the government should boost salaries considerably to make teaching a more desirable career choice. In October, two teaching positions at Mr Evans’ school became available, so he advertised for candidates both locally and nationally. There were only two applicants, only one of which was appointed” (BBC News, 12 December 1999).

Requests for a raise in the London weighting from the central government have seen teachers in London and teachers in localities across the Southeast join in a series of strikes called upon by the National Union of Teachers (NUT) in 2002. Strikes occurred in localities across Surrey; in Berkshire (e.g. Slough, Windsor, Maidenhead); in Essex (e.g. Basildon, Brentwood); Buckinghamshire (e.g. South Bucks, Chiltern); in Hertfordshire
Towns in the Southeast also face some of the same challenges as London with respect to increasing their stock of affordable housing. Among other things, the historical greenbelt legislation aimed at preventing urban sprawl outside of existing urban areas also applies to them. It constrains their horizontal expansion, thus reducing the possibilities for new housing or new commercial or office developments. Under these circumstances, one possibility would be to densify within a town’s limits, or to change the legislation so as to allow construction in parts of the greenbelt, a solution favored by developers and the housing industry in general (Harris, 2002). This has been fiercely resisted by local constituencies and by the Council for the Protection of Rural England in particular; but for how much longer? Major breaks into the greenbelt legislation started in 2002 with permission to build thousands of homes in part of the greenbelt bordering Stevenage in Hertfordshire (ibid.).

The Southeast’s housing stock massively expanded between the mid-1970s and mid-1980s. In Berkshire, developers managed to obtain permission to build large residential estates, using the central government to override local authorities’ opposition, through modifications of the law, such as the modification in the early 1980s of the Central Berkshire Structure Plan by the then Secretary of State for the Environment to allow for the construction of an extra 8,000 homes (RCB, 1983; Fleming, 1984; Witt and Fleming, 1984; cited in Barlow and Savage, 1986). The pressure on local planners to take particular measures so as to increase the availability of land to be developed is to be understood in the light of more general forces that were operating at that time, in
particular the desire of the Thatcher administration to see more housing built in the
Southeast. The British government has some important means of pressure here: for
example, local so-called Structure Plans are always subject to central government
approval. The increase in house-building in the Southeast and the focus of private
developers on high-end properties for the growing population of professional and
managerial households migrating to the Southeast to work in its booming industries have
prompted resentment and conservationist or NIMBY-ist reactions on the part of existing
and long-term residents who do not necessarily have the same incomes and housing
standards as the new comers, as pointed out by Barlow and Savage (1986) in the case of
Berkshire. Today many residents and local governments are opposing further
densification:

“[…] in the wake of the growth in the south east, we can […] identify places where
dominant social groups have attempted to resist increases or changes in forms of growth,
particularly the physical consequences of growth, such as new office and retail
development. Such development pressures have particular connotations for the south east,
where there is a large amount of ‘green belt’ land. There are conflicts over balancing the
need for jobs with retaining the quality of the environment. However, there are also
examples of places where dominant social groups are able to exert considerable influence
on planning issues, thereby preserving their perceived quality of life, yet at the same time
benefiting from selected aspects of growth (high-income jobs in London, high house
process. Indeed, such places precisely reflect the importance of the consumption
dynamic” (Allen et al., 1998: 83-84).

In any case, the need to build new housing across towns in the Southeast has
given birth to heated debate. A case in point is that of Kent, immediately to the southeast
of London, where the South East of England Regional Assembly indicated in 2006 that
district councils should provide more than 120,000 new homes by 2026. Although there
is general admission that new housing is needed, the debate has been about where to
locate new developments. Many have pushed for most of the new housing to be built in
Dartford and Gravesend, by the Thames Gateway project, to the east of London, as well
as around Ashford, where the Eurostar, linking London to Paris and Brussels, stops. The logic has been that as more people are priced out of London, they are looking for housing outside of London but sufficiently close or well-connected to the capital city to be able to commute to London for work. Another reason offered to justify locating most new housing in Kent by the Thames estuary is that brownfield areas should be used rather than greenfield ones. Another environmental reason for not building elsewhere in Kent is given by a representative of the Council for the Protection of Rural England; it has to do with limited water supply:

“Water is under extreme pressure in Kent. We know there is not enough water in Kent in an average year, let alone a drought year. We could find ourselves with all these new homes without the water to fill the taps” (Stamp, 2006).

Water is an issue, not only for Kent but counties across the Southeast; new giant reservoirs are needed to accommodate large new residential developments according to the bipartisan South East County Leaders Group (Blackman, 2004). However, water is only one among other infrastructural issues here. Hundreds of thousands, and even millions of new homes to be built by 2020 as planned by the Brown administration, will mean massive investment in infrastructures not only for water, electricity, sewage and other utilities, but also investment in transport networks, including railroads and roads, as well as hospitals, schools, and other social services. This will mean a lot of changes in the physical and social environment of the Southeast in a relatively short period. This also means that taxes are likely to increase for the central government and local authorities to be able to pay for these new infrastructures. It is estimated that infrastructure costs will amount up to £38 million per 1,000 home built (Evans, 2004).
Although residents and policy-makers in the Southeast are aware of the impact of London’s extremely high prices on the need for housing in their counties, in most instances they are not willing to compromise their quality of life to accommodate London’s growth, especially given that they are themselves in need of accommodating their very own local growth. The proximity to continental Europe has been a prime factor in some European firms’ decision to locate their UK branches in Kent (BBC News, 13 August 2006). This was further stimulated in the 1990s by the opening of the Chunnel (or Channel tunnel) linking England to continental Europe by train, although one should be wary not to exaggerate the extent of industrial growth stimulated by the Chunnel Tunnel.

4.4.2 A discursive issue: the geographical imaginary and assimilating London to the Southeast

Because of its location in Southeast England, and a shared economic buoyancy, there is a common assimilation of London to the contemporary regional question in the United Kingdom. This is a question that opposes what might be called the Greater Southeast to the rest of the country. But why exactly is the Greater Southeast a problem? First, it is a problem because its growth, based on new and/or dynamic industries pulls investment away from those other parts of the country which used to be dominant in Britain’s industrial landscape, i.e. mainly in the northern half of the country as illustrated by Figure 4.4. Second, and most importantly as far as explaining regional ‘resentment’, the Greater Southeast is a problem because it is seen as a ‘privileged region’. What I mean by this is that government policies since the 1980s have been seen as favoring the Southeast. It started under the neoliberal Thatcher administration (1979-1990). Thatcher’s economic
policies favored private firms and small firms rather than large firms. The latter included the large state-owned enterprises that were privatized under her governments and this led to major job losses, particularly in the North (Hudson, 1988). These policies pulled government money and investments away from the (struggling) northern regions and toward the southern half of the country (Martin, 1988b; Amin and Tomaney, 1995; Martin and Sunley, 1997):

“[…] the logics imply a reduction in the level of direct state support for industry in the less favoured regions, as the commitment to regional incentives is reduced, as the state disengages from and restructures industry under its ownership, as it deregulates public utilities and services, and as it ceases to direct public procurement contracts to firms located in the less favoured regions” (Amin and Tomaney, 1995: 39).

In addition, the Thatcher government engaged in a very active policy of investing in the physical infrastructures of the Southeast, adding further to the favorable conditions for development there that were emerging in the 1980s:

“Rather than a dynamic or growth mechanism, the interventions by a succession of neo-liberal governments in the UK from 1979 onwards helped to shape the nature of growth across the south east region. Indeed, their interaction is part of what the south east is today […] In terms of direct government expenditure too, the south east region in the 1980s was the recipient of public funds which amounted to what many have referred to as ‘counter-regional subsidies’. From the massive public expenditure poured into the Channel Tunnel and the Docklands projects to the public funding of road and airport expansion schemes (Stansted in particular), government investment decisions effectively boosted development in the south east at the expense of other regions. With the longstanding concentration of civil service functions and jobs, notwithstanding limited decentralization trends, and the benefit of lucrative MoD [Ministry of Defence] defence procurement contracts in the region, the south east benefited from government actions in a way that no other region did” (Allen et al., 1998: 23-24).

The economic policies of the Conservatives from 1979 to 1997 have not been abandoned but actually pursued further under the successive New Labour governments since 1997. The New Labour policies since 1997 provide additional evidence of how the Greater Southeast has been favored by government decisions regarding infrastructural investment or the location of government facilities. A symbolic case was that of the Daresbury synchrotron. This refers to the decision by the Blair (New Labour – 1997-2007)
government to locate a new £550-million third-generation synchrotron\textsuperscript{32} laboratory in Didcot, close to Oxford, in the Greater Southeast, instead of locating it in Daresbury, west of Manchester, in the Northwest of England. Many have argued that the “hundreds – if not thousands – of jobs” (Baldwin et al., 2000) that the so-called Diamond Project is supposed to generate once the laboratory is built in 2010, both directly and indirectly, are much more needed in the area surrounding Daresbury – i.e. in a region that was still struggling to recover from deindustrialization and the subsequent high rates of unemployment – than in the prosperous Southeast. Moreover, the existing synchrotron laboratory was already located in Daresbury! This event was quickly interpreted, particularly by Old Labour MPs from the north of the country, in terms of a widening of the North-South divide and a heightened resentment of the economic fortunes of the Southeast. In other words, the decision was seen as illustrative of Jones’s (1997) “spatial selectivity of the state” and government privileging of the Greater Southeast over, and to the detriment of, the rest of the country. This sentiment, exemplary of the emergence of a territorial discourse in the United Kingdom subsequent to the intensification of geographically uneven, was clearly expressed by a Northern union leader and one of the negotiators for the rejected potential synchrotron site of Daresbury:

“With a single blow the Government has made the North-South divide wider than the Grand Canyon. Although the Government is trying to put together a rescue plan to ensure Daresbury’s short-term future, this is nothing more than a consolation prize. The North West is getting the crumbs from the South East’s banquet” (Baldwin et al., 14 March 2000).

A person who ran the campaign for keeping the synchrotron laboratory in Daresbury added:

\textsuperscript{32}A synchrotron is a machine designed to produce very bright beams of light of more than one color, unlike a regular laser beam. It is a very powerful tool for a wide array of fundamental sciences.
“Many people see central government as divorced from them - running the country from the South, for the South” (ibid.).

Another telling example of how the Southeast has been favored by government decisions, and one that has not gone unnoticed in the less privileged areas of the United Kingdom, is that of interest rates policy. Relatively high growth rates in London and the Southeast push up housing prices, resulting in credit and mortgage booms, and shortages of workers despite rising incomes. This results in strong inflationary tendencies, which the Bank of England attempts to control through higher interest rates. These rates, which apply to the whole of the United Kingdom, are commonly regarded as too high for the Northern regions, which experience neither the same growth, nor the same related shortages of workers and housing, and consequently, neither the same inflationary tendencies. High interest rates not only have worked against consumption, investment and growth in the North, they have kept the pound sterling strong. This also works to the disadvantage of manufacturing industries in the North. These are heavily reliant on exports and a high pound sterling contributes to make British manufactured exports more expensive and so less competitive:

“Globalisation is normally blamed for the closure of factories and the export of production overseas, but the pound has been to blame too for eating into the ability of firms to make decent profits. […] While the service sector, which is much less sensitive to the exchange rate, is enjoying a return on capital of more than 20%, the comparable figure for manufacturing is around 6%, the lowest since the recession of 14 years ago. The reason is simple: British industry is running into the equivalent of a stiff headwind, and must constantly look for new ways to cut costs. There is little left over to reinvest in new capital, let alone embark on the long-term research and development that ministers say is the key to modern manufacturing” (Elliott, 2006).

33 However, the old Daresbury synchrotron laboratory has yet to be dismantled. It still exists and in 2003 it was even granted an initial £11.5 million to conduct preliminary research about a potential so-called fourth-generation light source. Nevertheless, the new Didcot synchrotron laboratory is being endowed with the newest equipment and largest projects and budgets.
According to the same Goldman Sachs report providing the data used in the quote above, not all industrial sectors have been so negatively affected by the strong pound: pharmaceuticals, communication technologies and computers have even exceeded global growth rates. But as I discussed earlier, this is not likely to help the economy in the North, as these growth industries are overwhelmingly concentrated in the Southeast! 

So the North is paying the price for a government policy of maintaining the strength of the pound sterling through high interest rates that are meant to restrain runaway inflation in the booming South. And despite calls from Northern Members of Parliament (MPs), including many Labour MPs, for lower interest rates and a lower exchange rate, it is rather unlikely that the central government will go in that direction and let inflation soar and the exchange rate weaken. A major reason for that has been highlighted in Chapter Three: a weaker pound sterling would be contrary to the interests of financial services, which are themselves very important for the mitigating the recurrent British balance of payment problem.

4.4.3 A political issue

The issue of interest rates is seen as an important political issue on the North side of the North-South divide. National macroeconomic and monetary policy continue to be an issue between London and the Southeast on the one hand, and the rest of the country on the other. As explained in Chapter Three, originally the conflict was more one of industrial versus financial capital. Now it has become transformed into more of a clearly regional issue. This has important political and electoral implications, as Northern Labour MPs have recurrently argued with the New Labour central government that their electoral
base in the North may not remain as strong as it has been historically if it continues to ignore the problems of the North. In the course of a BBC radio-broadcast discussion on the North-South divide that touched upon the issue of high interest rates among other things, Ronnie Campbell, and Labour MP for Blyth Valley in Northeast England since 1987, warned:

“Don’t take us for granted, because that could change. People can get a bit fed up with saying, with saying, look, you know we are being left behind, we are being treated as second class citizens, basically, and they can change and they may. And I would say to my Labour colleagues, in the Cabinet, be wary, be very, very careful because you know, the great traditional voters of the North East returned a lot of Labour MPs, but don’t take that for granted” (transcript from BBC On the Record – Broadcast, 21 November 1999).

This warning sounds like a prediction a posteriori: the Labour Party lost an important number of constituencies in the North at the most recent General Election in May 2008.

One request that Northern MPs have had in particular is a Barnett formula-like policy for the North of England, to allow for higher government spending there as it does in Scotland, Wales and Northern Ireland. As per the Barnett formula, an increase in public expenditure in England automatically triggers a change in public expenditure in the home nations, proportional to population in the different nations. This works to the great advantage of Scotland in particular. Northern England, which faces the same issues of regional development as Scotland, claims its right to the same kind of treatment: according to this logic, changes in public expenditure in London and the Southeast should be matched by a change in the North proportional to the population there.

This is especially important in the current context of Prime Minister Gordon Brown’s plan to build 3 million new homes by 2020, mostly in the Southeast, including in new towns. These new towns will necessitate the construction of all kinds of facilities, including (e.g.) roads, hospitals, schools, water and sewage systems …etc. As a result,
one can expect very high levels of government spending in the Southeast in the coming years. If a Barnett-like formula was applied to the rest of England, the North would benefit from an increase in government expenditure, proportional to its population. This would redirect important amounts of government spending toward urban areas other than London, which, according to Table 4.4 was receiving a disproportionate share of government spending per capita in 1998.

Table 4.4 displays three different measures of city-specific government spending. Apart from the case of Bristol with respect to general government output per capita, London is always the recipient of the highest government expenditures per person. As noted by Simmie et al. (2004: 98), “given the broad tendency for major government policies and programmes to continue as before 1998”, there is no particular reason to think that the trend illustrated by these figures has changed since then.

The North-South divide is a major political issue, especially from the standpoint of Northern MPs and their constituencies, but not exclusively. It is worth noting here that, conversely, political and business representatives in London have increasingly been voicing grievances about ‘paying for the rest of the country’, ‘the burden of being the capital city’, and ‘the burden of subsidizing other regions in the United Kingdom’. This argument has been known as that of ‘the London deficit’. According to this thesis, London is not the root of the economic hardships experienced by other regions in the United Kingdom; on the contrary, London has been sustaining these regions – in particular through fiscal redistribution – and cannot afford to do so any longer, or at least not as much as it used to (Hill, 2003).

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34 Simmie et al. (2004: 98) note that: “Only the Bristol figures are not a reasonable reflection of the core city regions, covering too large an area of surrounding counties”.
Table 4.4: Sub-regional government accounts (SRGA) experimental 1998, divided by areas approximating to core city regions (Source: Simmie et al., 2004: 98)

As Massey (2007) points out, this argument is based on a particular geographical imaginary of London as Britain’s golden goose that lays eggs for the rest of the country through its prosperous economy based to a large extent on the boom in financial services (interestingly, the Southeast and its successful non-financial industries are often left out from this argument). As Massey argues though, the ‘London deficit’ argument is flawed. Among other things:

“[…] It focuses tightly on very specific monetary flows […]. [T]his narrow focus ignores all the other relations that connect these regions. […] It ignores the more complex geographies within which these monetary flows are embedded. For the presence of such a weight of Civil Service jobs and functions within London contributes significantly, not only to London’s economic growth and vitality (and through both direct and indirect effects), but also to the setting in place of a goodly part of that spatial grammar of power and politics which is not only at the seat of London’s unequal relation with the rest of the country but also helps mould the very way in which national economic policy, is drawn up. It obscures the benefits that accrue from simply being the national capital. […] It is also to imagine regions as already constituted territories between which flows may pass.
In fact such flows are part and parcel of wider relations through which the regions are continually constituted” (Massey, 2007: 132-133).

In closing, the Greater Southeast is a problem – from the standpoint of ‘the rest of the country’ – because it is seen as pulling investment away from other regions of the United Kingdom, with the ‘blessing’ and support of the national government, which sees it as a major driver of the British economy, like London. And because it is a problem, because it is at the heart of contemporary regional tensions, and because London is in the Greater Southeast, therefore London is a problem. Going back to the ‘regional problem’ and the North-South divide debate that I started with: it is based on a reality, as seen in Figure 4.4, the reality of a very uneven and polarized geography of development in Britain, that tends to oppose, roughly, a declining or struggling northern part of the country to a southern part that has experienced growth at an accelerating rate since the middle of the twentieth century. But the latter actually encompasses two distinct realities, despite a discursive amalgamation. On the one hand there is the growth of London sustained by the government and its vision of financial services as a sectoral ‘winner’ and of London as a regional ‘winner’; and, on the other hand, there is the growth of the Southeast, representative of a certain reindustrialization of Britain since the 1980s, but excluding the traditional industrial regions. And, as discussed above, the government is no stranger to the production of a geography of development that has tended to favor London and the Greater Southeast. The difference that the state makes in understanding particular geographies of uneven development will be discussed in more detail in Chapter Six, through a comparison between the United Kingdom and France.
4.5 CONCLUDING COMMENTS

The geography of uneven development in Britain has changed over time. The more developed areas have exhibited a marked and continuous shift southward since the interwar period. Today, growth is highly concentrated in the southern part of Britain, and in particular in London and Southeast England. The latter is a growth region in its own right, quite independently of the growth experienced by the former, although London is located there. Economic growth, stimulated by the rise of financial services as discussed in Chapter Three, has combined with a wider regional question to create obstacles to further expansion and has consequently generated issues of labor reproduction such as the ones triggered by the escalation of housing prices, in both London and Southeastern towns.

Key to an understanding of London’s growth and the problems that it has generated – potentially inhibiting further growth – is an approach, therefore, that sheds light on particular time-space juxtapositions and the superposition of layers of capitalist accumulation that produces particular geographies of growth (Massey, 1984; 2005). Accordingly, the ‘London question’, the contradictions of urbanization that the British capital faces today (which will be discussed in detail in Chapter Five), and the tensions produced by its growth at multiple scales – from the local scale as (e.g.) Londoners struggle to find housing and/or to commute and London businesses face labor shortages … etc) to the regional and national scales as (e.g.) other regions in the United Kingdom have to compete for the government’s support – cannot be understood solely in the light of the growth of financial services as per a rather standard global city account. The standard global city account often tends to focus on a particular city (and sometimes its
metropolitan area, as in the global city-region literature discussed in Chapter Two) without much consideration of other scales, apart from the global scale through links to global markets and to other cities across the world. I argue that not only so-called global cities have to be understood in relation to their national contexts, to the country they are located in, but also in relation to other scales such as the regional scale as in the British case, with London and Southeast England framed by a relation to ‘the rest of the country’. In other words, the rise and growth of global cities, as well as the issues they experience, is to be understood against the backdrop of broader geographies of uneven development. This applies to the analysis of urban growth in general, which might lead us to question the extent to which global cities are different from other cities.

