

**VARIETIES OF URBAN CAPITALISM: A MULTISCALAR  
ANALYSIS OF NEOLIBERAL RESTRUCTURING *IN* AND  
*THROUGH* NEW YORK CITY, JOHANNESBURG AND  
STOCKHOLM**

Aleksandra Piletić



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ISBN 978-90-6490-119-5



# **Varieties of Urban Capitalism: a Multiscalar Analysis of Neoliberal Restructuring *in* and *Through* New York City, Johannesburg and Stockholm**

## **Varianten van stedelijk kapitalisme: een multi- scalaire analyse van neoliberale herstructurering *in* en *door* New York, Johannesburg en Stockholm**

Thesis

to obtain the degree of Doctor from the  
Erasmus University Rotterdam  
by command of the  
Rector Magnificus

Prof.dr. R.C.M.E. Engels

and in accordance with the decision of the Doctorate Board

The public defence shall be held on  
17 September 2020 at 17.00 hrs

by

Aleksandra Piletić  
born in Antwerp, Belgium

**International  
Institute of  
Social Studies**



**Erasmus University Rotterdam**



## **Doctoral Committee**

### **Doctoral dissertation supervisor**

Prof. W. Hout

### **Other members**

Prof. R. Boyer, L'École des Hautes Études en Sciences Sociales

Prof. M. Ryner, King's College London

Dr A. Jenss, Arnold Bergstraesser Institute

### **Co-supervisor**

Dr M.K.A. Kniou



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## Acknowledgements

I would like to thank my supervisors for their continuous support during the course of this PhD. I am grateful to Karim Knio for providing close supervision and guidance throughout my PhD journey. It was his *Contemporary Capitalism and Governance* course many years ago that inspired this research and allowed me to gain an in-depth understanding of neoliberalism and existing scholarship on neoliberalism. Without his consistent input, this would have been a much poorer work. I would also like to thank Wil Hout for his advice and valuable contributions at different stages of the write-up process.

This thesis has also significantly benefited from the input of Robert Boyer and Willem Schinkel who served as examiners at my Dissertation Design Seminar. Their questions and comments have pushed me to sharpen my argument and my direction of thinking throughout the write-up process. I am also grateful to friends and colleagues who I have received valuable feedback from throughout the years, as well as attendees and organizers of the CPERN stream of the ESA conference held in Manchester last year and those of the 2018 IIPPE conference in Pula. I have greatly benefited from discussions at both of these conferences. I would also like to thank archivists at the New York City Municipal Archives, the Manuscripts and Archives Division of the New York Public Library, as well as the Robert F. Wagner Labor Archives at NYU for their patience and extensive assistance throughout the research process.

I am thankful to my family and friends for the innumerable ways in which they inspired me and pushed this project to come to fruition. In particular, I would like to thank my maternal grandparents for the different ways in which they shaped my personal and professional development. My grandfather Žika, a Yugoslav politician committed to socialism, passed away when I was only five, but still managed to instill in me a strong curiosity in politics, as well as a desire to explain complex social phenomena. My grandmother, Dobrila – who passed away during the course of my PhD – was my greatest source of emotional support and strength. She encouraged me to persevere in the toughest of times and I will forever treasure the time I spent with her during the last few years of her life. This thesis is dedicated to her.

I owe immense gratitude to my partner Ivan for his unwavering support throughout the drafting of this thesis. His love and encouragement have brought out the best in me, both as a researcher and as a person, and I thank him endlessly for this. I consider myself privileged for having such a brilliant and intellectually generous person by my side throughout this time.

Last but certainly not least, I am grateful to our dog, Iniesta, whose love and friendship have enriched my life beyond anything I would have imagined.



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## Abbreviations

AFL-CIO – American Federation of Labor–Congress of Industrial Organizations  
AFSCME – American Federation of State, County and Municipal Employees  
AMS – Labor market board  
ANC – African National Congress  
BIT – Bilateral Investment Treaty  
BLA – Black local authority  
CBD – Central business district  
CED – Committee for economic development  
COSATU – Congress of South African Trade Unions  
CME – Coordinated market economy  
DC37 – District Council 37  
FR – French Régulation  
GEAR – Growth, employment and redistribution strategy  
ICH – Institutional complementarity hypothesis  
ICT – Information and communication technologies  
IF – Institutional form  
IPE – International political economy  
LME – Liberal market economy  
LO – Confederation of Swedish trade unions  
MA – Morphogenetic approach  
MAC – Municipal Assistance Council  
MEC – Mineral-energy complex  
MNC – Multinational corporation  
MIIF – Municipal Infrastructure Investment Framework  
MIIU – Municipal Infrastructure Investment Unit  
MoR – Mode of regulation  
NAFTA – North American Free Trade Agreement  
NLRB – National labor relations board  
NSMS – National security management system  
NWLB – National war labor board  
NYCHA – New York City Housing Authority  
OECD – Organization for Economic Co-operation and Development  
REIT – Real estate investment trust  
RoA – Regime of accumulation  
RDP – Reconstruction and development program  
RTW – Right to work  
SAF – Swedish employers’ federation  
SAP – Social democratic labor party  
TCCF – Temporary commission on city finances  
UDAG – Urban Development Action Grant  
UDF – United Democratic Front  
UF – Urban foundation  
VoC – Varieties of Capitalism  
WLA – White local authority



## Abstract

The overarching dilemma of this dissertation is one that permeates most discussions on capitalist diversity: is it possible to account for both contextual specificity *and* the interrelation and interconnectedness of different capitalist contexts? And if so, how? Neoliberal restructuring has shown a particularly high degree of complexity, and its systemic and contingent institutional features have been difficult to discern. This is especially evident in cities, which have emerged as key anchors for neoliberalism both within their respective national contexts and in a broader global context. This research project therefore seeks to develop an understanding of these systemic and contingent impulsions within neoliberalism, as well as to ascertain how cities figure in this regard.

With this problematique in mind, I develop an analysis at the intersection between French Régulation and the Morphogenetic Approach, building on ontological and theoretical complementarities highlighted in Knio (2020). In particular, I draw on the French Régulation (FR) approach and its conceptualization of capitalist diversity through the lens of different ‘regimes of accumulation’ and ‘modes of regulation.’ I focus on FR contributions that posit the existence of institutional hierarchies and complementarities across diverse institutional contexts (Boyer 2002a; Amable 2000), allowing us to study systemic institutional traits. In order to capture neoliberal restructuring as a dynamic process, I embed this analysis within a temporalization powered by the Morphogenetic Approach (MA) which traces the interplay between structure and agency through the three moments of conditioning, interaction and elaboration. By identifying the institutional features of Fordism that preceded the emergence of neoliberalism in different contexts, the varied motivations of context-specific agents, as well as the different crises that precipitated neoliberal restructuring, it also becomes possible to pinpoint contingencies.

In order to tackle the question of the relationship between neoliberalism and cities, I adopt a scalar understanding of cities, thereby moving away from the ‘methodological city-ism’ that characterizes most research on neoliberalism and cities (Brenner 2019). Rather, I adopt a scalar analysis that departs from institutional forms and only subsequently seeks to identify the role of cities within these broader institutional configurations. In this sense, I draw on theorizations advanced by Peck and Tickell (1995) and Tickell and Peck (1992; 1995) who propose a multiscalar understanding of institutional forms, allowing us to conceptualize how regimes of accumulation play out across different scales. In sum, I deploy an analytical framework that centers around two (overlapping and inherently intertwined) hierarchies – a scalar and an institutional hierarchy – to chart the positioning of cities within broader processes of neoliberal restructuring.

My empirical analysis focuses on three different cities – New York, Johannesburg and Stockholm – which have been selected because they exhibit considerable divergences amongst each other and are embedded within very different capitalist economies on the national scale (with correspondingly divergent forms of insertion into the global economy). Even though all three cases display different institutional features, I show that all of them have experienced institutional patterning through the rise of the financial monetary regime and its complementary relation with internationalization of competition, that is, through the institutionalization of finance into the urban structure. At the same time, I argue that contingencies arise due to the particular way in which cities are positioned within these two overlapping hierarchies, which I investigate in-depth.



## Samenvatting

Het overkoepelende dilemma van dit proefschrift komt naar voren in de meeste discussies over de diversiteit van het kapitalisme: is het mogelijk om zowel de specifieke kenmerken als de onderlinge verbondenheid en verwevenheid van verschillende kapitalistische contexten te verklaren? En zo ja, hoe zou dat gedaan kunnen worden? Neoliberale herstructurering vertoont een zeer hoge mate van complexiteit en de systemische en context-afhankelijke institutionele kenmerken ervan zijn moeilijk te onderscheiden. Dit komt vooral tot uitdrukking in steden, die zijn uitgegroeid tot belangrijke ankers voor neoliberalisme, zowel binnen hun respectievelijke nationale context als in een bredere mondiale context. Daarom is dit onderzoeksproject bedoeld om inzicht te krijgen in deze systemische en context-afhankelijke impulsen binnen het neoliberalisme, en na te gaan hoe steden in dit opzicht functioneren.

Deze problematiek wordt in dit onderzoek onderzocht met de Franse Régulation-benadering en de morfogenetische benadering, voortbouwend op de ontologische en theoretische complementariteit die in Knio (2020) wordt benadrukt. De Franse Régulation-benadering (FR-benadering) dient om de diversiteit van het kapitalisme te bezien vanuit het perspectief van verschillende 'accumulatieregimes' en 'reguleringswijzen'. De focus ligt daarbij op FR-bijdragen waarin het bestaan van institutionele hiërarchieën en complementariteiten in uiteenlopende institutionele contexten wordt verondersteld (Boyer 2002a; Amable 2000). Hierdoor is het mogelijk om systemische institutionele kenmerken te bestuderen. Om neoliberale herstructurering als een dynamisch proces te bestuderen, wordt dit onderzoek ingebed in een temporalisering vanuit de morfogenetische benadering (MA), waarin het samenspel tussen structuur en agency wordt gevolgd tijdens de drie momenten van conditionering, interactie en uitwerking. Door de institutionele kenmerken van het Fordisme die voorafgingen aan het ontstaan van het neoliberalisme in de verschillende contexten aan te wijzen, alsmede de uiteenlopende motivaties van context-specifieke actoren en de verschillende crises die neoliberale herstructurering in gang hebben gezet, ontstaat er ook grip op context-afhankelijke factoren.

Het vraagstuk van de relatie tussen neoliberalisme en steden wordt benaderd vanuit een scalaire opvatting van steden, die afwijkt van het 'methodologische stad-isme' dat kenmerkend is voor het meeste onderzoek naar neoliberalisme en steden (Brenner 2019). In de scalaire analyse in dit onderzoek wordt uitgegaan van institutionele vormen en pas daarna wordt de rol van steden binnen deze bredere institutionele configuraties in kaart gebracht. Deze analyse is gebaseerd op theorieën van Peck en Tickell (1995) en Tickell en Peck (1992; 1995), die een multi-scalaire opvatting van institutionele vormen voorstellen. Hierdoor kan worden geconceptualiseerd hoe accumulatieregimes uitpakken op verschillende niveaus. Kortom, het analytisch kader omvat twee (overlappende en inherent met elkaar verweven) hiërarchieën - een scalaire en een institutionele hiërarchie - om de positionering van steden binnen bredere processen van neoliberale herstructurering in kaart te brengen.

Het empirisch onderzoek heeft betrekking op drie verschillende steden: New York, Johannesburg en Stockholm. Deze zijn geselecteerd omdat ze onderling sterk verschillen en ingebed zijn in zeer verschillende kapitalistische economieën op nationale schaal (met navenant verschillende vormen van inbedding in de wereldeconomie). Hoewel de drie casussen verschillende institutionele kenmerken hebben, blijkt uit dit onderzoek dat er in alle drie sprake is van institutionele modellering door de opkomst van het financiële monetaire regime en de complementaire relatie daarvan met de internationalisering van de concurrentie, namelijk door de institutionalisering van financiën in de stedelijke structuur. Tegelijkertijd ontstaan er



context-afhankelijke factoren door de bijzondere manier waarop steden zijn gepositioneerd binnen deze twee overlappende hiërarchieën. Deze zijn uitgebreid onderzocht in deze studie.



“Local uniqueness matters. Capitalist society, it is well-recognized, develops unevenly. The implications are twofold. It is necessary to unearth the common processes, the dynamic of capitalist society, beneath the unevenness, but it is also necessary to recognize, analyze and understand the complexity of the unevenness itself. Spatial differentiation, geographical variety, is not just an outcome: it is integral to the reproduction of society and its dominant social relations. The challenge is to hold the two sides together; to understand the general underlying causes while at the same time recognizing and appreciating the importance of the specific and the unique.”

Doreen Massey (1995: 289)

*“Connection, as well as differentiation, are what it is all about.”*

Doreen Massey (1995: 303)



## Chapter I. Introduction

Powered by a broad ideology advocating free markets, liberalization, deregulation and privatization, neoliberal reforms and policies have been articulated over the past four decades as a preferred solution for diverse socioeconomic problems. Although both the discursive and material components of this restructuring have varied considerably, neoliberalism has enveloped the entire globe, exacerbating existing socio-economic inequalities, generating new ones, and entrenching the dominance of a new finance-oriented class. Whether through internationally-mandated structural adjustment programs or home-grown austerity programs (or any number of policies in between), neoliberalisms have permeated North American and Western European contexts just as much as those in different parts of Asia and Africa. Neoliberalism is therefore omnipresent, and has infiltrated diverse contexts in a variety of different ways.

Within the scope of these diverse forms of neoliberal restructuring, cities have increasingly grown in importance in relation to the national scale. Scholars like Brenner and Theodore (2002: 367) have argued that neoliberalism has been occurring in cities “with particular intensity” in relation to other spaces and scales as they have been the subject of major budget cuts, austerity programs, privatization schemes, as well as a range of place-marketing, property redevelopment and urban renewal programs which have had a substantial impact on urban populations around the world. As the role of the nation-state has changed in the post-Fordist period, cities have adopted a new set of responsibilities and functions and are sites where “state policies and practices are particularly sensitive to democratic pressure and local agendas” (Leitner et al. 2007: 2). Therefore, it is at the urban scale that one can most clearly identify attempts to manage the contradictions and tensions caused by neoliberal restructuring in the hope of consolidating the neoliberal turn (Jessop 2002b: 452). Neoliberalism and cities have therefore arguably emerged as the complementary duo in the 21<sup>st</sup> century political economy.

However, when we speak of the features of neoliberal cities, we oftentimes refer to diverse phenomena. Very different institutional or spatial traits may come to mind depending on the context: in New York City, this might be real estate speculation and unaffordable housing, in Johannesburg it could be the opulence of Sandton, the city’s northern business and commercial district, while in Stockholm it might be the progressive privatization of public services such as municipal housing or healthcare. Certain neoliberal features of cities may be more pronounced than others, and therefore some cities may be perceived as more or less neoliberal than others (or even not neoliberal at all). These differences have led some to relativize processes of neoliberalization in cities, while others have argued that the ‘neoliberal city’ does not exist. And yet, claiming that neoliberalism does not exist because of observable differences between neoliberal contexts is highly problematic. It fails to acknowledge the institutional patterns and convergences that have emerged across cities *despite* the persistence of these differences. Ultimately, it prevents us from being able to formulate strategies of resistance that transcend the specificity of each context, limiting our understanding of the key institutional patterns that pervade different contexts. The key question then is – how do we analytically disentangle the similarities from the divergences? How do we theoretically conceptualize patterns of neoliberal restructuring across cities as different as Johannesburg, New York and Stockholm?

The question that this thesis departs from fits into a broader research agenda that has sought to conceptualize the production of capitalist diversity across geographies and the specific role that cities play in this regard. Within this broad program, the concern has been with how we can conceptualize the uneven way in which relations of capitalist societies play out across different



sites (e.g. cities). And yet, neoliberalism possesses its own systemic tendencies and impulses; as such, the dynamic relationship between neoliberalism and cities should be treated as unique and must be theorized in its own right. It is therefore the aim of this thesis to shed light on this relationship on a theoretical level, developing an understanding both of neoliberal restructuring *in* cities as well as *through* cities. That is, while I focus on three cities and the specific transformations they have undergone throughout the neoliberal era, I argue that we can also make broader claims about the neoliberal restructuring of the multiscale contexts that these urban sites are embedded in. Urban changes cannot be understood without broader reference to their changing position relative to the nation-state as well as the ways in which they relate to the global economy. Furthermore, cities are an appropriate lens through which broader claims can be made about the systemic and contingent aspects of neoliberal restructuring as a whole. Thus, rather than adopting an urban studies perspective (which tends to take cities as their methodological starting point), I depart from a critical international political economy (IPE) perspective and existing research on neoliberalism. The two following questions guide my research:

*In what way can we understand the systemic and the contingent nature of neoliberal processes across time and space? How can we explain the crucial role of cities in articulating these processes?*

In order to formulate a response to this research problem, my analysis proceeds on three different levels:

- a) An empirical analysis of the neoliberal restructuring undergone by three cities – New York, Johannesburg and Stockholm – and the ways in which these three cases exhibit similarities as well as differences between each other;
- b) A broader understanding of the way in which these urban transformations are interlinked with and mediated by neoliberal restructuring occurring at higher scales (i.e. national, international);
- c) A theoretical conceptualization of how we can more broadly conceptualize both the systemic features of neoliberalism as well as the contingencies that reproduce divergences across geographical contexts.

This thesis proceeds in nine parts. In the following chapter, I provide an overview of the literature that has grappled with different facets of this problematique and I address how I build on this literature. Chapter III then outlines my theoretical and conceptual approach, which is followed by chapter IV in which I elaborate on the methodology and methods employed to flesh out my research. The three subsequent chapters – V, VI and VII – contain my empirical analysis. These chapters respectively trace processes of neoliberal restructuring of New York City, Johannesburg and Stockholm, as well as the broader multiscale institutional contexts within which they are embedded. Chapter VIII provides a brief cross-case analysis which compares the three urban contexts and offers broader remarks about their systemic and contingent features. The final chapter offers a conclusion pertaining to the theoretical and conceptual tools employed in this study, and offers suggestions on potential avenues for further research on this topic.



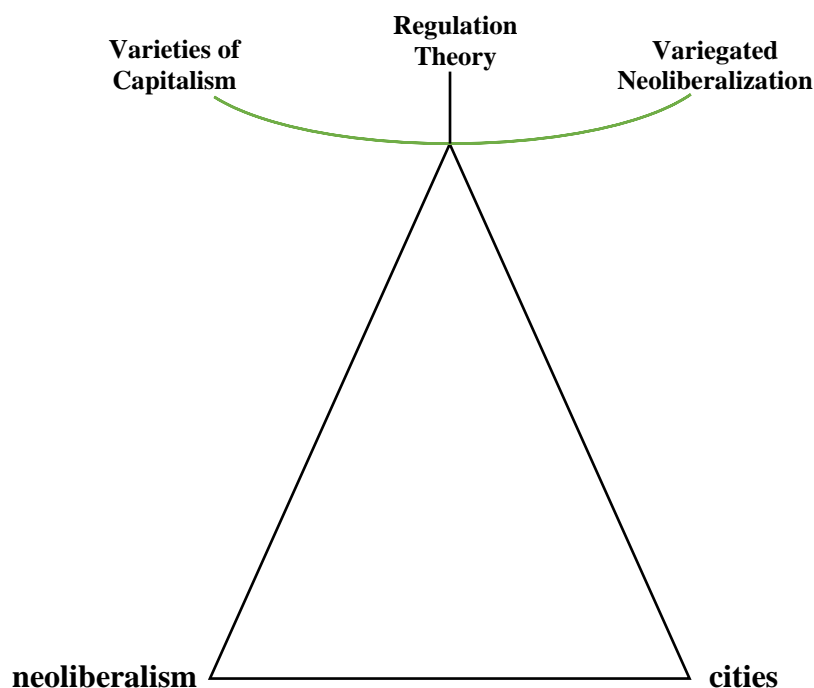
## Chapter II. Literature Review

Throughout the past several decades, a vast number of literatures have grappled with the question of why and how contemporary capitalism(s) differ across geographies. Two distinct strands of research can be identified that deal directly with this *problematique*, albeit from different perspectives. On the one hand, a variety of contributions have engaged with the question of why capitalisms differ, and have proposed a range of modalities through which capitalist diversity can be understood – both theoretically and empirically. Most recently, this work has been focused on theorizing the *systemic* nature of neoliberalism as it is articulated in various parts of the globe. A range of Marxian, neo-Gramscian, constructivist and post-structuralist analyses have emerged from this body of research, proposing different understandings of the nature of neoliberalism and how it can be studied. For the most part, however, this literature has either remained silent as to the role of space and scale with respect to the production of neoliberal diversity, or it has adopted an implicit treatment of space and scale, frequently resorting to employing the nation-state as a ‘default’ unit of analysis.

