Urban Neoliberalism

This is the author's manuscript

Original Citation:

Availability:
This version is available http://hdl.handle.net/2318/1502120 since 2017-03-31T14:28:52Z

Publisher:
Elsevier

Published version:
DOI:10.1016/B978-0-08-097086-8.74020-7

Terms of use:
Open Access
Anyone can freely access the full text of works made available as "Open Access". Works made available under a Creative Commons license can be used according to the terms and conditions of said license. Use of all other works requires consent of the right holder (author or publisher) if not exempted from copyright protection by the applicable law.

(Article begins on next page)
Abstract

The rise of neoliberalism as the hegemonic art of governing contemporary capitalist cities traces its origins back to the 1980s, being associated with the ascent of conservative governments in the United States and the United Kingdom pursuing economic development strategies based on the conventional free market ideas. Since then, urban neoliberalism has spread across the globalizing world through an increasing emphasis being laid on the entrepreneurialization of local government, the privatization of public services, and the commodification of urban space. In this context, urban neoliberalism has taken the form of a highly mobile government technology, giving rise to a tremendous variety of politico-economic regimes across the globe through processes of hybridization and variegation. This article describes the variegated geographies of neoliberalism, ending with an analysis of the recent global recession which is understood as a crisis of (urban) neoliberalism.

Introduction: The Neoliberal Art of Governing Cities

Over the last two decades, the notion of neoliberalism has become key to contemporary debates and empirical inquiries within the social sciences concerned with the investigation of urban and regional development processes. Since the late 1970s onward, the economic policy that subsequently came to be known as neoliberalism supported the development of allegedly free (or ‘anarchical’: Jessop, 2002) market relations led by an ideology of competitive individualism, combined with policies aimed at socializing the costs of deficits in the private sector through generous capital injections to firms and banks during recessions. The success of neoliberal policies, being dogmatically imposed in the post-cold war era as the only viable option (a ‘new religion’: Peet, 2003) after the decline of the Keynesian mode of regulation, has been concomitant with the globalization of the international economy, impinging upon economic development processes at a variety of geographical scales, including the urban and regional levels.

Prior to the rise of neoliberalism, there is the end of an era of intense and apparently unlimited economic growth commonly recognized as the ‘golden age of capitalism’ (Marglin and Schor, 1991), beginning after the World War II and ending with the economic and geopolitical turbulences of the 1970s. In the United States, the 1980s witnessed the embrace of the so-called Reagonomics, the supply-side economic policy
pursued by the Federal Administration during Reagan’s presidency. According to the supply-side approach, in order to revitalize markets and attain higher rates of economic growth, it is necessary to reduce the fiscal pressure on businesses and capital holders so as to stimulate private savings and investments. The conservative and entrepreneurialist turn changed in depth the way in which economies and societies were governed in the United States as well as in the United Kingdom, which at the time was undergoing a parallel neoliberal ‘(counter)revolution’ led by the Prime Minister Margaret Thatcher: from the privatization of state corporations to the controversial Poll Tax, which introduced a fixed tax per adult resident, leading to protests all over the country and in the city of London most intensely. While the controversy that developed around the so-called ‘Poll Tax in Britain’ presaged the end of Margaret Thatcher’s premiership, as the ‘iron lady’ resigned few months after the approval of the tax, in the United States the adoption in 1978 of the Proposition 13 in the State of California – a constitutional amendment deliberating that the maximum amount of taxation on real property should not exceed the 1% of the property value – paved the way for Ronald Reagan’s ascent from the governorship of California to the Federal Presidency. Indeed, the adoption of the amendment inspired an antifiscal campaign known as ‘taxpayers’ revolt’ throughout the country, which prepared the ground for Ronald Reagan’s successful presidential election in 1980.