A broader conclusion that I want to draw from this chapter, consistent with and adding to the conclusions drawn from Chapter Three, is that we need to contextualize more the emergence and development of global cities over time and across space, to situate them in particular national and regional geographies. This will help us understand the particularity of the problems that they face or might face in the future, such as those issues of labor reproduction to be considered in the next chapter.
CHAPTER 5

LONDON’S HOUSING QUESTION, THE RE-SCALING OF
GOVERNANCE, AND THE POLITICS OF SCALE:
GOVERNING A GLOBAL CITY

5.1 INTRODUCTION

The ‘standard global city account’ that I have referred to in previous chapters tends to understand global cities and their politics without much reference to space other than the space of competition with other global cities through various kinds of flows and measures of exchange relations as emphasized in particular by the GaWC network (Chapter Two). However, space enters in other ways into the production and reproduction of world cities. Global cities have their own spaces. They are constituted by many different smaller-scale spatial entities, by many different neighborhoods, and their politics impact those neighborhoods, and vice-versa. There are also relations with surrounding regions to be considered here, including possible complementarities but also tensions, as in the case of the relation between London, the Greater Southeast and the rest of the United Kingdom (Chapters Three and Four). Then there is the jurisdictional space of the state itself to be
included in our understanding of global cities’ politics, as indicated by the discussion of the British state’s emphasis on London as a regional ‘winner’ especially when deindustrialization struck advanced capitalist economies from the 1960s onward (Chapter Three). All of these have to be taken into account when considering the production and reproduction of global cities. In other words, global cities are always embedded in sets of wider relations that have to be managed if they are to reproduce themselves. This leads me to suggest here the usefulness of the concept of the politics of scale in understanding global cities and their politics. This will be developed in this chapter through an analysis of the housing crisis in London, the ways it is dealt with by different stakeholders whose interests are embedded in various areas and at different scales, and the new governance structures that have emerged out of the necessity to at least mitigate, if not solve the housing crisis.

The present chapter is concerned with and links two major aspects of London’s contemporary politics: housing and governance. In the past few years the British press has been constantly reporting on London workers whose commuting time has been increasing substantially – more than three hours driving in anecdotal, but telling, cases (Harris and Kelly, 2002) – because they cannot afford to live close to their workplace. This is especially true of two groups in particular: first, people who have started a family and, as a result, need more living space; second, the armies of low-wage unskilled workers who service the hotel, catering, office cleaning …etc needs of the financial and related industries (Sassen, 1991; 2006), as well as the employees of public services (Massey, 2001; 2006; 2007) such as (e.g.) nurses, firefighters, police officers, bus drivers, …etc, i.e. the so-called ‘key workers’. No other city in the United Kingdom has even
approached the kind of escalation of housing prices that London has experienced in the past ten to twenty years. The arrival of “new high-income urban elites” (Sassen, 1995: 66) working for the advanced producer service and financial firms that have blossomed in the ‘global city’ of London since the 1980s, is clearly implicated in this. However, this situation is also the result of a more complex set of processes that has led to the disproportionate concentration of Britain’s population and growth in London and its wider region, the Greater Southeast, as developed in Chapters Three and Four in particular. As explained there, this concentration cannot be reduced to the arguments advanced through what I have referred to as a ‘standard world/global city account’ (Chapter Two).

On the other hand, governance – the fundamental focus of this chapter – is on the agenda. Regional, metropolitan and urban governance have been the focus of a growing body of academic literature (see for instance Brenner, 2004a on urban governance; Knapp, 2003 on regional governance; Weiss, 2005 on metropolitan governance), supported by particular case studies (including for example Salet et al., 2003; Brenner, 1999; 2003; 2004b), and connected to other more specific literatures on, for instance, urban regimes (Cox, 1997; Harding, 1997; Lauria, 1997) and the entrepreneurial city (Harvey, 1989; Hall and Hubbard, 1997). This growing literature on local governance – whether urban, metropolitan or regional – echoes concrete political concerns. According to the new regionalism literature the region and the locality have become the new primary sites and scales of capitalist accumulation (Agnew, 2000). This is in contrast with the Fordist period (roughly 1950-1970) when the national territory was supposedly the more crucial one for accumulation, and the national state was the primary site of regulation of
the economy, as indeed has been argued in the regulation literature (see MacLeod, 2001, for representative work). The local and the regional scales “served primarily as transmission belts for national economic and social policies” (Jessop, 2002: 71). Indeed, across the broad theoretical spectrum in the social sciences, scholars have argued that urban (Harvey, 1973; 1996), regional (Florida, 1995; Storper, 1997), city-regional (Scott et al., 2001), or metropolitan economies (Weiss, 2005) should be viewed as the centers of contemporary capitalist development in a globalizing world.

Although with regard to the strategic sites and scales of capitalist accumulation I disagree with a pure ‘hollowing out of the national scale’ claim – an argument whose discursive strength has served mainly those with powerful regional interests who have an interest in legitimizing the bypassing of the national state (Lovering, 1999) – the ‘glocalization’ (Swyngedouw, 1997) literature uncovers some very interesting contemporary trends in terms of governance. These are particularly observable in the Western European context (see in particular Brenner, 1998; 2004). The necessity of improving local governance, of strengthening local and regional institutions in order to facilitate local and regional economic development in a context of a rescaling of capitalist accumulation (Swyngedouw, 1997) and so to confront the competitive challenge of other localities and regions, represents a real political challenge, not just in the United Kingdom but across most advanced capitalist societies. In the United Kingdom, while the increasing transfer of powers to the European Union has been a major aspect of state rescaling, the downward rescaling of governance has materialized in part through the creation in 1998 of the Scottish Parliament and the National Assembly for Wales; and in part through the introduction in that same year of Regional Development Agencies
(RDAs) across England. Eight in number, a ninth one was created for London the following year. The idea of these regional institutions is not so new though. It emerged long before the ‘new regionalism’ discussed here.\textsuperscript{35}

All this, however, has been with respect to regional governance. Given the centrality of cities in the geography of capitalist accumulation as discussed in particular throughout Harvey’s work (see for example: Harvey, 1973; 1996), urban governance appears as even more of a fundamental condition to overcoming the spatial contradictions of capitalism, including that between fixity and mobility, to create “spatial fixes” (Harvey, 1982; 1985; 2000) in given places, in given cities, as discussed especially in Chapter Two and Three above. Urban governance, as I will discuss in this chapter, also appears as a necessary condition for suspending another set of contradictions inherent in capitalism, i.e. those between production and reproduction, and in particular the reproduction of labor in terms of the availability of housing at a reasonable price. As far as London is concerned, there has been a real and increasing focus since around the year 2000 on improving urban or, more exactly, metropolitan governance with regard to housing and the planning that goes along with it. The objective has been to facilitate an increase in the provision of affordable housing in the capital and its metropolitan region, with a view to mitigating the housing crisis. And housing is an issue because of what it implies for the future of the London economy.

The general question that is discussed in this chapter is: How is one to make sense of the new governance arrangements that have emerged in the London area as a response

\textsuperscript{35} This took the form of the creation of eight Regional Economic Planning Boards in the 1960s (Harrison, 2006). In addition, the creation of and devolution of power to regional parliaments was planned for the late 1970s, but never happened due to a major change in the country’s political leadership with the 1979 electoral victory of the Conservative Party led by Margaret Thatcher.
to the challenge of mitigating the housing question? Answering this question requires that it be broken down into several other questions, including the following: Who from within London has been pushing to give the Greater London Authority (GLA) its widened powers? Why have the boroughs, particularly the outer ones (Figure 5.1), been so unwilling to cooperate in a policy of providing more affordable housing given the constraints on hiring public service employees that they face? Why has the national government seen fit to grant the GLA its increased powers with respect to land use planning? And, in addition, why has London experienced difficulty in expanding at its edges in order to accommodate more people?

Figure 5.1: Administrative map of London’s inner and outer boroughs (Source: London borough of Newham)
This chapter is based in considerable part on findings from fieldwork research that I conducted in the summer of 2007, along with previous archival research. Central to an understanding of the complexity of the debate about metropolitan governance in London was bringing to light the struggles among the different interests. Crucially, the research has tended to show that the degrees of freedom within which potential solutions to London’s housing crisis have to be sought are conditioned by a particular juxtaposition of conditions and forces. These will be addressed in the following three sections of this chapter, before some concluding comments. The first major part of the chapter comprises a discussion of how the multiplicity of actors and institutions at very different geographic scales with strong interests in London’s housing question have set up the conditions for a politics of scale. In the second part, I will argue that the difficulty London faces in trying to solve its housing crisis is rooted in its existing political arrangements or governance structures; I will pay particular attention to the high degree of jurisdictional fragmentation and the limited fiscal autonomy of London’s individual boroughs. Finally, in a third major section, I will elaborate on the impact of the highly centralized form of the British state on London’s housing question, beyond the issue of jurisdictional fragmentation. This last consideration will set the stage for Chapter Six, a comparison between the London and Paris metropolitan regions. This will be with a view to exposing the difference that the state and national forms of capitalism make in understanding the variable politics of local and regional economic development including the politics of their respective global cities.
5.2 GOVERNANCE IN QUESTION AND THE POLITICS OF SCALE

As discussed in Chapter Three, changes in the organization of the global economy since the 1970s, in particular the emergence of new international divisions of labor, have led to the development of London into a, if not the, leading world financial services center. In its specifics this owed partly to the liberalization of financial markets in the United Kingdom by the Thatcher government in 1986. However, and as explained in Chapter Three, the formation of the global city of London has been long-in-the-making and is the product of particular time-space juxtapositions, often of a rather contingent character, that have produced a particular historical geography of accumulation and uneven development from which London has emerged as a ‘winner’. This particular geopolitical history of accumulation has favored the dominance of financial capital relative to industrial capital in Britain over time and the rise and concentration of financial services in London. As explained in Chapters Two and Three, the geography of financial services is one of very unequal distribution characterized by very significant clustering patterns in general (Moulaert, 1991), and, at the national scale, Britain is no exception, with a growing concentration of advanced producer and financial services firms in London since the 1970s (Daniels, 1995). A major problem, though, is that the resultant economic boom has not been matched by a concomitant expansion of housing and this has created a housing crisis. Those interested in the outcome have ranged from the national government, to the London-wide business community, to very local interests in the boroughs: interests at very different geographic scales, therefore. This configuration of forces has set up the conditions for a particular politics of scale that frames the ways potential solutions to the housing crisis are being sought. In this section, I provide a brief
overview of London’s housing question, before discussing the interests of three major stakeholders in its mitigation.

### 5.2.1 The London question and the housing crisis

London is facing a housing crisis, and many would like to see this problem resolved. Before getting to who has what kind of stakes in this, I would like to clarify what the ‘housing crisis’ refers to. At the most recent census in 2001, Greater London was home to 14.6 per cent of the British population (source: Census, United Kingdom Statistics Authority). Today’s estimated 7.5 millions Londoners have to share a relatively limited amount of land. This is not easily expandable due to the historical greenbelt legislation that prevents lateral expansion around major British cities (Hall et al., 1973). While the London economy has boomed since the 1980s, generating increasing employment, the supply of housing has not increased proportionally. Prices have been forced up and this has impacted the lower paid in particular. Accordingly, when I refer to ‘London’s housing crisis’ or ‘the London housing question’, I mean a massive shortage of affordable housing.

Failures of supply of affordable housing are for a variety of reasons, including – but not limited to – land use constraints such as the greenbelt, and, quite importantly the dramatic shrinking of the stock of subsidized public housing for rent, known as council housing in Britain. Council housing represented a major source of affordable housing in Britain from the end of World War II until the 1980s. Construction started after World War I. London’s major housing problem until then had had to do with the existence of
numerous overcrowded slums within the city (Stedman Jones, 1971; Ackroyd, 2001).

Foster provides a telling account:

“Between 1851 and 1901 the population of the area eventually covered by the London County Council doubled to just short of four million. Accommodation for this new population was provided almost entirely on a private commercial basis. Overcrowding (measuring by persons per house) while not as bad as in some provincial centres, worsened for the three decades after 1851, and after some improvement in the following two decades was again beginning to deteriorate in the 1900s. Rents rose by 80% in a period of otherwise stable prices, and by the 1900s were consuming over a quarter of the average working-class budget. […] The proportion of males in (at best) casual employment rose to 21% by 1891 and Booth estimated that about 30% of the working population were then living in primary or secondary poverty (Stedman Jones, 1971, 132 and 387)” (Foster, 1979: 94-95).

Foster (1979) argues that the Victorian state did not even try to start providing decent housing to the slum dwellers who could not afford satisfactory private housing, This was because the balance of class forces was highly unfavorable to the working class and this in turn owed to high unemployment rates. The situation changed with World War I: full employment to serve the needs of the war economy strengthened the labor unions and provided the recently created Labour Party with an electoral base. The unions and the Labour Party were then able to pressure the government into providing decent affordable housing for the working poor. From then on until the early 1980s, council housing represented a major source of affordable housing in Britain in general and in London in particular. At its height public housing provided accommodation to almost a third of British households.

The stock of council housing grew tremendously in the interwar period. But by the 1960s London faced another housing crisis, which had more to do with the general overcrowding of inner London. It is in that context that the ‘opening up of the suburbs’ debate took place (Young and Kramer, 1978). This was when the Greater London Council (GLC), London’s metropolitan-wide government body at that time, attempted to
force the wealthier outer suburbs through legislation to allow the construction of public housing for inner-city dweller. As Young and Kramer (1978) explain, NIMBY-ism quickly developed and managed to prevent the GLC from successfully carrying out its project. Since that time, overcrowding and rising housing costs have extended beyond the most central neighborhoods and are now affecting most of the metropolitan area.

The situation was aggravated by the privatization of most of the council housing stock by the Conservative Thatcher administration (1979-1990) – which aimed at encouraging home-ownership, including through the sale of council housing units to tenants for less than market prices – concomitant to the boom in the London economy in the 1980s. London’s economic success has been attracting an ever increasing number of people,\textsuperscript{36} not only from the rest of the country – especially from the declining regions of the North as described in Chapter Four – but from across the world.\textsuperscript{37} As indicated in Table 5.1, in 2007, the average cost of a house in London (including all types of dwellings, from detached houses to flats) was £342,122,\textsuperscript{38} compared to £223,346 for the whole of Britain. This compares to £34,640\textsuperscript{39} twenty four years earlier, in 1983, when the average for Great Britain was £26,595 (Source: Regulated Mortgage Survey, United Kingdom’s Department for Communities and Local Government).

\textsuperscript{36} Greater London’s population peaked in 1951 with 8,196,807 people, before declining steadily throughout the 1950s until the 1970s-1980s. The London population was down to 6,608,598 people in 1981. At the more recent census in 2001, the official figure was 7,172,036 people (source: Census, United Kingdom Statistics Authority). Although the London population is not back to the level of the 1951 peak, the demand for housing has increased. A major reason for that has to do with changing family patterns, including: young singles, divorced people, single parent households, retirees looking for a place of their own.

\textsuperscript{37} In 2001, about 32 per cent of all Londoners (roughly 2.3 millions) were born outside of the United Kingdom (source: Census, United Kingdom Statistics Authority).

\textsuperscript{38} The average exchange rate in 2007 was about 1 pound sterling = 1.72 US dollar (Source: ERS International Macroeconomic Data Set, Economic Research Service, United States Department of Agriculture).

\textsuperscript{39} The average exchange rate in 1983 was around 1 pound sterling = 1.32 US dollars (Source: ERS International Macroeconomic Data Set, Economic Research Service, United States Department of Agriculture).
Table 5.1: Mean house prices in London and Britain, from 1983 to 2007, in pounds sterling (Source: Regulated Mortgage Survey, United Kingdom’s Department for Communities and Local Government)

Table 5.1 shows that since at least 1983 London’s average housing prices have been consistently higher than for the whole of Britain (London’s house prices are included in the calculation of the mean house prices for the whole of Britain). The last column in Table 5.1 indicates that the gap between house prices in London and in Britain in general has increased overall between 1983 and 2007, although not in a linear fashion: that gap increased between 1983 and 1988, tended to diminish during the following
decade – between 1988 and 1998 – before then increasing again. It has fluctuated around a ratio of 1.5 in the past ten years (since 1998).

Exacerbating the issue of housing is the fact that the stock of council housing was decimated through massive sales to tenants under the Conservative Thatcher administration, as previously mentioned. This considerably reduced affordable housing options, particularly in the British capital where the need is so severe.

Today’s London housing question, one must note, is the most aggravated aspect of a housing problem that has affected most of the United Kingdom for at least the past decade. It seems unlikely, therefore, that it can be imputed solely to London’s development as a global city. However the extent of the housing crisis in London and the worries that it has generated on the part of many different stakeholders is clearly and recurrently spelt out through, for example: stories in the newspapers about London workers’ unusually extended commuting times; a plethora of electronic blogs on the difficulty of finding housing in London; and numerous radio and television programs dedicated to housing issues …etc. My personal experience of conducting fieldwork (and finding housing for that purpose!) in London, as discussed in Chapter One, is also telling in that regard. Perhaps most revealing of all are the very public anxieties of the central government with respect to the housing situation in the capital city. Significantly, as soon as Prime Minister Gordon Brown came to office at the end of June 2007, he declared housing his government’s number-one domestic priority. Soon after, in July 2007, Yvette Cooper’s Minister of Housing released a Green Paper on Housing, which identified the need for building 3 million new homes in the next ten years in Britain, half of which would be in the Greater London area.
The anxieties of the British government with regard to the housing question in London (and the Greater Southeast) are twofold. On the one hand, because of its crucial interests in the London economy, the national government wants to prevent shortages of affordable housing from triggering serious labor shortages, which might in turn challenge reproduction of London as a booming global city. On the other hand, there are questions of regional balance. The overheating of the housing market in London and the Southeast has generated inflationary tendencies. These have forced the government (and now the Bank of England) to set higher interest rates than they would otherwise have done and this has hurt manufacturing industries in other parts of the country, as explained in Chapter Four.

Prior to the new administration, and under the previous New Labour government led by Tony Blair, the central government had already been heavily and directly involved in attempts at solving London’s housing problem. Two types of infrastructural mega-projects designed to increase the stock of affordable housing and to expand and smooth London’s commuter field respectively are illustrative. First, there is the Thames Gateway Project. This is a 40-mile-long residential and commercial project to the east of the city, on either side of the Thames, where 180,000 new homes are currently being built. It is expected that this large-scale development will help mitigate congestion in more central parts of the metropolitan area. Second, the central government is also teaming up in different projects with the Greater London Authority (GLA), London’s metropolitan government body, and the city’s business community to increase London’s commuting field. This is to be achieved by improving accessibility in the broader London region. Crossrail is probably the most telling and most ambitious of these projects (see Figure 1.3.
in Chapter 1). Crossrail is a £16-billion 74-mile urban rail project which will run from Maidenhead in the west to Shenfield in the east. This will allow greater dispersal of population and perhaps employment from Central London. Most recently, the central government, through its Housing Corporation, has also announced that it will support the construction of new council (i.e. public) housing units, as a way to promote affordable housing. Some London boroughs such as the eastern borough of Barking and Dagenham have already agreed to do so. However, despite all these initiatives, many remain skeptical and worried about the future of housing in the London area.