On the other hand, yet another vast body of literature has focused more closely on questions of space and scale and the way in which neoliberal restructuring has played out across geographies. Cities have emerged as a favored spatial unit for analytically engaging with neoliberal dynamics, and it is through this spatial lens that we have come to understand different facets of ‘actually existing’ neoliberalism (e.g. financialization of housing, deindustrialization, urban social movements, urban entrepreneurialism, etc.). Research within this category has contributed to developing a broad conceptual and theoretical lexicon, generating a mosaic of understandings of the pathways neoliberal restructuring has taken in cities. Much of this literature, however, has remained *context-specific* and has made limited claims as to the overarching or *systemic* nature of neoliberalism across geographies.

In this literature review (Image 1), I therefore begin by focusing on the main theoretical currents in the study of neoliberalism. In the second section, I explore some of the main contributions to the study of cities and the transformations they have undergone over the past 40 years. In the third and final section, I take a closer look at the three main approaches in political economy that have – to a greater or lesser extent – addressed both *systemic* and *contingent* aspects of capitalist variety across geographies: the Varieties of Capitalism approach, Variegated Neoliberalization and the French Regulation approach. In this context, I point to the ways in which the French Regulation understanding of *institutional complementarity* provides a particularly useful avenue for studying the important relationship between neoliberalism(s) and cities. This then allows me to briefly introduce the *problematique* of scale as a further specification of my research questions and a lens through which I move forward in my analysis.





**Figure 1.1.** Visual representation of the plan of the chapter

## **Part I. Literature on neoliberalism and contemporary capitalist transformations**

Over the years, neoliberalism has become an omnipresent buzzword, used by critical political economists and political scientists for explaining a wide variety of transformations taking place throughout the global economy. As some authors point out, this led neoliberalism to become “a chaotic conception rather than a rationally defined abstraction” causing “deep disagreements and confusion” (Brenner, Peck & Theodore 2010: 183-4). Concerned about “how pervasive neoliberalism has become in academic writing” and “the monolithic appearance of neoliberalism owing to its characterization as expansive, dynamic and self-reproducing” (Springer 2012: 135), much contemporary academic research on neoliberalism has focused on the many problems of doing research on this subject. So, while certain authors have deemed neoliberalism as a “necessary illusion” (Castree 2006), others have gone so far as to argue that there is no such thing (Barnett 2005). In order to put these debates in context and understand the origin of the divergences in the study of neoliberalism, I will focus on some of the ontological assumptions made by different authors and how these have shaped divergent understandings of this complex concept.

Early debates in the critical political economy literature were situated at two opposing poles of the ontological spectrum – neoliberalism was understood either in an inherently ideational way, through a broad post-structuralist lens, or as an overarching structure concerned with restoring class power – that is, within the scope of a more structuralist research program. Subsequent contributions have overcome this dualistic divide, successfully occupying the vast ontological space in between. This has come to include a wide range of literatures acknowledging the significance of both material and ideational factors (as well as structure and agency) in forming a comprehensive understanding of neoliberalism. In the first section I highlight key contributions of post-structuralist scholars in developing an understanding that is inherently ideational in nature. The second section looks into Marxist literatures and other structuralist



approaches, while the third section explores literatures that transcend this divide by taking seriously both material *and* ideational factors in theorizing neoliberal restructuring.

### *1.1. Post-structuralist theorizations of neoliberalism*

Post-structuralist approaches have developed a range of different understandings of neoliberalism – from ones portraying neoliberalism as a type of governmentality or logic of governing to those viewing neoliberalism as a global assemblage. All in all, this type of literature seeks to understand neoliberalism in terms of its ideational components, while giving material factors such as the mode of production, the economic structure or other material resources very little to no attention at all. Two different ideationally-driven understandings of neoliberalism stand out – a) the literature on governmentality and b) literature on global assemblages<sup>1</sup>.

As one of the most influential post-structuralist understandings of neoliberalism (Larner 2000: 12), governmentality refers to a logic of governing that is mutable and processual in nature, and unfolds in social relations and the realities constructed between people (Springer 2012: 137). As Foucault himself points out, governmentality is:

“at once internal and external to the state, since it is the tactics of government which make possible the continual definition and redefinition of what is within the competence of the state and what is not, the public versus the private, and so on; thus the state can only be understood in its survival and its limits on the basis of the general tactics of governmentality” (1991: 103).

Therefore, by making a distinction between “government and governance,” one of the most important contributions of post-structuralist understandings of neoliberalism is that while it does propagate less government, it does not entail less governance as well (Larner 2000: 12). As a result, this logic of governing should be understood as “a continuum, which extends from political government right through to forms of self-regulation, namely ‘technologies of the self’” (Lemke 2001: 201). By de-centering the government, citizens transform into selves that are “auto-regulated or auto-correcting” and that take the initiative to implement neoliberal policies of their own volition (Springer 2012: 137). By shifting neoliberal governance away from centralized structures, there is also a corresponding shift of responsibility away from the state and onto the individual, making neoliberalized subjects responsible for using cost-benefit and rational choice calculations to navigate self-care, social risks, and ensure their own social well-being (Lemke 2001: 201; Hamann 2009).

A vast body of literature on governmentality has emerged over the years. Two particular research avenues have remained at the forefront – the first emphasizing the impact of governmentality on the decentralized neoliberal state and the second, on the reconceptualized role of the individual. Research on the neoliberal state has ranged from developing an understanding of the construction of new modes of ‘state spatiality’ (Ferguson & Gupta 2002) to the ways in which the neoliberal state has usurped the role of the welfare state (Rose 1993). The literature focusing on the (re)constructions of the individual in relation to the state has developed a rich conceptualization of ‘technologies of the self’ and their development in a neoliberal framework (Lemke 2001: 202). One such investigation was conducted by Cruikshank (1996) on the rise of ‘self-esteem’ and ‘empowerment’ discourse in the United

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<sup>1</sup> Other ideational conceptualizations posit neoliberalism as an ideology or a set of competing ideas (e.g. Turner 2008, Mirowski 2013 & Slobodian 2018), but these accounts tend to focus (to a greater or lesser extent) on providing a historical overview of the emergence of neoliberal ideas, rather than on theory-building. I therefore focus only on these two ideationally-driven understandings of neoliberalism.



States. Cruikshank claims that this type of discourse has become an integral part of the reconfiguration of the individual and their responsibilities in relation to the state; by using lack of self-esteem to explain problems such as alcoholism, unemployment and mental illness, issues that were previously considered social ills have now fallen under the exclusive purview of the individual (ibid.). ‘Empowerment’ discourse has therefore been used to generate an artificial sense that the individual could easily resolve structurally-generated problems of their own accord – a premise that neatly fits into the neoliberal paradigm.

Another increasingly influential body of post-structural research has come to portray neoliberalism through the lens of global assemblages (Collier and Ong 2005). Global assemblages are understood as the local sites where global and neoliberal technological, economic and political intervention is articulated (ibid.; Collier 2006). In other words, the global assemblage is seen as an alternative category to the ‘local/global’ dichotomy which, as Collier points out, “serve to cast the global as abstraction, and the local in terms of specificity” (Collier 2006: 400). At the same time, however, an assemblage is not fixed – rather, it is shaped and (re)shaped through “critical reflection, debate and contest” (ibid.). In this sense, neoliberalism is understood as a mutable form of knowledge which is situated everywhere even though it has a “distinctive capacity for decontextualization and recontextualization, abstractability and movement, across diverse social and cultural situations” (ibid.). Research in this field has therefore ranged from an exploration of the implications of changing iterations of citizenship within neoliberalized assemblages (Ong 2006) to possibilities for ‘translocal’ resistance as a result of the changing structure of social movements within neoliberalized global assemblages (McFarlane 2009).

## *1.2. Structuralist theorizations of neoliberalism*

Theorizations departing from a structuralist standpoint, such as orthodox Marxism, tend to view neoliberalism as a stage of capitalism which involves a completely new set of ‘rules’. These new rules include:

“a new discipline of labour and management to the benefit of lenders and shareholders; the diminished intervention of the state concerning development and welfare; the dramatic growth of financial institutions; the implementation of new relationships between the financial and non-financial sectors, to the benefit of the former; a new legal stand in favour of mergers and acquisitions; the strengthening of central banks and the targeting of their activity toward price stability, and the new determination to drain the resources of the periphery toward the centre” (Duménil & Lévy 2005: 10).

Marxist approaches view neoliberalism as a static, monolithic and top-down structure imposing a set of rules, institutions and norms on unwitting agents, resulting in exploitation, oppression and conflict (Lapavistas 2005: 39). In this sense, neoliberalism is a project powered by the interests of the dominant or ruling class, and shaped by an ideology which emerged as an ideological response to the crisis experienced by the Keynesian welfare state (Clarke 2005: 58). Much of the Marxist scholarship also portrays neoliberalism through the lens of American imperialism and the liberalization of finance (Panitch & Gindin 2004; 2014).

Another strand of inherently structuralist scholarship that broadly portrays neoliberalism as a stage of capitalism is world-systems analysis. It should be noted, however, that this research paradigm is so expansive that few world-system theorists actually agree on the compatibility of their respective research programs (Arrighi 2005: 33). This has led to a complex web of formulations on the nature of the world-system, the historical processes shaping it, as well as the cause of inequalities between countries and regions within it (Robinson 2011: 5). What



most strands of world-systems analysis have in common, however, is a dismissal of the uniqueness of the ‘neoliberal stage of capitalism’ with respect to prior stages that we have seen throughout history. Arrighi and Silver, for instance, argue that “the global financial expansion of the last 25 years or so is neither a new stage of world capitalism nor the harbinger of a ‘coming hegemony of global markets’. Rather it is the clearest sign that we are in the midst of a hegemonic transition” (2001: 274). Similarly, Wallerstein points out that “[t]he processes that are usually meant when we speak of globalization are not in fact new at all. They have existed for some 500 years” (2000: 250). Prioritizing *longue durée* flows throughout history, world-systems analysis therefore has limited power in accounting for the nature and specificities of neoliberalism in its own right. However, more recent interventions have leaned toward accounting both for material and ideational factors, transcending some of the limitations of the structuralist and post-structuralist contributions of the past.

### 1.3. *Non-dualistic theorizations of neoliberalism*

Although early debates on neoliberalism mostly belonged to one ontological pole of the spectrum or the other, subsequent research has come to occupy diverse positions in between. A range of constructivist approaches have emerged as a result. As Abdelal, Blyth and Parsons point out, however, “[t]hough one of constructivism’s challenges is terminological confusion, there is also real, substantive diversity among constructivists” (2010: 5). Thus, while one strand of constructivism may argue that ideas possess causal qualities in their own right, other – more material – varieties emphasize the importance of material contexts in circumscribing and delimiting the impact of ideas “just as ideas mediate and condition their material context” (Macartney 2011: 24). Although constructivist authors do share the acknowledgement that socially constructed ideas, identities and interests play a primary role in forming a neoliberal world, there is nevertheless a range of distinct arguments and mixed positions about the way in which they do so (ibid.).

One of the first scholars to introduce the importance of discourse into the study of neoliberal change is Vivien Schmidt. Schmidt argues that discourse matters, is intrinsic to securing consent and is ultimately responsible for generating change. In her 2002 article, Schmidt argues that rising neoliberal discourses – i.e. “whatever policy actors say to one another and to the public more generally in their efforts to construct and legitimate their policy programs” – were responsible for welfare state adjustment following the mid-1970s crisis of Keynesianism (2002: 169). Neoliberal institutions are therefore crystalized in different contexts based on the discourses that are used, appealing to the prevalent values, justifications and moral support (ibid.: 171). Overall, she therefore asserts that countries have mediated the economic pressures they experienced since the 1970s “not only because of their greater or lesser economic vulnerabilities, their greater or lesser institutional capacities, and their better or worse policy responses but also because of their more or less convincing legitimating discourses” (ibid.: 190). Schmidt and Thatcher also stress the power of neoliberal ideas in their discussion of the resilience of neoliberalism over time. They claim that this resilience should be ascribed to the fact that “neoliberal ideas have generally been more successful in policy debates and political discourse, winning in the ‘battle of ideas’ against weaker alternatives” (Schmidt & Thatcher 2014: 342).

Subsequent research on neoliberalism from the constructivist institutionalist camp has followed this ideational line of research: what is it that makes neoliberalism persist as a dominant discourse over time and in a range of different contexts? Colin Hay maps a genealogy of neoliberalism as a ‘shared mental model,’ tracing its ideational shift from a *normative* to a



*normalized* neoliberalism and the role played by rationalist assumptions (2004; 2007). Here, neoliberalism is understood as a policy and economic paradigm that emerged as a result of its success in narrating the “widely perceived crisis of the state” in the late 1970s (2004: 507). Mark Blyth further explores the tendency of specific neoliberal ideas to emerge at different times. In his monograph, *Austerity: The History of a Dangerous Idea* (2013) he stresses the importance of ideas in causing neoliberal institutional change, even when they happen to be intellectually unfounded and empirically unsuccessful. In his investigations on neoliberalism, Leonard Seabrooke also traces the legitimacy and construction of consent to everyday neoliberal social practices. In his 2006 book *The Social Sources of Financial Power*, Seabrooke traces the opportunities and constraints of lower income groups to challenge the legitimacy of what he calls the ‘financial reform nexus’ (2006: 3).

A second strand of literature does not focus merely on the legitimation of neoliberal discourses and their reproduction through everyday practices, but is also concerned with their entrenchment within broader power structures, economic regimes and transnational financial networks. Bob Jessop for instance investigates different forms of neoliberalism based upon the extent to which neoliberalism is articulated both as a political and economic project within a particular society (2002: 458). He points out that neoliberalism can take the form of a *policy adjustment*, a *regime shift* or a *radical system transformation*, whereby the gradation moves from a slight “modulation of policies to improve performance of an accumulation regime” to a radical shift “moving from state socialism to capitalist social formation” (ibid.).

Finally, a third strand of literature proposes a variety of avenues for drawing on Gramsci to understand neoliberalism. Stephen Gill (1995), for instance, proposes an understanding of neoliberalism that is disciplinary and structuralist yet thoroughly conscious of neoliberalism’s tendency to work from the bottom-up as well as top-down. Gill points out that neoliberalism’s global quality is a result of the supremacy of a “market-based transnational free enterprise system” allowing it to be “both ‘outside’ and ‘inside’ the state: it forms part of the ‘local’ political structures as well as [serves] to constitute a ‘global’ political and civil society” (ibid.: 400). This allows Gill to formulate an understanding of neoliberalism whereby its dominant forces are constituted by a “historical bloc that practices a politics of supremacy within and across nations” (ibid.: 402). The politics of supremacy is articulated through what Gill (1998) terms a ‘new constitutionalism,’ i.e. the tendency to lock-in disciplinary forms of neoliberalism on a transnational level through constitutional revision.

Similarly, neo-Gramscian scholars belonging to the Amsterdam School have contributed to a theorization of the inherently transnational quality of neoliberalism and the way it has arisen out of the fractionalization of capital along functional lines (Overbeek 1993: x). This research program retains a very strong focus on transnational classes, particularly the ‘Atlantic ruling class’ (Van der Pijl 1998, 1984; Van Apeldoorn 2001), and is grounded within a long-term historical perspective, inspired by the work of Braudel and world-systems theory (Overbeek 2004: 129). However, unlike the structuralist and mechanistic tendencies of world systems theory, the Amsterdam school also greatly emphasizes the ideological dimensions of class power in relation to the fractions of capital (ibid.: 125-6). Overall, this allows the Amsterdam School to argue in favor of a “*dialectical totality* of structure and agency” (ibid.: 114). Neo-Gramscian scholars like Bieler and Morton (2004) build on these contributions, but bring the state back into their analysis, moving away from the strictly transnational orientation of the Amsterdam School which understands neoliberalism as a predominantly global phenomenon. Through this perspective, neoliberalism is no longer understood as domination whereby states



act like ‘transmission belts’ (ibid.: 101-2), but rather through the material and ideational restructuring of different forms of state along neoliberal lines.

A continuation of this research program can be seen in the work of fellow neo-Gramscians Ian Bruff and Huw Macartney, who further develop an understanding of neoliberalism as a nationally embedded project which is pursued in the interest of transnational finance regimes, yet locally and individually articulated (Macartney 2011: 85). However, unlike constructivist scholars mentioned above, Macartney and Bruff develop an understanding of neoliberalism such that the relationship between ideas and materiality is relational and complex whereby the ideational is inherently embedded within the material. Bruff (2008) offers a crucial neo-Gramscian response to the Varieties of Capitalism (VoC) literature dominant at the time, moving the debate towards a more nuanced understanding of comparative capitalisms scholarship and the important role of common sense in the articulation of neoliberalism. Similarly, Macartney proposes to transcend the binaries of VoC literature and proposes an understanding of variegated neoliberalism which is based on a logic of “convergent divergence,” i.e. an impulsion that unites the notion of supranational expansion and a localized deepening (2011: 155). In recent years, much of the neo-Gramscian literature has been shaped by Bruff’s (2014) theorizations on ‘authoritarian neoliberalism’ which propose that consent no longer plays such a central role in neoliberal restructuring, and that there has rather been a move toward increasingly coercive constitutional and legal mechanisms to marginalize and subordinate dissenting social groups.

This thesis adopts a non-dualistic understanding of the relationship between the ideational and the material and therefore builds on contributions that have been situated in the third category. Like the neo-Gramscian theorizations, it departs from an analysis of the material conditions out of which neoliberal ideas emerged. Macartney (2011) and Bruff (2008) provide a particularly convincing conceptualization of neoliberalism, and it is on this that I most closely build. However, I challenge the ‘methodological nationalism’ that these approaches – and neo-Gramscian analysis more broadly – veer towards, leading us to neglect dynamics occurring on other scales, particularly in cities. In the next part of this chapter, I therefore turn to some of the main strands of literature that have sought to conceptualize the changing role of cities in the contemporary global economy.

## **Part II. Literature on changing urban configurations in the contemporary global economy**

Over the past four decades, cities have undergone a range of transformations, increasing their importance on a global level and drawing attention from a wide range of researchers, policy experts, government officials and civil society representatives. From critical political economy literature dealing with “the rise of the entrepreneurial city” (Harvey 1989; Hall & Hubbard 1996; Jessop 1997) to vast bodies of applied policy research outlining recommendations for constructing “smart cities” (cities integrating information and communication technologies (ICT) to improve service provision) or “resilient cities” (cities able to resist external shocks and internal stresses), there has been much effort to discern contemporary urban trends from a range of different angles. As Brenner and Schmid point out, one of the most widely used framing devices for research on cities is that “we now live in an ‘urban age’ because, for the first time in human history, more than half the world’s population today purportedly lives within cities” (2013: 731). Although the conception of the ‘urban age’ itself has been effectively debunked as “empirically untenable” and “theoretically incoherent” (ibid.: 734), the widespread applicability of this metanarrative is symptomatic of a broader notion: research on



cities has become intuitively significant across a broad range of disciplines, yet chaotic as a result of its all-pervasiveness.