The neoliberal (counter)revolution of the Reagan–Thatcher era had strong repercussions at the urban scale, opening the way for an unprecedented deregulation of housing markets and generally for an irreversible shift to the entrepreneurialization of local government and the privatization and commodification of urban public space (Smith, 1996; Mitchell, 1997; MacLeod, 2002). The translation of the neoliberal ideology into an instrumental and geographically mobile ‘intellectual technology’ relied on a globalizing system of policy exchanges and transfers, mobilizing a variety of institutional intermediaries and local importers of ‘ideas from elsewhere’ (Ong, 2007; Prince, 2012). In the United States, in order to build the reputation of neoliberalism as the emerging conventional wisdom within the wider public, politico-economic elites have drawn on the contribution of existing or newly established consultancy agencies funded by public and private donors (Peck, 2010). The neoliberal ‘revolution’ has thus changed the way in which at one and the same time the economic base and the politico-institutional realm of cities are conceived and concretely organized. As ‘post-cold war’ neoliberalism can be generally understood in a Foucauldian sense as the ‘art of government’ regulating and dictating the expansion of the economic form of capitalism into the social sphere (Lemke, 2001), through processes of individualization and entrepreneurialization of the self (Burchell, 1993; Lazzarato, 2009), urban neoliberalism more specifically is to be viewed as the translation of the logic of free market capitalism into the urban domain of sociospatial relations. As the next section of this article shows, in the late 1980s, David Harvey was the first social scientist to clearly identify the rise of a neoliberal art of governing cities, through his conceptualization of the entrepreneurialization of urban governance in US cities over the 1980s, even though at that time he did not explicitly use the term neoliberalism.
Harvey’s understanding of urban governance in incipient neoliberal times serves as a point of departure here, preparing the ground for the following two sections of this article which are devoted to the analysis of the geographical expansion of urban neoliberalism over the last three decades. Finally, the concluding section focuses on the supposed crisis of urban neoliberalism as a consequence of the ongoing global recession, whose urban roots are customarily associated with the ‘credit crunch’ of 2007–08 that affected real estate markets in the US economy and elsewhere.

The Entrepreneurialization of Urban Governance

In a path-breaking article, David Harvey (1989) accurately illustrated the causes and the effects of the process of change in the sphere of local government, which he analyzed in terms of a shift from the public-managerial approach prevailing until the urban crisis of the 1970s to the entrepreneurialization of urban governance associated with the advent of a pro-growth mode of regulation. In his article, Harvey distinguished between the ‘government’ and the ‘governance’ of cities and regions, anticipating a conceptualization that became widely accepted within the field of urban studies and the wider social sciences in the following years. In his account, the former (government) identifies a hierarchical and ‘managerial’ governing style, founded on the primacy of the public sector and aimed at redistributing city revenues through the provision of services to firms and households. On the other hand, the latter (governance) highlights the decentralization of governing procedures in a context of public sector’s reduced institutional capacity and of rising importance of public–private partnerships and related processes of negotiated decision making.

To urban and regional scholars, further expanding the conceptual framework elaborated by Harvey, entrepreneurial cities appeared to be crucial sites where politico-economic elites are in a position to experiment with innovative capital accumulation strategies, tending toward the immaterialization of the economic process (Hall and Hubbard, 1998). While Harvey verified these dynamics in light of the case study of Baltimore and its regenerating waterfront, related processes of sociospatial restructuring were observed in a number of cities in the West and elsewhere. In Britain, the deindustrializing cities in the North of England (Newcastle upon Tyne, Leeds, Manchester, Liverpool) dealt with policies and plans of urban regeneration aimed at stimulating private businesses, especially small- and medium-sized enterprises, and at revitalizing innercity areas which were affected by economic and demographic decline (Ward, 1997).

Related dynamics of urban regeneration and changing economic governance were also noticed in other large cities and smaller towns in North America and Western Europe (Judd and Parkinson, 1990) and subsequently in Asia, as it is discussed below in this article (Jessop and Sum, 2000; Wu, 2002).

Since the 1990s, the discursive and material forces of globalization exerted a growing influence on the evolution of urban entrepreneurialism and the trajectories of economic development and socio-spatial restructuring. As Harvey had explained, politico-economic elites across the world were urged to connect
cities and regional spaces to economic, political, and cultural relations of global reach. The growing interplay of global and local spatialities shapes in depth urban governance processes, which are driven by the so-called ‘local politics of globalization’ (Swyngedouw, 1992; Cochrane et al., 1996). The ‘new urban politics’ becomes thereby a crucial terrain of investigation with reference primarily to Anglo-American cities and metropolitan areas but also to cities in other contexts of advanced and emerging capitalism.