5.2.2 Solving London’s housing crisis: many interests, many stakeholders

The variety of stakeholders and particular interests in a solution to the London housing crisis is an important parameter in understanding the complex set of conditions that constrain the ways in which solutions to the housing crisis are being sought. The shortage of affordable housing in London is of interest to many in Britain, starting with those who are most immediately concerned, those who work and live – or work but cannot live – in London. This is of greater concern for the masses of low-wage low-skilled workers in the service industries such as hotels, catering, office cleaning …etc (Massey, 2007), who are essential to sustaining London’s finance-based economy, but also tourism in the British capital, as indicated in Chapter Four.40 An increasing proportion of those working in these sectors is composed of immigrants. A recent report (May et al., 2006) makes clear

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40 London remains a major tourist destination that attracts millions of visitors every year – 2 per cent of worldwide tourism (Llewelyn-Davies et al., 1996, cited in Buck et al., 2002: 114) –, who spend an annual 15 billion pounds sterling, supporting an estimated 280,000 full time jobs (i.e. 7 per cent of London’s jobs) according to the London Development Agency (Information retrieved on 2 April 2008, from the London Development Agency (LDA)’s website (www.lda.gov.United Kingdom).
just how significant immigrants are becoming, particularly for sectors like cleaning and the hotel trade. Immigrant workers are particularly attractive to employers in London partly because, as this report argues, they do not always enjoy recourse to government income benefits but also because, I would argue, they are more willing to economize on housing. Many are indeed short-stay immigrants and do not have their families with them, for example. Aside from that, there is the fact that housing expectations for many will be different. This might also apply to the public sector. A case in point are hospitals whose shortage of nurses has led the National Health Service (NHS) to recruit outside of the country, especially in South Africa, though this shortage is one that, while most severe in London, is not confined to hospitals there; in other words, shortages of nurses, although more important in London’s hospitals, have affected hospitals across the country. Moreover, the case of nurses is somewhat different insofar as in some places they can benefit from subsidized hospital lodgings.\(^4^1\)

More generally, public sector ‘key workers’ – school teachers, police officers, firefighters …etc – comprise some of those most affected by the shortage of affordable housing in London. Given that their salaries are determined according to national pay scales, as I shall discuss later on, they are even more likely to end up living further and further away from their London workplace. Alternatively, if the commuting time becomes excessive, they may decide to seek a job elsewhere, in another part of the country where real-estate prices are lower and housing costs match household incomes more closely. This reasoning has also been increasingly apparent among workers in the

\(^4^1\) This is now becoming less common as the stock of hospital lodgings has diminished: much of it has been sold for the land underneath them to developers as a way to raise money and to balance the reduction of state-funding of health institutions since the Thatcher era.
booming high-tech industry in the Greater Southeast in the past decade, despite their higher wages (The Guardian, 27 December 2000). This has generated concern among employers, including financial firms paying very high salaries (Massey, 2007).

Although London’s workers are certainly the most immediately impacted by increasing housing costs in the metropolitan area, their respective and diverse strategies to cope with the shortage of affordable housing would require a separate investigation.42 Here I focus on the interests of three distinct sets of major stakeholders in the mitigation of London housing question: the national government; the wider London business community; and the individual boroughs.

While London’s economy – heavily but not exclusively based on financial services – has been flourishing since the 1980s, Britain has also witnessed the rundown of its older industrial areas, particularly in the North. As previously mentioned, this explains why London’s economic fate has become increasingly important to the national government. In other words, as a result of changes in the global and national space economies, the share of London in the national product has increased substantially. London is vital for the national balance of payments – since the financial services sector is such a huge export industry – for national growth, and therefore for the fiscal and electoral health of the national government. The rapid growth of employment in the financial and related sectors – for example insurance and real-estate – and the relatively high salaries typically paid in them have given extra impetus to the demand for housing

42 This could be carried our along a study of individual employers of low-skilled and semi-skilled workers who may face labor shortages because of the housing crisis and have their own strategies to cope with that situation.
in London. As I pointed out earlier, the central government has not been hiding its anxieties with regard to the London housing question, and has been particularly active since the early 2000s in attempting to find ways to solve the shortage of affordable housing. I have already made reference in this chapter to such large-scale projects as the Thames Gateway, which is supposed to provide the eastern part of the London region with an additional 180,000 homes by 2010, and Crossrail, which is expected to expand London’s commuting field. To these two neostatist approaches (Jessop, 2002) to sustaining the London economy, one can add the 2012 London Olympics. London’s application for hosting the Olympic Games has been supported all the way through the competition, and now through preparations for them, by the central government. Crucially, this has been promoted as a way to redevelop run-down areas in the eastern part of the city, around the borough of Hackney for instance, where brownfield and other sites are being used to build new, densified housing.

The increasing pressure on housing prices is also of great concern for those many other firms, such as (e.g.) printing, legal services, accounting, catering, hotels, contract cleaning … etc, which service that key sector of London’s economy that is the financial services industry. The concern is that increasing wage costs – to cover higher housing costs – and difficulties of hiring workers will inhibit growth and might even result in some relocation to other cities in Western Europe, such as Paris or Frankfurt. These fears have even been voiced by leaders of the City’s business community. It is important to note here, though, that the London business community is not united on the question of

Moreover, the skyrocketing of housing prices has been exacerbated in the past few years by an increasing number of wealthy foreign professionals and investors purchasing properties in the capital of a country that offers a very advantageous tax policy to wealthy non permanent foreign residents.
how to mitigate the housing crisis. Small and medium businesses alongside the City’s business community – predominant within London’s business coalition known as London First – have backed former Mayor Livingstone’s (2000-2007) plans to impose higher percentages of affordable housing in any residential development across Greater London (which would decrease their employees’ living costs). At the same time, another fraction of the business community, that of developers and real-estate firms, have opposed these plans. Their interests lie in the opposite direction: high housing prices since the absolute markup will be greater.

Finally, the interest of the boroughs comes from the problems they face in hiring key workers. This is in spite of the national government’s Key Worker Initiative. Introduced in the late 1990s-early 2000s, this program has tended to target specifically the so-called public sector ‘key workers’ – a category encompassing, for instance, nurses, teachers, firefighters, police officers ...etc – through various forms of subsidy. These policies were motivated by the fear that the shortage of public sector workers would threaten London’s rapid growth. But these programs, initiated by Tony Blair’s New Labour government (1997–2007), have been increasingly criticized in the past couple of years. Among other things, they have been dubbed by those in the know as ‘key voters programs’, and the heavily unionized public sector workers are indeed a key Labour voting bloc:

“Well, I’ve heard it called as a joke ‘key voters policy’, rather than key workers policy, because it’s very popular to provide more houses for nurses and teachers, and one thinks that it’s a very good use of public money, without it being very well researched, as, you know: is it a good use of public money? There’s a lot of subsidy – 400 millions [pounds sterling] a year – going into intermediate housing. IS it being used properly? Is it targeting the right people? Who are these key workers? Because some of these schemes – I think not so much now though – go to head-teachers on 70,000-80,000 pounds a year, so they don’t need that subsidy” (personal interview with a senior Greater London Authority policy manager, August 2007).
Following on the previous quote, the legitimacy and effectiveness of such programs are also the object of wide-spread criticism, across the political spectrum:

“We have been prioritizing key worker accommodations for some years now. There’s a lot that is going on, but what is a key worker accommodation? Are the people who are the porters and the cleaners and the hospital cleaners not as important as the firefighters and the police officers and the nurses who have better wages than the cleaners and the porters. So there’s that kind of argument that started to emerge. There’s also a suggestion that some of the key worker accommodation which has been set aside in certain parts of the city hasn’t been fully taken up. And that’s not because it wasn’t affordable, maybe it was just not attractive enough for where people wanted to live” (personal interview with a New Labour Member of Parliament representing a London constituency and member of the Brown government, July 2007).

“There have been attempts to define key worker housing. So you have a flat where only a person who works in the public sector can live there. The difficulty with that is: what happens if that person changes his job? Then moves out of the public service sector. What happens if that person gets married or moves in with a partner who is – for the sake of the example – a banker? [I.e.] Not public sector at all, with an important wage, and living in a subsidized property. So it’s difficult because there’s a definitional problem” (personal interview with a Conservative Member of Parliament representing a London constituency, July 2007).

The tendency today is to target the more broadly defined ‘intermediate-income workers’ rather than public sector key workers. This is through the construction of part-buy part-rent – also known as ‘shared ownership’ – schemes subsidized by the government’s Housing Corporation. Not everybody agrees on the adequacy of such programs to solve the issue of attracting and retaining intermediate-income workers, including public sector employees. On the one hand, some political leaders, while recognizing some issues, are very enthusiastic about them. They see them as an alternative to subsidized publicly-owned rental property as it was used in the past to deal with the shortage of affordable housing in British cities. The following comment is quite exemplary, although not surprising from a Conservative Member of Parliament, who was expected to reject social housing on principle anyway:

“I think as prices in London continue rising, there’s basically a shortage of supply in the housing market. But at some point the fundamentals will dictate that the prices can’t rise
much further. You know house prices are way, way beyond even serious professional workers… like head-teachers. I’m not sure even a head-teacher can buy a house in [my constituency]. […] What one really needs for key public sector workers is to develop low-cost homeownership, part-rent part-buy schemes, which have been quite popular in [my constituency] in the most recent times. […] Some of these developments are still expensive, like, for example, in Imperial Wharf some of the part-rent part-buy schemes are still very very expensive: 300,000 pounds or more for the ‘buy-part’. But that’s going to be more the solution than buying more social housing for rent” (personal interview with a Conservative Member of Parliament representing a London constituency, July 2007).

On the other hand, people who are involved on a daily basis with managing these programs, such as registered social landlords (RSLs), are themselves very critical of the affordability for most intermediate-income households of these shared-ownership programs. This is because once a housing association or an RSL has built this kind of housing for part-rent-part-buy, the government’s Housing Corporation, which provides usually about 50 per cent of the initial construction funds – the other 50 per cent are obtained through regular bank loans – insists that in determining prices to the consumer it be valued at the market rate; something over which it has no control. So if the housing units are built in an expensive part of the city, such as (e.g.) Chelsea, Kensington or most of the inner western boroughs, the ‘buy-part’ – 50 per cent in most cases, although the government is experimenting with some 10 percent buy-part shared-ownership schemes – can be extremely high. For instance, in a borough like Hammersmith and Fulham where the mean house price in 2006 was over £450,000, the buyer will still have to spend about £275,000 for the ‘buy-part’, and will still be left with a rather high rent to pay in addition to her/his mortgage. That is over five times the income of a worker who earns £50,000 a year, a salary that is already above the average £25,000-£30,000 per annum that defines an ‘intermediate income’ in London. So unless there is a double income in the household, these schemes are definitely not affordable:
“And that’s why key workers often come together – you will often find two nurses, or a nurse and a policeman, they come together, and together they have that income [which is necessary to afford one of these shared-ownership schemes in the well-off inner boroughs]” (personal interview with the chief executive of a London-based housing association or registered social landlord, August 2007).

The variety of stakeholders – including the three major groups discussed here – and the juxtapositions of their variegated interests represent a set of conditions for solutions of the London housing question that need to be taken into account.

5.2.3 The emergence of a politics of scale

A critical finding that has come out of this research – and in this regard interviews played a key role – is that in order to understand the development of metropolitan governance in the London area aimed at mitigating its housing problem, resort to the concept of the politics of scale is crucial. This is so because global cities such as London are always embedded in sets of wider relations at different scales that have to be managed if they are to reproduce themselves. The idea of the politics of scale relates the geography of social interests to the geography of the state (Cox, 1998b). The assumption is that various agents, like the boroughs and the national government, have interests in geographically defined jurisdictions of different areal scope – different scale, therefore: the geographic scope of a borough’s concerns is different from that of the national government and different again from that of London’s growth coalition. This immediately sets up the possibility that the various interests in the question of new forms of governance do not entirely coincide in their substance, and that there will be tensions. On the other hand, the political geography of the state can be understood as a hierarchy of agencies at different geographic scales with different formal powers. Some state powers will be national and
some more local and so on. So in resolving these conflicts, more local agents may have to look to higher levels of the state; and even if it is possible in principle for them to act, it may be that they refuse to on the grounds of how their particular interest in the housing question, an interest that reflects the wider scope of their jurisdiction and the multitude of interests located there, will be affected.

Accordingly, the politics of scale around London’s housing question is one of both cooperation and conflict. The Greater London Authority (GLA) has been frustrated by the exclusionism of the boroughs and that is why it has turned to the national government for enhanced land use planning powers. The boroughs have been able to indulge their NIMBY-ism (or Not-In-My-Backyard politics) partly because they lack incentives to promote housing development. This is, as I will return to later in this chapter, because municipal finance in Britain is ultimately controlled by the central state and any increase in the local tax base is for the most part compensated by a reduction in the central government grant. The fact that the national government also has an interest in resolving London’s housing problem, however, has meant a favorable reception to GLA pressures. The influences therefore move both up the scalar hierarchy of the state, from the boroughs and the GLA, albeit on their own terms; and down from the national government. Very recently, there have also been effects from the GLA downwards to the boroughs, in virtue of the new statutory powers granted by law to the Mayor of London and to the London Assembly (both forming the GLA) with respect to planning and housing in particular.\footnote{As per the GLA Act 2007, which was passed by the Parliament and received Royal Assent in October 2007, the other domains in which the Mayor has received new statutory powers include: learning and skills; waste; culture; health; climate change and energy; and water. Moreover the Mayor’s responsibilities with}
which the standard categories of national, local and regional politics make little sense, and such is always the case with the politics of scale. London is a national issue; while from the standpoint of an outer borough, land use planning might be seen as a question of local democracy, from the standpoint of the GLA, far more is at stake.

This is not to say that the political geography of the London housing question is exclusively one of pressures moving between the national, the metropolitan and the local. It is clear that there are some differences of interest among the boroughs; some simply have more easily developable land than others. This is especially true of the outer boroughs such as Hillingdon and Hounslow to the west, Bromley to the south, or Havering to the east (see Figure 5.1), but also of some inner boroughs like Tower Hamlets, which is exploiting its brownfield areas, including the former docklands area along the Thames River. Likewise there are divisions at the national level. What this has meant, however, has been to add piquancy to the politics of scale. Different factions at a given scale can make common cause with each other, so generating alternative coalitions and therefore alternative politics of scale. The following sections will provide further elements that contribute to an understanding of the current politics of scale; a politics that has emerged around the necessity of mitigating the shortage of affordable housing in the British capital and its metropolitan area.

respect to functional bodies (Transport for London, the Metropolitan Police Authority, London Fire and Emergency Planning Authority) were enlarged compared to the one he received through the GLA Act 1999, the GLA’s founding Act.

45 This part of Tower Hamlets has already seen the emergence and eventual success of Canary Wharf as London’s second financial district in the late 1980s and is about to witness a new wave of redevelopment. This new mixed office and residential development promises to attract businesses quite easily as rents in the former docks area are usually about 30 per cent lower than in the City (Seddon Kilbinger, 2007). Although these boroughs are not the ones in which the housing question is most urgent, such a project might end up taking some of the pressure off some other boroughs squeezed by the housing question.
5.3 THE PROBLEM OF LONDON’S EXISTING GOVERNANCE STRUCTURE

While many have interests and stakes in solving the housing question, and despite a number of policies aiming at mitigating the crisis in the past decade, property prices are still rising at a fast pace and affordable housing is becoming increasingly scarce. In other words London has been unable to solve its housing crisis on its own and, as I would like to argue, this is so in part because of its existing governance structures. These constitute another set of forces and conditions that jutrapose to the ones discussed in the previous section – the variety of stakeholders with interests at various geographic scales, giving way to a particular politics of scale – to limit the degrees of freedom within which potential solutions to the housing crisis can be sought. This section focuses on two aspects of what Jessop and Sum (2006) refer to as “metagovernance” in London; these aspects of the existing “organisation of the conditions for governance” (ibid.) are: the territorial or jurisdictional fragmentation of London, on the one hand; and the limited fiscal autonomy of London’s individual boroughs, on the other hand.

5.3.1 The jurisdictional fragmentation of London

The place under investigation in this chapter, and more generally in this dissertation, is London. Although mentioning London as the study area for this research may sound self-explanatory – i.e. ‘everybody knows where London is’ – it is worthwhile clarifying the territorial definition of ‘London’ in the context of this work: Central London? Administrative London? Its wider commuting field? But the latter can extend as far as three hours driving time from central London! The city and its hinterland including the whole of Southeast England? Allen, Massey and Cochrane (1998) provide a very
insightful reflection on what is meant by ‘Southeast England’ and how this region was socially and politically constructed over time. However, I have decided to focus on the administrative metropolitan area, what is referred to as Greater London; i.e. the area encompassing London’s thirty two boroughs, which is also the area over which the GLA’s jurisdictional authority extends. I acknowledge that in this chapter I have made and will make reference to (e.g.) projects that take place outside of these boundaries. That is the case for the Thames Gateway and also for Crossrail. But most of these projects, in which the GLA and the Mayor of London are heavily involved, actually aim at solving the shortage of affordable housing within the administrative boundaries of Greater London.

Although, the Greater London Authority’s jurisdiction encompasses the whole city, there are many local governments within London. London is an administrative ensemble of thirty two boroughs – twelve inner boroughs that form Central London, and twenty outer boroughs – along with the City of London, with a capital ‘C’ (in Figure 5.1, inner boroughs are the darker areas, outer boroughs are the lighter ones).

These boroughs have their own councils and they have considerable power over land use. Indeed, they are the ones that give or deny planning permission to developers willing to carry out any type of development, whether commercial, industrial, office-oriented or residential. Most of them, especially among the inner boroughs, face serious shortages of affordable housing, whether for rent or for sale. They try to find their own solutions, they make planning decisions accordingly, but in most instances without consulting with neighboring boroughs, without coordinating their actions with other
councils, because they want to protect the interests of their own constituencies first and foremost.

London is not the only city in the advanced capitalist world that is fragmented in this way. This is the typical case of the standard American metropolitan area, for example. But far as organizing for a solution to the housing question, a major problem for London is that there is no single borough that dominates in the sense that one usually finds in an American city. Therefore, there is no single borough that can take the lead in moving to resolve the housing question. Rather each and every one of them is hoping that the others will take initiatives from which they will benefit. For instance, in the course of a discussion with an elected representative for the London (inner) borough of Hammersmith and Fulham about the possibilities of expanding the local housing stock, he insisted that there was almost “no free land to develop” in his borough. So I asked him what could be done then (Hammersmith and Fulham is among the most densely-built of all of London’s boroughs). Without considering the possibility of demolishing some buildings or infrastructures and build upwards – something that is very likely to be unpopular with the residents – he suggested that improving public transportation links appeared as the most sensible housing solution to preventing shortages of public employees in the wealthiest inner London neighborhoods. That, he argued, would allow intermediate-income workers to live in less expensive boroughs, much further away from Central London, where housing costs are lower, and to commute on a daily basis.

46 As a mean of comparison, New York City is also made up of different boroughs. It is true that the jurisdictional fragmentation is much more limited insofar as there are actually only five boroughs in New York, as opposed to over thirty in London. Most importantly in New York, Manhattan, the central borough, tends to dominate the city’s politics, unlike in London where the City, although it is the most central area and the most powerful economically speaking, is not a living place in the way Manhattan is both a financial place and a residential area.
According to him, that is to a great extent what has prevented labor shortages in his own borough:

“Let’s say teachers in Hammersmith and Fulham are not generally able to live in Hammersmith and Fulham, unless they rent a pretty, say, “uninteresting” property, say a flat above a shop or something. But that has been the case for a long time now. And typically our teachers in Hammersmith and Fulham would live in places like by Heathrow airport, or in Ealing, that kind of a place, or down in the South End, which are less fashionable parts of London. […] Transportation connections here are very good. According to the latest census we’ve got more Tube-users [i.e. subway-users] than any other borough in Britain… more people traveling by subway, by Tube, than anywhere else in Britain, so we’ve got excellent public transport connections overall. And that may be part of the solution. I mean, that’s one of the reasons why you’ve got a large number of teachers who live in say Ealing, or, say, Battersea, who live in Wimbledon, who work here in Hammersmith and Fulham, because the Tube connections are so good. There’s not necessarily so much of a problem. Everybody would love to have their teachers live close to their schools. That just doesn’t happen” (personal interview with an elected representative of the London borough of Hammersmith and Fulham, July 2007).

The administrative fragmentation of Greater London, the independent functioning of each borough council from one another and the historical lack of communication and cooperation between these councils have not worked in favor of the emergence of a concerted and coherent vision on how the housing question should be dealt with.

5.3.2 The limited fiscal autonomy of London’s boroughs

In addition to this territorial and jurisdictional fragmentation, local governments in London have very limited fiscal autonomy.47 For one, and getting back to the ‘key worker’ issue, this inhibits them from drawing as they see fit on their tax bases so as to offer financial ‘sweeteners’ or higher wages to local public service employees in order to counterbalance the high housing costs that are a deterrent to making a hire. This is important because some boroughs may have considerable taxable property within their boundaries, especially the wealthier boroughs, or those where high-profit financial

47 The exception is the Corporation of the City of London, which has a particular status and more autonomy.
Companies are located such as Canary Wharf in Tower Hamlets, but in principle much of this will be beyond their reach. If the individual boroughs were able to collect and retain most of their local tax revenues – instead of taxes being collected at the central state level and then redistributed in the form of an allocation that is according to some central government definition of need – they might be able to offer Interesting financial incentives to attract and retain public sector workers. On the other hand, this would also be problematic since public sector worker salaries are determined according to a national pay scale. In short, the autonomy of the boroughs with respect to the key worker problem is limited by their own lack of autonomy in more ways than one.