Therefore, the aim of this section is to clarify some of the main trends and themes in contemporary cities research, and point to commonalities and divergences in various understandings of cities across different streams of literature. The first part will focus on research which takes the existing state of cities as the starting point, tackling various themes (from overpopulation to sustainability) that are predominantly empirical and policy-oriented in scope. Publications by various UN agencies, NGOs and think tanks generally fall into this category. The second part deals with literature that situates cities within wider historical and economic processes and has adopted an in-depth or critical understanding of various contemporary urban questions. This includes various urban studies, political science and urban sociology research. The last section presents literature that has offered some of the most comprehensive understandings of the role and transformation of urban environments in contemporary capitalist societies. I will point to their contributions and merits, but also highlight potential avenues for further research.

### *2.1. Cities 'as-is' literature*

Literature that investigates different aspects of the urban status quo from a largely ahistorical and empirical point of view is largely produced by international organizations, think tanks and NGOs. One of the most notable strands of cities research has dealt with pinpointing shifts and changes in urban demographics, as well as some of the consequences of these shifts, in recent decades. As Champion (2004: 41) points out, the United Nations and its respective agencies remains the primary source of data on urban populations. For instance, the Population Division of UN-DESA (UN Department of Economic and Social Affairs) has been issuing estimates of urban and rural population counts and broad trends in global urbanization and deurbanization, in countries around the world since 1988. These findings are then reported in the annual *Revision of World Urbanization Prospects* which serves as a reference point for much social science research as well as media reports on the topic of cities. Another UN agency concerned with understanding population trends is the United Nations Population Fund (UNFPA), although its mandate is not limited to urban environments but is much broader in scope. One notable publication specifically pertaining to trends in urban growth issued by UNFPA is the *State of World Population 2007: Unleashing the Potential for Urban Growth* which attempts to grasp:

“the implications of the imminent doubling of the developing world’s urban population and discusses what needs to be done to prepare for this massive increase. It looks more closely at the demographic processes underlying urban growth in developing areas and their policy implications. It specifically examines the consequences of the urban transition for poverty reduction and sustainability. It surveys the differing conditions and needs of poor urban women and men, and the obstacles they face as they strive to claim their rights and realize their potential as productive members of the new urban world” (UNFPA 2007: 2-3).

The United Nations Centre for Human Settlements (UN-Habitat) has a slightly broader mandate, focusing not only on urban population trends but ultimately aiming to promote “socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all” (UN-Habitat 2017). Mandated specifically by the UN General Assembly to address issues of urban growth (ibid.), UN-Habitat has become one of the most significant repositories of information pertaining to urban development processes. Most recently, it has launched the New Urban Agenda, a document which “sets global



standards of achievement in sustainable urban development, rethinking the way we build, manage and live in cities” (ibid.). UN-Habitat has also been a longstanding participant in global dialogue on the future of cities around the world. As early as 1976, UN-Habitat convened the first United Nations Conference on Human Settlements (Habitat I) as a reaction to rapid urbanization trends. In 1996, Habitat II was held in Istanbul and drew even more attention; it brought together a range of international, governmental and nongovernmental participants to confront common urban issues and ways to tackle development tasks in partnership (Friedmann 2002: xii). As Friedmann points out, this “mega-event generated a great deal of interest and, in turn, spawned a number of international conferences to ponder the question of urban futures” (ibid.).

One of the most influential of these conferences was the German-sponsored ‘Urban21’ which took place in 2000 and featured a range of diverse participants such as mayors, civil servants, World Bank representatives, architects, academics, policy entrepreneurs, UN officials, and select members of the NGO sector (Jessop 2002: 464). The conference culminated in the *World Report on the Urban Future 21* which was drafted by a fourteen-member panel led by Sir Peter Hall, the eminent professor of urban planning (ibid.). Overall, this report is considered one of the most influential documents because of its role in establishing the neoliberal paradigm for urban policies (Friedmann 2002: xiii). As Jessop points out, the report “implicitly endorses neoliberalism in the ways that it describes recent economic and political changes, ascribes responsibility for them, and prescribes solutions for the problems they create” (2002: 466-7).

A number of other organizations, research centers and think tanks have also adopted an urban research agenda. The OECD, for instance, has a long history of engaging in questions that pertain to urbanism and urban development (Theodore and Peck 2011: 21). Over the years, this discourse has shifted from a neo-Keynesian interpretation of 1970s urban crisis tendencies to a normalization of neoliberal urbanism and a focus on shaping the urbanization process in the years to come<sup>2</sup> (Theodore and Peck 2011; OECD 2017). Some of the most notable recent publications issued by the OECD include *The Metropolitan Century: Understanding Urbanization and its Consequences* as well as *Governing the City*, both of which focus on urbanization and governance trends and propose a range of relevant policy-oriented recommendations in line with OECD’s neoliberal policy paradigm.

NGOs specialized in urban questions, such as UCLG (United Cities and Local Governments), also fall into this category. In particular, UCLG works on promoting the role of local and city governments in global governance structures, enhancing decentralized cooperation between local and regional governments, as well as holding local governments democratically accountable (UCLG 2017). Apart from its annual reports, much of UCLG’s research also focuses on city-to-city cooperation, the role of cities in meeting UN development goals and relevant issues such as the role of cities in fighting climate change. Although the UCLG is a smaller organization with a much more focused mission, its treatment of cities is largely ahistorical.

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<sup>2</sup> As Theodore and Peck (2011: 28-9) point out, OECD’s language of the 1970s was one of “interventions, subsidies, welfare, and job creation” and even in the 1980s its analysis of unemployment and poverty was predominantly focused on “economic problems of inadequate job opportunities arising from insufficient aggregate demand, structural change, and disinvestment.” By the 1990s, welfarist policies of the Keynesian era were seen to be the cause of urban problems and new neoliberal regeneration strategies were seen as the solution (ibid.: 29-30).



Finally, although a significant portion of research in this category is produced by international and nongovernmental organizations, academic research centers such as LSE Cities have also contributed to offering an account of the way “people and cities interact in a rapidly urbanizing world” (LSE Cities 2017). Situated at the London School of Economics (LSE) and founded in response to rapid urbanization trends, research at LSE Cities offers a range of different perspectives on urbanism and urban transformations. While LSE Cities is home to a range of critical scholars who are committed to situating cities within broader processes of capitalist restructuring, certain avenues of research here suffer from tunnel vision much like the organizations mentioned above. For instance, *Going Green: How Cities Are Leading the Next Economy* (2013) is a report that analytically isolates cities in order to make claims about their potential future role as “key contributors to the green economy,” while *Cities and Social Equity* (2009) looks at the impact of inequality within the urban context. Overall, cities are therefore understood within the scope of their existing institutional configurations and their potential for future development, mostly in line with (neo)liberal norms and ideas.

## 2.2. *Situating cities within their global context*

Unlike the policy-oriented literature mentioned above, the second strand of literature that I now refer to has emerged within academic contexts and therefore tends to situate the development of cities within broader global trends. Originating in the 1990s in the wake of considerable geoeconomic and geopolitical restructuring, a number of scholars grew increasingly aware of “supraurban scalar hierarchies and interscalar networks in which cities are embedded” (Brenner 2000: 366). This strand of literature therefore seeks to develop an understanding of cities in the context of broader globalizing tendencies, awarding analytical weight to the contexts that they are embedded in. Although this literature is – to a greater or lesser extent – cognizant of the embeddedness of cities within broader global structures and processes, it frequently remains contextual in terms of its analysis, and seldom takes into account broader capitalist processes and their impact on urban transformations.

Some of the most notable literature within this category is academic in nature and has been produced by scholars who tend to prioritize focusing on urban transformations in an increasingly globalized world. In particular, this includes ‘world city’ and ‘global city’ literature (Sassen 1991, 2005), literature that investigates the relationship between different world cities (Knox & Taylor 1995) as well as literature dealing with urban networks and the network society (Castells 2000; Taylor 2003). Much attention is also awarded to the construction of different global urban infrastructures and to strengthening interurban communication (Graham 1995, 1997). This category of literature has inspired a range of new terms such as ‘glocalization,’ ‘local-global interplay’ and ‘local-global nexus’ (Brenner 2000: 366), and has therefore focused on reconceptualizing the position of the city. Overall, cities here tend to be understood within the context of a tendency toward converging urbanization as well as by-products of the new globalized planetary condition.

In sum, this research program is marked by a fascination with the emergence of cities as a methodologically privileged scalar category due to the influence of globalization processes, a focus on single-city case studies and a recognition of cities as nodes concentrating global power and financial control (Peck 2015: 163). It therefore establishes very strong linkages between “‘internal’ structures of cities and their ‘external’ relations, almost to the point of rendering this distinction anachronistic, yielding a new imaginary of cities as conjunctural formations (or ‘alloys’) in a wider system driven mainly by (political-)economic imperatives” (ibid.). Very little attention is thus paid to the internal, social dynamics of cities, capitalist processes that



pervade them, the urban power structures which shape decision-making, as well as the legacy of various historical forms which shape city living. Over time, and particularly over the past decade, this strand of literature was therefore confronted by a myriad of social, political and economic phenomena challenging its analytical relevance and explanatory power. The 2007/8 global financial crisis in particular disputed the relevance of theories that praised the ascendancy and power of global cities.

As a result, although the aforementioned authors offer relevant insight into the development of cities within the global context, critics have argued that they “only partially grasp the contours and consequences of emergent urban transformations” (Brenner, Madden & Wachsmuth 2011: 226). Furthermore, they have been accused of being insufficiently equipped to address variation among cities themselves as they see this variation either as being “stochastic or as the result of omitted variables” (Woodlief 1998: 406). Woodlief argues that certain scholars explain variation by focusing on contextual forces rather than trying to develop general modes (ibid.). Another group of critics has accused these researchers of an “epistemic privileging of Northern cities,” considering that cities like New York, London and Paris have received an overwhelming amount of attention, while those located in the global South have remained under-explored (Seekings 2013, as cited in Peck 2015: 170). Specifically, authors belonging to the post-colonial tradition have argued against the dichotomization of Northern and Southern urbanisms, insisting that an understanding of contemporary urban configurations must involve a repositioning of “all cities within the same field of analysis” (Robinson 2006: 57). There has therefore been a demand to focus more attention on ‘ordinary cities’ rather than ones deemed to be ‘distinctive’ or ‘unique’ owing to their position within the global economy. The aforementioned epistemic bias, these critics argue, has occurred in conjunction with the application of theories constructed predominantly in Europe and North America (Robinson & Roy 2015; Roy 2009).

These two latter critiques have therefore given rise to yet another strand of literature which critically examines urban transformations, yet does not engage with the capitalist context within which cities are embedded. By adopting an anti-essentialist ontology as well as ‘assemblage’ methodologies, these strands of scholarship have failed to capture the systemic transformations that cities both in the global South and North have undergone. This has resulted in literature that is “largely descriptive” and “almost self-destructively anti-theoretical” (Peck 2015).

### *2.3. Critical understandings of urban change in a capitalist context*

A third strand of literature has gone a step further in understanding complex urban transformations by drawing on the broader critique of the capitalist mode of production. All critical understandings of cities and contemporary urbanism owe an immense debt to the 1970s Marxist turn in geography. During this decade, a novel way of understanding cities was pioneered by a generation of critical Marxist geographers reacting to a heavily positivist ‘spatial science’ advanced by the Chicago school geographers (Massey 1992: 69-70; Urry 1995: 11; Soja 1989: 43). As Friedmann points out, the special achievement of Marxist critical geography was “to link city forming processes to the larger historical movement of industrial capitalism” (1986: 69). Within this novel understanding of urbanism,

“the city was no longer to be interpreted as a social ecology, subject to natural forces inherent in the dynamics of population and space; it came to be viewed instead as a product of specifically social forces set in motion by capitalist relations of production. Class conflict became central to the new view of how cities evolved” (ibid.).



Thus, rather than understanding social relations and spatial processes independently, these were articulated as “social relations taking a particular geographical form” (Massey 1992: 70). The two most eminent contributors to the ‘new urbanism’ literature were Manuel Castells and David Harvey (Gottdiener 1993: 130). Castells and Harvey were praised for paving the way for a more profound understanding of cities as part of the “spatial organization of the new international division of labour” (Friedmann 1986: 69). In the years and decades since they emerged, a variety of approaches have built upon their Marxist interpretations of city and space, offering increasingly comprehensive accounts of neoliberal urban transformations occurring around the globe.

Parallel – and largely in response – to the development of a new Marxist urban geography, postmodern political geography also sought to develop a reconceptualization of space and urbanity. Drawing on Michel Foucault, John Berger and ideational interpretations of Henri Lefebvre, these geographers worked on developing an understanding of space, spatial justice and ‘everyday urbanisms’ that averted some of the structuralist pitfalls of Marxism. Edward Soja (1989), one of the most notable post-structuralist urban thinkers, was well-known for putting forward a novel understanding of the dialectics of urban space. A range of different authors have built on Soja’s contribution and applied a post-structuralist approach to the right to the city (Purcell 2002), social movements (Nicholls 2009, Davis 1999) as well as spatial justice (Dikeç 2001).

Therefore, the Marxist turn has contributed to developing a critical body of literature that is both cognizant of the importance of historical and capitalist processes to the development of cities, as well as able to account for the role played by social dynamics, culture, and discourse in an urban setting. Most recently, it has spawned a number of research avenues in critical urban studies, tackling a wide variety of themes surrounding contemporary urban transformations, including the privatization of public space (e.g. Low 2006; Kohn 2004), financialization of housing (e.g. Madden & Marcuse 2016; Fields 2015), gentrification (e.g. Smith 1986; Slater 2006) and urban social movements (e.g. Lazar 2008). While this literature focuses on specific aspects of transformations within cities, it does so while taking into account the intertwinement between urban transformations and broader neoliberal processes. In this sense, it becomes possible to understand not only the transformations of cities in response to top-down processes of globalization (as in the case of ‘world cities’ literature) or their specificity and uniqueness (as in most postcolonial literature), but rather to understand how the urban form itself has been neoliberalized. While this thesis builds on the ontological and epistemological standpoint inherent within this third category of urban literatures, its point of departure is the study of capitalist variety. Therefore, in the following section, I outline three literatures that are particularly relevant for this purpose and which, I argue, act as a springboard for my own analysis.

### **Part III. The three literatures on capitalist variety**

#### *3.1. The ‘Variegated Neoliberalization’ Literature*

One research program – concerned specifically with the role of geography in the reproduction of neoliberal processes – has emerged at the intersection of the literatures on cities and neoliberalism. Building on the problematique of ‘actually existing neoliberalism’ (Brenner & Theodore 2002), the Variegated Neoliberalization approach identifies the existing discrepancy between prevalent discourse surrounding market-oriented neoliberal reforms and the actual neoliberal transformations that are lived and perceived on a daily basis. These scholars observe



that the former discourse portrays neoliberalism as a monolithic and unitary set of market-oriented policies and norms, while the latter reveals that it in fact produces systemically variegated geoinstitutional differences that are “predicated upon, but also partially transformative of, inherited institutional landscapes at various spatial scales” (Brenner, Peck & Theodore 2010: 209). This emerges as the ultimate research problem of the Variegated Neoliberalization approach: how can we account for the variegated, yet systemic nature of neoliberal processes on different spatial scales and around the world?

In order to account for these contradictory moments, Brenner, Peck and Theodore propose a reading of neoliberalism as a set of “successive rounds of distinctively patterned, market-oriented regulatory restructuring” (2010: 190). In this sense, neoliberalism exploits inherited geoinstitutional differences (ibid.: 207), creating an uneven terrain of lived and perceived neoliberalisms across geographies, while at the same time retaining its systemic and processual character. Here, cities are understood as being “strategically crucial geographical arenas” where neoliberal processes are occurring “with particular intensity” compared to other scales (Brenner & Theodore 2002: 350; 367). The authors propose a model which proceeds in two distinct steps – the first is what they call ‘the uneven development of neoliberalization,’ while the second is articulated as ‘the neoliberalization of regulatory uneven development’ (Brenner, Peck & Theodore 2010: 207).

The ‘uneven development of neoliberalization’ is conceptualized as the initial moment of regulatory restructuring during which “strategic vulnerabilities in Keynesianism” were exploited by a set of “eclectic, uneven, networked and historically specific” liberal ideational currents (ibid.: 211). Brenner et al. call this stage of neoliberalism the ‘rollback’ stage because crisis-imbued late stage Keynesian institutional landscapes were intermittently ‘rolled back’ and replaced by early experimental forms of contextually-specific neoliberal restructuring (ibid.: 213-4). The second moment of neoliberalism – ‘the neoliberalization of regulatory uneven development’ – is viewed as the stage of deepening of neoliberal processes across geographies. Whereas previous cases of neoliberal experimentation were largely uncoordinated, this second phase was characterized by the establishment of neoliberalism as a panacea for a range of ills caused by the crisis of Keynesianism (ibid.: 214). In the words of Brenner et al., “[w]hat had emerged as a series of ‘implants’ of market-friendly experimentation and selective deregulation located within bodies politic structured according to the principles of progressive constitutionalism, now began to reconstitute the host organism itself, albeit never in a monological fashion” (ibid.: 215).

In this way, Brenner, Peck and Theodore articulate a model of neoliberalism that has a distinctively systemic character, yet one that is able to account for variegation and differentiation across geographies and scales. Although the Variegated Neoliberalization approach provides perhaps the most comprehensive account of the observed tendencies and logics of neoliberalism in different geographies and scales, is it able to answer all relevant questions about the relationship between cities and neoliberal restructuring? Furthermore, *why* has a particular set of liberal ideas emerged as a response to the crisis in Keynesianism in the 1970s and 80s? Who are the agents that have benefited the most from neoliberal restructuring? How have they participated in advocating this restructuring across geographies?

### *3.2. The ‘Varieties of Capitalism’ School*

Just like Variegated Neoliberalization approach has been considered dominant among heterodox scholars, the Varieties of Capitalism (VoC) approach has emerged as one of the



leading orthodox accounts of capitalist diversity across geographies. More specifically, the VoC approach has been considered among the most impactful theoretical developments in 21<sup>st</sup> century comparative capitalisms research (Coates 2015: 11). One of the main contributions of Hall & Soskice's VoC approach is that it "decisively moved the debate away from external 'imperatives' such as globalization, liberalization and so on, and towards the 'internal' quality of institutional arrangements and public policies" (Bruff, Ebenau & May 2015: 31). In this sense, the VoC approach seeks to understand the different institutional configurations which give rise to a variety of capitalisms in different countries around the world. On a theoretical level, the VoC makes a distinction between two different types of capitalisms: liberal market economies (LMEs) and coordinated market economies (CMEs). The main difference between these two models (i.e. the LME and the CME) is the way in which they resolve their respective coordination problems (Hall & Soskice 2001: 8). Whereas firms in LMEs coordinate "via hierarchies and competitive market arrangements," those in CMEs rather depend on "non-market relationships to coordinate...and construct their core competences" (ibid.). These two types of economies are therefore considered to represent "ideal types at the poles of a spectrum along which many nations can be arrayed" (ibid.).

At the root of the distinction between LMEs and CMEs lies the *institutional complementarity hypothesis* (ICH), used by VoC scholars to describe institutional arrangements that result in "clustering along the dimensions that divide liberal from coordinated market economies, as nations converge on complementary practices across different spheres" (Hall & Soskice 2001: 18). Institutions are viewed as crucial in the "exchange of information, monitoring, and the sanctioning of defections relevant to cooperative behavior among firms and other actors" so the presence of different sets of institutions generates different outcomes related to firm-level cooperation and competition (ibid.: 11). The ICH therefore allows VoC scholars to theorize variation between national capitalisms by hypothesizing the type of coordination existing in one sector which is said to develop complimentary practices in other sectors, too (ibid.: 18). At the same time, it also allows scholars to theorize the convergence of institutional practices within different ideal types, and it therefore forms a central part of the VoC approach.

The VoC reading, however, retains a very strong focus on the nation-state and the importance of firms in generating variation across national political economies (Hall & Soskice 2001: 4). As a result, institutional complementarities are inherently understood as being national in character; Hall & Soskice argue that this is so because "many of the most important institutional structures – notably systems of labor market regulation, of education, training and of corporate governance – depend on the presence of regulatory regimes that are the preserve of the nation-state" (ibid.). Thus, while the VoC approach gives weight to the importance of culture and history (arguing that "the institutions of a nation's political economy are inextricably bound up with its history" (ibid.: 13)), culture and history are necessarily viewed as being national in scope with limited variations at the regional or urban scale.