**Variegated Geographies of Urban Neoliberalization**

As Aiwha Ong (2007) has pointed out, the neoliberal regime of institutional governance and capitalist accumulation should be viewed as a mobile governmental technology, constantly traveling through a variety of geographical contexts and related sociopolitical cultures. For instance, the Chinese experience, with its unique combination of authoritarian state and unregulated market, reads as an example diverging from the Anglo-American ideal type of neoliberalism (He and Wu, 2009). By approaching neoliberalism as a political-economic practice, it will be evident that the neoliberal mode of regulation relies on existing sociocultural institutions, producing a wide range of hybrid formations (Brenner et al., 2010).

At the same time, the hybridization of political and institutional forms should not lead to believe that the transition to urban neoliberalism is linear and consistent with local values and sociocultural diversities. In the vast majority of cities in the South of the world, the effects of neoliberal policies have been pervasive, eradicating existing cultural, economic, and sociopolitical institutions. In the 1980s and the early 1990s, the Washington-based financial institutions (essentially the International Monetary Fund and the World Bank) recommended a set of economic and social policies (the so-called ‘Structural Adjustment Programs’), which were approved and implemented without concerting decisions with the local citizens, with strong repercussions on the most deprived urban areas (Peet, 2003). Adjustment programs were forcefully adopted by those countries receiving financial aid and rescheduling debt payments (on the basis of the so-called ‘conditionality principle’). These plans were deeply informed by neoliberalism as an ideology and policy rhetoric, under the banner of the so-called ‘Washington Consensus Decalogue’, which prescribed allegedly universal recipes for the recovery of national and urban–regional economies (Escobar, 1995; Power, 2003).

Macroeconomic and sector-specific policies, mainly elaborated at the national level, have had deep implications for cities in the South of the world. The joint effect induced by the privatization of important public services, the closure of a number of state-owned corporations, and the bankruptcy of manufacturing industries that previously benefited from public subsidies, has had serious consequences on local societies, leading to rising unemployment rates and generating novel forms of exclusion from the labor market (Riddel, 1997). These processes have also led to the expansion of the informal underground economy. Job losses, the shrinkage of the state sector, and the fall in living standards have forced the city dwellers to rely on a variety of sources of experimentation and commonality; shared relational capital, unused land
converted into community gardens, informal trading and street vending are customary responses to poverty and deprivation in the cities of the Global South (Simone, 2004).

In this context, existing welfare states have been restructured and widely dismantled: educational and health care services have been drastically reduced, the already scarce supply of public housing has been halved on average, the price of imported food has considerably increased as a consequence of the devaluation of local currencies, while large portions of fertile land have been reconverted to export-oriented productions (Harvey, 2005). These processes of socioeconomic restructuring have led to the expansion not just of the informal economy but also of the illegal, criminal economies: newly formed street gangs and urban mafias have proliferated, engaging in large-scale organized theft and drug trade through increasingly transnational networks (Wacquant, 2008). In a context of increased poverty and hardship, large cities in the South indeed tend to become less safe places to live in. In the face of perceived or actual threats, the so-called ‘transnational capitalists’ (Sklair, 2002), that is those involved in the most profitable sectors of the economy, such as the oil industry for instance, respond to this situation by tightening security systems and militarizing their residential spaces in a context of neoliberalization of violence where exceptional violence is transformed into exemplary violence regulating the relationship with ‘the other’ (Springer, 2012). In general, social disadvantage has intensified in large cities and metropolitan areas, particularly affecting migrants and the ethnic minorities. The ambivalent effects of neoliberal urbanism are highly visible in the most dynamic city regions (such as the industrial coastal cities of South China, the fast-developing cities in the Middle East such as Dubai, the most famous as well as established global cities in the West like London and Los Angeles), where migrants are employed on casual bases in the industrial and the service sectors under conditions of unbearable workloads, low wages, uncertain contractual status, and precarious housing (Buckley, 2012).