Moreover, besides the particular issue of affordable housing for key workers, individual boroughs have no incentive even to provide more expensive housing or to densify and so stimulate a trickle-down process elsewhere in London, simply because of the disjoint between tax base and revenue. Increases in the local property tax base simply trigger a reduction in the amount of money they receive as central government allocation. Giving in to NIMBY-ism has therefore not been difficult.

On the other hand, and a final point on this topic, one should not interpret the lack of affordable housing in some boroughs, especially wealthier boroughs, necessarily as NIMBY-ism. It is true, based on an examination of records from local planning offices, that particularly in the more affluent boroughs, there has been a pattern of not granting much in the way of building permission for new residential projects (as opposed to commercial and office projects); where it is granted, there have been tendencies, again particularly in the wealthier boroughs, to not insist, as indeed they have the power to, on the provision of some affordable housing in new residential projects despite pressure to
do so. This pattern may be a result of NIMBY-ism. But, as I understood through interviews – a point spontaneously emphasized in particular by two CEOs of (private) Housing Associations or Registered Social Landlords (RSLs) – the NIMBY-ites should not get all the blame here: it can also be the outcome of resistance from developers who have to allow for the higher cost of land in the wealthier parts of the capital. Accordingly they will resist attempts on the part of a borough to bargain planning permission for so-called ‘social gains’ in the form of the inclusion, say, of more affordable housing units. This has represented another force that has constrained increasing the stock of affordable housing in such a way as to solve the housing crisis. The Greater London Authority has to force developers to plan for affordable housing in their private developments via legislation. It cannot, for example, offer them pieces of land for a relatively low price in exchange for agreements over affordable housing since there is almost no publicly-owned land in London.

The general pattern, though, is clear: boroughs encounter difficulty in hiring key workers and the result is a classic prisoner’s dilemma. All boroughs require key workers but they try to externalize their housing needs onto others, hoping that neighboring boroughs will provide the needed affordable housing units instead. Sometimes it seems they do not have much choice, unless they densify, which is “extremely unpopular with planning officers” (personal interview with the chief executive of a London-based housing association or registered social landlord, August 2007):

“The inner boroughs simply don’t have the land available. So they have to look outside” *(ibid.; emphasis added based on the speaker’s tone).*

But this can be looked at as one more excuse for dumping the responsibility elsewhere. In most instances, according to several interviews, the unpopularity of densification of the
housing stock owes to strong opposition from the boroughs’ constituencies. That was made very clear by several residents at a borough-wide consultation meeting in Hammersmith and Fulham, which I attended in July 2007. Arguments ranged from the fear of seeing the social composition of the population change due to the (assumed) cheaper costs of buying or renting in dense estates, to the impact of denser housing development on the quietness and green-ness of certain neighborhoods in the boroughs. But how different is this from the concerns of residents in the outer boroughs about building on a green-field site in their immediate vicinity?

5.4 STATE FORM AND LONDON’S HOUSING QUESTION

The last – but not the least – “metagovernance” (Jessop and Sum, 2006) aspect of the London’s housing question that I would like to address as a major component of the set of forces and conditions within which solutions have to be sought has to do with the form of the British state. The British state is characterized by a very high degree of centralization, and this particular state form has a significant impact on London’s housing question. It extends, for example, beyond the lack of fiscal autonomy of local branches of the state. This state form contrasts greatly with the United States where federalism allows for a degree of decentralization of power unknown in Western European parliamentary democracies, even the federal ones such as Germany. Any solution to London’s housing crisis has to depend to a great extent on the actions of the central government. This is so for several reasons. This section emphasizes two major ones. I will first go back to the ‘key worker’ problem. This will be to highlight the implications of national pay scales for public sector employees in Britain as they confront housing costs that vary significantly
over space and hence what it means in terms of attracting to, and retaining these workers in, particular places, notably the British capital. I argue in particular that as far as so-called ‘key workers’ are concerned the existence of homogenous pay scales for public sector workers across the country has not facilitated solutions to the housing problem and labor shortages. This discussion will also provide insights into the role played by labor unions here, as a major element of the coalitional base of the state. I will then turn to the distribution of powers regarding land use within the British state. This will include a discussion of how the central government’s land use powers may constrain – and have indeed constrained – the expansion of London, both horizontally and vertically, thus putting pressure on land and property prices and fueling the very housing crisis it is intending to solve at the moment. This appears as another important element of understanding of how the degrees of freedom within which potential solutions to London’s housing crisis have to be sought are conditioned by a particular juxtaposition of conditions and forces.

5.4.1 Back to the ‘key worker’ issue: national pay scales, the ‘London weighting’, the coalitional base of the state and the territorialization of labor politics

As far as the key worker issue is concerned – i.e. the hiring and retention issues that have as their condition the shortage of affordable housing – the central government offers its own ‘sweetener’ to public sector workers in London through what is known as the ‘London allowance’ or ‘London weighting.’ As previously mentioned, this is an annual salary-supplement of, on average, £2,500 per year for the inner boroughs (subject to some variation depending on occupation), about £1,800 for the outer boroughs and about
£1,000 for the fringe localities, in addition to the wages that are determined by national pay scales established for each profession through joint negotiations. Labor unions play a crucial role here, as the negotiations are between the central government and them; it is even more crucial under Labour administrations, as trade unionists – such as the members of the powerful Trade Unions Congress – have historically constituted a major element of the Labour electorate, and a major element of the any Labour government’s coalitional base, if not of the state itself. As such, they are quite influential with regard to the national determination of wages for public sector workers.

Because of these pay scales, salaries for, say, teachers or nurses, are the same across the United Kingdom, regardless of where they work, regardless of geographical differences in living costs, apart from a particular supplementary allowance in London. The determination of public sector workers’ wages through a unique national pay scale is important because it takes away the freedom that might accrue to local governments in hiring practices – assuming that they had substantial control of their own local tax bases. In theory, there is some geographic variation, in the sense that not all boroughs offer the exact same London allowance: the allowance for inner boroughs is higher than the one for outer boroughs (which is itself higher than the one for the localities on the fringe of Greater London, which also benefit from a salary supplement for their public sector workers) to reflect in particular differences in housing costs.

However, there is wide agreement that the London allowance for public sector employees is far from being enough to cover for the differences in the cost of living compared with the rest of the country, including other major metropolitan areas such as Manchester or Birmingham. The allowance is also much lower than the ones typically
offered by employers in the private sector, who have mimicked the government’s practice so as to overcome to some degree their own difficulties in hiring, and, most importantly, in retaining workers. The minimum London allowance in the public sector can be increased, but this risks the opposition of the labor unions, unless the national pay scales are revised so as to reflect a proportionate rise of public wages across the country. The New Labour government has been reluctant to answer calls for an increase of the London weighting, to a large extent so as to avoid union opposition.48 This has constrained the possibilities open to the government in solving this particular aspect of the London housing issue; i.e. that of the shortages of key workers resulting from the shortage of affordable housing there.

Despite the New Labour government’s reluctance to increase the London allowance, London-based public sector workers are still asking for this increase, occasionally engaging in strikes. While I witnessed the London’s postal workers’ strike in the summer of 2007 – and I had the opportunity to discuss it with strikers and demonstrators at the main postal office of Whitechapel, in Tower Hamlets, where I lived – Massey (2007) discusses the 2002-2003 strike led by the London area of the Association of University Teachers. Interestingly, while the central government is trying not to upset the national labor unions by raising the London weighting, and so increasing the wage gap between public workers in London and public workers elsewhere, public workers’ strikes are supported and/or led by local London-based unions, or local

48 The unions remain an important element of the coalitional base of the state as well as of Labour governments, despite their weakening under the Thatcher era. Understanding the coalitional base of the state (Park, 1998) and how it has changed over time (Bosco, 1998) helps make sense of the implementation of certain policies of local and regional development, or at least of the broader policy framework within which they are developed.
branches of national unions (sometimes going against national decisions). This is significant because of what it might portend about the changing nature of British politics and with implications for the London question. This issue is that of the territorialization of politics, including class politics and class struggle (Cox, 2008), putting the interests of regional fractions of the working class against each other, and therefore weakening the internal coherence and solidarity of the working class. As Massey points out in the context of the London area university teachers’ strike:

“[…]the decision to come out on strike for an increase in London weighting raises some important political questions. Most obviously, this was not a strike for higher national public-sector wages; it was specifically a claim for increasing wage differentials with workers in other parts of the country. It was in that simple sense divisive. […] For the trade unions this was a classic spatial trap. And in that sense the London claim was a trades-union localist politics that did not coherently set itself within the geographically wider issues” (Massey, 2007: 152; emphasis in original).

It is not impossible that the New Labour government will end up giving in to the public sector workers’ demand for an increase in their London allowance at some point, given the government’s changing coalitional base. This is less and less defined along class lines, and increasingly defined in territorial terms: in particular, the New Labour government appears to rely less and less on (a weakening) labor union support. Despite that, its victories in the old industrial regions are still quite secured, but it cannot gain a majority of Parliamentary seats purely on the basis of these supposedly assured seats. As a result, it has increasingly focused its electoral strategy on winning and maintaining marginal constituencies, in particular in London and the Southeast. In 2003, and consistent with the decreased reliance on labor union support, the Blair (New Labour) government (1997-2007) started developing arguments in favor of a regionalization of

49 Although the Labour defeat in several of its historical northern constituencies at the May 2008 general elections might cast some doubt on that.
the collective bargaining process, which would result in the dismantling of national pay scales, replaced by regional pay scales. This was, however, widely opposed by trade unions and their branches across the country. This was because they believed that this sort of territorialization of the bargaining process and the introduction of regional differentials might well result in a general lowering of wages. The changing coalitional base of the British state along the territorialization of politics in the United Kingdom will be further explored in Chapter Six.

5.4.2 The central government’s land use powers

Besides the particular issue of the public sector workers and the determination of their salaries according to national pay scales through collective bargaining at the national level, another way in which the centralized form of the British state affects the resolution of London’s housing problem has to do with the government’s land use powers. Even though individual boroughs are in charge of granting what is known as ‘planning permission’, the central government retains substantial power over some parts of the land use legislation and this affects the ability to increase the supply of housing in London, either through densification, extension upwards or extension laterally into the periphery.

On the one hand, the role of the historical greenbelt in containing urban sprawl around major British urban areas has been copiously documented and known for a long time (Hall et al., 1973). This legislation, as discussed previously, refers to the virtual\(^{50}\) impossibility of building within a certain zone around the metropolitan area, so as to

\(^{50}\)This impossibility of building on the greenbelt is ‘virtual’ because exceptions can be and are made. It is the case, for example, where land that was under urban uses is sold to private developers. This has been the case with, for instance, military barracks and most psychiatric institutions that were shut down under the Thatcher administration.
prevent sprawl into the countryside. The result is a constraint on the city’s horizontal expansion and the overall availability of building land in the metropolitan area. It is not hard to see how, as a result, this kind of limitation of the supply of developable land might contribute to an increase in land prices where building is allowed – i.e., within the inner limits of the greenbelt – and, therefore, in the price of domestic property. Developers, when they buy land in London, have to make sure that their rate of return is proportional to the cost of the purchase. Despite both claims in favor of starting to build on portions of the greenbelt and arguments in favor of its preservation, the New Labour government has not seemed particularly inclined to amend this historical piece of British legislation by authorizing large-scale developments within it, despite some exceptions in the Southeast mentioned in Chapter Four. This is representative of how the New Labour’s London area representation has been seen since the late 1990s as a set of essential marginal constituencies to be won or maintained in order to be returned to office: the New Labour government does not want to take the risk of upsetting those in their London area’s constituencies who have tended to strongly oppose modifications to the historic greenbelt legislation. Although people in the Greater London area recognize the problems posed by the limited possibilities for lateral expansion of the city owing to the existence of the greenbelt, they massively reject the idea of building on portions of the greenbelt as a solution to the housing issue.

On the other hand, the central government can block local planning decisions that might challenge London’s historical landscape. This power has been used on a regular basis since the end of World War II and the reconstruction era to prevent the construction of high-rise buildings in Central London; i.e., buildings which would promote the
densification of development in London or its vertical expansion. However, unlike in the
case of the greenbelt, the central government has been increasingly flexible in that
respect: as of the beginning of 2008, eleven projects of tall towers are underway – either
already approved or in the process of being reviewed for planning permission. These
projects are expected to be completed by the opening of the 2012 Olympics. One can
reasonably expect that the erecting of eleven new tall towers in the next few years, each
with a very distinctive architecture, in the center of London will certainly have an impact
on London’s historical landscape. But, after all, this landscape has itself changed a lot,
not only since the World-War II Blitz and subsequent reconstruction of the city, but even
in the past few years: how, for example, can one avoid noticing, by the Tower of London
and Saint Paul’s Cathedral, the new Swiss Re tower, also known as ‘the Gherkin’, erected
in 2004 at the heart of the City, at 30 Saint Mary Axe (Figure 5.2.)?

Figure 5.2: A partial view of the City of London with the Gherkin tower and the Tower of
London (personal photo, May 2007)
5.5 CONCLUDING COMMENTS

This chapter has highlighted some of the conditions and forces the juxtaposition of which has produced a particular governance framework within which the solution to London’s housing question is being sought. Three major aspects of this “metagovernance” system (Jessop and Sum, 2006) have been discussed here, namely: one, the multiplicity of actors and institutions at different geographic scales, all of whom have important stakes in London’s housing question, setting up, therefore the conditions for a politics of scale; two, the impossibility for London to solve its housing problem on its own given its existing governance structures, including its high degree of jurisdictional fragmentation alongside the limited fiscal autonomy of the individual boroughs; and, three, the impact of the highly centralized form of the British state on London’s housing question beyond the issue of administrative fragmentation.

These three main considerations have led to a politics of scale of which the new governance relations for the London metropolitan area are an important outcome. There is clearly a need for a more powerful Greater London Authority (GLA), to respond to the national government’s concerns with regard to the housing crisis, as much as to those of the individual boroughs, despite their reluctance and even occasional opposition. This appears as a necessity if the classical free rider problem previously mentioned is to be overcome. However, until now, the GLA has had rather modest powers, especially with respect to land use planning. This is changing though, as indicated above. In October 2007, the Parliament confirmed the granting of additional statutory powers to the Mayor of London, including in the fields of planning and housing. The argument in favor of a strengthening of metropolitan-wide government bodies is not new; that same logic was at
work in the creation of the Greater London Council in 1961, following a proposal by the national government. Although London’s housing problem was slightly different in the 1960s – it was mainly characterized by an overcrowding of run-down inner neighborhoods and a refusal of the suburbs to ‘open up’ to inner-London residents – one can observe a similar belief that the solution to the housing question, and allowing for an overcoming of NIMBY-ist behaviors and policies to the benefit of most across the metropolitan are, is to be sought at the metropolitan scale. In this regard, Young and Kramer note:

“The new [Greater London Council]’s aspiration to the role of areawide reallocator of housing opportunities was almost immediately endorsed by a committee of inquiry into the conditions of London housing; its report both revealed the magnitude of the London housing crisis and identified the GLC as the appropriate authority to aid, by redistribution, the decaying inner areas” (Young and Kramer, 1978: 234).

The empowerment of the Greater London Authority (GLA) with respect to housing and planning in particular, and the Mayor of London’s goal of markedly increasing the supply of affordable housing – without challenging the historical greenbelt – have been supported by London’s wider business coalition, which has its own worries about housing costs in London. At the same time this empowerment of the GLA and the Mayor’s housing plans have been opposed by the real-estate business community, which has its own obvious stakes in London’s rising property prices.
CHAPTER 6

GLOBAL CITIES, UNEVEN GEOGRAPHIC DEVELOPMENT, AND STATES: A CROSS-NATIONAL REASSESSMENT

6.1 INTRODUCTION

This chapter provides a comparative perspective on my research. The aim here is to compare and contrast the respective experiences of London and Paris as global cities. The purpose is to emphasize the difference that the state and national forms of capitalism make in understanding in the different experiences of global cities, including the contradictions that have emerged from that, both in the global cities themselves and in terms of their relations to wider national contexts. Paris, like London, faces important housing issues. There is a clear lack of affordable housing, especially within the city’s limits, i.e. the twenty arrondissements or districts. However, the scope of the housing problem appears much bigger in London. Housing costs relative to incomes are still lower in Paris and its closer suburbs than in Greater London, and the differential in terms of housing cost between the former and the rest of France is still much smaller than between the latter and the rest of the United Kingdom. Indeed, the heights reached by
property prices in London are still unmatched by any other European city. This is symptomatic of a much more acute polarization between global city and the rest of the country in Britain compared to France.

As discussed in Chapters Four and Five, the shortage of affordable housing in London is exacerbated by different factors that are quite particular to this city. These include: the overwhelming concentration of economic activities in the Greater Southeast compared to the rest of the United Kingdom; the important constraints posed by greenbelt legislation upon the availability of land to be developed; and the hyper-growth of financial services in the London. The arrival of “new high-income urban elites” (Sassen, 1995: 66) working for the advanced producer service and financial firms that have blossomed in the ‘global city’ of London since the 1980s, has exercised upward pressure on housing prices. However, all of the factors cited above are, as explained in previous chapters, historically deep-rooted – their history goes back to the nineteenth century, not to the 1980s. They are the product of particular historical geographies of accumulation. These have resulted not only in the dominance of finance capital within the British economy, but also those particular patterns of geographically uneven development which have crystallized along the so-called ‘North-South divide’ (Martin, 1988a). A major feature of this uneven geography of the British space economy is the hyper-growth of London and, subsequently, the disproportionate part of the British population living in or around Greater London. This has had important ramifications for the housing crisis there. In contrast, despite Paris’ significant demographic and economic weight at the national scale, its position within the French space economy is still not as overwhelmingly

51 Apart from Moscow where the recent real-estate boom has turned the place into the most expensive city in the world in the past couple of years.
dominant as that of London in the British context. Most importantly, the growth of Paris is not as controversial as the growth of London within their respective national space economies. This is in great part due to the fact that patterns of geographically uneven development in France are different. The situation described by Gravier in *Paris et le Désert Français*, ‘Paris and the French Desert’ (1947), highlighting the overwhelming demographic, economic, political, and cultural weight of the French capital and its surrounding region compared to the rest of its territory, is now true of Britain, while in France it is no longer the case. In other words, the growth of Paris and its wider metropolitan region of the Ile-de-France has tended to be counter-balanced by growth elsewhere. On the other hand, in Britain, there has been no such counter-balancing and growth has increasingly concentrated in and around London.

In the present chapter, I argue that state forms, national forms of capitalism and how these have been reproduced and/or transformed in the context of struggles within civil society, make a difference in understanding the variability of the politics of local and regional economic development in the two countries in general, and in particular with respect to the two global cities and their respective city-regions (Chapter Two). Particular attention will be paid to state structure, including particular modes of intervention and modes of representation. In both instances the context is that of a unitary state. The unitary form of the state makes a difference (Cox, 2004) in the politics of local economic development in the greater London and Paris areas. For instance, unlike in the context of a federal state like the United States, the absence of incentives and/or the lack of legal and fiscal autonomy for local governments to handle the housing crisis linked to regional growth can in both cases be explained to a great extent by the unitary form of the central
state. This in turn has led to a peculiar politics of scale, as shown in the last chapter. However, beyond their common unitary form, the British and French nation-states remain uniquely different and adapt to global changes in distinctive ways. Importantly, the different accumulation strategies that these different state forms entail can explain variations in the ways the intrinsically spatially uneven development of capital is dealt with. France and the United Kingdom do not face the same patterns and issues of uneven geographic development today, nor the same scalar issues. This is largely because French national growth strategy has been more favorable to industrial capital, and, I will argue, this in turn is owing to a different relation between the state and capital – industrial and financial capital, both – than in Britain. On the other hand, there are other conditions of a quite contingent nature that have to be weighed in the balance. So, for example, in the case of the British space economy there are few counterweights to growth in London and the Greater Southeast, and this has been a condition for strong interregional tensions. In France, on the other hand, the balance of national growth has tended to be in the South and Southwest, and this has served to counterbalance that in Paris and the Ile de France. One must note here again, therefore, the role of space-time contingencies and happenstance juxtapositions (Massey, 1984; 1992; 2005) in the production of particular historical geographies of accumulation, as I have aimed to highlight throughout this dissertation.