Over time, the VoC approach has encountered a range of critiques, both from authors sympathetic to the VoC school as well as from increasingly critical approaches challenging its very foundations. As Bruff, Ebenau and May point out, the shortcomings of the VoC approach always go back to the "*fundamental* problems which are rooted in the specific brand of rational choice institutionalism advocated by its proponents" (2015: 33). In particular, can a few institutional criteria narrowly related to the corporate sphere be able to account for capitalist diversity around the globe (ibid.)? Is it possible to account for variations within national political economies over time, particularly those that show a tendency towards moving away from the ideal type that they represent, e.g. Germany (ibid.)? What implications does a



methodological focus on the nation-state have on explaining intra-national variation (ibid.)? Finally, can the VoC approach explain structural crisis or conflict arising as a result of the capitalist system in a particular national political economy (ibid.: 34)?

### 3.3. *The French Régulation School*

As Robert Boyer (2005a: 3) points out, both the Varieties of Capitalism school and French Régulation Theory (FR) share a common problematique in addressing the question of why and how capitalisms differ, or more specifically, to describe “the social and economic patterns that enable accumulation to occur in the long-term between two structural crises” (Boyer & Saillard 2002: 38). Thus, whereas VoC literature challenges the primacy of the LME in hypothesizing the existence of an alternative form of national political economy (i.e. the CME), FR rather departs from a “long-term analysis of the transformation of capitalism in order to search for alternatives to the Fordist regime that emerged after the post-WWII era” (Boyer 2005a: 3). On this quest, FR therefore seeks to understand the institutional configurations that have changed over time and the “diversity of architectures” generated by capitalist modes of production that can be observed at different points in time and space (ibid.: 5). Just as much as they are concerned with invariability and stasis in the study of capitalist forms, FR is therefore also concerned with disruptions, change and crises. As a result, this approach does not accept the dichotomization of capitalist models *à la* VoC and argues that two models are not able to account for the “entire distribution of modern economies” (ibid.: 20).

On a theoretical level, FR embarks upon a study of the variety in capitalist configurations through the prism of the so-called ‘mode of *régulation*’ (MoR). In the words of Boyer and Saillard, the mode of *régulation* “establishes a set of procedures and individual and collective behavior patterns which must simultaneously reproduce social relations through the conjunction of institutional forms which are historically determined and supported by the current accumulation regime” (2002: 41). In other words, the MoR gives us insight into the institutional arrangements that condition the behavior of individuals, ensuring that a range of decentralized decisions end up being mutually compatible (ibid.). The MoR therefore operates like a dynamic process and effectively functions to reduce the disequilibria constantly caused by accumulation. While the point of departure for VoC scholars is a static understanding of capitalism and the stability of distinct capitalist forms, FR scholars point to the dynamic and crisis-ridden qualities of capitalism which undergoes both periods of stasis and change.

Over the past several decades, FR scholars have increasingly been using the ICH to supplement their account of institutional variegation and similarity across different economies. They have argued that institutional complementarities are “useful to understand how specific institutional forms interact in a given social system, giving it a certain internal coherence” (Amable 2015: 99), and are able to further specify the differences in MoRs. Thus, rather than understanding institutions as static and fixed over time, FR rather argues that a particular combination of institutions can “either reinforce each other over time” or rather “tend to weaken the coherence of the structure over time which explains why institutional structures, national models, systems of production, modes of *régulation* are not eternal” (Amable 2000: 658). This dynamic understanding of institutional complementarity permits a comprehensive understanding of crises and structural breakdowns in capitalism, as well as institutional stasis, at a particular time.

Overall, FR therefore moves away from (a) the focus on firms and business associations as central actors in the political economy (Hall & Soskice 2001: 4) and (b) understanding



institutional complementarities in light of increasing returns and efficiency (ibid.: 17). As previously mentioned, rather than employing ICH to understand different firm-level complementarities and draw macro-level conclusions from them, the FR approach uses ICH to capture the core of a *régulation* mode (Boyer 2005b: 18). Also, rather than claiming that “two institutions can be said to be complementary if the presence (or efficiency) of one increases the returns from (or efficiency of) the other” (Hall & Soskice 2001: 17), FR proposes a reading of complementarities in light of another concept: *institutional hierarchy* (Amable 2016: 95). In short, *institutional hierarchy* is used to refer to an institution or institutions that guide the development of other institutions (Boyer 2005b: 18). More specifically, hierarchically superior institutions are the institutional forms that align with a dominant social group’s interests and are able to preserve its stability (Amable 2016: 95). In other words, “socio-political complementarity is defined in reference to the stability of the dominant bloc, and it depends on the compatibility between the expectations and demands of the social groups that compose the bloc” (ibid.).

While the FR understanding of ICH is certainly a departure from its VoC counterpart, one similarity these two schools nevertheless share is a strong prioritization of the national scale. Granted, FR accommodates a range of meso-economic analyses which focus on sector-based *régulations* (du Tertre 2002: 204) and much work has been done on coordination at transnational and regional levels (Hollingsworth & Boyer 1997: 24-33). One scholar has even specified a theorization of local forms of *régulation* through the following three conceptual facets – “the type of governance, the degree of density of institutions and an evaluation of the conflicts and compromises made through the wage-labor nexus,” stressing that it would also “be helpful to identify local institutional forms, since they participate in the process of capital accumulation” (Gilly & Pecqueur 2002: 198, 200). Nevertheless, regulationist understandings of space are in many ways unclear or underspecified (ibid.). Although FR scholars understand the pressing concern for developing a more thoroughly fleshed out conceptualization of how space and scale figures in their analysis, there is an inescapable return to the nation-state as a primary site of analysis. Even literature directly tackling the importance of introducing space into regulationist analyses seems to admit that “[t]he ‘natural’ space for validating *régulation* theory is national space” (ibid.: 202) and that “local *régulation* can therefore only be partial *régulation*” (ibid.: 198).

Unlike VoC, therefore, FR has the theoretical capability to accommodate analyses that both take the role of space seriously *and* use the sub- or supranational scale to understand transformations in the political economy. As Benko and Lipietz point out, this is to be expected “given that the theory studies changes in modes of *régulation* and accumulation over time and that these changes are viewed as ‘synchronies’ that can be represented spatially” (2002: 190). In the following section, I will briefly specify why I believe the French Regulation approach offers the most compelling theoretical and conceptual avenue for tracing systemic and contingent tendencies within neoliberal processes, before making a general remark about cities and their analytical treatment within this thesis.

## **Part IV. Moving forward**

### *4.1. Moving forward in the study of institutional complementarities*

The brief overview of the Variegated Neoliberalization, Varieties of Capitalism and French Régulation literatures above serves to point to the problematique of my own research and outline the way forward for gaining a deeper understanding of neoliberal transformations



across geographies, specifically in relation to the crucial role played by cities. On the one hand, the Variegated Neoliberalization literature offers by far the most nuanced and thorough account of the role of space/geography in the elaboration of neoliberal processes over time. On the other, however, this account would significantly benefit from a methodological and conceptual clarification of the institutional dynamics that condition the existence of similarities vs. variegation across geographies as a result of neoliberalization. The concept of *institutional complementarities* permits the Varieties of Capitalism literature to articulate a pathway for studying this problem. Unfortunately, however, the VoC approach is limited by its implicit rational choice institutionalism, its focus on firms, as well as its problematic portrayal of the nation-state as the primary scale for studying varieties in capitalism over time. The French Régulation approach, on the other hand, succeeds in overcoming VoC's conceptual gaps and putting forward a nuanced understanding of the historical, social and political dynamics inherent in complementary institutional configurations. It shows considerable promise in allowing us to trace patterns across different institutional contexts, while at the same time accounting for contingencies and contextual specificities. This book's theoretical point of departure is therefore the FR understanding of *institutional complementarity* (coupled with *institutional hierarchy*) in neoliberal contexts. At the same time, FR's underspecification of space and scale limits a comprehensive understanding of the role played by cities in the articulation of neoliberal processes. In the following section, I elaborate on how I plan to bridge this analytical gap by adopting a scalar, rather than a territorial, understanding of cities.

#### 4.2. Cities or the urban?

Until now, I have been using the terms cities and urban interchangeably with respect to my problematique. Before moving forward, however, I wish to make an analytical distinction between the two, addressing the very important question of *what we talk when we talk about cities*. This allows me to situate the problematique at the core of this thesis within a broader discussion on scale and therefore connect the two research questions (a. *In what way can we understand the systemic vs. the contingent nature of neoliberal processes across time and space?* b. *How can we explain the crucial role of cities in articulating these processes?*) into a single, overarching research dilemma.

For decades, scholars operating within the field of urban and political geography have struggled to agree on a common understanding of what a city is. As Saunders (1989: vii) states, not even the rudimentary definition of cities as “places where large numbers of people live and work” is unproblematic as what in Britain might be referred to as a small town, suburb or village might have a formally-designated city status in North America or Australia. In spite of (or, rather, owing to) this conceptual impasse, our understandings of cities are still largely shaped by a ‘metageographical unconscious’<sup>3</sup> that embeds cities within a horizontal cartography which juxtaposes cities with other, ostensibly non-urban, spatial categories such as the ‘rural’ and the ‘suburban.’ In this sense, the city is largely understood as a static “field of activity or as a container” (Smith 1984: 7) which is bounded and therefore separated from other spatial entities. The urban/rural dichotomy still pervades contemporary discussions on cities, particularly policy-oriented discussions on urbanization, as well as a range of more critical or radical currents of political geography (Brenner 2019: 2).

Rather than conceptualizing urban spaces as static, pre-defined entities, this thesis adopts a *vertical* cartography whereby the urban is not understood as a bounded territorial unit, but

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<sup>3</sup> This is a term that Brenner (2019:2) uses to denote our shared set of underlying assumptions about space.



rather a scale, embedded within a historically-specific scalar hierarchy. As a result, as Brenner (2019: 110) points out:

“the constitutive properties, elements, and parameters of urban spaces are never pre-given but are continually made and remade through the broader, multiscalar sociospatial transformations that animate and continually disrupt the dynamics of capitalist industrial development”.

In this reading, urban spaces cannot be studied in isolation from processes occurring on other scales, particularly the national and international. Therefore, an understanding of cities must take into account the inherently relational nature of the urban, that is, its relationship to other scales within a broader multiscalar configuration (ibid.: 105).

But how do we then define scale? Neil Smith (1993: 100), credited as the first to introduce scale into historical materialist theorizations on space, defines it as the “geographical resolution of contradictory processes of competition and co-operation.” He argues that capital “inherits a geographical world that is already differentiated into complex spatial patterns. As the landscape falls under the sway of capital (and becomes increasingly functional for it...), these patterns are grouped into an increasingly systematic hierarchy of spatial scales” (Smith 1984: 181). He then proceeds to identify three primary scales under capitalism: the urban, national and global (ibid.). Scales, however, are not pre-given; there is nothing “ontologically given” about scalar relations and therefore they must not be reified (Smith 1992: 73). Swyngedouw (1997a: 140) echoes this, arguing that scale:

“is neither an ontologically given and a priori definable geographical territory nor a politically neutral discursive strategy in the construction of narratives. Scale, both in its metaphorical use and material construction, is highly fluid and dynamic, and both processes and effects can easily move from scale to scale and affect different people in different ways, depending on the scale at which the process operates. Similarly, different scalar narratives indicate different causal moments and highlight different power geometries in explaining such events.”

Scale is therefore *produced* in a systemic way such that it both contains activity and provides a setting within which activity takes place (Smith 1993: 101).

This thesis therefore adopts a scalar understanding of cities that not only situates cities within processes occurring on other scales (most notably, the national and international), but also identifies rescaling as an integral part of the systemic qualities of neoliberal processes. I therefore transcend “narrowly territorialist, areal, or localist understandings of the urban” with the purpose of exploring the “broader sociospatial configurations produced through the dynamics of urbanization” (Brenner 2019: 4). In this sense, I also build on Macartney and Shields’ (2011) scalar-relational approach which calls for a more explicit introduction of scalar dynamics into IPE literature. Namely, Macartney and Shields argue that IPE has until now provided an “unsatisfactory ‘add space and stir’ account which fails to explore the dynamic, mutually constitutive processes of historical, social and spatial change as internally related phenomena, missing the power relations and structures of capitalism” (ibid.: 376). Rather, I will be explicitly incorporating scale into my analysis, in an effort to trace the particular role of the urban in the articulation of neoliberal restructuring.

## Conclusion

Research that seeks to shed light on systemic and contingent tendencies within neoliberalism as well as capture how cities figure in this regard is situated at the intersection between two avenues of research: one which seeks to theorize contemporary neoliberal restructuring and another focused on present-day transformations in urban contexts. Namely, on the one hand, a vast literature, departing from a range of ontological standpoints, has provided a wealth of



theoretical and conceptual tools for studying neoliberal transformations. On the other, an equally vast literature has tackled the nature of cities' transformations over the past several decades, paying more or less attention to the broader historical and material context that these cities are embedded in. While these two literatures have illuminated different features both of neoliberalism and contemporary urban transformations, I argue that they ultimately offer a limited view of different facets of the problematique at the core of this research project. In order to move forward, I propose taking a closer look at three different theoretical approaches that have dealt with this problematique more directly: the Variegated Neoliberalization, Varieties of Capitalism and French Régulation approaches. Ultimately, I propose moving forward by building on the FR understanding of institutional complementarities and hierarchies, as well as a scalar understanding of urban contexts. These two conceptual tools allow us to theorize how cities, or rather urban contexts, are simultaneously shaped by systemic processes of neoliberal restructuring, while at the same time being pervaded by contingency and specificity.



### Chapter III. Theory

As outlined in the previous chapter, my theoretical analysis is strongly rooted in the French Regulation (FR) tradition and its understanding of the role that institutions play in temporarily displacing the crisis-tendencies inherent within capitalist accumulation. By positing the existence of different regimes of accumulation, FR analysis lends clarity to the differentiated institutional features of historically and spatially situated capitalism(s). It is therefore able to relate the overarching tendencies within capital accumulation to the “concrete features of periods of sustained accumulation and subsequent crisis formation” (Moulaert & Swyngedouw 1989: 329). In this sense, FR successfully resolves the tension between ‘totalizing’ or abstract interpretations of capitalism which focus on general patterns, and ‘concrete’ approaches which emphasize contingent and circumstantial conditions (ibid.). The concept of the institutional hierarchy – i.e. the notion that one hierarchically dominant institutional form emerges and defines the ‘logic’ of a particular regime of accumulation – is a particularly useful tool for tracing the systemic properties of a regime of accumulation. At the same time, by pinpointing the contingent arrangement of the remaining institutional forms within the institutional hierarchy, it becomes possible to identify the persistence of divergences across these systemic traits.

However, in order to capture the nature of neoliberalism as a *process*, and avoid falling into a structuralist trap by depicting it as a static ‘phase’ or ‘stage’ of capitalism, I build on Knio (2020) which proposes incorporating morphogenetic analysis into regulationist research. While ultimately diverging from his own model, I draw on it to embed regulationist analysis into the analytical confines of a morphogenetic cycle, periodize capitalist restructuring and trace the dynamic process through which one regime of accumulation gives way to another. This also allows us to look more closely at the role played by agency at each stage of the cycle by identifying existing hegemonic social groups, tracing how they respond to the crisis, pinpointing their mutual interplay as well as the emergence of new alliances, and finally delineating the outcome of this interaction. In sum, superimposing the regulationist conceptual framework onto the morphogenetic sequence permits us to better trace the interplay between structure and agency and thereby provide an account of neoliberal restructuring as it occurs over time.

I then go one step further, bringing this approach to bear on questions of space and scale. In particular, I draw on contributions by Peck and Tickell (1992; 1995) and Swyngedouw (1997a) whose pioneering articles infused regulationist analysis with an understanding of scale. In line with this, I adopt a multiscale understanding of institutional forms for the purpose of capturing how regulation is extended across spatial scales. Conceptually, this allows us to trace the dynamic way in which different geographies are (re)scaled over time, that is, why and how certain scales emerge as comparatively more ‘significant’ relative to others. Understanding the scale on which alliances are formed and where social compromises occur before, during and following a crisis is crucial and it allows us to pinpoint why certain scales are more favored than others at different points in time. It therefore becomes possible to trace the emergence of the link between cities and neoliberalism, as well as to conceptualize the urban scale as inseparable from – and inherently intertwined with – the national and international scales. The multiscale institutional forms – as they change over time – will represent the core of my theoretical framework, and will further serve as a methodological entry point for the empirical study.



In the section that follows, I first provide an account of the FR approach – its origins, conceptual foundations, as well as the understandings of space and scale that have emerged out of FR analysis. Next, I take an in-depth look at the morphogenetic approach, placing a particular focus on its explication of the structure/agency dilemma and its periodization of social change. This then leads me to the final section where I point to how the two approaches can speak to each other to address the central problematique of my research. Finally, I address how multiscale understandings of institutional forms allow us to address questions of space and scale for the purpose of this research.

## **Part I. The theoretical underpinnings of the French Régulation school**

### *1.1. The origins of French Regulation*

Following the May 1968 protests, France experienced a revival of Marxian thought, moving away from the dogmatic and deterministic Marxist legacy characteristic of the Stalinist period. While a large number of Marxists veered towards post-structuralism and post-Marxism, Louis Althusser and Étienne Balibar rather aimed to defend Marxism and reformulate its method. Althusser founded his novel interpretation of Marx on what he argued to be an ‘epistemological break’ between Marx’s early, humanist work and his latter scientific theorizations. One of the key intended contributions of Althusserian Marxism was to provide a theoretical alternative to the crude determinism implicit in the classical Marxist division between base and superstructure (Althusser 2008: 9-10). The classical reading posited that change occurs due to changes in the economic base, whereas the ideology-laden superstructure merely reflects changes within this base (which Althusser terms the ‘spatial metaphor of the edifice’) (ibid.). Althusser argues that we should move past the metaphor of the edifice and its concomitant determinism by focusing on the *reproduction* of the relations of production (2008: 22). *Reproduction* allows Althusser to move into an analysis of the ‘(Repressive) State Apparatus’ and the ‘Ideological State Apparatuses’, thereby incorporating ideational elements into the study of capitalist transformations (ibid.).

While the focus on *reproduction* produced a number of key theoretical innovations, at the same time it inadvertently neglected agents and subjectivities, leading Althusserianism into the trap of functionalism. As Terray points out,

“we have frequently seen the reintroduction, in favor of considerations on reproduction, of the whole out-of-date arsenal of functionalist interpretations: reproduction is conceived as a final cause from which the ensemble of structures and analyzed institutions proceeds...To avoid this error, it is necessary to recall first of all that reproduction can only be a goal: only a subject can propose a goal. Society is not a subject. It is necessary to recall above all that what is reproduced is precisely and before everything else a contradiction” (1977, as cited in Lipietz (1993: 128)).

Although regulationist scholars were considerably influenced by Althusser and his understanding of productive forces, social formations and state/economic relations (Lipietz 1993: 135), ultimately they found his understanding of reproduction unsatisfactory in trying to explain certain contemporary characteristics of capitalism. The contemporary compromise between capital and labor ensuring mass production and consumption, the role of labor unions in enacting this compromise, and the ensuing economic breakdown that occurred in the 1970s inspired regulationists to look beyond reproduction for a more complex explanation of contemporary capitalist dynamics. Lipietz argues that the work of regulationists should therefore be understood as a triple effort:

- “- to show that capitalist reproduction ‘doesn’t run by itself’;
- to show why, for vast periods of time, it is pursued ‘however’;



- to show why, at the end of a certain time, a great crisis erupts” (1993: 131).

The concept of ‘régulation’ therefore emerged as an alternative to the Althusserian understanding of ‘reproduction’, and it allowed FR scholars to move beyond structuralist and functionalist analyses of capitalism(s). In rejecting Althusserian Marxism, FR posits that there is no such thing as “one paradigmatically successful accumulation system,” but rather that accumulation can vary considerably over time and space (Peck and Tickell 1995: 19).