The transnational governance of development processes in the South have also evolved over the time. The normative and straightforward approach to economic restructuring characterizing the Structural Adjustment Programs in the 1980s has become softer in many respects. The basic logic underlying development programs, however, appears to be immutable. For instance, despite the asserted good intentions, the financial aids provided in order to attain the Millennium Development Goals (MDGs) identified by the United Nations (from poverty alleviation to the reduction of infantile mortality rates, from the pursuit of an environmentalist agenda to the promotion of interstate and supranational agreements for international development) are persistently subject to IMF conditionality, which dictates the transition toward modes of social and economic organization and development based on the neoliberal agenda (Amin, 2006). At the same time, recent development programs like the MDGs are sustained by increasingly more sophisticated governmental apparatuses mobilizing calculative practices of information profiling and knowledge exchange, aimed at enhancing the neoliberal values of responsibilization and entrepreneurialization of the poor in the Global South (Ilcan and Phillips, 2010).
Whereas economic development policies adopted in poorer and emerging countries in the South have gradually abandoned the shocking therapies of first-generation neoliberalism, the ‘original’ forms of neoliberalism (those elaborated and commonly practised in the West) have changed over the years, and they will certainly change in the future, without losing their distinguishing features, relating to the emphasis laid on goals of economic growth to the detriment of those of social justice and wealth redistribution. After the rise and the triumph of ultraliberal approaches during the Reaganian–Thatcherian decade, the 1990s and the first half of the 2000s have seen the reformulation and the reframing on novel discursive bases of neoliberalism as a politico-economic discourse and as a policy practice. In the attempt to conceptualize the recent evolution of neoliberalism, geographers Jamie Peck and Adam Tickell (2002) have provided an influential interpretation of the shift from an unconditionally deregulatory policy rationale, defined as ‘roll-back neoliberalism,’ which characterized the Reagan–Thatcher era, aiming to extinguish the socialdemocratic capitalism, to a renewed neoliberal approach, more positive and ‘constructive,’ aimed at rebuilding the capitalist state on entrepreneurial bases and at reshaping in innovative ways the relationships between business interests and the public sector. The latter approach, defined as ‘roll-out’ stage of neoliberalism in Peck and Tickell’s terminology, has been advocated during the 1990s by the New Democrats and the New Labor Party led by Bill Clinton and Tony Blair in the United States and Great Britain, respectively.

Neo-progressive parties took the lead, therefore, in a second stage of the neoliberal ‘revolution,’ replacing the conservative parties dominating the first stage, in the United States as well as in their most influential allied countries, notably those belonging to the Atlantic Alliance that has remained unchallenged after the collapse of the Soviet Union. Having acquired this role, the progressive parties have engaged in a vast endeavor of self-legitimization in the eyes of business actors, by precipitously converting to the basic tenets of the neoliberal orthodoxy: the obsession for budget rigor leading in Europe to the adoption of a restrictive fiscal and monetary policy as the distinguishing trait of the newly founded European Union in 1992, the reduction of public spending in social assistance and, finally, most importantly in the context of post-Fordist capitalism, the flexibilization of the workforce. Unlike the conservatives, refusing the idea itself of society as a collectively organized entity and embracing the purest free market ideology, the center-left governments have sought to reconcile objectives which were considered mutually antithetic until a recent past. Combining the enhancement of social cohesion with the stimulation of economic competitiveness and turning the public sector into a more entrepreneurial and accountable organization have been distinguishing features of the so-called ‘new liberal formulation’ (Harloe, 2001). The ‘Third Way’ publicly announced by the British Prime Minister Tony Blair and theorized by sociologist Anthony Giddens (1998) came to represent the most consistent example of neoliberal formulation being proposed on the progressive side of the political spectrum as an alternative to the ultraliberalism advocated by the conservatives. The emphasis placed on ‘global governance’ and transnational civil society, in contrast to the
neoliberal aversion to ‘big government’ and social justice, alongside the attention paid to issues of environmental sustainability and cultural pluralism, in lieu of the conservative predilection for the integrity of the family and the nation, have been the essential principles of Giddens–Blair’s Third Way (Peck and Theodore, 2001).

Within the sphere of urban government, apparently indissoluble beliefs and taboos received from the past shattered in the face of local and nationwide campaigns against petty and organized crime and the variety of phenomena of social deviance, including homelessness, drug abuse, and even ‘art crimes’ such as graffiti and writing. While urban administrations led by conservative mayors gave rise to highly mediatized repression campaigns against urban crime, such as most famously the ‘zero tolerance’ initiative adopted in the 1990s by the Mayor of New York Rudolph Giuliani (Smith, 1998), the center-left governments sought to restore their credibility in security policies; a field in which progressive parties were still conventionally associated with tolerant attitudes. In this vein, Prime Minister Tony Blair announced, in the political Manifesto of the New Labor in 1997, a new course of action against crime under the banner of the slogan: “tough on crime and tough on the causes of crime,” which explicitly attempted at reconciling policies addressing issues of social exclusion and urban deprivation with measures to combat crime and deviance.