The first major part of this chapter focuses on the different patterns of spatial uneven development in the United Kingdom and in France; the changing geography of growth in France since the nineteenth century is compared to that of Britain. A major outcome of this comparison appears to be the greater polarization of growth patterns in
the latter compared to the former. In the second major part of this chapter, I argue that these different patterns are to a great extent the product of particular “spatial selectivities of the state” (Jones, 1997; Brenner, 2004), which have in turn contributed to produce a different ‘regional question’ in each country. I point out that not only are regional tensions more acute in Britain, they are also expressed and addressed or resolved in different ways. Differences in both outputs from the state (i.e. different modes of intervention) and inputs to the state (i.e. different modes of political representation) is enlightening with respect to understanding the impact of different state structures on the politics of local and regional development, including that of global cities. In the third major part of this chapter, I highlight the importance of taking into account the variegated forms of capitalisms in the two countries. This includes the relation between the state and capital, the balance of class forces, and the relationship between industrial and financial capital. In particular, the abandonment of objectives of regional distribution and the dismantling of the regional planning apparatus in the United Kingdom since the 1980s contrasts with France’s more vigorous maintenance of industrial and regional policy. This has continued to help mitigate the geographical unevenness of capitalist development across the national territory there. This, I argue, is the product of different balances of class forces and different coalitional bases of the state in the two countries.

6.2 THE CHANGING GEOGRAPHIES OF UNEVEN DEVELOPMENT IN FRANCE: DIVERGENCE FROM THE BRITISH CASE

In the mid-twentieth century, Gravier’s *Paris et le Désert Français* – ‘Paris and the French Desert’ – (1947) provided a striking description of the huge gap in terms of
economic growth between the French capital and France’s provinces, alongside an unconcealed critique of the overwhelming centrality of Paris within the French space economy. This situation seems comparable to the contemporary situation of Britain where, as described in Chapter Four, population and growth are overwhelmingly concentrated in and around London. In France, things have changed since then. As per the standard story, this is largely due to a concerted effort at regional planning and strategies of economic deconcentration and spatial redistribution encouraged and/or carried out by the French central government.52 Today, even though the greater London and Paris’ areas are both preeminent within their respective national space economies, Britain and France display quite different patterns of geographically uneven development: growth appears to be more spatially spread out in France, with a greater dispersion away from Paris and the Ile de France compared to the dominance of the Greater Southeast in Britain.

Although in both the British and the French cases the respective capital cities dominate their national space economies, the socio-economic (and demographic) gap between Paris and the rest of France is not nearly as wide as that between London and other parts of the United Kingdom. This has contributed to the fact that France and Britain do not have the same regional issues. In the past, on the other hand, there is a sense in which Britain and France shared very similar patterns of geographically uneven development. In the nineteenth century industrial development in both countries occurred on or around the coalfields: in South Wales, the Northwest and Northeast in Britain; in

52 The truth is actually a bit more complex. Redistribution of employment across the country did not solely happen because of government’s actions, as I shall point out again later: in the post-war period, a number of firms were more than willing to move away from Paris in light of higher costs there; in some instances the deskilling of the labor process allowed then to do so.
the North and Northeast in France with lesser concentrations on the northern and southeastern margins of the Massif Central. Figure 4.4 in Chapter Four clearly showed that pattern in the case if Britain. Figure 6.1 below helps to draw the contours of the changing geography of uneven development in France since the mid-nineteenth and until the late twentieth centuries (between 1851 and 1991). These maps were obtained by plotting the component scores from a principal component analysis of population change by administrative departments from 1851 to 1991, into a Geographic Information System (GIS) – namely ArcMap. The rationale here is the same as in Chapter Four; i.e. changes in population would indicate changes in local economic fortunes (procedure and loadings on components, i.e. population change variables, are provided in Appendix C; an administrative map of the French departments is to be found in Appendix D).

Component 3 in Figure 6.1 is a population change variable closely linked to industrial development from the second half of the nineteenth century until the interwar period. The map shows a coalfield-based form of industrial growth, around the coalfield areas of the North (Nord and Pas-de-Calais), but also on the northern edge of the Massif Central (Allier, Loire, Cher, Indre, Loir-et-Cher, Creuse, Haute-Vienne) around mining centers like Montluçon and Le Creusot, and on the southeast of it (Languedoc, Lozère, Aveyron) around mining places like Alès and Décazeville. Other growth areas include major urban centers and major port-cities: the Paris region (now known as the Ile de France, extended to the south to Loiret); the Lyon area (Rhône) where chemical industries developed; the Marseille area (Bouche-du-Rhône), a major Mediterranean seaport for trade with North African and Southeast Asian colonies; Rouen (Haute-Normandie), at the mouth of the Seine River.
Figure 6.1: Distribution of component (factor) scores from principal components analysis of population change in France, by departments, from 1851 to 1991 (Derived from calculations from census data)
There are also cities on the Atlantic coast to be added to the list of growth areas from the
nineteenth century until the interwar period: Bordeaux (Gironde), another major port, important for trade with Sub-Saharan Africa colonies at that time; Nantes (Loire-Atlantique), an Atlantic seaport; and Brest, a commercial and military port. All of Brittany (Finistère, Côtes d’Armor, Morbihan, Ile-et-Vilaine), in the northwestern part of France shows increase in population; this can be linked to higher fertility rates in the most rural and agriculturally based parts of France that did not experience industrialization until the post-World-War-II era. The same applied to the island of Corsica.

That spatial unevenness of economic growth harshly criticized by Gravier (1947) in the mid-twentieth century was inherited from the industrial revolution of the second half of the nineteenth century, and from the historical centrality of Paris in the French space economy. However the mapping of Components 3 and 1 in Figure 6.1 does not entirely support his thesis: both maps tend to indicate that there was growth other than in Paris in the second half of the nineteenth century and the first half of the twentieth century. While Component 3, as seen above, is a variable that encompasses the population change dynamics discussed above – in particular around the coalfields, some major metropolitan areas like Paris and Lyon, and some major port cities, Component 1 is a population variable that corresponds to population growth linked to an industrialization based on coal, iron, steel and textiles mainly, between the late nineteenth century and World War II (1891-1941). It reflects the growth of the iron and steel industry in the northeastern regions of Alsace (Haut-Rhin and Bas-Rhin) and Lorraine (Meuse, Moselle, Meurthe-et-Moselle, Vosges), subsequent to the re-evaluation of the iron ores there; this
was the result of technological innovation in the metal industries, namely the development of the Gilchrist-Thomas process of smelting the iron ores of the Jurassic strata. Other growth regions based on the development of metal and textile industries included the northeastern region of Champagne-Ardennes (Ardennes, Marne, Aube). Population also continued to grow in the northern regions of Nord-Pas-de-Calais, thanks to coal-mining and textile production, and Picardie (Aisne, Somme, Oise), on the northern edge of the Ile de France. Paris and its surrounding region in the Ile de France continued to be major growth poles, particularly on the basis of growing consumer goods industries. Two other clusters of growing population are worth noting in the Component 1 map in Figure 6.1: Rhône (around Lyon) and Isère (around Grenoble); and the western part of the Mediterranean coast (Bouches-du-Rhône, Var and Alpes-Maritimes, respectively around the cities of Marseilles, Toulon and Nice). Based on the map of Component 1, and with the exception of the declining population in the mountainous regions of the Jura and the Alps, one could almost draw a Le Havre-Marseille line comparable to the Severn-Wash line that is commonly referred to as a symbolic materialization of the North-South divide in Britain. Every department west of this line (with the exception of the Pyrénées-Atlantiques) showed very slow patterns of population growth, an indication of slow industrialization in the 1891-1941 period. These regions suffered from the absence of alternative employment at a time when agriculture was becoming increasingly mechanized, and fueling movement to urban and industrial centers elsewhere, and especially to Paris.

This highly differentiated pattern of economic growth started to change toward the end of the interwar period. Whereas in the British case Figure 4.4 (in Chapter Four)
sheds light on the increasing concentration on population (and presumably of economic activities) in London and the Greater Southeast throughout the twentieth century, Component 2 in Figure 6.1 tends to show that, in the French case, the growth of the Paris region was counterbalanced by growth in the southern part of France in the 1931-1991 period, while traditional industrial centers in the Northeast (Alsace, Lorraine, Vosges) and the North (Nord-Pas-de-Calais), as well as the most rural parts of France (e.g. Creuse, Corrèze, Cantal, Aveyron, Lozère) have seen their population growth slow down, an indicator of slow economic growth or even decline in many cases. Component 2 is a population change variable that reflects the growth of new and/or dynamic industries.

It is true that this pattern included the development of the consumer good industries in the Paris area and in the periphery of the Ile-de-France, what is referred to in the literature as ‘the Paris Basin’; these departments (Oise, Aube, Yonne, Loiret, Eure-et-Loir, Eure, Seine-Maritime). These areas were in fact major beneficiaries of state-stimulated decentralization after World War II (Veltz, 2005), presumably as a result of their proximity to Paris. However, another important element of the growth dynamics of that period was the development, mainly in the southern part of the country, of technology-intensive industries such as aerospace and aircraft industries, electricity-based industries, and, later on, high-tech and service industries, usually concentrated in large cities. Southern growth, furthermore, is not confined to the Toulouse area (Haute-Garonne) where aeronautic industries have developed since World War I; growth has also occurred quite markedly along the Mediterranean coast (e.g. Alpes-de-Haute-Provence, Var, Vaucluse, Hérault, Pyrénées-Orientales), and in the Alps and their fringe (e.g. Isère, Haute-Savoie, Ain, Savoie, Drôme, Vaucluse). The largest and most dynamic clusters of
knowledge-based industries (e.g. the city of Grenoble in Isère) and technopolises (e.g. Sophia-Antipolis near Nice) are both indeed located in these regions (Ancien, 2005). Growth also spun off to the west during this period, in particular along the Loire River (Loir-et-Cher, Sarthe, Indre-et-Loire, Maine-et-Loire, Loire-Atlantique), the mouth of the Garonne River, around the Bordeaux area, and Ille-et-Vilaine in Brittany, which benefited from the decentralization of the automobile and electronic industries in the post-World-War-II period. This is the period that is known in France as the *Trente Glorieuses* or ‘golden years’ (roughly 1945-1975). It is during this period that the major contours of today’s geography of growth were drawn and contemporary growth poles emerged or were consolidated while the old industrial regions of the North and the Northeast declined. Figure 6.2 shows changes in employment in declining industries\(^{53}\) as opposed to growth industries in broad regions of France during the *Trente Glorieuses* period. In the 1968-1975 period, the two broad regions that gained the most employment were, on the one hand, the West and Paris Basin (+332,000 jobs), and, on the other hand, the Midi/South (+356,000 jobs). Both had been continuously growing in employment since 1954. The contrast with the Ile-de-France (-64,000 for 1968-1975) and the old industrial regions (only +64,000) is striking. The negative balance for the Ile-de-France from 1962 to 1975 is partly a testimony to the attempt of the French government to decentralize away from the immediate Paris area.

\(^{53}\) Declining industries are identified as textiles, clothing, leathers, as well as metal industries and shipbuilding after 1962, by Pelata, 1980 (cited in Veltz, 2005: 29).
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<tr>
<td></td>
<td>Declining</td>
<td>Growth</td>
<td>Net</td>
<td>Declining</td>
<td>Growth</td>
<td>Net</td>
<td>Declining</td>
<td>Growth</td>
<td>Net</td>
</tr>
<tr>
<td>West and Paris Basin</td>
<td>-66</td>
<td>100</td>
<td>34</td>
<td>-22</td>
<td>189</td>
<td>167</td>
<td>-6</td>
<td>338</td>
<td>332</td>
</tr>
<tr>
<td>Ile-de-France</td>
<td>-65</td>
<td>170</td>
<td>105</td>
<td>-55</td>
<td>-43</td>
<td>-98</td>
<td>-25</td>
<td>-39</td>
<td>-64</td>
</tr>
<tr>
<td>Old industrial regions</td>
<td>-117</td>
<td>178</td>
<td>61</td>
<td>-115</td>
<td>63</td>
<td>-52</td>
<td>-122</td>
<td>140</td>
<td>18</td>
</tr>
<tr>
<td>Midi (South)</td>
<td>-61</td>
<td>46</td>
<td>-15</td>
<td>-23</td>
<td>62</td>
<td>39</td>
<td>-18</td>
<td>74</td>
<td>356</td>
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Table 6.1: Changes in employment, by broad region, during the Trente Glorieuses – Thousands of jobs (Source: adapted and augmented from Veltz, 2005: 29)

To conclude, and keeping in mind the discussion of the changing geography of uneven development in Britain in Chapter Four, respective patterns of geographically uneven development started to diverge quite importantly in the second half of the twentieth century. We observe in particular an increasing dominance of London and Southeast England in the British space economy – which, coincidentally, happened to be geographically adjacent, together forming a Greater Southeastern growth region and a southeastern growth bias. France, on the other hand, has experienced a mitigation of the concentration of economic growth in Paris through significant growth in other parts of its national territory, and in the southeastern and southwestern regions in particular. Today France displays a contemporary geography of growth that is far less polarized than that of Britain. In other words, growth poles in France are not as concentrated in the greater Paris Basin as they are in the Greater Southeast in Britain. However, although economic activities, industries and services have been dispersed away from Paris in the post-World-War-II period, in particular through active state-led regional planning as will be discussed in the next section, it is important to note that most business executive functions and a
large amount of research and development remain concentrated in the Paris area, and, to a lesser extent, in other metropolitan areas like Lyon, Toulouse or Bordeaux; it has often been the more routinized parts of the production process – industrial production or production of services – that have relocated away from Paris from the 1960s onward (Aydalot, 1976; Lipietz, 1977). Managerial functions, those of ‘command and control’ as per Friedmann and Wolff’s definition of world city-ness (1982), have remained heavily concentrated in Paris and the Ile-de-France (Beckouche, 1994; Damette, 1995). As Veltz (2005) points out, this has been very apparent in key industries of the French economy such as the automobile industry or electronics (Figure 6.3). Financial functions also remain heavily concentrated in Paris.

Yet, as in the case of Britain, new growth regions have emerged independently from the earlier state-sponsored industrial relocation process. As much as in the British case, they have developed in the French ‘sunbelt’, i.e. in the South (known as ‘le Midi’ in French), and to a lesser extent in the West. Heliotropism plays a role in both instances in attracting the professional, managerial and technical strata as explained in Chapter Four. However, and as mentioned above, unlike in Britain where London happens to be located in the Southeast, therefore creating a wider regional growth problem (Chapter Four), the French ‘South’ does not comprise Paris. Accordingly, the geographical distance between the two major regional drivers of the French economy, the Ile-de-France and the Midi, has given the contemporary French economy a more balanced or spread-out character.
Table 6.2 Balance of employment change between Paris and other French regions in electric and electronic industries between 1958 and 1976 (Source: adapted from Veltz, 2005: 30)

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<thead>
<tr>
<th></th>
<th>Greater Paris region</th>
<th>‘Province’ (other French regions)</th>
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</thead>
<tbody>
<tr>
<td>Engineers, technicians, managers</td>
<td>33,100</td>
<td>26,200</td>
</tr>
<tr>
<td>Other ‘white collars’</td>
<td>13,500</td>
<td>30,400</td>
</tr>
<tr>
<td>Semi-skilled workers</td>
<td>-29,100</td>
<td>77,700</td>
</tr>
<tr>
<td>Unskilled workers</td>
<td>6,800</td>
<td>54,000</td>
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6.3 ‘THE REGIONAL QUESTION’ IN FRANCE AND IN BRITAIN

As discussed in the previous section, France and Britain have different contemporary geographies of uneven development: the French space economy, although dominated by Paris and the Ile-de-France, France’s global city-region, is far more ‘balanced’ than it’s British counterpart. As a result, they do not face the same regional issues, and the ‘regional question’ is inevitably framed differently in the two countries. With the predominance of financial services in the British economy and the concentration of growth industries in the Greater Southeast, the priority of maintaining the economic growth of this region for the national economy and for the national government has been established. On the other hand, although the French central government also sees Paris as a major driver of the national economy and massively invests in its development and in the suspension of the contradictions that might affect its growth – e.g. housing shortages, alongside transportation issues – the emphasis of the central government on Paris has not been nearly as controversial as in the British case.

In the following I discuss how and why regional tensions are expressed and mitigated in different ways in the two countries. I argue that while the regional question
is addressed in Britain, in France it is circumvented. As seen in Chapter Four, the regional question roughly framed in terms of ‘London and the Southeast versus the rest of the country’ is a major point of political contention at multiple scales. It is very much on the political agenda. It is being expressed and resolved in different ways, whether the initiative comes from the central state (e.g. the creation of the Regional Development Agencies and the Northern Way – a joint initiative between the central government and some northern regions), or from the regions (e.g. the Core Cities group, the emergence of regional political parties, including claims for independence in Scotland). France, on the other hand, and apart from the very different case of Corsica, does not have a clear regional question at the moment, and certainly not to the degree that is apparent in Britain. I claim that this is so not only because of the different positions in the international divisions of labor of their respective global city-regions, but also because the state has played a greater role in avoiding the emergence of regional tensions. This section aims at understanding how state forms and national forms of capitalism make a difference in understanding the variability of national geographies of uneven development and the regional tensions to which they can give rise. To this effect, particular attention will be paid to both particular modes of intervention (i.e. output from the state) and particular modes of representation (i.e. input to the state).

6.3.1 Addressing the regional question in Britain

As discussed earlier in this dissertation, the regional question is currently a reality in Britain. Regional tensions have received various expressions and various initiatives have attempted at resolving them, whether they have come from the government or from local
and regional entities, sometimes in more cooperative ways, sometimes in more confrontational ones. In the following, I would like to review and briefly discuss some of the ways, both top-down and bottom-up, in which the regional question has been addressed.

First, the central government, under the New Labour Administration (since 1997) has acknowledged the reality of the North-South divide and has designed its own ‘tools’ to mitigate it, largely through stimulating endogenous growth in the lagging regions. One of these tools has been the creation in 1999 of nine Regional Development Agencies (RDAs) for the English regions, including London, along with the devolution of powers to the national parliaments of Wales and Scotland. A major goal assigned to these RDAs, which include local corporate representatives on their boards – making them some kind of public-private partnership organizations rather than local state agencies – is to promote regional economic development. Boosting endogenous development is the ultimate goal, but the RDAs have been focusing, by default, on trying to attract new investment from outside.

Another project initiated through government funding is called the Northern Way. This is a joint policy strategy for economic development concerning three regions in Northern England: the North West, the North East, and Yorkshire and the Humber. It was introduced by the central government in 2004 as a new collaborative governance structure between the government, the RDAs of the three regions, and local public-private partnerships aimed at reducing over the next twenty years the unrelenting gap in employment, living standards and growth between the North and the average for the whole of England. The funds allocated by the central government are meant to be spent
through collaborative projects that include entrepreneurial strategies aiming at attracting inward investment. The ultimate goal is for the North “to become an area of exceptional opportunity, combining a world-class economy with a superb quality of life” (Northern Way Steering Group, 2005: 6). That sounds like a very optimistic objective.

Overall, however, the different strategies proposed and implemented by the central government have not been seen as serious attempts at resolving the regional question. The almost cosmetic funding of the RDAs (Morgan, 2002) and of the Northern Way – (£100 million in total, i.e. less than US$ 200 million) – (Cameron and González, 2007) have been widely criticized by political representatives in the concerned regions.

With respect to the RDAs, Morgan writes:

“From the outset their main problem has been the chronic disjunction between their powers (which are modest) and their tasks (which are awesome). Raising the level of regional economic prosperity, as measured by GDP per capita, is no easy task, especially when the RDAs control less than 1% of public expenditure in their respective regions (Groom, 1999). Miniscule budgets, modest powers and a raft of responsibilities, straddling economic development, social regeneration, rural renewal, environmental enhancement and possibly planning if the government gets its way, suggest that the RDAs may be over-extending themselves” (Morgan, 2002: 802).

As far as the Northern Way is concerned, Cameron and González (2002) draw similar conclusions:

“The Northern Way can be seen as the latest effort to regenerate the regional economies of Northern England. However, in the context of the longstanding North/South divide […] it must be seen as a very limited effort. With a budget of only £100 million (150 million euros) it might be seen as little more than a token gesture towards addressing the regional economic disparities of England” (Cameron and González, 2007: 11).