However, it should be noted that ‘régulation’ as a term poses several semantic and theoretical issues. In the English language, the word ‘regulation’ is generally used to denote juridico-political regulation, whereas the equivalent concept in the French language would be ‘réglementation’ (Boyer 2002, as cited in Jessop & Sum 2006: 15). ‘Régulation’ in French on the other hand is a much broader term, and FR scholars have employed it to denote a variety of processes which are not limited solely to the purview of the state and the legal system (Jessop & Sum 2006: 15). Rather, ‘régulation’ refers to the broad mechanisms (both economic and extra-economic) that work to secure stability and regularity within a particular capitalist system. Furthermore, although the term is generally used to denote one particular school<sup>4</sup>, the Régulation Approach is inherently diverse, and has grown to encompass numerous methodologies, theories and themes over the course of five decades. Jessop & Sum (2006), who provide one of the most thorough overviews of regulationist scholarship, employ the term to refer to contributions ranging from the neo-Gramscian Amsterdam school to the Social Structure of Accumulation (SSA) school, a radical theoretical current that developed in North America. However, the most common usage of ‘régulation’ is synonymous with the theoretical developments that emerged out of 1970s France, in the form of three distinct subgroups: the *parisien*, *Boccarien* and *grenoblois*<sup>5</sup> (Jessop & Sum 2006: 14-15).

Out of the three, the *Parisian school* led by Michel Aglietta, Robert Boyer and Alain Lipietz has emerged at the forefront of regulationist scholarship both in France and internationally, and I draw primarily on their contributions in this thesis. The *Parisiens* became famous for their focus on the growth dynamics of Fordism and the crisis of the 1970s, and their analytical toolkit has made an impact across a number of disciplines, including Marxist scholarship, institutional analysis and orthodox economics. However, it is important to note that even the Parisians do not represent a unified, single school that advances a coherent set of fixed concepts (Jessop & Sum 2006: 15). FR is a dynamic body of scholarship and numerous innovations over the years – theoretical and otherwise – have produced an inherently heterogeneous body of work. Scholars generally distinguish between four different generations within the evolving research program of FR, characterizing them as “partially overlapping steps...taken by a growing and changing band of regulationists” (Jessop & Sum 2006: 217).

Aglietta – and his seminal piece *A Theory of Capitalist Regulation: The US Experience* (1979) – is considered to be the pioneer of the first generation of FR work. His work was immensely influential due to its rejection of abstract economic laws, the introduction of the *structural form* as the “codification of a set of fundamental social relations,” and the way in which he applies

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<sup>4</sup> This is the ‘Parisian school’ led by Michel Aglietta, Robert Boyer and Alain Lipietz.

<sup>5</sup> The *Boccarien* school – led by Paul Boccard, the chief economist of the French Communist Party – was mainly concerned with regulation through overaccumulation-devalorization (Jessop & Sum 2006: 22). The *grenoblois* school traced the development of capitalism through three distinct stages (competitive/liberal capitalism, simple monopoly capitalism and state monopoly capitalism), analyzing social aspects of regulation that locked-in capitalist expansion within a given time and space (ibid.: 23).



theory to the socio-economic context of the United States (Boyer 1990: 17). A large number of scholars were influenced by his work, including Boyer, Lipietz and scholars working in the two French research groups, CEPREMAP and GRESP (Boyer 1990: 18). First-generation work was mostly concerned with one particular regime of accumulation – Fordism, as well as its crisis and transition to a ‘post-Fordist’ framework – and the FR conceptual framework was still in its incipient stages.

By 1990, Boyer called for second generation research to advance the FR research program by refining the conceptual framework and introducing new analytical methods and research questions (1990: 98). Indeed, second-generation scholarship has paid increasing attention to FR analysis by deepening the understanding of institutional forms, their role within given conjunctures, as well as the eventual breakdown of these conjunctures through crises. Second-generation work has also conducted research on the international implications of national regulation, and started to move into a more comparative research framework. As Jessop and Sum point out, while first-generation work relied on the orthodox Marxist understanding of class struggle in explaining the “genesis, dynamic and crisis of different accumulation regimes and modes of regulation,” subsequent generations have rather focused on the role of institutional complementarity for this purpose (2006: 13). Third-generation work, under the influence of institutionalist scholarship and comparative capitalisms research, moved into a more in-depth focus on varieties of capitalism, deploying the two concepts of institutional complementarities and hierarchy to understand capitalist variety (Amable 2000; 2016). Finally, fourth-generation scholarship has turned its focus on the relevance of FR in studying contemporary iterations of neoliberalism in different institutional contexts (Belfrage & Kallifatides 2018; Bieling, Jäger & Ryner 2015, etc.), and has sought to introduce FR to other theoretical currents (Jessop & Sum 2006; Knio 2020). My thesis draws on contributions from all four generations of FR scholarship, but I pay particular attention to second- and third-generation work because of its explicit concern with institutional dynamics and its theorizations on the institutional complementarity and hierarchy within given regimes of accumulation.

## *1.2. The ontological and epistemological foundations of the FR approach*

As I have outlined above, early FR theory evolved very much in response to the theorizations of Louis Althusser, one of the foremost Marxist scholars in France throughout the 1970s. As Alain Lipietz points out, regulationists were therefore in a way “rebel sons” of Althusser (1993: 99); while they rejected Althusserian structuralism, they were nonetheless highly influenced by his account of the Marxist dialectic (Jessop 2002: 91). Lipietz for instance insists that “the fundamental lesson of Althusser” is the ontological and epistemological foundation of his theorizations, that is, that the “real exists independently of the knowledge we have of it, and is not engendered by human thought nor by the development of an ‘absolute’ idea” (1993: 135; 103). This is accompanied by Althusser’s epistemological stance that the concepts through which we seek to understand the real exist only in our minds (ibid.: 135). Aglietta also echoes Althusser in his claim that,

“facts are not atoms of reality to be classified, linked and assembled. Facts must rather be treated as units in a process, or articulations between relations in motion, which interfere and fuse with one another. They can only be grasped by the collaboration of different modes of investigation, and this is why the concrete can be reached in thought only at the end of a globalizing procedure in which deductive and critical moments interact” (Aglietta 1979: 66, as cited in Jessop 2002: 96).

Regulationist theorists therefore suggest that while the capitalist economy certainly exists in the real world, our understanding of it is situated in time and space, and mediated by various epistemic categories. In order to understand capitalism, we are able to gain an understanding



of its iterations in the real world solely by mapping its various configurations across time and space.

In terms of the structure/agency dilemma, early French Regulation theorizations put forward the claim that capital is “a social structure that is produced by labor, but which subjects labor to the logic of its own reproduction” (Aglietta 1979: 24). Structure and agency are analytically intertwined and must be understood in a relational sense. At the same time, social structure precedes agency – as Aglietta argues, “[a]ny scientific study of capitalist development must necessarily start from the production of the material conditions of social life” (ibid.). FR scholars argue that embryonic structures are the product of sediments of prior internal class struggles (Lipietz 1987: 19). Therefore, structure – built on the sediments of class conflicts and struggles from the past – is ontologically prior to agency; agency then acts upon this structure and at times succeeds in producing stability while, at other times, failing to do so.

FR operationalizes its ontology vis-à-vis two concepts: the *regime of accumulation* (RoA) and the *mode of regulation* (MoR). The RoA is defined as the structure of regularized capitalist reproduction occurring during a phase of long-term stability. Even though RoAs can be stable in certain places and at certain points in history, this stability is not guaranteed, and capitalism is generally crisis-ridden and unstable. Lipietz argues that stable reproduction is ensured only if the RoA is “materialized in the shape of norms, habits, laws and regulating networks which ensure the unity of the process and which guarantee that its agents conform more or less to the schema of reproduction in their day-to-day behavior and struggles (both the economic struggle between capitalists and wage-earners, and that between capitals)” (1987: 14). This set of rules and procedures is called the MoR. Practically speaking, it is argued that these rules and principles are internalized by economic agents and groups in an intuitive, yet imperfect and incomplete, manner (Boyer 1990: 42).

It is important to note that the RoA and the MoR are considered to be chance discoveries (Lipietz 1987: 15). Neither is the former a “pre-ordained part of capitalism’s destiny” nor is the latter an “expression of the needs of a regime of accumulation” (ibid.). Both are contingent on a wide range of social and cultural factors and if they are successful for a period of time, this is because they are able to facilitate the establishment of a certain regularity in social reproduction (ibid.). Therefore, each conjunction that exists between a RoA and a MoR is historically specific and contextual, and is necessarily a short-lived phenomenon in the life of nations (Aglietta 1979: 391).

Since Aglietta’s (1979) pioneering work, FR scholarship has pointed to the role of institutions in resolving the structure/agency dilemma. Aglietta in particular introduced the concept of structural – or institutional – forms to refer to the complex social relations that emerge as a consequence of the class struggle (1979: 19). He argued that institutions, located at an intermediate level between the individual and society (Aglietta 1979: 399), act as constraining and/or mediating structures for capitalism and operate by modifying the tension occurring between opposing, yet inextricably linked, forces in society (ibid.: 405). Boyer further qualifies this argument, saying that institutional forms “result from conflicts between social groups arbitrated by political and legal processes” (2002: 17). Institutions therefore shape the MoR, conditioning the agents that are embedded within them (Boyer 1990: 44). Namely, once the dynamic stability of the system has been established, the principles that govern accumulation are repetitively imposed and therefore “intuitively *internalized* by different agents and groups” although in an incomplete way (ibid.: 42). One of the chief benefits of employing structural forms in regulationist analysis is that they facilitate historically specific analyses of RoAs and



describe the ways in which modes of regulation embody institutionalized class compromises (Jessop 2000: 1231). Institutions and institutional/structural forms are therefore a window into the structure/agency dilemma; the way in which conflicts, debates or other forms of social interaction (Aglietta 1979: 398) play out provides us with an insight into the dynamics occurring during the interaction of structure and agency. The FR move away from Althusserian structuralism is evident in the complex, dialectical way regulationists conceive of structure and agency within institutions. At the same time, the legacy that remains from the Althusserian tradition is perhaps an implicit analytical treatment of agency that falls short of providing a comprehensive explanation of how agents “manage collectively to adjust their decisions on a day-to-day basis, knowing only the constraints they face *locally* and not the ‘immanent laws’ governing the whole economy” (Boyer 1990: 43).

One of the most explicit treatments of agency in FR has been articulated by Bruno Amable (2000; 2003; 2016). He argues that social groups and the agents that form them have differentiated interests resulting from the different positions they occupy in the social structure (2016: 93). Economic dynamics influence the viability of these groups – referred to as the ‘dominant social bloc’ – although the latter cannot be reduced to the former (*ibid.*). Amable therefore defines *institutional complementarity* in relation to the dominant social bloc – in order for a set of institutions to remain in a state of equilibrium, they “need to be supported by a socio-political bloc reflecting common interests and agreement over a political strategy” (2003: 11). Consequently, *hierarchically* superior institutions are taken to matter most directly for the interests of the dominant social bloc and which, if altered, have the greatest likelihood of challenging the viability of the existing social bloc (Amable 2016: 95). At the same time, the dominant bloc is “a coalition of different and sometimes diverging interests” and the institutional complementarity must be understood as a compromise between these different interests (Amable 2003: 66). This then allows us to pinpoint the temporary (yet inherently crisis-ridden) compromises that may occur between capital and labor in capitalist systems, and to overcome a narrow, class-based analysis which portrays the relationship between bourgeoisie and proletariat as conflictual at all times. In the following section, I take a closer look at key conceptual features of FR analysis, before pointing to the ways in which it allows us to introduce space and scale into our study.

### 1.3. Key analytical concepts in FR

As briefly mentioned in the previous section, FR scholars employ two central analytical concepts to capture the dynamic tendencies of capitalism: the RoA and the MoR. The RoA is understood as the set of relatively stable and coherent economic regularities that stabilize capital accumulation within a given period of time and geographical context, displacing crisis tendencies inherent within capitalist accumulation and attenuating any disequilibria and contradictions (Boyer 1990: 35; Boyer & Saillard 2002: 335). It is the relatively long-term phase of stability between two crises during which accumulation occurs in a stable and continuous manner. When it was first introduced, one of the central benefits of the RoA as a conceptual category was its ability to posit the existence of varying types of economic reproduction (Boyer 1990: 36). Within heterodox economics, the RoA therefore challenged structuralist Marxist conceptions of the capitalist economy by asserting the existence of different viable forms of accumulation. On the other hand, in orthodox economics, the RoA challenged the notion of general equilibrium by positing the necessarily relative stability of



accumulation tendencies and their situatedness within a specific historical and spatial context<sup>6</sup>. The RoA therefore paves the way for an understanding of capitalism(s) as inherently crisis-ridden, yet able to dynamically persist for a limited period of time, in a given spatial context.

However, not every RoA is viable – each must be stabilized by a corresponding MoR, a set of mediations which eliminate distortions and interruptions to capital accumulation in a socially acceptable and cohesive manner (Aglietta 1979: 391). Along these lines, Lipietz points out that

“the emergence of a new regime of accumulation is not a pre-ordained part of capitalism’s destiny, even though it may correspond to certain identifiable ‘tendencies’. Nor is the stabilization of a mode of regulation an expression of the needs of a regime of accumulation which emerges from Plato’s cave and dictates its laws to us as though we were mere shades. Regimes of accumulation and modes of regulation are *chance discoveries* made in the course of human struggles and if they are for a while successful, it is only because they are able to ensure a certain regularity and a certain permanence in social reproduction. But, just as nature is full of oddities like duck-bills and toucans which survive in scattered colonies between the ‘discontinuous equilibria’ that punctuate the evolution of species, so the history of capitalism is full of experiments which led nowhere: aborted revolutions, abandoned prototypes and all sorts of monstrosities” (1987: 15).

Therefore, the MoR must not be understood in a functionalist sense, nor should a RoA be understood deterministically – the two emerge by chance in particular historical and spatial conjunctures and last for a limited period of time. As Peck and Tickell (1995: 16) point out, the relationship between RoA and MoR is necessarily “a fragile and partial one, balanced as it is on the knife-edge of political compromise and incipient economic crisis.”

The MoR should thus be understood as the set of individual and collective behaviors that,

- “reproduce fundamental social relations through the combination of historically determined institutional forms;
- support and “steer” the prevailing regime of accumulation; and
- ensure the compatibility over time of a set of decentralized decisions, without the economic actors themselves having to internalize the adjustment principles governing the overall system” (Boyer 1990: 43).

Crises<sup>7</sup> are conceived of as ruptures such that a period of crisis is always a period of “intense social creation,” and the outcome of a crisis is an “irreversible transformation of the MoR” (ibid.: 19). Therefore, the MoR analytically permits the researcher to pinpoint the social stability that may occur within a particular economic configuration. However, this is not to say that MoRs are static – on the contrary, regulation must be understood as a dynamic process operating on a day-to-day basis to remove disequilibria and obstacles to accumulation. While some regulationists have interpreted the MoR through the lens of Bourdieu’s habitus, i.e. as a set of internalized rules and social procedures governing individual behavior (Lipietz 1987: 15), others have likened the concept to Gramsci’s understanding of common sense and

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<sup>6</sup> General equilibrium proposes complete convergence to a static equilibrium vis-à-vis the calculated decision-making of – essentially ahistorical and aspatial – rational agents. FR challenges this conception by situating: (1) agents’ rationality within a complex web of institutions, (2) the MoR/RoA configuration in time and space, (3) markets in a series of institutional arrangements. In this conception, Boyer points out, “it is impossible to establish a dichotomy between the purely economic on one side and the social on the other. Even perfectly competitive pure markets derive from the organization of social space; they are constructed on the basis of power relations and legal rules” (1990: 44).

<sup>7</sup> FR theorists distinguish between three different types of crisis: 1) crises as ‘external’ disturbances, 2) cyclical crises and 3) crises of the system of regulation (Boyer 1990: 48-53). The first type of crisis occurs when external factors (e.g. natural disasters, wars, etc.) lead to the blockage of continued economic reproduction (ibid.: 49). Cyclical crises, on the other hand, are endogenous in nature and occur periodically, but are able to be contained within a given MoR (ibid.: 50-51). The final types of crisis – crises of the system of regulation – occur when the existing MoR/RoA configuration is no longer viable in its original form (ibid.: 52).



hegemony, within the context of an integral economy, that is, the social context of economic production (Jessop & Sum 2006: 63; 106). In any case, the MoR should be understood as the set of norms, laws, habits and social conventions that work together to stabilize a RoA, generating sustained growth for a period of time.

At the core of every MoR is a set of *institutional forms* that codify specific social relations. Boyer and Saillard identify five different institutional forms (IFs): (a) the wage-labor nexus (b) the monetary regime, (c) forms of competition, (d) the forms of insertion into the international regime, and (e) the forms of the state (2002a: 339-340). The **(a) wage-labor nexus** is considered one of the central institutional forms in regulationist analysis as it serves to delineate the way in which the commodification of labor-power is institutionalized (Aglietta 1979: 45). In a broader sense, it governs the process whereby one segment of society appropriates the ensemble of the means of production and the other segment is transformed into a wage-earning class (ibid.: 45-46). The wage-labor nexus therefore encompasses the broad configuration of relations that define types of organizations of work, ways in which workers are attracted and retained by the firm, social and technical division of labor, workers' lifestyles, and the general condition of the reproduction of the labor force (Boyer 1986; Boyer & Saillard 2002: 345). This institutional form should therefore be understood as the set of institutions emerging out of the compromise between capital and labor (at a particular time and place) that delimit the general conditions through which labor is reproduced. Several different types of wage-labor nexus have been identified by regulationist scholars: 1) competitive, 2) Taylorian and 3) Fordist (Boyer & Saillard 2002b: 39). Type 1) refers to the arrangement when workers' consumption is not accounted for by capitalist production at all, whereas type 3) has fully integrated consumption into production norms. Type 2) refers to the period in time when work enables mass production without profoundly altering the consumption patterns of workers.

Next, **(b) the monetary regime** is an institutional form that encompasses all of the relations that occur between the center of accumulation, wage earners and other merchant subjects (Boyer 1986, as cited in Boyer & Saillard 2002a: 341). Understanding the way money is created, the forms through which it operates and how it circulates is crucial for understanding the nature of a particular regime of accumulation in FR analysis (Guttman 2002: 58). A number of institutional arrangements define a given monetary regime – the monetary and financial policy, rules for the transfer of funds between countries, as well as lender-of-last-resort mechanisms (ibid.). This is because, as Boyer (1989: 38) points out,

“the monetary form is closely related to the spaces governed by nations and those between them. On the one hand, money represents one of the key attributes of nation-states and tends to create a homogeneous space of commodity circulation within borders that are essentially political. But on the other hand, the initiatives of commodity agents or the establishment of convertibility by monetary authorities create connections with other spaces in which commodities circulate, so that monetary relations extend beyond the nation-state itself and impose limitations upon its autonomy.”

FR distinguishes between the credit-based monetary regime of Fordism and the financial monetary regime of the post-Fordist, neoliberal period. The Fordist monetary regime was national in scope, credit was supplied by a hierarchically organized banking system, and a central banking system was in charge of oversight and management of credit relations (Jessop & Sum 2006: 62). The financial monetary regime, characteristic of the neoliberal period, is rather situated in an increasingly open and deregulated monetary system, detached from the national state which operates in a predominantly short-term, speculative fashion on an international level.



The **(c) forms of competition** are another significant aspect of a regime of accumulation – this IF refers to the set of institutions that govern the complex relationships between different producers. Studying these institutions concerns a range of aspects: the number of competitors in a given market, the relations that prevail amongst them, the logic according to which each company operates individually (e.g. management rules), the relation between the company and the financial system, as well as the objects of competition (e.g. goods, services, etc.). Two distinct forms of competition are generally contrasted – the monopoly and the competitive system. Monopolistic competition occurs when producers have an impact on social demand so that supply is determined even before production occurs while a competitive system exists when supply confronts unknown demand on the market (Boyer 1990: 39; Boyer & Saillard 2002a: 338).