Broadly speaking, the second stage of neoliberalism in the 1990s testifies to an important redefinition of the ways in which capitalist cities are governed and administered. In the unified European space, these changes have taken form through institutional dynamics of multilevel governance, in which cities and regions play a crucial role, after the hollowing out of the state and of the institutions gravitating within its sphere (Jessop, 2004). In the public service sector, on the one hand, local and regional governments assume key roles in the governance process; on the other hand, however, subnational administrations externalize their prerogatives to other subjects of private or not-for-profit status, in line with the general trend of contractualization of social services, by which services are delivered on the basis of a contract signed between the providers (either within or outside the formal public sector) and welfare recipients. Job centers subcontracted to private companies or quasi-public agencies replace the old state-led employment bureaus, while similar processes of outsourcing occur in the health care services and other social assistance sectors organized at the local level with a view to achieve a modernized local welfare state based on dynamic local–central and public–private relationships (Cochrane, 2004). In times, in which economic and financial flows appear to be increasingly out of juridical and political control and in which the strategies of transnational firms and other ‘foreign’ investors are caught in a hardly decipherable chaos, large cities, and metropolitan areas – in their capacity to foster internationally competitive economies of agglomeration and diversity – are assumed to be crucial institutional arenas in the regulation (i.e., the deregulation and reregulation) of capitalist economies and societies (Brenner and Theodore, 2002). At the same time, owing to the reduced government spending and the fierce competition in obtaining public and private funds for economic regeneration policies and particularly for costly infrastructural projects, urban governments are
compelled to devise a wide range of local economic development strategies: place marketing and promotion campaigns, mega-events, company subsidies, and the creation of free economic zones.

Neoliberalizing Urban Economies

In the described context of hegemonic and at the same time spatiotemporally variegated neoliberalism, two local economic regeneration schemes are particularly illustrative of the dominant approach to urban development: the ‘Urban Enterprise Zones’ policy, which was first carried out at the time of the Thatcher premiership and the Business Improvement Districts initiatives. The former, based on fiscal incentives and ambitious infrastructure projects, is designed to trigger economic development dynamics in declining and peripheral urban areas. In neocapitalist China, the creation of ‘economic special zones’ in the 1980s made a decisive contribution to the booming of its export-led economy, particularly in the southern coastal regions which have become the drivers of China’s path of economic development: the industrial cities of Shenzhen, Dongguan, and Canton in the rampant Pearl River Delta region. The Business Improvement Districts policy, on the other hand, which has been embraced by local governments in a number of countries including Britain, Germany, New Zealand, and South Africa since the 1970s onward, focuses on the physical renewal and the aesthetic amelioration of attractive and potentially profitable urban districts (usually shopping and entertainment precincts located in downtown areas), using funds obtained from the self-taxation of local private firms, whose financial efforts are rewarded with the assignment of autonomous responsibilities in the management of the regenerated spaces (Ward, 2006; Cook, 2008).