In addition to the under-funding of regional policies, a major problem lies in the government’s logics with respect to mitigating the North-South divide. The goal underlying the creation of the RDAs and the launching of the Northern Way was that of increasing the competitiveness of the regions, which were then expected to follow successful models of local and regional development, namely: London and the Southeast
(Massey, 2007). But this ignores the material conditions that have built up over a very long period of time to provide London and the Greater Southeast with very important economic advantages, not the least being the significant concentration of skills and qualifications there (Figure 6.2).

The regional question has also been addressed at the local and regional levels. Parallel to the government’s initiatives, attempts at mitigating the North-South divide have emerged from within the localities and regions that are ‘lagging’, at least relatively to London and the Greater Southeast. These ways of expressing and resolving the regional question have comprised two different approaches, I would argue: cooperation and confrontation. On the one hand, the Core Cities group emerged as a bottom-up initiative the logics of which are similar to those of the government: London and the Southeast are successful economies, therefore they should be a model for other regions to develop their growth strategies. The Core Cities group is a growth coalition of eight city-regions across England, excluding the Southeast and East of England – the Greater Southeast that I referred to in Chapter Four – and was established in 1995. These so-called core cities are Birmingham, Bristol, Leeds, Sheffield, Liverpool, Manchester, Newcastle upon Tyne, and Nottingham (which joined in 2001). One of their main strategies is to build cooperation and linkages not only among places in the North – as with the Northern Way – but also with London and the Southeast’s economy. Simmie et al. (2004) in a consultation document put together for the Core Cities group discuss in particular the “comparative advantages of locating growth sectors in London and the Core Cities” (2004: 33, emphasis added) or “what needs to be done to realize the economic potential of London and the Core Cities” (ibid.: 83).
Figure 6.2: Distribution of highest levels of qualifications in the United Kingdom according to the 2001 Census (Source: Dorling and Thomas, 2004: 85)
For Simmie et al. (2004), cooperation among many actors and across scales is key to the Core Cities initiative. In particular, Simmie et al. advocate for growth in the Core Cities on the basis of connections, both existing and to be developed, with London and the Southeast. In addition, and as part of its discursive underpinning, the Core Cities group sees its constituent cities as potentially balancing the overheating of the London economy that threatens its growth. As Massey puts it, with respect to both the Northern Way and the Core Cities:

‘The Northern Way’ and ‘Core Cities’ initiatives, both of them attempts to generate growth beyond the South-East, […] often acquiesce in this imagination, explicitly positioning these policies as supportive of London in its expansion, for instance by acting as a safety-valve to avoid overheating” (Massey, 2007: 102).

Acting as a safety-valve for London’s overheating economy requires that these cities present similar assets as London’s, which explains the Core Cities group’s emphasis on aspects of local and regional economic development such as “the quality of the workforce” – i.e. skills – or “economic diversity and specialization” and “innovation” (Simmie et al., 2004).

On the other hand, and by contrast, other ways of expressing and resolving the regional question have developed in a much more confrontational way, affecting, in particular, the devolution question and contributing to the current politics of scale and an overall territorialization of politics within the United Kingdom (Cox, 2008). In Chapter Four I referred to the way in which Northern Members of Parliament (MPs) have been requesting that a Barnett-like formula be applied to regions in need in England, given that they have the same issues of local and regional development as Scotland and Wales. Nevertheless, despite the generous terms of the Barnett formula, Scotland and Wales have not been satisfied with the way regional disparities are addressed by the
government. The view is that the British government has shown far less interest in supporting industry, and this neglect is seen as their neglect. This has encouraged beliefs that greater autonomy would be helpful in creating conditions appropriate to galvanizing their economic bases and hence employment there. So another way in which the regional question has been expressed has been the rise of regional parties, such as the Scottish National Party or the Party of Wales (Plaid Cymru), which have advocated for the independence of Scotland and Wales respectively. The logic of their argument is that insofar as the central government does not seem to care much about the economic fortunes of what they regard as nations within the United Kingdom, and focuses disproportionately on the Greater Southeast and London, there is no reason for them to remain within a “United Kingdom of London” (Elliott, 2004). In the case of Scotland, the tensions are heightened by the fact that the British government has benefitted considerably from the revenues generated by the extraction of oil from the North Sea off the coast of Scotland; this has been a major source of revenues and paid in particular for unemployment compensation when unemployment soared in the 1970s and 1980s (Anderson, 1987).

6.3.2 Circumventing regional tensions in France

Contrasting with the British case, and apart from the island of Corsica, where a politics of difference enters in, there is no regional question in France at present, at least not one that

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54 Claims for Scottish independence – including outside of the Scottish National Party – raise concerns in particular for the current New Labour administration. The Labour Party is heavily reliant on Scotland as a source of MPs. The vast majority of Scottish MPs are Labour Party MPs. This is why the Labour government has been unwilling to tamper with the Barnett formula as explained in Chapter Four. This can be seen as a symptom of the limited degrees of freedom the current government, and perhaps any Labour government, has in mollifying regional anxieties over the North-South divide.
is represented in territorial terms in the way it is expressed in the United Kingdom. The growth of Paris has not been nearly as controversial as that of London. This is not because the French government has not heavily invested in and favored the growth of its own so-called global city; it has certainly done that. I will argue rather that this seeming absence is owing to two particular reasons. On the one hand, it has to do with the fact of a much more balanced regional development in France that is owing only in part to state activity. On the other hand, regional tensions have been avoided or circumvented through state redistributive policies and concessions or ‘gifts’ in the form of state investments redounding to the advantage of particular localities and regions. Quite importantly, these have often been brought about via a peculiar mode of political representation known as the *cumul des mandats* or ‘multiple-office holding’.

Since the post-World-War-II period, despite a very active policy of regional planning and redistribution of growth across France’s space economy, the French central government has always seen Paris as a major driver of the national economy and has continuously invested massively in its development. Very recently it has included the re-shaping of its governance structures as in the London case, in particular through the *Grand Paris* project. Other examples of this emphasis include the construction of the Roissy-Charles-de-Gaulle airport in the 1960s, and its continuous development since then, authorized and funded to a certain extent by the central state. In the past decade, Roissy airport has been linked to major domestic and international destinations by train through the construction of a TGV\textsuperscript{55} train station and connecting railroads. This was undoubtedly facilitated by the fact that until recently the railways were state-owned. The

\textsuperscript{55} TGV stands for *Train à Grande Vitesse*, or high-speed train.
important point here, though, is that these new investments added to the already overwhelming centralization of the TGV network on Paris and the Ile-de-France. A second instance would be the very considerable investments made by the central government in building La Défense, Paris’ major financial and business district since the late 1950s. La Défense is currently going through a new phase of extension, coordinated and funded through the *Etablissement Public d’Aménagement de La Défense* (EPAD), a central state agency. The decentralization policies of the 1950s and 1960s, although they pushed employment away from Paris and its immediate surrounding region, the Ile-de-France, did not really slow down at that time the growth of the wider Paris region – what is often referred to as the Paris Basin, extending far beyond the Ile-de-France. This is suggested by the data presented in Table 6.1 above, as well as by Figure 6.3 below. Figure 6.3 shows that areas that appeared to benefit disproportionately from industrial decentralization policy in the immediate post-war period were located fairly close to Paris, in the Paris Basin. In Figure 6.3, each point corresponds to the decentralization of an industrial production plant.

The French government, as much as its British counterpart, therefore, has emphasized and favored the growth of its capital and its global city-region. However, these growth policies have not been nearly as controversial as in the British case. This is so for two major reasons. On the one hand, regional development in France has been much more balanced, for reasons that only partly owe to government activity, as in the case of the development of the French ‘sunbelt’ in the southern and western parts of France.
It is not to say that the development of the South happened independently from state policy; for instance, the development of the aerospace and aircraft industries in the Toulouse region rather than in the Paris region in the interwar period was pushed forward by a French government eager to locate these strategic industries away from the German border. Moreover, because of the development of growth poles across the French territory, and not only in the Île-de-France, there has not been the kind of resentment expressed in Britain against the capital’s region and the ways the central government may support its continuous growth. The French government has also been much more active in supporting the growth of other metropolitan areas in France, i.e. other than Paris, as illustrated by the creation in the late 1960s of eight métropoles d’équilibre or
‘counterweight metropolises’ scattered across France (Boudeville, 1966). Those were: Lille, Nancy, Strasbourg, Lyon, Marseille, Toulouse, Bordeaux and Nantes. This policy was meant to promote economies of agglomeration for service industries outside of Paris. This was in addition to the creation of nine entirely new towns (Pletsch, 1983; Tuppen, 1983), within and outside of the Ile-de-France, as in the case of Villeneuve-d’Ascq, on the eastern fringe of Lille (Nord), by the Belgian border. A large part of the University of Lille was then moved to the new town of Villeneuve-d’Ascq.

On the other hand, since the post-World-War-II period, the French government has been consistently making sure that potential regional tensions be ‘nipped in the bud.’ I will now provide three examples of how this has been achieved. The first one is the state policy of limiting the expansion of economic activities in the Ile-de-France in the 1950s and 1960s. As early as 1955, the central government imposed a mandatory agreement for any firm that wished to extend its industrial, commercial or office facilities in the Paris region. The objective of this policy was to help limit employment growth in the Ile-de-France region to the benefit of other regions. However, I must note that the impact of such measures – similar to the ones taken by the British government around the same time – in terms of local and regional economic development is questionable. This is so for a couple of reasons. First, labor-intensive industries had already started to move away from Paris in the immediate post-war period, in order to establish branch-plants in more rural parts of France or provincial cities, and so to take advantage of the abundant and cheaper labor freed by the increasing mechanization of agriculture56 (Veltz, 2005).

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56 The automobile industry in particular initiated this movement when Renault moved some of its production away from Billancourt, its historical site in Paris, although its new production sites remained in the Paris Basin actually, so not so far from Paris: part of its production first moved to Flins (Yvelines) in
Second, and to recall an important observation made in the previous section of this chapter, the employment and activities that were decentralized were the more routinized ones, the ones that required little in the way of skill, and therefore the ones that were paying lower salaries, reinforcing a spatial division of labor with a clear spatial hierarchy or “power geometry” (Massey, 1979; 1984). This was one in which managerial functions and research and development remained at the center (in Paris) while routinized productive tasks were relocalized to the periphery. These parts of the production process are now leaving these regions of France, as much as they are leaving the United Kingdom, to relocate to countries where labor is significantly cheaper, such as Eastern European countries. This movement has been exacerbated by the eastward expansion of the European Union. Yet, there were instances in which the French government was successful in instigating and promoting the relocation of particular industries to parts of the country where they could operate with reduced costs, therefore ‘saving’ them from an assured decline, or least postponing this decline. This was the case, for instance, of the iron and steel industries, for which the French government managed to negotiate a relocation to coastal sites such as Fos-sur-Mer, close to Marseille on the Mediterranean coast, in the 1960s-1970s (Tarrow, 1978).

A second example of how regional tensions have been avoided through redistribution of activities and employment comprises a much more direct involvement of the French state. This has to do with the relocation of its own institutional and industrial facilities, including research and development ones away from Paris, in particular

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1952, and then to Cléon in 1958 and Sandouville in 1964, both in Seine-Maritime, Normandy. In 1958, Citroën also decided to opened a major plant outside of the Paris region, in Rennes (Ille-et-Vilaine) in Brittany (the factory opened in 1961).
through the establishment of science parks (Ancien, 2005). The central state played an important role in the creation of these science parks in provincial regions. They have typically developed as public–private partnerships and have included significant central state funding.

This was the case of Sophia-Antipolis, on the edge of Nice on the Mediterranean coast, the largest and most successful technopole in France with both a European and an international reputation (Castells and Hall, 1994). The realization and success of that project was conditioned by very important central state intervention (Longhi, 1999). This took various forms. To start with, the financial and logistic support of the DATAR\textsuperscript{57} and other state agencies was key to the construction of the science park. A very significant part of the University of Nice – a public institution – was moved to the science park. Numerous state-owned or state-run industrial, educational and research facilities including, among others, France Télécom, the Centre National de la Recherche Scientifique (CNRS) and the Ecole des Mines – a top-ranked engineering school – also relocated there. Since its creation in 1969, Sophia-Antipolis has attracted a critical number of high-tech companies from across France and beyond.

It is also an example of what have been termed grands projets, or ‘great projects’ in France, in reference to a long-standing tradition, established by Colbert in the seventeenth century, of large state-orchestrated industrial and infrastructural projects. In the post-war period, they have ranged, for example, from the Concorde plane to the Great Arch of La Défense to the more recent construction of the Millau viaduct bridge. What

\textsuperscript{57} DATAR stands for Délégation à l’Aménagement du Territoire et à l’Action Régionale; it is the French government’s main regional planning agency. Since 2005 it has been renamed DIACT: Délégation Interministérielle à l’Aménagement et à la Compétitivité des Territoires.
has characterized many of these grand projets in the post-World-War-Two period is their ‘high-tech’ character. They have been used as an innovation policy for high-tech industries, what Cohen has referred to as “high-tech colbertism” (Cohen, 1992). This policy has had important spatial implications, not the least the clustering of high-tech employment and activities in particular places. This has been the case, for instance, with the development of the TGV that has provided considerable business to Alstom’s locomotive division in La Rochelle on the west coast of France and has triggered the clustering of train-equipment-related industries there. The same applies to French government support for the Concorde – another grand projet – and therefore for Toulouse. The above examples illustrate how the state has the ability to create the conditions for the clustering of particular skills in particular locations (Malecki and Bradbury, 1992; regarding France in particular: Dunford, 1989; Lawton Smith, 1995).

The same applies to other instances in which the central government has relocated its research and development facilities, as in the case of the France Télécom laboratories. These have been scattered in particular across Brittany, from Rennes to Lannion for instance. This has largely contributed to the clustering of skills in this domain in the region, developing a particular economic base that has in turn attracted private telecommunication companies there, such as (e.g.) Matra, Alcatel but also a number of smaller start-up companies.

Deconcentration of both private sector firms and state-owned facilities away from Paris and the Ile-de-France was enabled by one crucial grand projet in particular, which has provided the French state with a key tool for regional planning: the railroad network, and, since the 1980s, the TGV network. This is a tool that the British government
certainly could not use today if it wanted to, given that the railroads were privatized in the 1980s by the Thatcher administration. This is a third example of how the French government has consistently made sure to avoid regional tensions through measures aiming at a balancing of the French space economy. The railroad network in France is one that is overwhelmingly focused on Paris, but the remarkable centrality of Paris within the French railway system has not been as challenged politically by other cities and regions as one might have expected. Controversies have been avoided by the government through the construction of new railroads and train-stations here and there, and these have allowed for increasing economic linkages and exchanges between the Ile-de-France and provincial France, perhaps to a degree that the United Kingdom’s ‘Core Cities’ might well envy. For example, in the 1950s and 1960s, General de Gaulle, then-President of the French Republic, made the development of the train network between Paris and the western parts of France and in particular Brittany a priority of the government. This facilitated the decentralization of certain activities away from Paris, improving the circulation not only of commodities but also of workers, and, quite importantly, managers and technicians who were able to travel between Paris headquarters and research facilities and regional plants in an increasingly easy and fast way by train. Brittany is now very well linked to Paris through the TGV network, as are most provincial cities, all in less than four hours for those that have a TGV train-station. The opening of the ‘TGV Est’ line that links Paris to Strasbourg on the German border in two hours and twenty minutes instead of four hours before has led to the opening of several new train-stations on the way, such as the Champagne-Ardennes one near Reims: these are expected to prompt new relocalization of activities from Paris. Furthermore, the expansion of the TGV
network has stimulated real-estate development, particularly offices, around major stations. Reims is a case in point (Le Point, 31 January 2008).

Although one might reasonably ask if the development of the TGV network has not facilitated movement to rather than away from Paris, it has been widely seen as benefiting the regions rather than increasing the dominance of Paris and the Ile-de-France within the French space economy. This explains the absence of major tensions here. Rather the tensions have been elsewhere. They have emerged at the local or regional levels, among localities in a region around the question of where a new TGV train-station was to be built (Lolive, 1999). In other words: who would benefit from it? Being granted a new TGV train-station or, at least, to be put on the map of a new TGV line, is a highly political question in France.

As for other governmental decisions with regard to regional planning and state investment in various project of local and regional economic development including the grands projets, TGV-related decisions have been highly influenced by political and personal link-ups. Very importantly, the ways in which the French central government takes into consideration the interests of the French regions and provincial towns has to do with a peculiarity of the mode of political representation of French sub-national entities at the national scale, or a particular mode of territorial representation: I am referring here to what is known as the cumul des mandats, or ‘multiple-office holding’, a practice that allows local elected politicians to hold simultaneous executive positions at different scales of the state apparatus, making them key deciders at different levels of the state’s

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58 Although it is worth noting that there has also been opposition to the construction of new train-station: not everybody has seen that as a good idea, in particular with regard to the environmental impact of building a new railroad and new train-stations, in addition to the traffic that it is bound to generate.
scalar division of the state, simultaneously. In other words, and for example, it has been possible to be both a mayor and a member of the National Assembly. In virtue of that system, local elected politicians have traditionally been able to direct central state funds for local economic development to their localities or regions, and so to the benefit of their constituencies (Ancien, 2005). This system often continues to work, at least to a certain degree, even after a local office-holder no longer holds a national executive mandate, by virtue of the connections that were established during her/his time in office.

There are some well-known cases of this. One is the city of Bordeaux which was able to channel state resources for its local economic development, through its almost immovable Gaullist mayor from 1947 to 1995, Jacques Chaban-Delmas, who accumulated many ministerial and other local executive functions at the same time. For example, “[…] in 1970, as prime minister, and through personal intervention, [Jacques] Chaban-Delmas succeeded in bringing a Ford factory to a new industrial estate in a CUB commune” (Benz and Frenzel, 2002, p. 65). Another case in point concerns decisions about the layout of the TGV network and its implications for the major city of Lille in the northernmost part of France and part of the French rustbelt. Long-time mayor (1973-2001) and several-times government minister and former Prime Minister (1981-1984) Pierre Mauroy is acknowledged as being directly responsible for the urban and economic revival of the city-center. This is owing to the implementation of such projects as the Lille-Europe train station built to host the Eurostar train as well as Euralille, the large office, commercial and residential complex adjacent to the Lille-Europe train station and built only in consequence of that particular location. The Eurostar trains

59 CUB stands for Communauté Urbaine de Bordeaux: it is the intercommunal or metropolitan government of the Bordeaux’s urban area. It was created by the central government in 1968 as a pilot project.
linking Paris to London (as well as Brussels to London) were not originally intended to stop in Lille or even go near the city. One of the original proposals for the Paris-London link was to go straight from Paris to Calais where the Chunnel tunnel begins and so to bypass it. Pierre Mauroy, however, through his personal and direct connections to the government through the *cumul des mandats* managed to make Lille a mandatory stop on the Eurostar map and to obtain state funding for the construction of the brand new train station now called Lille-Europe. In other words, one of his key accomplishments was to make Lille, a peripheral city in France that has greatly suffered from deindustrialization, a major junction in the TGV system, between Paris, London and Brussels. His successor as mayor of Lille, Martine Aubry, currently Lille Métropole’s vice-president for economic development,\(^{60}\) has been fulfilling the same functions since 2001, having herself been a minister under different socialist governments.

In 2000, under the Jospin government (1997-2002), a law was enacted that limited the ‘multiple-office system’ to one local executive position – whether at the municipal, departmental or regional level. This still means, however, that mayors, presidents of general (departmental) or regional councils, can still hold simultaneously executive positions at the national level. In other words, they can continue to hold ministerial offices but they can’t be both mayor and president of their regional council at the same time. And they do indeed so continue. The survival of this ‘multi-office holding’ system in France, despite the limited restrictions that were imposed by the 2000 law, allows for more pressure to be put on the central government to continue implementing economic development policies geared towards the realization of regional

\(^{60}\) Lille-Métropole is the intercommunal or metropolitan government of the Lille’s urban area.
interests. This is a significant exception to the otherwise highly centralized form of representation that France shares with the United Kingdom and which unites government officials or the representatives of a political party in the National Assembly (or House of Commons in the British case) behind some vision of the national interest.

6.4 DIFFERENCES IN THE STATE-CAPITAL RELATION

The previous section has underlined some ways in which the state makes a difference in understanding differences in the politics of local and regional development, in particular in the politics and tensions underlying the production and reproduction of global cities such as London and Paris. State structure has appeared as a key component to this understanding, especially with respect to modes of intervention. The French state has been far more direct in carrying out industrial policy than in the United Kingdom. It does not just rely on a regulatory and tax framework, for example, to stimulate industry in general, but intervenes in particular industries and even particular firms and so can have very direct implications for particular locations.