The **(d) forms of insertion into the international regime** refer to the diverse rules and institutions governing the relationship between a nation-state and the rest of the world. Although FR theory privileges the nation-state as a primary scale of analysis, this IF allows us to study the impact that international dynamics have on nations. In particular, these are the rules that govern capital flows, trade, the operation of multinational firms and the international monetary system (Vidal 2002: 109). FR avoids binary oppositions between open and closed economies in defining a country's relationship to the international regime, proposing rather a set of intermediary concepts, such as the *strategic area*, to define this complex relationship (Boyer & Saillard 2002b: 40). The *strategic area* is defined as the set of possibilities that are offered and constraints imposed by an international regime for each national space (Mistral 1986, as cited in Boyer 1990: 40). However, it should be noted that the international regime cannot determine the mode of growth of a country by itself, but that it depends on the relationship that it establishes with the remaining institutional forms in the mode of regulation (Boyer & Saillard 2002b: 40).

Finally, the **(e) forms of the state** are institutions that pinpoint the various institutionalized compromises through which the state has an impact on the economy. FR does not artificially isolate the state from the economy, but rather conceives of it as “relational, integrated and complex” (*l'état relationnel intégré complexe*) (Delorme 2002: 115). State action takes many forms so this IF can significantly overlap with other IFs (e.g. the wage-labor nexus, the monetary regime, etc.). The state thus seeks to coordinate the activities of numerous diverse agents within a given economy, but this adjustment is never coherent nor complete; coordination can never be ‘produced’ by the state, but is rather the temporary outcome of a range of “local, heterogeneous decisions” (ibid.: 117). Delorme (2002: 119) distinguishes between three different logics of state action:

1. *Coordination* refers to all of the state institutions that are in charge of making sure that a common framework operates smoothly and without interruptions;
2. *Legitimization* is enacted through the set of institutions that influence how actors interpret the reality that is available to them. In a Gramscian sense, one of the key functions of the state is therefore the articulation of a ‘common sense,’<sup>8</sup> i.e. a common knowledge intended to render certain state decisions palatable to the masses, as well as buffer potential coordination failures;
3. *The power of constraint linked with sovereignty* is the set of institutions that deal with the “formation and exercising of power, either through consent or in the mode of forced implementation” (Delorme 2002: 120).

#### 1.4. The logic of institutional forms

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<sup>8</sup> Gramsci defines ‘common sense’ as the spontaneous philosophy of the masses which is instinctive and formed through spontaneous and everyday experience, rather than any sort of systematic indoctrination (Gramsci 1979: 198-199).



As mentioned previously, institutional forms serve to “shed light on the origins of the patterns guiding the reproduction of economic formations over given historical periods” (ibid.). Boyer has distinguished between three different ways in which IFs operate, pointing to the importance of explaining the logic and genesis of IFs – rather than merely identifying institutional patterns – in enacting social change (1990: 44-45). The pathways through which IFs are articulated are as follows:

- 1) Through laws, rules and regulations which act in a coercive way (whether in a direct, symbolic or mediated sense) and impose a certain type of behavior on individuals and groups in society;
- 2) Through compromise whereby agents or groups negotiate and “arrive at certain conventions which govern their mutual engagements on the basis of their own interests” (Boyer 1990: 44);
- 3) By establishing a common value system or common representations of reality which establish an implicit code for the behavior of individuals or groups. In this way, behavior is homogenized, replacing the diversity and spontaneity of individual impulses and initiatives.

A combination of institutional forms therefore “fashions, guides, and in certain cases constrains individual behavior” (Boyer 1990: 44). How it does so depends on the particular arrangement of institutional forms, and it is for this purpose that Boyer draws on the concept of *institutional complementarity*. Amable (2000) distinguishes between two different conceptualizations of institutional complementarity: the static version and the dynamic version. The static version, made famous by the Varieties of Capitalism (VoC), was used to theorize variation between national capitalisms based on relationships occurring at the firm-level (Hall & Soskice 2001). VoC scholars differentiated between two different institutional configurations with different sets of complementarities that all national economies were said to converge upon: the liberal market economy and the coordinated market economy. In the VoC view, therefore, different institutional complementarities generated differing outcomes related to firm-level cooperation and competition (ibid.: 11). The static understanding of institutional complementarities has been criticized for its functionalism and not being able to account for institutional change over time (Peck and Theodore 2007, as cited in Amable 2016: 80). FR on the other hand adopts a dynamic understanding of *complementarity* that allows for the emergence and disappearance of coherence within a given institutional configuration, leaving open the possibility for structural change, breakdowns and crisis (Amable 2000: 658).

Although departing from a starkly different set of assumptions relative to their VoC counterparts, FR scholars agree that *complementary* institutions offer better performance and adaptability in a given institutional configuration compared to other configurations (although not positing the existence of only two ideal types) (Boyer 2002b: 331). In a general sense, the *institutional complementarity* concept is therefore used to analyze institutional patterns that occur across otherwise different spatial and temporal contexts.

However, the precise meaning of *institutional complementarity* in an FR sense only emerges when used in conjunction with an adjacent concept – the *institutional hierarchy*. As Boyer points out, the *institutional hierarchy*

“extends the notion of complementarity by linking it with the dominance of one institutional form over another, owing to the nature of political coalitions at the heart of institutionalized compromises, on which each regime is based. The adjustment of one institutional form to another is no longer linked with evolutionist trial-and-error processes or a miraculous compatibility to be



discovered by actors. Rather it is linked with the interplay of power relations, implying the ability of some collective actors to generate restructuring compromises beyond their direct sphere of influence” (2002b: 331).

Amable (2000: 660) applies a dynamic understanding of the institutional hierarchy as well, arguing that the transformation of one institution affects the evolution of another institution. In sum, within a given institutional configuration, one IF can emerge as more important relative to the remaining IFs such that it guides the development of the other institutions in the same configuration.

### 1.5. *FR and Space*

As previously mentioned, Parisian school research tends to regard the space of regulation as inherently national. Peck and Tickell (1995: 19) suggest that the FR preoccupation with the nation-state has to do with the fact that the FR toolkit was forged in studies of Fordism (beginning with Aglietta’s account of the US economy). This isn’t to say that other scales of analysis are not dealt with by Parisians – much work has been done on the impact of regulation at the local, regional and sectoral levels – but even so, the national scale is treated as the *primary* scale of regulation. In this sense, the Parisian school considers regulation at the local, regional and sectoral levels to be “partial regulation” (Gilly & Pecqueur 2002: 198). In essence, orthodox FR work assumes that couplings between different RoAs and MoRs vary from nation-state to nation-state and that, for a RoA to stabilize, it must exist in a viable coupling with a MoR – at the level of the nation-state (Peck & Tickell 1995; Tickell & Peck 1995). Consequently, it has been argued that FR remains unable to account for uneven spatial development – whether at the subnational or supranational scales (ibid.).

Exceptionally, Parisian regulationist Alain Lipietz has produced a substantial body of work that not only transcends the implicit focus on the nation-state, but also engages more deeply with the nature of the relationship between regulation and space. He argues that social processes necessarily have a spatial dimension – they “are not inscribed ‘in’ space; they *are* space and compose its many threads” (1992: 102). In Lipietz’s view, space is therefore intrinsic to the stabilization of a MoR. Individuals have a tendency to assemble regularly under specific conditions, to circulate close to the same places and thereby form networks and material places which form the *material base* of this stabilization (ibid.: 103-104). In a way, Lipietz argues, social space *is* a mode of *régulation* (ibid.: 104). Regulationist work on space – both inside and outside the Parisian school – has largely drawn on Lipietz’s theorizations, building upon them in different ways.

For instance, a group of radical geographers and urban sociologists working within the broad North American regulationist current – conventionally known as the ‘California school’ (Jessop & Sum 2006: 28) – have produced a considerable amount of work dealing with the relation between MoRs and their associated spatial forms. Initial work from this group focused on the impact of Fordism on spatial restructuring in the post-WWII period – that is, the rise and fall of specific industrial complexes, residential patterns (Walker 1981), the emergence of industrial districts within large urban agglomerations (Scott 1983) and the spatial division of labor (Storper & Walker 1983; Walker 1987). Scott (1983) distinguishes between the differential spatial effect of vertically disintegrated, large-scale industries situated in large industrial regions and small-scale, vertically integrated plants located within urban agglomerations. While major industrial regions and large-scale production emerged throughout North America (i.e. the Manufacturing Belt) and Western Europe (i.e. from the English Midlands to Northern France, Belgium, the Netherlands and the Ruhr area in Germany), small



scale production emerged within cities, resulting in clusters of intensive, vertically integrated plants (Scott 1988: 69). Subsequent work within this research program sought to understand the transition from a Fordist to – what was then termed – a post-Fordist, ‘flexible’ regime. This included an investigation of possible spatial implications of post-Fordist development (Leborgne & Lipietz 1988; Scott 1988; Scott & Storper 1986), the emergence of new technologies and industries (Sayer 1986; Scott & Angel 1987), and the like. However, as Peck and Tickell (1995: 26) point out, much of the work in this field has been criticized for prioritizing regional or local dynamics over the broader question concerning the nature of uneven development and global interdependencies.

The Grenoble school of regulation handles the question of space in yet another way – through their understanding of the multiscalar nature of accumulation. The *grenoblois* put forward the argument that regulation does not occur nationally, but rather within a ‘productive system’ understood as “the spatial whole in which a mode of regulation is applied” (de Bernis & Vale 1988: 49). The productive system is therefore articulated on a plurinational level such that multiple countries are economically joined to each other and subject to the influence of one central, dominant country. This country exercises its influence by organizing the labor process, establishing its own currency as the dominant one and accumulating surplus capital from the dominated countries (ibid.: 50). The productive system is necessarily spatial in character – the stability of a spatial configuration of states is ensured by a stable MoR in the plurinational system (ibid.). Echoing Lipietz, the *grenoblois* also portray space as intimately linked to the MoR. In the regulationist view, space is therefore inherently economic and reflects the stability of a given MoR at a particular point in time.

A valuable set of contributions have also emerged from geographers interested in how FR analysis is able to accommodate questions of scale. For instance, Moulaert and Swyngedouw (1989) argue that the accumulation regime is an ensemble of “spatially and historically produced concrete forms of organization of wage relations, competition, forms of state regulation, and insertion in the international regime” (Moulaert & Swyngedouw 1989: 330). Furthermore,

“The production of space, then, becomes an integral part of the accumulation regime. Each regime produces a specific mode of spatial organization profoundly different from the previous one. Each regime creates new or renewed forms of spatial crisis. Cities and regions, hit by economic decline and the restructuring or closing down of ‘older’ industries, are left with the social, physical, political, and ideological characteristics associated with the ‘old’ mode of development. At the same time, new territories are invaded and become social spaces producing new forms of industrial, social, and technical structures as well as new ideological images.” (ibid.).

In line with this understanding, Moulaert and Swyngedouw develop a regulationist understanding of the spatial crises under Fordism and the new patterns of spatial organization emerging from this crisis.

In his seminal 1997 article, Swyngedouw pushes this understanding further, arguing that the French Regulation approach is able to implicitly capture the dynamics of the production of scale. Scale, he argues, embodies a “temporary sociospatial compromise that contains and channels conflict” (Swyngedouw 1997a: 146). Each mode of regulation is therefore embedded within a particular scalar configuration; it is through a variety of interpenetrating scales that institutional forms are articulated, codifying a particular set of social relations that enable the flow of capital (in spite of their contradictory nature) (ibid.: 147). Furthermore, scale emerges as the site for “control and domination” and it is here that a particular set of power relationships



are rooted. The reconfiguration of scale therefore entails disrupting the institutional regularities and power structures inhabiting a particular mode of regulation (ibid.).

For instance, he argues that the rise of Fordism was characterized by the formation of a new set of scalar articulations in which the national scale became preeminent (Swyngedouw 1997a: 153). This is the case because the foundations of the Fordist state resided in the “struggle of the labor movement to transcend the local shopfloor struggle and to jump scales through gaining increasing power at the level of the state” (ibid.). Ultimately, the crisis of Fordism can also then be traced through a scalar lens; for instance, the increasing tension between the internationalization of competition and the bureaucratic regulation of the wage-labor nexus at the national scale played a major role in contributing to the breakdown of the Fordist regime of accumulation.

Similarly, Tickell and Peck (1992; 1995) also argue that FR is inherently able to accommodate scalar analysis. They argue that ‘orthodox’ FR already accounts for space in two ways: (1) due to divergent histories, different places are said to respond to the same processes in different ways, generating national specificities; (2) successive regimes of accumulation are said to take on different spatial structures – both nationally and internationally (Tickell & Peck 1992: 209). However, they point out that FR does not succeed in capturing the multitude of ways in which regulation and accumulation pervade spatial scales other than the national. In order to move forward, they argue it is necessary to theorize different RoA-MoR couplings and the ways in which they contribute to generating different forms of uneven development (ibid.: 210). Namely, in order to move past the ‘orthodox’ FR view, Tickell and Peck call for a thorough reassessment of the conventional division of the world into “a series of national regimes of accumulation,” by taking greater care in developing a multiscale understanding of the MoR and RoA (ibid.: 210).

FR scholarship has sought to accommodate the relationship between space and regulation in a variety of ways. In the context of my study, I draw on the contributions made by Tickell & Peck (1992; 1995) and Swyngedouw (1997a) in an effort to trace the scalar arrangement of neoliberal institutional forms, as well as the process of ‘rescaling’ which has occurred in the transition from Fordism to neoliberalism. It is in this context that I believe an understanding of the relationship between cities and neoliberalism can be fully fleshed out. In the following section, I flesh out the ontological, epistemological and theoretical components of the Morphogenetic Approach to point to the ways in which it can help periodize FR analysis and therefore capture the inherently dynamic nature of capitalist processes as they play out over time. This is key to understanding the process of neoliberal ‘rescaling’ through which urban sites acquired a key role, and the accompanying breakdown of one institutional hierarchy and the emergence of another in its place.

## **Part II. The theoretical underpinnings of the Morphogenetic Approach**

### *2.1. Origins and metatheoretical assumptions of the morphogenetic approach*

The philosophical foundation of critical realism was expounded by Roy Bhaskar in the 1970s and 80s. In one of his founding pieces, *The Possibility of Naturalism*, Bhaskar poses what he calls ‘the primal problem of the philosophy of the social sciences’ – to what extent can we study society in the same way as nature (1998: 1)? He identifies two opposing intellectual currents which have proposed rival answers to this conundrum: the positivist/naturalist tradition and the hermeneutic/anti-naturalist tradition (ibid.). While the positivists draw on the



Humean tradition to argue that the social sciences can be studied in much the same way as the natural sciences, the hermeneutic tradition is rather based upon the assumption that the social and natural sciences are intrinsically different and that the task of social scientists is to interpret the meaning of social phenomena, rather than *acquire knowledge* about them (ibid.). Critiquing both approaches, Bhaskar develops the view that there are significant differences between the methods of the natural and social sciences (grounded in the distinction existing between their respective subject matters), yet that science is applicable to both the social and natural realms (1998: 3).

At the core of the critical realist ontology is an anti-Humean understanding of causality<sup>9</sup> and a concomitant opposition to positivist science (Bhaskar 2008; 2010). Distancing itself from the Humean tradition, critical realist philosophy argues that an ontological distinction exists between patterns of events and scientific laws (Bhaskar 2008: 1). In other words, “real structures exist independently of and are often out of phase with the actual patterns of events” (ibid.: 2). These real structures are therefore ontologically independent from our knowledge and experience, as well as the conditions which allow us access to them (ibid.: 15). Social structures therefore pre-date agents and are a necessary condition for their activity (Jessop 2005: 44). Bhaskar points out that social structure and human agency are “existentially interdependent but essentially distinct” (2010: 71). Therefore, critical realism understands structure as both the cause and outcome of human agency, while agency is conceived both as the conscious production and unconscious reproduction of the conditions of production (i.e. structure) (ibid.: 71-72).

Bhaskar’s ‘operationalization’ of the critical realist ontology leads him to develop the Transformational Model of Social Activity (TMSA) where social structure and human agency are conceived as “existentially interdependent but essentially distinct” (Bhaskar 2010: 71). Through the TSMA, Bhaskar calls for the establishment of:

“a system of concepts designating the ‘point of contact’ between human agency and social structures. Such a point, linking action to structure, must *both* endure and be immediately occupied by individuals. It is clear that the mediating system we need is that of the *positions* (places, functions, rules, tasks, duties, rights, etc.) occupied (filled, assumed, enacted, etc.) by individuals, and of the *practices* (activities, etc.) in which, in virtue of their occupancy of these positions (and vice versa), they engage. I shall call this mediating system the position-practice system. Now such positions and practices, if they are to be individuated at all, can only be done so *relationally*.” (1998: 44).

His subsequent work builds upon these contentions, emphasizing the concept of ‘emergence’<sup>10</sup> and the influence of structural properties at the beginning of a given cycle; the historicity of this cycle; as well as the role of agents in mediating necessary processes due to limitations in the understanding of the social world (Archer 1995: 155-156). He therefore develops a relational understanding of structure and agency whereby society does not consist of

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<sup>9</sup> Hume argued that a cause is “an object precedent and contiguous to another, and where all the objects resembling the former are plac’d in like relations of precedency and contiguity to those objects which resemble the latter” (Hume 1978: 170 as cited in Kurki 2008: 35). In other words, Humean causation is premised upon the notion of ‘constant conjunctions’ – the constant occurrence of specific events or phenomena in regular succession (Kurki 2008: 35).

<sup>10</sup> ‘Emergence’ is a concept used to describe the relation between a higher-level stratum and its underlying one, such that the former cannot be constructed from or reduced to the latter (Collier 1994: 113). Archer uses the concept of ‘emergence’ specifically to argue that structure and agency are “analytically separable, but also since given ‘structures’ and given ‘agents’ occupy and operate over different tracts of the time dimension they therefore are distinguishable from each other” (1995: 66). Collier illustrates this through the following example: “the written joke presupposes the chemical reality of inkmarks on paper, but it is not *rooted in* or *emergent from* them, in that they do not explain the joke” (ibid.: 115).



individuals, but rather expresses the sum of the relationships that these individuals are situated within (Bhaskar 1998: 28). In this context, he views scientific theory as the “movement from the manifest phenomena of social life, as conceptualized in the experience of the social agents concerned, to the essential relations that necessitate them” (ibid.).

Social reality is therefore stratified and can be separated into three distinct domains: the real, the actual and the empirical (Bhaskar 2008: 2). The ‘empirical’ realm is comprised only of experiences that we might have of the world, even though not all events are experienced (Collier 1994: 44). The ‘actual’, on the other hand, consists both of events and experiences, while the ‘real’ is the only domain where generative mechanisms are present (ibid.). These three dimensions are interlinked and relational in nature: “internally necessary and/or external contingent relations...obtain within and among these dimensions” (Jessop 2005: 42). Therefore, the stratification of social reality implies “ontological depth,” i.e. the presumption that “knowledge *grows* (as well as changes) as new and deeper layers of reality are progressively identified, described and explained” (Bhaskar 2010: 32).

Based upon the stratified understanding of reality, Bhaskar distinguishes between *transitive* and *intransitive* objects of knowledge. *Transitive* objects of knowledge are said to be previously established “facts and theories, paradigms and models, methods and techniques of inquiry,” that inherently depend on human activity (Bhaskar 2008: 11). On the other hand, *intransitive* objects of knowledge are “things which are not produced by men at all: the specific gravity of mercury, the process of electrolysis, the mechanism of light propagation” (ibid.). In other words, while the former refers to the social character of science, the latter refers to the objects of scientific thought (ibid.: 14). Critical realism (arguing against the so-called ‘epistemic fallacy’) therefore insists that ontology cannot be reduced to epistemology – that is, ‘statements about being’ cannot be collapsed into ‘statements about our knowledge of being’ (ibid.: 5). Critical realists therefore subscribe to *epistemological relativism* – the contention that it is possible to know objects only under specific conditions (Bhaskar 2008: 241). Thus, while social reality exists independently of our knowledge, our understanding of it is necessarily situated within a historical, social and cultural context. As Bhaskar points out, “whenever we speak of things or of events etc. in science we must always speak of them and know them under particular descriptions, descriptions which will always be to a greater or lesser extent theoretically determined, which are not neutral reflections of a given world” (2008: 240-241).