Contemporary processes of urban and regional governance highlight the rise of relatively autonomous scales of economic and spatial regulation at the local level, but also the persistent influence of the national state in this realm, particularly in the East Asian context, but in different ways also in Western liberal democracies. In the unified European space, the last two decades have indeed seen the national state repositioning itself as a key actor in the coordination and the material structuring of the complex multilevel governance structure regulating the processes of urban and regional development (Brenner, 2004). This institutional context demands attention being paid to the ways in which neoliberal imperatives dictated by international and national politico-economic elites become incorporated into economic development strategies at the urban and regional levels, particularly in the form of public–private partnerships aimed at revitalizing local economies through the creation of technological districts, the abatement of local taxes, the demolition of obsolete housing, the redesign of residential spaces, the megaprojects of downtown and waterfront regeneration, the construction of iconic buildings, the invention of luxury and mass-consumption spaces, and the adoption of surveillance devices guaranteeing the safety of inhabitants and city users (Asian, European, and North American case studies are available in Olds, 1995; Moulaert et al., 2005; Orueta and Fainstein, 2008).
Outside the Western world, powerful think tanks and supranational institutions have made a decisive contribution to the diffusion of the approach to urban policy that has been described above. At the global scale, a crucial role has been played by the World Bank and the Organization for Economic Cooperation and Development (OECD). The World Bank’s “corporate goals of reducing poverty, promoting market-based growth, building durable institutions, and protecting the environment” (World Bank, 2000, p. 40; see also World Bank, 1991) stem from a conventionally neoliberal understanding of economic development issues. From the standpoint of the Washington-based organization, cities are not to be considered as containers of social problems, let alone places where socio-spatial inequalities have to be addressed, but as ‘engines’ of economic growth, more precisely as centerpieces for processes of economic-relational networking reconnecting local economies to the global flows of capitals, commodities, information, and policy discourses (Theodore and Peck, 2012). In the emerging economies of the Global South, as a result, local elites are pressed with demands from international organizations for turning the major urban agglomerations into globalizing cities competing with their Western counterparts. Even in cities located in what was previously labeled as ‘Third World,’ the ‘urban question’ is no longer concentrated on housing issues and the allocation of adequate services for the local population, but on the optimization of local economic productivity. The currently common wisdom on development issues holds that even antipoverty initiatives – which used to have priority in the urban policy agenda until a recent past – have to be combined with strategies of economic growth.

The link between antipoverty and economic growth policies is justified not only along discursive lines (for instance, as a way to avoid parasitic social assistance), but also by reference to structural changes within urban development dynamics. In the cities and metropolitan areas in the Global South, economic growth processes and the regeneration of large urban areas have been accompanied by the proliferation of informal settlements, variously defined slums, favelas, bidonvilles, shantytowns, depending on the geographical–linguistic context. This ‘planet of slums’ (Davis, 2006) has taken shape also as an indirect consequence of selective and elitist strategies of urban development, concentrated on a limited set of ‘competitive’ urban spaces. In the discursive politics of neoliberalism, even slums and favelas are portrayed as ‘opportunities’ for economic development, waiting to exploit the potential of their entrepreneurial talents (Mukhija, 2003).

Reproducing Neoliberalism

A result of the dynamics that have been shortly described and analyzed in the previous section has been the global expansion and circulation of neoliberalism, which has adapted to the varying (geographically and historically) configurations of post-Fordist urban capitalism. Many authors have approached the urbanization of neoliberalism through the lens of the ‘new urban politics’ originally identified by Kevin Cox and other critical urban geographers (Cox, 1993; Cochrane, 2007). The characteristic, and the ambiguity, of
urban neoliberalism rests on its ambivalent relationship with the public sector and the state in particular. On the one hand, in line with the tenets of classic liberalism and its more recent formulations in the last quarter of the twentieth century, supporters of urban neoliberalism postulate the retreat of the state from the socioeconomic realm, advocating an involvement of private actors within the institutions of urban and regional governance; on the other hand, supporters of neoliberal policies do not hesitate to exert pressure on national governments when it comes to obtain financial support for megaprojects and international events capable of fostering the so-called ‘urban boosterism’ (Harvey, 1989).

Apart from internal contradictions as well as the relentless attempts to mediate between conflicting interests, the strength of urban neoliberalism rests on its capacity to incorporate all sorts of urban problems and issues (social, economic, and environmental) into the seductive domain of spatial competitiveness and economic growth, proposing policies flexibly adapting to a variety of geographical contexts. What can be defined the ‘politics of the mime’ – namely, the alternatively passive or creative imitation of successful models of urban growth – has expanded across the globe, albeit this process has occurred in varying forms and with contrasting outcomes (Rossi and Vanolo, 2012). As soon as the depressive effects of the geopolitical and monetary crises of the 1970s vanished and the Japanese challenge to the Western hegemony on technology and business management unraveled, ‘ideas from America’ became again predominant. As a result, since the 1980s strategies of urban economic development and restructuring in the United States have acquired a renewed leading role, offering success stories of innovation and entrepreneurship in a number of advanced sectors such as finance, business administration, information, and communication technologies. In an increasingly competitive and interconnected environment such as that of the globalizing capitalist economy, the rapidity and intensity of economic and spatial changes being observed in the North American context have forced those governing cities and regions in other contexts to accelerate the implementation of regeneration policies and broader projects of urban development. As Peck and Tickell (2002) have underlined, the length of time covering the manifestation of an urban issue, the selection of objectives and priorities, the mobilization of institutions and financial sources, the organization of projects and urban planning initiatives and, finally, their implementation has increasingly shortened, inducing local elites to rely on ready-made policy recipes (‘off-the-shelf solutions’ as the two authors put it), more easily implementable and less likely to be contested by the local population in comparison to strategies formulated at the local level.