Another aspect of how the state makes a difference here is, I argue, the particular form taken by the state-capital relation in different national contexts. Although some fundamental principles of capitalist development, such as the class relation, are the basis of any capitalist system, capitalism is not monolithic. The actually existing forms of the accumulation process – including their territorial expressions – are shaped by place-specific, and especially nation-specific configurations of material conditions. These include particular configurations of the state-capital relation.
Overall, throughout the twentieth century the French national growth strategy has consistently been more favorable to industrial capital than the British strategy. This has been through a maintenance of regional policy on a more considerable scale than in the British instance, and a continuous support to industrial capital on the part of the state. I argue that the different attitudes toward regional planning and industrial policy in France and in Britain are the products of not only different state structure as explained in the previous section, but also, and quite importantly, of different state-capital relations in the two countries. A major difference here is the close relation between the French state and capital and the leadership that the French state has given to industrial development, contrary to the British case.

6.4.1 Regional planning, industrial policy and macroeconomic policies

French national growth strategy has been more favorable to industrial capital than the British strategy. There are three main considerations to take into account here: the balance of state support for industrial as opposed to financial capital and vice-versa; regional policy through regional planning; and the ways in which macroeconomic state policies have favored either financial or industrial capital. In terms of geographically uneven development, they have tended to reinforce one another. Putting the emphasis on the sort of financial capital that has dominated in Britain – i.e. with an international bias and a stubborn ‘strong pound’ policy – has favored concentration on one city, London. Industrial capital, on the other hand, is typically characterized by a more dispersed geography, with different industries clustering in different areas. The continuation of regional policy in France has added dispersion from Paris to this locationally dispersive
effect. In Britain, on the other hand, the virtual abandonment of regional policy has meant continuing concentration in London and the Southeast. I will now go through these considerations in more detail.

In the British case, the emphasis has been much more on facilitating the international growth of the financial services sector and therefore on London. In France, the regional planning apparatus (and its spatial redistribution mechanism) has been maintained, especially through the continuation of national five-year Plans designed and implemented by the DATAR, the state agency in charge of regional planning since 1963. The DATAR, through a combination of constraints on expansion of firms’ activities in Paris and the Ile-de-France and incentives – financial and infrastructural (e.g. construction of new roads) – has helped spread growth across France. The greater dispersion of major growth points has also to do in part with the emphasis on industry and, in particular, on its diversification into different growth sectors. These include, for instance: Toulouse and the aeronautic industry centered around EADS-Airbus; Grenoble and high-tech industries, particularly biotechnologies; Saint-Etienne and precision machinery; and Rennes and the telecommunication industry. In many of these cases the state had a direct involvement, in addition to the DATAR’s action, through the establishment of research facilities or firms in which it was the main (or unique) shareholder. That was the case with EADS-Airbus in Toulouse and France Télécom in Rennes. There is agglomeration within these sectors (but not between) and this creates the basis for local or regional growth based on particular industries.

\[^{61}\text{The official name of these five-year national economic plans was the Plans Quinquennaux.}\]
The case of Rennes is illustrative here. From the 1960s on, Rennes’ economic base was the automobile industry, built up around Citroën’s largest plant in France. This has significantly declined in the past couple of decades, due to the intensification of competition from abroad, and in particular the relocation of French automobile plants to Eastern European countries such as Romania. However, Rennes’ economic base was quickly renewed and its economy restructured starting in the 1980s thanks to massive investment from France Télécom, the former national telecommunications firm. The development of France Télécom’s research and development activities in Rennes then attracted other telecommunication firms such as Alcatel and Matra Telecommunications.

We can also note that added to that dispersion of growth around different industrial agglomerations is a dispersion resulting from the growth of tourism in the Alps, on the Côte-d’Azur (the ‘French Riviera’) and on the western portion of the Mediterranean coast in Hérault (see Appendix D for a map of French departments). In the latter case the state was again directly implicated. In the 1960s, through the ‘Mission Racine’\(^{62}\), the DATAR led the creation literally *ex-nihilo* of the seaside resort now known as La Grande Motte. This included building roads, camping sites, apartment buildings, marinas … etc. The objective of this state grand projet was twofold: to reduce pressure on the congested Côte d’Azur tourist destinations; and to attract a portion of the tourists who were going on vacation in the near-by Spanish resorts of the Costa Brava. Despite the existence of a number of vacation resort spots along the southern coast, the United Kingdom does not and, in virtue of the unreliable summer weather, cannot have any equivalent to that. What is equally notable, however, is the heavy involvement of the

\(^{62}\) The official name was *Mission Interministérielle d’Aménagement Touristique du Littoral du Languedoc-Roussillon*; it was put in place in 1963.
French state in the development of tourist infrastructures. Among other things, this shows that the French government, through its regional planning action, has not only been favorable to the development of industrial capital but also to anything that would enhance a region’s economic base.

Industrial development is still a major objective of the French government, through the promotion of new industries and the development of new industrial *savoir-faire* across France. Inter-regional equity through an active industrial policy with an important dispersing component is still a major concern for the French government, and a tangible one as the most recent so-called ‘poles of competitiveness’ (*pôles de compétitivité*) policy demonstrates. A shift away from regional redistributive policies of economic development toward more competitiveness-based ones is characteristic of all advanced capitalist countries since the mid-1970s. Nevertheless one can also observe, in France, a certain continuation of interregional equity as a goal of local and regional development policies albeit within a competitiveness-oriented knowledge-based-economy framework (Ancien, 2005). This continuity is illustrated precisely through one of the most recent and most important national policies of regional economic development launched in 2004, namely the constitution of regional ‘poles of competitiveness’ scattered across most French regions. This national project, funded to a very large extent by the central government, is officially defined as a “new industrial policy” for France, based on the cooperation, in a given territory and in a given industrial sector, of various local firms, educational and training institutions and research centers. The underlying idea is to spread the knowledge-based economy across the French territory.
By contrast, the British government has gone considerably further in dismantling its regional planning apparatus in the past couple of decades, while there is no sign of a revival of a national industrial policy. The latter was abandoned by the Thatcher administration in the 1980s in the name of neoliberal restructuring. Despite some signs of a revival of regional policy in the past few years, through (e.g.) the creation of the Regional Development Agencies (RDAs) or the development of the Northern Way policy initiative, the central state’s official goal of reducing the North-South socio-economic gap, as stated in the Public Service Agreement on Regional Economic Performance jointly drafted in 2004 by the Department for Trade and Industry, Treasury and Communities and Local Government, remains essentially discursive. The British government does not have the appropriate tools to be able to do something meaningful in terms of balancing growth within its national space economy; it does not have the tools that the French government has and does not seem inclined to develop them. Even the remaining industrial policy implemented by the British government is controversial, insofar as it often focuses on facilitating the growth of the Southeast, as illustrated by the synchrotron-Daresbury case discussed in Chapter Four.

In practice the British central government has continued to emphasize the development of financial services – and therefore London – and of information and communication technologies (ICT) and high-tech industries – and therefore the Greater Southeast – along with the exploitation of North Sea oil, as the main drivers of the national economy. London and the Southeast are much more important to the British economy than Paris and the Ile-de-France are to the French economy. This is in part because of the different positions that Paris and London respectively have in the
international division of labor and because of the importance of financial services in the British economy. Although Paris is a world-class center for advanced producer services with a major stock exchange – *la Bourse de Paris* – it is by no means the global financial center that London is (Cassis, 2005). In addition, the revenues generated by financial services have played a crucial role in solving the recurrent balance of payments problem in Britain, due to a persistently negative balance of trade. This is due, to a certain extent, to the weakness of British agriculture and food industries and the necessity for Britain to import most of its food. However, I must note that since the growth of North Sea oil extraction, the balance of payments problem has not been as much of an issue anymore.

Since the end of World War II, the importance of financial capital for the British economy and for the British state has been reflected in the way macroeconomic policies have tended to protect the interests of financial capital, often at the expense of industrial capital. This has been notably the case with respect to monetary policies. In the 1950s and the 1960s, when British industry started to be challenged by France and Germany in particular, the British government refused to devalue the pound sterling to help industrial exports. The French government, on the other hand, did not hesitate to devalue the franc, so as to make French manufactured products more competitive. Since the 1990s, and by the same token, the British government (and now the Bank of England) has been reluctant to lower its high interest rates – which have been consistently higher than in France since the 1990s and in the Eurozone now – even though they hurt investments in industries, in particular in the North by keeping the pound sterling high and so limiting the competitiveness of British products in international markets. This is because it would
lead to further inflationary tendencies in London and the Southeast owing to the pressures on housing there and therefore wages.

The different positions of their respective capitals and global city-regions might explain the different degrees of anxiety of the French and British governments with respect to preserving their economic futures. Issues of labor reproduction threatening the sustainability of these global city-regions’ economies are exemplary here, including the housing question discussed in Chapter Four. In France mitigating strategies with respect to shortages of affordable housing tend to be general and concern the country as a whole. Paris-specific investments have not been as prominent as in the London case, although one might reasonably claim that, in their design, the Paris situation might have been a primary consideration. For example, the ‘SRU Law’ (Solidarité et Renouveau Urbain) that requires all towns of 5,000 or more inhabitants to have 20 per cent of public affordable housing for rent does not target Paris and its surrounding suburbs more than any other town in France. Moreover, there is nothing comparable to the state-sponsored Thames Gateway mega-project in the vicinity of Paris as a way to increase dramatically the supply of affordable housing.

6.4.2 Industrial capital, financial capital, and the state-capital relation
The above considerations regarding the roles of industrial policy, regional planning and monetary policy in France and in the United Kingdom are better understood in the light of the respective forms that capitalist accumulation has taken in the two countries. These are to considered, to a great extent, as the product of different relations between financial and industrial capital as well as, and very importantly, different relations between the
state and capital. This is because the logics of capital have to be understood as they unfold within particular space-time constraints, including particular configurations of these relations.

As previously mentioned, the importance of London for the British economy and for the British state stems, to a great extent, from the importance of financial services for mitigating the recurrent balance of payments problem in Britain. France is also an important provider of financial services. Paris is an important financial center with a busy stock exchange – la Bourse de Paris – and several world-class banks’ headquarters such as LCL-Le Crédit Lyonnais, BNP-Paribas, or La Société Générale. Nevertheless, it is a rather secondary global financial center compared to the City of London (Poon, 2003; Cassis, 2005). Most importantly, the nature of financial capital in France and Britain is different. While financial capital in Britain, represented mainly by the City’s merchant banks, has historically had almost no direct involvement with industrial capital in the form of ownership of domestic firms’ shares or even long-term loans to domestic industries, French financial capital has taken the form of what has been termed finance capital (Hilferding, 1910), as defined in Chapter Three. French banks – like German banks, which were the original inspiration for the concept of finance capital – have historically held shares of domestic industries, they have had representatives on the boards of firms, and they have taken an active role in guiding growth strategies within these companies. As a result, French financial capital, through the industrial activities of the French banks, has developed a very different relation to industrial capital than the one observed in Britain. They have had common interests, and they have been complementary.
The close links between industrial and financial capital, or, rather, finance capital has meant that the French state has not had to make the kind of arbitrations between the two fractions of capital that the British state has had to make, particularly with respect to macroeconomic and monetary policies. However, and quite importantly, in the post-World-War-II period and for several decades (roughly until the 1990s when the government started selling its shares), financial capital has been largely controlled by the state through the ownership of an important part of banking system. After 1945, most banks were nationalized, including what was at the beginning of the twentieth century the largest bank in the world: Le Crédit Lyonnais. So in effect, the French government, as the majority shareholder of these banks, controlled credit to industry. In other words, it had the ability to control the financing needed by industries to expand (Cohen et al., 1984). Among other things, this tool was used by the French government to promote development in particular regions. For instance, it was an important mechanism in stimulating livestock production in Brittany, in the Northwestern part of France. This, in turn, triggered the development of the meat processing industry there. To conclude, one can see here a different division of labor between the state and the economy in France and in Britain: what the French state did to support industrial development was left to the banks in Britain; and they did not do it. In that regard, Ardagh notes, in 1977:

“[…] It is true that the State does have much more control over the financial markets than in Britain, as there is little equivalent to the City. The State controls most of the big credit bodies, so that a firm depends on it for financing loans. And the Ministry of Finance has much formal power; over many matters a firm must seek its authorization where this would not be necessary in Britain. Many firms also rely on State purchases, and the State controls many leading credit bodies such as the powerful Caisse des Dépôts, and the three biggest banks which account for 70 per cent of French banking” (Ardagh, 1977: 39).

Although the state has sold large parts of its shares in banks, most of the above observations are still true.
The relation between capital and the state has been quite different in the two countries, and agency has played a key role in shaping this relation, through particular lubricating mechanisms. I would like to highlight here the historical role in France of close interpersonal relations and link-ups between representatives of the state and domestic capitalists through the networks of the *grandes écoles*. These are highly selective higher-education institutions which have historically provided the state with the bulk of its most senior civil servants and elected officers, as well as big firms with their upper level managers and chief executive officers (CEOs). These people have been to school together, have bonded while attending (e.g.) the *Ecole Nationale d’Administration*, *Sciences-Po*, *Polytechnique*, HEC\(^{63}\) or the *Ecole des Ponts et Chaussées*. Some have gone into public administration, some have entered politics, and some have chosen the corporate world. But they remain personally connected and this has an obvious impact on the way state policies are decided, whether at the national, regional or local scales.

These relations are cemented further by a French practice known as ‘*pantouflage*’. This colloquial term, which is very hard to translate into English,\(^{64}\) refers to the public-to-private sector crossovers. It means that a civil servant – a highly-ranked one – may be appointed for a period of time to a position in the private sector. The root of this practice is to be found in the ownership by the French state of large industrial firms, such as utility companies but also firms that were nationalized when World War II ended in 1945 (e.g. several banks like Le Crédit Lyonnais, firms that were regarded as having collaborated in

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\(^{63}\) HEC is the way people commonly refer to the *Ecole des Hautes Etudes Commerciales*. It is one of the most prestigious business schools in France.

\(^{64}\) It relates to the idea of ‘staying at home in one’s slippers;’ i.e. having an easy time or a sinecure.
the German war effort such as the automobile firm Renault), as well as those that were nationalized in the 1980s under the presidency of Francois Mitterrand (1981-1995). This made the state itself one of the biggest industrial capitalists of France at some point, hence its interest in macroeconomic policies that would not hurt industrial capital. High-ranking civil servants were detached from their administrative offices to run these state-owned industries, and reintegrated into government departments or other state agencies later on. Although the root of this practice is to be found in the state-ownership of some firms, pantouflage does not involve just state-owned companies. Again, the way this practice of pantouflage impacts the relation between the state and capital in France should be obvious. It also points out to the fact that, in France, state orchestration of the capitalist economy is accepted to a degree that, for instance, federal orchestration in the United States is not. What one encounters there is rather the opposite: corporate executives become senior civil servants through a mechanism known as ‘the revolving door,’ symbolizing a very different relation between capital and state.

These strong personal and cultural connections between representatives of the government and agents of the capitalist class no longer exist in Britain, not the least because of the increasing ‘Wimbledonization’ of financial capital since the 1960s, a movement accelerated in the 1980s, as explained in Chapter Three. Historically, that was not always the case: before the 1980s, the top ranks in the City and in the government shared the same schools and universities (e.g. Oxford, Cambridge, Eton College, or Fettes College in Scotland) and often were knit together through kinship ties. It was a fairly close circle, which never extended much to the realm of industry though (Rubinstein, 1993). The increasing internationalization of financial capital in London
means that a major part of the economic elite in Britain – e.g. London financiers and investors – is now foreign. This is not so much the case in France. This is for a variety of reasons; the protection of domestic companies against foreign take-over through government intervention has historically been quite strong in France. There is also a major cultural reason already mentioned in Chapter Three: London tends to be attractive for foreign investors, and in particular for American multinational firms, because of the common use of English. These international investors are bound to be less directly linked to the British state, and their interest in the fortunes or misfortunes of British industries rather weak – if it exists at all.

6.5 CONCLUSION

Although in both the British and the French cases the respective capital-cities-turned-global-city-regions dominate their respective national space economies, the demographic and socio-economic gap between the Paris-Ile-de-France area and the rest of France is not nearly as great nor as controversial as the rift between London and the Greater Southeast on the one hand and other parts of the United Kingdom on the other hand. Today France and Britain do not have the same patterns of geographically uneven development. As a result, it has been easier to construct a regional question in the British than in the French case.

In this chapter, I have argued that while the regional question is being addressed in Britain, in France it is circumvented. In the latter, the regional question is that of ‘London and the Southeast versus the rest of the country’; it is a major point of political contentions at multiple scales. It is a pressing issue on the political agenda, and is being
expressed and resolved in different ways. In most recent times, it has been addressed by the central state through initiatives such as (e.g.) the creation of the Regional Development Agencies and the Northern Way. It has also been addressed by actors in the regions, sometimes in more confrontational ways (e.g. the emergence of regional political parties requesting independence as in the case of the Scottish National Party) than others (e.g. the Core Cities group). By contrast, there is no regional question in France at the moment, at least not to the extent that it exists and crystallizes political interregional tensions in the British case. This is so not only because of the different positions in the international divisions of labor of their respective capital global city-regions, but also because the French state has played a greater role in avoiding the emergence of potential regional tensions through different mechanisms. As explained in this chapter, the survival of a peculiar mode of representation, the *cumul des mandats*, has been important in the realization of regional interests.

The discussion about the existence of a regional question or not, and the ways it is being avoided in France and addressed in different ways in Britain has shown that different state forms and national forms of capitalism make a difference in understanding the variability of national geographies of uneven development and subsequent regional tensions around the growth of so-called global cities such as London or Paris. In particular, the especially close relation between the state and capital in France – lubricated by the production of both business and state elites in the same schools, the *grandes écoles*, reinforced by the practice of *pantouflage* – helps us make sense of the leadership and continuous support that the French state has given to industrial development.
CHAPTER 7

CONCLUSIONS

7.1 INTRODUCTION

The recent and expanding literature on world and global cities has contributed to a deepening of our understanding of how the restructuring of the world economy and of global capitalism has produced particular processes of urban change and particular global urban hierarchies, including the emergence of so-called global cities. Today, these cities, such as (e.g.) London, New York, Paris or Tokyo, are in particular the sites of the production of global financial services, a key aspect of an increasingly globalized and financialized world economy. They have a very privileged position within the international division of labor facilitating the flow of enviable streams of value through their businesses and labor markets.

However, despite their very important contributions, the works that have been produced within this body of literature often fail to fully integrate the logics of capital into their understanding of global cities and their politics. This dissertation has aimed at providing some benchmarks through which to reassess global city theory through an emphasis on the capital accumulation process. I have argued, in particular, that by re-
situating global cities with respect to the capitalist development process, understood as the capitalist production process, and as it unfolds within particular ensembles of space-time constraints and possibilities, new light can be shed on their production and continuing reproduction. This is what I have tried to achieve throughout this dissertation through a re-examination of the case of London.

In this final chapter, I would like to conclude by summarizing, albeit briefly, the arguments that I have made and the contributions that I attempted to make in each chapter, excluding, that is, Chapter One, which was designed to introduce the research. I will then turn to situating this work in a broader theoretical context and reflecting upon what it might suggest for a future research agenda.

7.2 SUMMARY STATEMENTS

Chapter Two laid down the theoretical grounds for the remainder of the dissertation. In this chapter I proceeded to a critical overview of the world and global cities literatures. This led me to argue that the common understanding of capital as an exchange relation in these literatures constitutes a major obstacle in fully comprehending the role of the accumulation process in the production of these cities. I then advocated for the need to bring back the accumulation process, i.e. the production process, a space-time process at the heart of which is the class relation, to the center of the analysis of so-called global cities. I then highlighted the importance and usefulness of three major contributions in understanding the production of particular historical geographies of accumulation: the role of happenstance in giving particular directions to these geographies; the geopolitical nature of the formation of these historical geographies; and the role of agglomeration in
understanding their consolidation, alongside the possibility of diseconomies of agglomeration.