Archer (1995: 135-6) builds on Bhaskar’s ontological and epistemological assumptions, but deems the TMSA model incomplete, critiquing its affinity to Giddensian structuration theory. She argues that the TMSA can be effectively supplemented by the morphogenetic approach, helping it to avoid falling into the trap of central conflation<sup>11</sup> (ibid.). While Bhaskar departs from a philosophical perspective, Archer therefore sets out to tackle the structure/agency conundrum in a sociological sense. She proposes examining the interplay between structure and agency through ‘analytical dualism,’ which allows her to treat the two as ontologically distinct. One of her key innovations in her morphogenetic model is the explicit introduction of temporality (Jessop 2005: 47-8); time is essential to understanding the interplay of structure and agency and without it, Archer argues, the structure/agency conundrum can never be satisfactorily resolved (1995: 65). By examining how structure and agency “*emerge, intertwine*

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<sup>11</sup> Central conflation is a form of conflation that “insists upon the inseparability of the ‘parts’ and the ‘people’” (Archer 2000: 6). In other words, structure and agency are understood to be mutually constitutive. Archer points out that the two elements cannot be separated from each other, as they prevent the researcher from examining the reciprocal influences that they have upon each other (ibid.).



and *redefine* one another” over time (ibid.: 76), she points to the importance of *linking* structure and agency, rather than analytically favoring one over the other (1995: 65). Structure is therefore understood as necessarily predating the agency that seeks to transform it, whereas the elaboration of this structure always postdates agency (ibid.: 76).

Archer distinguishes between three distinct moments in the morphogenetic sequence: *conditioning*, *interaction* and *reproduction/elaboration*. The *conditioning* stage, viewed as the inheritance of past social forms, is the initial set of given properties that occurs at T<sup>1</sup>. Between T<sup>2</sup> and T<sup>3</sup> – during the *interaction* phase – agency is exerted upon these inherited structural forms. Agency can act upon inherited structures in a wide range of ways, speeding up, delaying or even preventing the elimination of prior structural influences (Archer 1995: 78). The results of these actions appear at T<sup>4</sup> when *reproduction/elaboration* takes place; during this sequence, the existing structure can either be reproduced or an entirely new set of properties can emerge, feeding into the beginning of a new morphogenetic cycle (ibid.: 79). Archer therefore provides one of the most nuanced reflections on the structure/agency conundrum and drawing on analytical dualism allows us to situate social dynamics in a particular temporal and spatial context. In the following section, I will take a closer look at the specificities of the morphogenetic model in its own right and how the interplay between structure and agency can be traced across the three sequences mentioned above.

## 2.2. *The conceptual foundations of the morphogenetic model*

The morphogenetic model is premised upon the primacy of structure, which Archer argues is irreducible, autonomous and relatively enduring (1995: 168). Agents post-date structure and, in fact, do not ‘create’ structure, but rather reproduce it or transform it (ibid.). This conception is the foundation of Archer’s analytical dualism, the ontological core of her MA. She argues that in order to study the relationship between structure and agency, it is crucial to break the sequence of interaction up into three stages – conditioning, interaction and elaboration – such that their evolution can be traced over time. Four different propositions are central to understanding Archer’s analytical dualism:

- “(i) there are internal and necessary relations within and between social structures (SS);
- (ii) causal influences are exerted by social structure(s) (SS) on social interaction (SI);
- (iii) there are causal relationships between groups and individuals at the level of social interaction (SI);
- (iv) social interaction (SI) elaborates upon the composition of social structure(s) (SS) by modifying current internal and necessary structural relationships and introducing new ones where morphogenesis is concerned. Alternatively, social interaction (SI) reproduces existing internal and necessary structural relations when morphostasis applies” (Archer 1995: 168).

Due to the introduction of the temporal dimension, the morphogenetic model allows the researcher to pinpoint structure independently of agency, to trace the relevant dynamics between agents and structures during the interaction phase, as well as to analyze the resulting consequences of interaction through the moment of reproduction/elaboration.

The key concept for understanding structure in Archerian terms is – emergence. Archer argues that structures are emergent properties with a specific set of characteristics and are bound by internal and necessary relations (1995: 173). Internal and necessary relations bind emergent properties into unified wholes and allow the researcher to distinguish them from relations that are external and contingent (i.e. relations where “two entities or items can exist without one another and it is thus neither necessary nor impossible that they stand in any particular relation to one another, for the nature of either does not depend upon this”) (ibid.: 173). Archer distinguishes between two types of structures – those composed of material resources (i.e.



structural emergent properties, or SEPs) and those consisting of ideational resources (i.e. cultural emergent properties, or CEPs). Both SEPs and CEPs are necessarily and internally related, exist at a particular time and space, and are both products of human agency which they also, in turn, act upon (ibid.: 181). In order to clarify these two concepts and their role in the morphogenetic cycle, I will take a closer look at each before turning to the role of agency, through which structures (both material and ideational) exert their influence.

SEPs are material properties (internally and necessarily related) of a given structure at T<sup>1</sup> within a particular society. However, they should not be confused with the observable, heterogeneous regularities that may exist within a given society (e.g. institutional patterns or social organizations) (ibid.: 172). Each SEP is therefore the product of a number of combined actions of agents situated in the past, as well as their relevant unintended consequences (ibid.: 176). Similarly, CEPs are a set of internally and necessarily related cultural properties that are the product of the socio-cultural interaction of prior morphogenetic cycles, yet that now exist in their own right (ibid.: 181). CEPs are bound by logical relations, and the beliefs, theories and values that comprise them exist independently of anyone's "claim to know, to believe, to assent or to assert them" (ibid.). At the level of conditioning, they exert their influence by shaping the milieus in which agents are situated. As Archer points out, SEPs and CEPs,

"account for what there is (materially and culturally) to be distributed and also for the shape of such distributions; for the nature of the extant role array, the proportions of positions available at any time and the advantages/disadvantages associated with them; for the institutional configuration present and for those second order emergent properties of compatibility or incompatibility, that is whether the respective operations of institutions are matters of obstruction or assistance to one another. In these ways, situations are objectively defined for their subsequent occupants or incumbents" (ibid.: 201).

These structural influences are articulated in five different ways: through *involuntaristic placement*, *vested interests*, *opportunity costs*, *degrees of interpretative freedom*, and *directional guidance*<sup>12</sup> (Archer 1995: 201-216). It is through these mechanisms that structures, products of prior morphogenetic sequences, have an impact on agential behavior even before it is exercised.

Although these structural influences shape the range of possible options for individual action, outcomes are largely contingent on the moment of interaction taking place between agents at the second level of the morphogenetic cycle. It is for this reason that Archer argues that the structural and cultural fields necessarily intersect in the interaction phase (ibid.: 305). Just like

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<sup>12</sup> *Involuntaristic placement* refers to the situations in which agents are implicated which are not of their own volition; Archer points out that "we are quite literally born into life chances which are defined by prior distributions of material resources; this is our situation at T<sup>1</sup> and though it is alterable by T<sup>3</sup>, alterations entail altering our situations and this is not a matter of untrammelled choice but of confrontation and extrication which carry costs" (Archer 1995: 202). *Vested interests* refer to the set of (objective features) that different agents within a given society are confronted with, predisposing them to take different courses of action and therefore even lead different lives (ibid.: 203). On a similar note, *opportunity costs* mediate structures by rewarding certain types of behavior and offering penalties for other types (ibid.: 205). Importantly, it is clear that *opportunity costs* are predicated upon agential reflexivity and they merely condition behavior, rather than determining it. *Degrees of interpretative freedom*, however, indicate that this reflexivity is also constrained based upon the available ideational resources at the time. Archer points out that "just as material reasons derive from the structural context and objectively both encourage and discourage certain judgements about courses of action, so too, normative reasons emanate from the cultural context and have the same effects upon situational evaluations" (ibid.: 212). Finally, *directional guidance* can also have an impact on shaping the context within which agents operate – this is the strategic behavior that promotes or prevents a specific course of action and conditions the actions of a large part of society (ibid.: 213). However, *directional guidance* is necessarily a second-order influence and these in no way 'override' the aforementioned first-order forms of conditioning (ibid.: 213-214).



structure and culture, Archer understands agency as an emergent property – people’s emergent properties (PEPs) exist at any given T<sup>1</sup> and are the outcomes of interaction in previous morphogenetic cycles (ibid.: 184). PEPs operate in two distinct ways, i.e.

“they modify the capacities of component members (affecting their consciousness and commitments, affinities and animosities) and exert causal powers proper to their relations themselves *vis-à-vis* other agents or their groupings (such as association, organization, opposition and articulation of interests)” (ibid.).

The pre-grouping of the PEPs is necessarily linked to the previously determined distribution of material and ideational resources in a given context. However, during any given morphogenetic cycle, they are able to undergo “re-grouping, re-distribution and re-constitution” (ibid.). Therefore, while SEPs and CEPs precede agency in the form of PEPs, they do not deterministically condition agents to act in specific ways. Rather, agency operates according to its own logic, based upon its own emergent properties, and action is subject to consideration and evaluation by relevant agents (ibid.).

According to Archer, ‘people’ are stratified into persons, agents and actors, depending on the stratum of analysis (ibid.: 254). ‘Persons’ – existing at the level of conditioning – should be understood as human beings who are “born into a structural and cultural context which, far from being of our making, is the unintended resultant of past interaction among the long dead” (ibid.: 253). As persons, we therefore acquire vested interests and are positioned in more or less privileged positions relative to other humans. As we become aware of our situations and different bonuses and penalties for potential behavior manifest themselves, we are confronted with various courses of action, desiring either to change or maintain our environments. At the interaction phase, we may come under the influence of various interest groups who promote specific agendas that produce regularities in patterns of action (ibid.: 253). Alternatively, we may choose to ignore our vested interests and take alternative courses of action (ibid.). Throughout this period, grouping and re-grouping takes place – what Archer calls ‘double morphogenesis’ – and it is during this time that ‘agents’ emerge (ibid.: 255). Unlike ‘persons’, ‘agents’ are always referred to in the plural and defined as the “*collectivities* sharing the same *life chances*” (ibid.: 257). ‘Agents’ are therefore defined in relation to the socio-cultural system that they have collectively been born into and which they proceed to maintain/transform. The outcome of these efforts rarely ever mirrors the exact intention of any one group of agents but is rather the product of compromises and concessions, and includes a range of unintended consequences (ibid.). As they transform their surroundings, ‘agents’ also undergo a transformation in their own right, through what Archer calls ‘triple morphogenesis.’ At this stage, ‘actors’ emerge; unlike ‘agents’, ‘actors’ possess a social identity and occupy one of a number of designated roles within society at that specific point in time (ibid.: 256).

Archer makes an important distinction between two types of agents: Corporate and Primary. Generally speaking, agents are said to have intrinsic powers – to articulate shared interests, exercise influence in decision-making, organize collectively, etc. (ibid.: 259-60). However, not all agents are organized and able to articulate their interests at all times. Corporate Agents are considered the organized stratum of society that possesses the resources to act strategically (e.g. self-conscious vested interest groups, promotive interest groups, social movements and defensive associations (Archer 2000: 265)), whereas Primary Agents are the recipients of this strategic action (Archer 1995: 259-60). This is not to say that Primary Agents are incapable of organizing themselves – they are – however, when they choose to do so, they do so in an unorganized and unarticulated fashion and they lack a say in structural or cultural modeling (Archer 2000: 265). However, as Archer points out, “to lack a say in systemic organization and re-organization is not the same as to have no effect upon it” (ibid.: 266), so while Corporate



Agency shapes the context *for all actors*, Primary Agents inhabit this context but also reconstitute the environment which Corporate Agency seeks to control (Archer 1995: 260). Therefore, as Archer (2000: 267) points out,

“Morphostasis demands an account of the divide between Corporate and Primary Agents and how some given pre-grouping of both is maintained during interaction, and morphogenesis calls for a discussion of how Corporate and Primary Agents are re-grouped in the course of interaction...The morphogenetic scenario has the following consequences for the ‘double morphogenesis’ of Agency: the progressive expansion of the number of Corporate Agents, of those who are counted among them and of the divergent interests represented by them, which thus results in substantial conflict between them. Accompanying this process is a complementary shrinkage of Primary Agents, due in part to their mobilization to join burgeoning movements and defensive associations, as some of them combine to form novel types of Corporate Agency.”

In the conditioning phase, people are therefore confronted with different resource distributions, which determines their potential *bargaining power* (ibid.: 298). The greater a group’s access to resources, the better its bargaining position (and vice versa) (ibid.: 300). During interaction, this relative bargaining power places agents in various positions relative to each other. As Archer points out,

“social or socio-cultural interaction is explained by the changing interrelationship between the structures of resource distributions and the structure of material and ideal vested interest groups. This is how interaction mediates the social context, ultimately effecting societal elaboration (or recursiveness). Thus all transactions, as processes of exchange and power, involve the use of resources, namely political sanctions, liquid assets and expertise” (1995: 297).

Additionally, due to the double morphogenesis of Agency, new Corporate Agents emerge who distinguish themselves from Primary Agents via the way they articulate their objectives and organize internally. It is at the point of double morphogenesis that agential reflexivity plays an important role in determining potential courses of action; as Archer points out, “[c]ourses of action are produced through the *reflexive deliberations* of subjects who *subjectively* determine their practical projects in relation to their *objective* circumstances” (2007: 17). These articulations then establish “congruence and incongruities with the purposes of other Corporate Agents and consequently conditions the possibility of alliances between them” (ibid.: 302). In order to describe this complex state of affairs, Archer outlines the four different situational logics – for both structure and culture – in which Corporate Agents are enmeshed (Table 3.1.) and which are most conducive to securing the results based upon their positioning at T<sup>1</sup>. However, what ends up occurring very much depends on the *negotiating strength* of various groups relative to each other. *Negotiating strength* – which Archer calls the “emergent ‘resources and relations’ of Corporate Agents *vis-à-vis* one another (ibid.: 302) – is a relational concept used to understand the various relationships between agents based upon their relative positions (ibid.: 301).

	Contradictions		Complementarities	
	Necessary	Contingent	Necessary	Contingent
(Situational logic)	(Correction)	(Elimination)	(Protection)	(Opportunism)
<b>CEPs</b> C.S. level S-C. level	Syncretism Unification	Pluralism Cleavage	Systematization Reproduction	Specialization Sectionalism
<b>SEPs</b> S.S. level S-I. level	Compromise Containment	Competition Polarisation	Integration Solidarity	Differentiation Diversification

**Table 3.1.** Cultural and structural morphogenesis/stasis at the systemic and social levels (Archer 1995: 303)



Finally, at the level of elaboration/reproduction, it becomes possible to trace the types of results (i.e. morphogenesis or morphostasis) that are produced. Namely,

“it is when there are discontinuities between the morphostatic/morphogenetic sequences in the structural and cultural domains that one of these is found to be *more consequential* for the other, temporally and temporarily. Correspondingly, conjunction between the two cycles coincides with *reciprocal influences* between structure and culture” (Archer 1995: 308).

The resulting four combinations within the morphogenetic model therefore equip us to shed light on the interplay of structure, culture and agency and how they lead to the results that they do. These possible combinations are as follows: 1) a conjunction between structural morphostasis and cultural morphostasis, 2) a conjunction between structural morphogenesis and cultural morphogenesis, 3) a disjunction between cultural morphostasis and structural morphogenesis and 4) a disjunction between cultural morphogenesis and structural morphostasis. While 1) and 2) indicate a clear-cut movement towards morphostasis (1) and morphogenesis (2), the two following cases indicate that either culture (4) or structure (3) have a stronger influence on the other, leading to morphogenesis. Each of these combinations fosters the growth and dominance of particular modes of reflexivity within a given population, at a given time and place (Archer 2012: 32). It is through the dominance of that specific reflexivity that structure and culture are said to exert a powerful (though not determining) influence on agents in a given context (ibid.).

In this thesis, my main focus is on the periodization offered by the morphogenetic cycle through the three stages of conditioning, interaction and elaboration, as well as its particular resolution of the structure/agency dilemma. In other words, my analysis is not a morphogenetic one in the classical sense, but rather draws on MA’s understanding of temporality and the interplay between structure and agency in understanding social change. MA therefore serves as a temporal and ontological ‘motor’ for the overarching FR conceptual toolkit that I have chosen to employ. In the following section, I look more closely at recent developments in MA that act as a springboard for my own analysis, and that offer a viable pathway for research concerned with capitalist change. This then leads me to part III where I provide a brief summary of how FR and MA speak to each other, that is, how the morphogenetic sequence can be used to understand the transformation of multiscale institutional forms over time and space. Finally, in the methodology chapter, I further specify how an analysis steeped in these two theoretical approaches can be operationalized, that is, how it can help us address the problematique outlined at the beginning of the thesis.

### 2.3. A new derivative of the morphogenetic approach

In a recent article, Knio (2018) has argued that Archer’s emphasis on reflexivity at the two junctures of the morphogenetic model (i.e. double and triple morphogenesis) leads us to neglect its other, fundamental aspects. He claims that further attention must be paid to the way in which SEPs and CEPs interact both with each other as well as people in order to fully conceptualize social stasis/change (Knio 2018: 403). He proceeds to make a strong case for introducing the Spinozian understanding of immanent causality into morphogenetic analysis, which allows us to study causes even though they take on different forms throughout the morphogenetic cycle (ibid.: 411). Namely, immanent causality differs in a fundamental way from the traditional conception of efficient causality (which views a cause as occurring temporally prior to its effect). It allows us to conceive of the cause as “not absent but explicated through its effects in a non-representative, non-resembling expression” (Diefenbach 2013, as cited in Knio 2018: 404). This then allows us to reformulate the relationship between structure and agency, as well as the material and the ideational within the MA (ibid.).



In order to operationalize immanent causality, Knio draws on the Spinozian doctrine of parallelism – the notion that the ideational and material are modally different yet ontologically equal – to specify what occurs at the moment of double and triple morphogenesis. In particular, two Spinozian concepts are deployed – *ideas as self-explication* and *adequacy*. The concept of ideas as *self-explication* refers to the notion that ideas are conscious of the immediate nature of their milieu such that they also reformulate themselves in relation to the form of that milieu itself (Knio 2018: 406). In this sense, ideas are said to have agentive capacity in that they are able to interact with the material realm and make a particular response or policy option look more favorable relative to others (ibid.). In the context of the MA, *self-explication* allows us to understand the way that – at the moment of double morphogenesis – corporate agents become “self-aware and conscious of the forms that characterize their milieu,” according to which they then build a particular strategy of action (ibid.). This concept is further supplemented by the notion of *adequacy*, which argues that a given idea is powerful when its vision of the world is able to persist (ibid.: 409). In other words, an idea must be adequate to a particular context for it to be relevant and useful at a particular time. Knio argues that *adequacy* is able to help us further specify the “background against which actors reflexively aim to redefine their institutional influences” at the moment of triple morphogenesis (ibid.: 410). Although Archer goes to great lengths to specify the relational interaction between various scenarios and actors through their reflexivities, *adequacy* allows us to understand how agents sometimes reflect on deeper causes, i.e. the necessary and internal relations of SEPs and CEPs within a morphogenetic cycle.

These concepts are further developed in Knio (2020) in a model grounded in a Spinozian-led immanent causality morphogenetic approach MA (ICMA) which is then introduced to FR analysis. In my project, I do not apply the fully developed ICMA-FR model, but rather build on Knio (2020) which draws attention to the ontological and theoretical complementarities between FR and MA. I also build on certain key conceptual components (*adequacy* and *self-explication*) outlined above because they are beneficial for elucidating continuities as well as transformations that occur across capitalist change.