For the reasons explained above, neoliberalism has succeeded in reproducing and ‘territorializing’ itself in apparently efficient and even creative ways, rapidly migrating from one place to another across the globe. In doing so, it has drawn on the contribution of a variety of powerful agents and intermediaries: technocratic elites, think tanks, global consultants, political networks, and development gurus (such as Richard Florida and Michael Porter, the theorists of the urban ‘creative class’ and the ‘competitive advantages’ of the inner city, respectively). The planetary circulation of presumably winning ideas and
policy solutions is conventionally labeled as ‘policy transfer’ within the mainstream political sciences, while it is alternatively understood in terms of ‘policy mobility’ by critical urbanists pointing to the effect of reinvention associated with the process of circulation (McCann, 2010; Peck, 2011). The phenomenon of policy mobility and transfer is related not only to strategies of growth-led development and governance (such as in the cases of the Special Economic Zones and the Business Improvement Districts policies), but also to issues and problems firmly anchored in local and institutional specificities, such as poverty, deviance, social marginality, and urban criminality (Wacquant, 1999). Using a metaphor drawn from evolutionary sociobiology, it can be observed what happens when an intrinsically complex system (such as the city or the world economy) reduces its own ‘political biodiversity’ (i.e., the variety of conceptual and operational tools normally used in order to identify policy issues and formulate appropriate strategies to tackle them), becoming more vulnerable and exposed to the risks associated with the reduction of viable options for action (the selection mechanisms in the evolutionary terminology). An illuminating example of the dangers associated with the reduction of complexity generated by the global expansion of neoliberal urbanism is that of the financial crisis that hit the world economy in 2008 and 2009. Owing to the role played by the housing finance sector in triggering an economic slowdown in the United States that has rapidly traveled toward other advanced capitalist economies, today’s cities appear to be crucial sites in which the limits and the contradictions of neoliberal capitalism and globalization can be observed and critically scrutinized.

The Global Recession: A Crisis of (Urban) Neoliberalism?

The intimate relationship linking capitalism, the housing sector, and processes of urban development has come to the fore in an extraordinarily visible fashion over the last three decades or so. First, the so-called ‘financialization’ of the global economy (the steady increase in financial transactions at a world scale and their autonomization from the ‘real’ economy) has played a key role in the ascent of established or emerging global cities, such as London and New York in the West, and Shanghai, Hong Kong, Singapore, Mumbai and Dubai in Asia; in addition, before the crisis, the housing boom had been the engine of economic growth after the end of the short period of contraction that followed the bursting of the New Economy bubble (the economy based on ‘dotcoms’ firms which expanded between 1995 and 1999). The noticeable but also virtual profits linked to the financialization of the economy, alongside the vertiginous rise of property values, have generated – during the relatively short golden age of post-cold war neoliberalism, the two decades between the mid-1980s and the first half of the 2000s – widespread illusions and expectations of unlimited wealth accumulation until the 2008–09 financial crisis. The financialization of the economy, which has been brought about by neoliberal globalization and the dismissal of Keynesian economic policies, has sparked a trajectory that has eventually led to the economic slump of 2008–09 and the subsequent recession. The process of financialization has produced an
unprecedented availability of capitals, which have been partly reinvested in the mortgage market, resulting in the growing expansion of the real estate sector. In the early 2000s, the United States, and particularly the southern and western states (the so-called ‘Sun Belt’ which had been at the forefront of the post-Fordist transition), such as California, Texas, Florida, witnessed a steady rise in housing prices, as a consequence of the expansion of homeownership due to the illusory increase in mortgage opportunities. Related phenomena of rising demand in the housing market have been observed in those European countries that have laid out permissive regulatory frameworks on financial services and consumer credit, such as Spain, Ireland, United Kingdom, and Iceland. These countries, along with the American states that were in the forefront of the housing bubble, have been those that most have suffered the consequences of the ‘credit crunch’ that hit the world economy in 2007–2008. A variety of social groups have been affected by the economic downturn, especially those that had the illusion of attaining a higher standard of life thanks to easier access to homeownership and to a number of goods (not always strictly necessary) purchased through consumer credit.