I concluded the discussion in Chapter Two with some provisional conclusions and recommendations for the study of global cities, which I have then tried to implement in the following chapters. First, the formation of so-called contemporary world or global cities has been long-in-the-making. The reasons underlying their transformation into global financial centers, and those explaining the fact that they have been able to retain that position over time, are both important questions. Second, the role played by various contingencies in shaping that development is to be taken into account. The fact that some of these cities were imperial capitals at some point in time was important, for example, but so too were struggles between financial and industrial capital. Third, important economies of agglomeration there – a crucial aspect of advanced producer services in general and financial services in particular – have encouraged the further concentration of financial firms. Their increasingly specialized divisions of labor have promoted the cross-fertilization of different forms of expertise and ideas leading to the development of new products and market niches appropriate not just to the demands of changing global politico-economic conditions but to changing them with a view to making money. Fourth, and very importantly, the development of global cities has been conditioned by an accumulation process that is inevitably tension-ridden. The fundamental tension is that of class. The accumulation process depends on a class relation that has to be constantly reproduced if accumulation is to be reproduced. Given the contradiction between fixity and mobility, one can expect the tensions generated by the class relation to have very territorialized forms. This is illustrated by the emphasis on the competition between
global cities in the global city literature. But this competition can only be understood in
terms of an underlying class relation that has to be reproduced. Class interests are always
in particular places, but sometimes class conflict in a particular place can give way to
territorial conflict between cross-class alliances. This means that our knowledge of global
cities should encompass an understanding of how growth coalitions manage the class
relation in order to facilitate competition at the global scale. This allows us in particular
to make sense of the concerns with solving the housing problem in London so as to
ensure its continuous reproduction as a global city and its privileged position within the
global urban hierarchy.

The purpose of Chapter Three has been to situate the recent production and
reproduction of London as a global city with respect to an historical geography of
accumulation that goes back to the nineteenth century and is still in construction. I have
focused in particular on the long and sustained genesis of disconnection, opposition and
sometimes convergence of interests between industrial and financial capital, and how this
relation has varied over time, ultimately resulting in a victory for the latter. The growing
dominance of finance capital over industrial capital in Britain is inseparable from the rise
of London as a major financial center and, ultimately, as a global city. However, I have
argued in this chapter that there was nothing inevitable about the rise of finance capital
and the relative decline of industrial capital. Rather it occurred against the background of
a number of particular space-time juxtapositions characterized by a strong random
element, what Massey (1992; 2005) has referred to as “happenstance juxtapositions”.
Thus, the City of London has benefited from a series of finance-related activities whose
concentration in London also had a chance element about it. The chapter provides several
more examples of these contingencies that have worked to the advantage of financial
capital and have provided it with new advantages over time. This, in turn, has allowed the
growth of a body of financial and related expertise in the City of London, so promoting
certain economies of agglomeration, as the City became, for example, the place to be for
foreign banks. With the arrival of more firms in the City, increased specialization has
occurred, especially as the opening of London branches by international banks has
triggered the arrival of a range of related firms providing them with (e.g.) legal advice,
accounting or consulting services. This in turn has facilitated innovation through the
interaction of more specialized sources of expertise.

While Chapter Three has helped to shed light on the importance of the
contemporary financial services industry in Britain and on the pre-eminence of London in
the British economy today, in Chapter Four I focus on the politics surrounding the
reproduction of that pre-eminence. There is, in other words, a London question
surrounding the weight that London has in the national economy. I have argued, however,
that this situation is complicated by the fact that London is located within a wider growth
region in the form of the Greater Southeast. Two major issues stem from the locational
juxtaposition of London and the Greater Southeast. On the one hand, because of its
location within the Greater Southeast, ‘the London question’ is assimilated to the broader
regional question in the United Kingdom today. The more recent development of the
Greater Southeast has fed the flames of the (in)famous ‘North-South divide’ debate. This
is the debate that frames the regional question and regional tensions within a markedly
polarized British space economy. The geography of uneven development in Britain has
changed over time. The more developed areas have exhibited a marked and continuous
shift southward since the interwar period. Today, growth is highly concentrated in the southern part of Britain, and in particular in London and the Greater Southeast. The latter is a growth region in its own right, with a broad and successful industrial base around (e.g.) high-tech industries, information and communication technologies (ICT), pharmaceuticals, automobile industries, aerospace and aircraft industries. This growth is quite independent of the growth experienced by London, although London is located there and the geographical focus of its physical infrastructure of highways and railroads. However, and from the standpoint of the contemporary regional question in Britain today, because the Southeast is a problem (for the rest of the country), and because London is located in the Southeast, therefore London is a problem.

On the other hand, the juxtaposition of London and the Greater Southeast has had important implications for the London’s housing question. It has created additional pressure on the London housing market and posed additional constraints on finding potential solutions to the shortage of affordable housing in the British capital. As I just mentioned, economic growth, stimulated by the rise of financial services in London but also high-tech industries, tourism and other consumption-led dynamics, has combined with a broader regional question. This has created additional obstacles to further expansion and has consequently generated issues of labor reproduction such as the ones triggered by the escalation of housing prices, in both London and across Southeastern localities. This is so because towns across the Greater Southeast face similar issues with respect to increasing their housing stock, and similar constraints such as (e.g.) the greenbelt legislation and local pressures of a NIMBY-ist nature, at least to a certain extent.
The considerations discussed in Chapter Four have led me to argue that key to an understanding of London’s growth and the problems that it has generated – in terms of both the regional question and the constraints on solving London’s housing problem that potentially threaten further growth there – is an approach, therefore, that sheds light on particular time-space juxtapositions that produce particular geographies of growth. This is consistent with Massey’s argument (1984; 1992; 2005). Accordingly, ‘the London question’, the contradictions of urbanization that the British capital faces today, and the tensions produced by its growth at multiple scales cannot be understood solely in the light of the growth of financial services as per what I have referred to as a ‘standard global city account’. This often tends to focus on a particular world city without much consideration of other scales, apart from the local – understood as the city as a whole or reduced to its financial center (e.g. the City, Wall Street) – and the global stage on which it competes with other global cities. Here, and in the light of the case of London and the Greater Southeast, I have argued that not only so-called global cities have to be understood in relation to their national contexts, to the national space economy and nation-state they are located and, therefore, embedded in. It should also be understood in relation to other scales such as the regional scale. This is well illustrated by the British case and the exacerbation of the problems posed by the growth of London because of its location within another growth region in the form of the Greater Southeast, a region that faces its own growth-related issues, including housing shortages and issues of labor reproduction. More generally, the rise and growth of global cities, as well as the issues they encounter and their politics, is to be comprehended against the background of broader geographies of uneven development.
Chapter Four has shown that although the growth of London and of the Southeast are based on two rather distinct space-time processes of capital accumulation, with different sectoral emphases, they are connected to each other in the sense that they have combined to produce a wider growth region and, subsequently, a wider regional problem. One implication of this, as previously indicated, is that London has difficulty externalizing its housing supply problems to surrounding cities since they already face problems of provision of their own. In Chapter Five I have taken on the latter issue through an investigation of the ways in which the London’s housing crisis is dealt with and being mitigated. This chapter sheds light on the juxtaposition of those particular conditions and forces that have produced a particular governance framework limiting the degrees of freedom within which potential solutions to London’s housing crisis have to be sought. Three major sets of forces and conditions been emphasized. First, the multiplicity of actors and institutions at different geographic scales, all of whom have important stakes in London’s housing question have set up the conditions for a politics of scale. These agents have various interest in the reproduction of London as a global city, or in its transformation. Second London’s existing governance structures, including its high degree of jurisdictional fragmentation and the limited fiscal autonomy of the individual boroughs, have made it almost impossible for London to solve its housing problem on its own. This a major reason why I have argued that there is clearly a need for more powers to be given to the young Greater London Authority (created in 1999-2000), London’s metropolitan-wide government body, and the Mayor of London. These powers have recently been widened. It is, in my view, a necessity in order to overcome the reluctance of some London boroughs to implement housing and planning policies that
will help solve the housing crisis. Finally, the highly centralized form of the British state has had an impact on London’s housing question beyond the issue of administrative fragmentation.

In Chapter Six I have pursued my investigation of how the state makes a difference in understanding the politics of global cities and uneven geographic development. I have done so through a cross-national comparison between the British and the French cases. I argue there that state forms, national forms of capitalism – including the relation between the state and capital – and how these have been reproduced or transformed in the context of struggles within civil society, are to be taken into account if one want to make sense of the variability of the politics of local and regional economic development in the two countries, and in particular with respect to the two global cities and their respective city-regions. I have emphasized in particular differences in state structures or state forms, including different modes of intervention (i.e. outputs from the state) and different modes of political representation (i.e. inputs to the state). Again, this chapter illustrates how the logics of capital in general, and the relation between the state and capital in particular, unfold within particular ensembles of space-time constraints and possibilities, which produce in turn quite variegated historical geographies of uneven development. These include the formation of particular global cities or global city-regions and particular sets of tensions around their reproduction.

7.3 SIGNIFICANCE FOR FUTURE RESEARCH
A broad conclusion that can be drawn from the dissertation is that the formation and reproduction of global cities over time and across space need to be more contextualized
than it often is at present in the literature. There is seemingly an interest in generalizing and homogeneizing across them, on looking for similarities and common patterns rather than in their highly specific relations to (e.g.) particular national space economies, particular state forms …etc, which affect both their production in the first place and their ongoing reproduction. By contrast, in this dissertation I have not sought conclusions that can necessarily be generalized. Generalizations or “empirical regularities” (Sayer, 1992) are difficult to arrive at in social science. More importantly, as Sayer (1992) has emphasized, they are not necessarily a desirable goal if the aim is explanation rather than description. They might tell us what is related with what but not why it is so related. Even then, the individual cases, while one might be able to array them neatly on a scatter plot, might have very specific causal conditions. This explains the approach I have taken in this research, which aimed at shedding light on causal conditions and processes, and in particular those of a spatial nature.

This has led me to put a great emphasis on the fact that global cities need to be (re-)situated in particular national and regional geographies, and within timeframes that extend back far beyond the period of their emergence as such in the context of the increased globalization and financialization of the world economy since the 1980s. This will also help in understanding the particularity of the problems that they face or might face in the future, such as issues of labor reproduction or the regional tensions within which they may be entangled as in the British case. I must note, however, that some progress has been made in situating global cities in broader timeframes (e.g. Abu-Lughod, 1999, on US global cities) and wider scalar geographies (e.g. Massey, 2007, on London).
In investigating the contextual specificities in the formation and reproduction of different global cities, it is critical to pay particular attention to the specific ways in which the accumulation process, i.e. the production process, develops within particular space-time sets of conditions and forces that enable and constrain it and that in turn enable and constrain the production and reproduction of global cities. A major objective of this dissertation was to underline the role of space in understanding the formation, reproduction and politics of global cities by emphasizing how they are parts of the production of particular historical geographies of capital’s uneven development. Through this re-examination of the case of London, I have explored the possibilities of spatializing global city theory. In that respect, the concepts of scale and the politics of scale have appeared to be very useful in understanding how global cities are always embedded in wider sets of socio-spatial relations that need to be managed if they are to be reproduced, as illustrated by the case of the London housing question.

Finally, a key outcome from this research has been to shed additional light on the ways in which the state is a key aspect of different capitalist accumulation projects, of different historical geographies of capitalism. The insights provided in the dissertation point to the need to examine more closely the impact of particular state forms, state structures and state-capital relations on the development, ongoing reproduction and politics of global cities. In closing, global cities have a political geography of a quite complex nature, one that has been constructed over time and that has to be taken into account in future research if we are to understand their production and reproduction.
APPENDIX A

PRINCIPAL COMPONENTS ANALYSIS OF POPULATION CHANGE IN BRITAIN BETWEEN 1801 AND 1991– PROCEDURE AND RESULTS

- Objective: to characterize the geography of uneven development in Britain at any one time through an examination of population change between 1801 and 1991.
- Rationale: areas where growth is rapid are more likely to show population increases while those where growth is slower are less likely.
- Data source: UK Census.
- Software used: SPSS.

- Data used: data on population change by county over the time period 1801 to 1991; the absolute change in population between t1 and t2 was standardized by the total population in t1. Two data sets were used and two principal components analyses performed as county boundaries radically changed in 1974.

- Procedure:
  - Calculate each county’s share of national population at t1 and then at t2: i.e.:
    - For 1801, 1811 … 1971. 1971 is the last year for which there are data for the same set of counties.
    - And then for 1961, 1971, 1981, 1991 (a separate analysis was required due to the 1974 change in administrative boundaries of counties.
  - Calculate rates of change for successive years: So the rate of change for county X = [((share of county X in British population) * 100 at t2) – ((share of
county X in British population) * 100 at t2) / [share of county X in British population at t1]

- These were then used as variables for a principal components analysis.

- Principal components analysis results for the 1801-1971 period: 65
  - Rotated 66 loadings for 1801-1971 analysis:

<table>
<thead>
<tr>
<th>t2</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
<th>Component 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>0.156</td>
<td>-0.739</td>
<td>0.063</td>
<td>0.058</td>
</tr>
<tr>
<td>1961</td>
<td>0.442</td>
<td>-0.681</td>
<td>-0.200</td>
<td>-0.285</td>
</tr>
<tr>
<td>1951</td>
<td>0.242</td>
<td>-0.688</td>
<td>0.251</td>
<td>0.168</td>
</tr>
<tr>
<td>1938</td>
<td>0.257</td>
<td>-0.535</td>
<td>-0.452</td>
<td>-0.308</td>
</tr>
<tr>
<td>1931</td>
<td>0.544</td>
<td>-0.502</td>
<td>0.219</td>
<td>-0.103</td>
</tr>
<tr>
<td>1921</td>
<td>0.460</td>
<td>-0.178</td>
<td>0.058</td>
<td>0.752</td>
</tr>
<tr>
<td>1911</td>
<td>0.784</td>
<td>-0.211</td>
<td>0.026</td>
<td>0.104</td>
</tr>
<tr>
<td>1901</td>
<td>0.805</td>
<td>0.044</td>
<td>0.273</td>
<td>0.035</td>
</tr>
<tr>
<td>1891</td>
<td>0.815</td>
<td>0.064</td>
<td>0.253</td>
<td>-0.034</td>
</tr>
<tr>
<td>1881</td>
<td>0.767</td>
<td>0.116</td>
<td>0.070</td>
<td>-0.051</td>
</tr>
<tr>
<td>1871</td>
<td>0.693</td>
<td>0.216</td>
<td>0.360</td>
<td>-0.219</td>
</tr>
<tr>
<td>1861</td>
<td>0.720</td>
<td>0.298</td>
<td>0.257</td>
<td>-0.115</td>
</tr>
<tr>
<td>1851</td>
<td>0.634</td>
<td>0.264</td>
<td>-0.056</td>
<td>-0.331</td>
</tr>
<tr>
<td>1841</td>
<td>0.811</td>
<td>0.220</td>
<td>-0.085</td>
<td>0.049</td>
</tr>
<tr>
<td>1831</td>
<td>0.691</td>
<td>0.214</td>
<td>-0.390</td>
<td>0.089</td>
</tr>
<tr>
<td>1821</td>
<td>0.488</td>
<td>0.137</td>
<td>-0.606</td>
<td>0.171</td>
</tr>
<tr>
<td>1811</td>
<td>0.679</td>
<td>0.206</td>
<td>-0.335</td>
<td>0.120</td>
</tr>
</tbody>
</table>

Table A.1

- Variance explained by rotated components:

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
<th>Component 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.603</td>
<td>2.476</td>
<td>1.313</td>
<td>1.024</td>
</tr>
</tbody>
</table>

Table A.2

65 A cutoff was introduced so that only components with eigen values greater than one were included to the analysis.
66 The components were rotated to the varimax criterion in order to maximize the variance of the loadings on any one component.
Percent of total variance explained:

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
<th>Component 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.839</td>
<td>14.567</td>
<td>7.721</td>
<td>6.024</td>
</tr>
</tbody>
</table>

Table A.3

Principal components analysis results for the 1961-1991 period:

- Rotated loadings for 1961-1991 analysis:

<table>
<thead>
<tr>
<th>t2</th>
<th>Component (unique)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>0.865</td>
</tr>
<tr>
<td>1981</td>
<td>0.812</td>
</tr>
<tr>
<td>1971</td>
<td>0.760</td>
</tr>
</tbody>
</table>

Table A.4

- Variance explained by unique rotated component: 1.985
- Percent of total variance explained: 66.158

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67 A cutoff was introduced so that only components with eigen values greater than one were included to the analysis.
APPENDIX B

ADMINISTRATIVE MAP OF BRITAIN BEFORE THE 1974 COUNTY BOUNDARIES CHANGE
Figure B.1: Administrative map of Britain before the 1974 county boundary change
(Source: The Association of British Counties)
APPENDIX C

PRINCIPAL COMPONENTS ANALYSIS OF POPULATION CHANGE IN FRANCE BETWEEN 1851 AND 1991– PROCEDURE AND RESULTS

- Objective: to characterize the geography of uneven development in France at any one time through an examination of population change between 1851 and 1991.
- Rationale: areas where growth is rapid are more likely to show population increases while those where growth is slower are less likely.
- Data source: French Census.
- Software used: SPSS.

- Data used: data on population change by department over the time period 1851 to 1991; the absolute change in population between t1 and t2 was standardized by the total population in t1. For the most part the French data are for regular ten-year intervals. But where they were not, what the population would have been at the ten-year interval was estimated assuming a straight line change between the two points in time for which census data existed.

- Procedure:
  - Calculate each department’s share of national population at t1 and then at t2: i.e. for 1851, 1861 … 1991.
  - Calculate rates of change for successive years: So the rate of change for department X = [((share of department X in French population) * 100 at t2) – ((share of department X in French population) * 100 at t2)] / [share of department X in French population at t1]
These were then used as variables for a principal components analysis.  

Principal components analysis results for 1851-1991:

Rotated\textsuperscript{69} loadings:

<table>
<thead>
<tr>
<th>Year</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>0.071</td>
<td>0.872</td>
<td>0.058</td>
</tr>
<tr>
<td>1981</td>
<td>0.157</td>
<td>0.900</td>
<td>0.032</td>
</tr>
<tr>
<td>1971</td>
<td>0.370</td>
<td>0.854</td>
<td>0.120</td>
</tr>
<tr>
<td>1961</td>
<td>0.749</td>
<td>0.545</td>
<td>0.132</td>
</tr>
<tr>
<td>1951</td>
<td>0.351</td>
<td>0.640</td>
<td>-0.180</td>
</tr>
<tr>
<td>1938</td>
<td>-0.285</td>
<td>0.658</td>
<td>0.077</td>
</tr>
<tr>
<td>1931</td>
<td>0.797</td>
<td>0.317</td>
<td>0.218</td>
</tr>
<tr>
<td>1921</td>
<td>0.152</td>
<td>0.452</td>
<td>0.712</td>
</tr>
<tr>
<td>1911</td>
<td>0.879</td>
<td>0.024</td>
<td>0.352</td>
</tr>
<tr>
<td>1901</td>
<td>0.731</td>
<td>0.084</td>
<td>0.582</td>
</tr>
<tr>
<td>1891</td>
<td>0.580</td>
<td>-0.055</td>
<td>0.682</td>
</tr>
<tr>
<td>1881</td>
<td>0.472</td>
<td>-0.278</td>
<td>0.615</td>
</tr>
<tr>
<td>1871</td>
<td>0.155</td>
<td>-0.103</td>
<td>0.879</td>
</tr>
<tr>
<td>1861</td>
<td>0.163</td>
<td>0.180</td>
<td>0.839</td>
</tr>
</tbody>
</table>

Table C.1

Variance explained by rotated components:

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.508</td>
<td>3.874</td>
<td>3.412</td>
</tr>
</tbody>
</table>

Table C.2

Percent of total variance explained:

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.054</td>
<td>27.669</td>
<td>24.372</td>
</tr>
</tbody>
</table>

Table C.3

\textsuperscript{68} A cutoff was introduced so that only components with eigen values greater than one were included to the analysis.

\textsuperscript{69} The components were rotated to the varimax criterion in order to maximize the variance of the loadings on any one component.
APPENDIX D

ADMINISTRATIVE MAP OF FRANCE, WITHOUT OVERSEAS DEPARTMENTS
Figure D.1: Administrative map of France without overseas departments (Source: Roué and Grange Ponte, 2007)

Abbreviations:

Ess.: Essonne
T.B.: Territoire de Belfort
Yv.: Yvelines

A.: Andorra
LU.: Luxemburg
M.: Monaco
REFERENCES


Dunford, M.F. and Fielding, T. (1997) Greater London, the South East region and the wider Britain: metropolitan polarization, uneven development and inter-regional