The push for homeownership has been actively encouraged by the deregulation of mortgage markets in the United States and in many European countries as well. Since the early 1990s, the acceptance policies of banks have become increasingly lenient, and credit limits (i.e., the maximum amount that can be borrowed through a mortgage) have expanded (Aalbers, 2008). The illusion of a relentlessly expanding homeownership is, therefore, at the origin of the subprime mortgage crisis in the United States. Subprime mortgages are riskier loans, in many cases, refinances, offered at higher (predatory) interest rates to economically vulnerable and potentially insolvent clients: low-income individuals belonging to ethnic minorities and other disadvantaged groups, frequently employed on a casual basis and with a background of credit default (Wyly et al., 2007). High-risk ‘predatory’ loans were introduced in the 1990s, preparing the ground for the housing bubble of the subsequent decade. In 2006, the apparently unlimited expansion of the mortgage market started slowing down, giving rise to a set of interrelated negative phenomena, eventually leading to a downward spiral: growing insolvencies by mortgage borrowers, foreclosure proceedings, increase in housing abandonment at the neighborhood level, crisis, and in some cases bankruptcy of credit institutions, fall of housing prices and depreciation of property values. In September 2008, the bankruptcy of Lehman Brothers, one of the largest and oldest financial firms in the United States, triggered by the subprime mortgage crisis, created a banking panic which was followed by the global economic recession.

The economies of cities and metropolitan regions that in previous years had taken the lead in the process of globalization and neoliberalization have been seriously affected by the credit crunch, the crisis of the housing market and of the wider economy: from established global cities (New York, Los Angeles, London) to globalizing cities (Dubai, Shanghai, Singapore) where spectacular megaprojects were underway when the crisis began, to the new centers of urban Europe such as Dublin, Barcelona, Manchester, and even the quiet
Reykjavik have faced a deep depression of the economy, with the closure of several firms and commercial activities, the generation of new reserves of unemployed and working poor, while a number of urban megaprojects have been suspended. In the United States, which has been the epicenter of the global economic shock – after having been at the core of the organizational and technological ‘revolution’ of post-Fordism and of the process of financialization – it is not only the private sector that has suffered the consequences of the downturn. With increasingly passive local budgets owing to the risky investment operations undertaken in the years of the financial boom and as a result of austerity measures being adopted at the national level, the administrators of several cities in the United States and across the advanced capitalist world have been forced to drastically reduce the supply of important services (transportation, health care, cultural events) so as to manage to repay the debts and to meet fiscal consolidation targets.

Whereas orthodox economists are blamed for not having predicted the economic and financial crisis, but also for having actively contributed to foster the belief of self-regulating markets, the expansion and the subsequent cataclysm of urban capitalism in the neoliberal era were prophesied by David Harvey and those sociologists and geographers who, drawing on his pioneering studies, have analyzed in detail and at the same time have denounced the destructive link between finance, capitalism, and urban development (Aalbers, 2012). More generally, the present global recession is commonly perceived as the ‘crisis of neoliberalism,’ namely as the outcome of the contradictions inherent in the neoliberal strategy of capitalist development and related macroeconomic policies (see, for instance, Duménil and Lévy, 2011; Overbeek and van Apeldoorn, 2012), even though critical commentators lament the fact that powerful economic actors have managed to retain and even increase their influence and wealth thanks to state bailouts and the unchallenged dominance of free market ideas among mainstream policy makers and politicians (Crouch, 2011). The coming years will show, therefore, whether this structural crisis will stimulate a shift in the dominant paradigm of economic political regulation or it will just reassert the power of neoliberalism on novel material and discursive bases.

Bibliography