### **Part III. Toward a new approach**

In Parts I and II of this chapter, I have reflected on the complementary ontological tenets of FR and MA and looked more closely at the theoretical underpinnings of each of these approaches. This has allowed me to elucidate how the two speak to each other in a mutually reinforcing way (Knio 2020). Within the context of my own research project, I believe the two approaches are well-suited to address the problematique outlined in the introduction for a number of reasons. FR’s focus on the role of institutions in the production of capitalist diversity offers a rich theoretical framework that is able to capture both systemic and contingent aspects of capitalist restructuring across geographies. Morphogenetic analysis, on the other hand, allows us to situate capitalist transformations within a temporal setting, as well as to flesh out the dynamic role of agency and its interplay with the structures that it is embedded in. Furthermore, I have outlined how contributions embedded in the FR framework allow us to hypothesize the role of scale in neoliberal processes, and to develop an understanding of the crucial role the urban scale plays in this regard. My motivation for adopting an approach at the intersection between FR and MA is therefore fourfold:

1. FR theorists have produced research dealing with the nature and dynamics of capitalist accumulation. In the process, a wealth of concepts has emerged, allowing us to gain a



critical understanding of capitalism(s) as they have been articulated over time and across geographies. In this sense, FR provides a rich vocabulary for researchers working in the broad field of critical political economy and it provides excellent conceptual grounding for the introduction of morphogenetic analysis into comparative capitalisms (CC) research.

2. Introducing MA into FR allows us to deepen our understanding of transitions between accumulation regimes, that is to capture the process-based quality of neoliberalism. Over the years, FR has been accused of being primarily a theory of stability because of its focus on stasis in RoA/MoR configurations and its inability to analytically capture transitions and crises (Peck and Tickell 1995; 1992). MA is able to speak to FR in this respect through its periodization of social action into the three stages of conditioning, interaction and elaboration. This therefore allows us to deepen our understanding of both stasis and change.
3. Bringing MA into FR analysis also allows us to deepen the FR understanding of agency and the mechanisms through which it participates in reproducing or transforming social structures over time. As previously mentioned, Amable (2016) has elaborated on agential dynamics within FR analysis in a more explicit way, introducing the concept of the ‘dominant social bloc’ to refer to the dominant social groups whose interests are favored by the existing institutional hierarchy. By introducing morphogenetic reflections on agency, it becomes possible to deepen this understanding by tracing the dynamic struggle between dominant and dominated social groups, the ways in which they go about articulating their interests, as well as how a dominant social bloc is established – and eventually breaks down.
4. Both FR and morphogenetic analysis assume that one unified capitalism with a particular set of generalizable impulsions and tendencies does not exist, but rather that capitalisms are situated in specific historical and spatial contexts and take on a variety of forms, which would allow us to flesh out our understanding of spatiality in a materialist way.

In section 3.1. I proceed to specify the analytical framework and its temporalization across the three stages of conditioning, interaction and elaboration. Section 3.2. then takes a closer look at the relationship between institutional forms and scale, and elaborates on what it means to adopt a multiscale approach to institutional analysis. The final section, 3.3., builds on existing research in order to specify the analytical operationalization of the each of the institutional forms.

### *3.1. Specifying the analytical framework*

In this section, I will elaborate on analytical framework through which I embed FR analysis into the morphogenetic cycle vis-à-vis the three stages of **conditioning**, **interaction** and **reproduction/elaboration**.

The **conditioning** phase is characterized by relatively stable configurations of regimes of accumulation and modes of regulation. These configurations are the products of previous cycles and are characterized by a composition of – more or less dominant – institutional forms. IFs – and the institutional hierarchies and complementarities within which they are arranged – should be understood as the necessary and internal relations that exist at  $T^1$  of the cycle. The IFs therefore delineate the context and the distribution of both material and ideational resources in which people are embedded. At  $T^1$ , people therefore have to deal with involuntaristic placement in which IFs are mediated to them in a range of different ways – through vested interests, opportunity costs, degrees of interpretative freedom and directional guidance. Directional guidance in particular allows us to capture the ways in which institutions influence



agents' subsequent courses of action (although the action itself is inherently at the discretion of the agents themselves). At a certain point during the conditioning phase, a moment of 'activation'<sup>13</sup> takes place, undermining the relative stability of the system (Knio 2020). This activation can be exogenous and/or endogenous (e.g. a natural disaster or a financial crisis) and it entails a 'triggering' of at least one institutional form at T<sup>1</sup> (ibid.).

At the **interaction** stage, the five institutional forms therefore become institutional 'continua'<sup>14</sup>, a moment which indicates that they have become susceptible to the influence of agential action. Institutional continua serve to designate the realm of possibilities that have opened up to the influence of agents, yet that are grounded in the material and ideational inheritance of the past (ibid.). As mentioned in the previous section, Archer distinguishes between Corporate and Primary Agents: while the former are organized and possess the resources to act strategically, the latter tend to be recipients of strategic action. In FR terms, Corporate Agents can be equated with the *dominant social group(s)* which, as Amable (2016) argues, are best able to articulate their political demands and interests. The ability of the dominant group to articulate its interests is contingent upon economic dynamics and their proximity to dominant economic structures, although it cannot be reduced to these dynamics (Amable 2016: 93-94). Once a set of dominant groups has established itself institutionally, it forms a *dominant social bloc*. On the other hand, Primary Agents are the *dominated social group(s)* – the collection of individuals whose interests and demands are not met in the current institutional configuration (ibid.: 93). At the stage of conditioning, i.e. prior to the moment of activation, I will refer to the *dominant social bloc* and *dominated groups*. Following the moment of institutional triggering, the *dominant social bloc* transforms into a variety of *dominant social groups* which are in a state of flux as they vie for power within the new institutional configuration.

Thus, following the moment of triggering, agents regroup, reorganize and form potentially new alliances. In a reproductive (i.e. morphostatic) scenario, we can expect that a given pre-grouping between the social groups will be maintained during interaction, while a transformative (i.e. morphogenetic) scenario leads to a re-grouping between dominant and dominated groups (ibid.: 261). In line with the concept of *ideas as self-explication*, these dominant social groups therefore become aware of the forms which characterize their milieu, which guide their understanding of the strategies they should adopt in accordance with this milieu (Knio 2018: 407). However, the ultimate success of dominant social groups in ensuring that the status quo remains is contingent upon the strategies they deploy to that end, i.e. the extent to which they are able to coerce dominated social groups into acquiescing to their vision. Additionally, their success depends on the (in)ability of dominated social groups to organize and counter their own strategies.

Ultimately, the results of this interaction manifest themselves at the level of **elaboration**. In a morphogenetic scenario (such as the transition from a Fordist regime of accumulation to a neoliberal one), this entails the emergence and entrenchment of a new, stable regime of

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<sup>13</sup> While it might be tempting to equate the moment of 'activation' with the traditional FR conception of crisis, Knio (2020) points out that this is not the case. Rather, crises should be conceptualized as being inherent already within the conditioning phase. 'Hints' of crises are manifested during the moment of 'activation' but the actual effects of the crisis only manifest themselves at T<sup>4</sup> – when corporate and primary agents make moves relative to their situational logics (ibid.).

<sup>14</sup> Namely: 1) the monetary-credit regime → the nature of supply; 2) the wage-labor nexus → the nature of demand; 3) forms of competition → nature of competition; 4) incorporation of the state into the international regime → insertion into the world economy; 5) forms of the state → state-economy nexus.



accumulation, with a new set of institutional complementarities and arranged within a new hierarchy. This new institutional configuration then acts as the conditioning phase for a new morphogenetic cycle.

### *3.2. Scale, institutional form(s) and adopting a multiscalar approach*

Throughout the 1990s, scale was variously deployed – both in an explicit and implicit sense – to denote the transformations undergone by nation-states and cities in light of globalization tendencies. Concepts such as ‘glocalization’ and ‘hollowing out’ were common currency in discussions of the neoliberal nation-state (Peck 2002: 332), whereas the ‘global city’ concept was deployed to refer to the newfound international prominence of a particular tier of cities at the expense of the erosion of the nation-state (Brenner 2019: 117). A second wave of scholarship has rendered understandings of scale more complex, problematizing the usage of global/local dualisms and ‘zero-sum’ conceptions of scale which render global and state scales mutually exclusive (Brenner 1998b: 8). Authors belonging to this camp have argued in favor of a relational conception of scale such that certain scales do not simply ‘disappear’ out of view, but are rather “reconceived and restructured” (Peck 2002: 340). Here, different scales are portrayed as “intricately entangled, mutually constituting and conflictually coevolving formations” (Brenner 2019: 10). Most recently, a number of contributions have built on these complex understandings, delineating the processes of rescaling in the context of neoliberal restructuring (e.g. Jenss 2019; Tansel 2019).

In this thesis, I build on relational understandings of scale which, as mentioned at the end of chapter II, presume that scale is socially produced and historically situated. Scale should therefore be understood as a materially real arena for action – in a “literal as much as a metaphorical way, scale both *contains* social activity and at the same time provides an already partitioned geography within which social activity *takes place*.” (Smith 1995: 60; 1993: 101). At the same time, these different arenas (e.g. international, national, local) cannot be analytically separated into distinct scalar ‘layers’ or ‘levels’ but are rather inherently interconnected. As Peck (2002: 337) points out, conceptualizations of scale as “horizontal slices of space” obscure the complex ways in which scales are “interrelated, combined, hybridized, and ‘tangled’.” Scale is therefore both the site and outcome of power struggles, such that different social groups vie for hegemonic control over different scales and seek to produce a scalar terrain that is favorable to their own interests.

One of the primary mechanisms for attaining power – what Smith (1995: 62) calls ‘jumping scale’ – is the process through which a particular social group breaks down an existing scalar configuration in an effort to attain control over a higher scale. As Peck (2002: 338) points out,

“Although it is not *necessarily* the case that political actors who occupy the highest ground are more powerful than are those who are constrained to lower scales, it is often the case. Organization at a higher spatial scale than the opposition typically confers advantages of mobility and evasion. The ability of multinational firms to engage in ‘whipsaw’ bargaining between plants is a case in point. The potential, frequently reiterated by management, for switching production and employment between plants and often across national borders erodes the capacity of labor unions to strike favorable deals at the local level; instead the unions are confronted with the threats, divisions, and temptations of concession bargaining, against which the only real defense is the immensely difficult task of organizing, and maintaining discipline, on a wider scale.”

The particular arrangement of scales at any given time should therefore be seen as the product of these power struggles (which, of course, does not imply that this power is uncontested or unchallenged).



As the outcome of power struggles, certain scales therefore emerge as more favorable for the exertion of a hegemonic group's power compared to others. It is therefore appropriate to talk about scalar hierarchies (Smith 1993). At any given point in time, scalar hierarchies can therefore be conceptualized as:

“temporary stand-offs in a perpetual transformative, and on occasion transgressive, socio-spatial power struggle. These struggles change the importance and role of certain geographical scales, reassert the importance of others, and sometimes create entirely new scales” (Swyngedouw 1997b: 169).

Due to the mutability of scale, analysis must therefore not depart from a particular geographical scale, but rather from the *processes* through which particular scales are (re)constituted (Swyngedouw 1997b: 141).

In this research project, I argue that the institutional form – in the context of a given regime of accumulation – serves as an appropriate analytical lens for studying these social processes and power struggles. As mentioned in chapter II, the institutional form is a codification of fundamental social relations – it sheds light on the patterns that guide the reproduction of socio-economic formations over historical periods (Boyer 1990: 37). A given configuration of institutional forms then captures both the material and discursive components of the dynamics of capitalist accumulation at a given period of time. Institutional forms cut across all three scales – the urban, national and international – forming an intricate web of scaled social relations. While a specific scale might emerge as more significant for the articulation of a given IF (e.g. the national scale for the *forms of competition* during the Fordist era), other scales do not ‘disappear’ from view, but remain relevant for the IF in question as the site for existing and potential future social action (e.g. forming of new alliances or the ‘jumping of scale’ of existing alliances). By tracing the transformation of institutional forms across the three moments described in the previous section (conditioning, interaction, elaboration), it therefore becomes possible to capture the process of re-scaling, i.e. the reordering of scale in the context of institutional forms. As Brenner (2019: 104-5) points out, it is through this very process of (re-)scaling that scale itself can be grasped.

To sum up, the analytical framework that I deploy centers around *two hierarchies*: an institutional hierarchy and a scalar hierarchy. These two sets of hierarchies are only analytically distinct, but in reality, overlap and are mutually intertwined – forming a temporarily stable scalar-institutional ‘fix’. By tracing the emergence, stabilization and eventual transformation of these scalar-institutional configurations, it becomes possible to flesh out the complex relationship between institutional forms and scale. Furthermore, studying the intersection of these two hierarchies sheds light on *systemic tendencies* of particular regimes of accumulation. Patterns of scalar-institutional hierarchies across cases give us an idea about how neoliberal social relations take on systemic forms – both in an institutional and scalar sense – in spite of the different geographies that they occupy. It then becomes possible to explain the role of cities in relation to these systemic tendencies of neoliberalism (all the while keeping in mind the necessarily intertwined and relational nature of scale).

### 3.3. Operationalizing scalar-institutional configurations

In order operationalize a regulationist understanding of IFs across scale, I build upon existing work on the spatiality of FR analysis, particularly the multiscale conceptions of the regime of accumulation advanced by Peck and Tickell (1992; 1995), and Swyngedouw (1997a). The urban is therefore understood as forming part of an interscalar dynamic that – to a greater or lesser extent – embeds it in a set of norms, rules, regulations and conventions generated on



other scales. As mentioned in the previous section, rather than departing from the urban scale, my unit of analysis is the institutional form; through a multiscalar understanding of institutional forms, it becomes possible to extrapolate the neoliberal restructuring of cities (without reifying cities by treating them as bounded entities isolated from processes occurring on other scales) as well as to make broader conclusions about the systemic and contingent features of neoliberalism in its own right.

The understanding of institutional forms that Swyngedouw (1997a: 149-53) proposes is of particular relevance here. I will now briefly turn to his account of how each institutional form (outlined in detail in section 2.2. above) can be understood in a multiscalar sense:

### 1. *Wage-labor nexus*

The scalar dimension of the capital labor relationship refers to the level at which wage determination is conducted. Competitive regulation, for instance, is characterized by a weak insertion of the labor force in the determination of the consumption norm and therefore by “a highly localized, place-specific (usually individual) negotiation of wage levels, labor conditions, and work norms” (Swyngedouw 1997a: 149). Taylorist regulation is characterized by firm-based negotiations and a tacit setting of wages at the local or regional scales (ibid.). Finally, the Fordist wage-labor nexus is regulated at a broader spatial level, most commonly at the level of the nation-state (ibid.). Therefore, the nature of the wage-labor nexus “depends on the institutionalized or (informally) practiced rules and codes within a particular space, which emerge historically through the development of class alliances and struggle in and over that space” (ibid.: 150).

### 2. *Forms of competition*

The scale at which cooperation takes place shapes the type of competition that exists within a particular institutional configuration (ibid.). Therefore, Fordism was characterized by a strong cooperation between capital and state – both for the purpose of improving capital’s competitive position on the world market and the nation-state’s position internationally. From the 1970s onwards, the relationship between capital and state has been characterized by intense rescaling (ibid.).

### 3. *Monetary regime*

By enabling the uninterrupted flow of the circulation of capital, money “simultaneously links, structures and molds” the relationship between workers, centers of accumulation and commodities (Swyngedouw 1997a: 151). This can occur at a variety of spatial scales – while the national scale has played a key role in the regulation of money, the international circulation of capital has contributed to the rescaling of the monetary regime.

### 4. *Forms of the state*

The state is an ensemble of institutional compromises which “create rules and regularities that operate almost in a semiautomatic form” (Swyngedouw 1997a: 152). These institutional compromises are intimately linked to the other four institutional forms such that the “spatial extent” of the state’s control plays a major role in how the other institutional forms operate (ibid.). Therefore, the passage from one RoA to another is nearly always accompanied by an alteration in the scaling of the state (ibid.).

### 5. *Mode of insertion into the international economy*

Finally, Swyngedouw understands this institutional form as the way in which local, regional, national and international spaces are articulated and how their relationships are constructed



(1997a: 151). He argues that the “nested articulation of scale levels is defined by the mechanisms that regulate the relationship between spaces, both in terms of exchange relationships (e.g. the regulation of the monetary or trade system) and in terms of the localization of production and other investments (e.g. through direct foreign investment or the organization of credit and the financing of debt)” (ibid.: 151-2).

## **Conclusion**

FR analysis has made far-reaching contributions to the study of historically situated capitalist forms. Its (relatively) recent conceptual interventions on the institutional complementarity and hierarchy have provided a viable pathway for constructing a comparative, cross-contextual understanding of capitalisms across geographies. The FR understanding of institutional forms therefore serves as my project’s point of departure for identifying systemic and contingent features of neoliberal regimes of accumulation. In this chapter, I have built on Knio (2020) to argue that FR analysis would benefit from MA understandings of the temporalization of the interaction between structure and agency, its process-based nature and the particular ways agency goes about reproducing or transforming social structures.

I have also outlined how a multiscalar approach can assist us in understanding that institutional forms are necessarily extended in space, and tracing the particular role played by the urban scale in the articulation of neoliberal transformations. Understanding scale as simultaneously a mutable site as well as a subject of contestation and power struggles allows us to formulate a scalar conception of institutional forms. The mutual imbrication of scale and institutional forms allows us to more closely examine how processes of (re)scaling produce institutional change, and vice versa – how the breakdown of a particular institutional hierarchy or complementarity necessarily entails a shift in the existing scalar configuration. In the following chapter, I elaborate on my research design and the methodology and methods that I employ in this research project to study neoliberal processes as they play out in cities.



## Chapter IV. Methodology and Methods

A methodology refers to the strategy adopted in the research; it is “where method, theory and epistemology coalesce in an overt way in the process of directly investigating specific instances within the social world” (Harvey 1990, as cited in Montgomerie 2017: 4). In particular, I aim to delineate how my theoretical approach can be implemented in the study of neoliberal restructuring, and particularly how it can assist us in advancing our understanding of systemic vs. contingent tendencies of neoliberalization across different urban contexts. In the first section, I outline the epistemology at the core of my approach which builds upon the epistemologies of FR and CR outlined in the theoretical chapter. Next, I introduce the research design, powered by case study analysis and a theoretically-informed case selection strategy. In this section I also address how I conceptualize cities and how they will methodologically be treated in my study of neoliberalism. In the third section I outline the methods that will be used for the purpose of my research. Finally, the fourth section provides a methodological framework intended to operationalize my research question(s) in the following two chapters.

### Part I. Ontology and Epistemology

At the core of any methodology is a researcher’s ontological and epistemological orientation – the stance which broadly defines her assumptions about what exists in the real world and how it is possible to acquire knowledge of it. Ontological questions focus on the nature of ‘being’ and what exists in the real world – what are the fundamental building blocks of reality and how are they related? Identifying the ontology of a particular theory or approach helps us investigate the inherent assumptions that this approach has about reality. Epistemological questions, on the other hand, refer to how we can acquire knowledge of ‘being.’ How can we know reality? What can we know about it? As Marsh et al. (2018: 177) point out, a particular ontology and epistemology shape a social scientist’s orientation to their subject vis-à-vis their theory and methods – even if these positions remain unacknowledged. For this very reason, the ontology and epistemology that a scientist chooses to adopt in their research is “like a skin not a sweater; they cannot be put on and taken off whenever the researcher sees fit” (Marsh et al. 2018: 177).

In chapter III, I elaborated on the ontological and epistemological points of departure for both the French Regulation and Morphogenetic approaches. To a significant degree, these assumptions complement each other; Jessop has argued that the regulationist program “implicitly adopts a *critical realist* scientific ontology and epistemology” (2006: 16). At the same time, however, their differing problematiques allow them to speak to each other and to flesh out different facets of a given research problem. In this section, I briefly elaborate on my own ontological and epistemological assumptions before moving into the research design.

In Marxian terms, I award ontological primacy to the social relations of production. By social relations of production I refer to the temporary institutionalized compromises that are able to persist in a relatively stable manner in the form of regimes of accumulation. Material structures therefore exist independently of agents – structure exists prior to agency such that actors encounter social structures as objects, even though these have also been made by human beings. Social forces (as dominant and dominated social groups) are therefore embedded within regimes of accumulation such that their interests and identities are shaped (but not defined) by these relations. In other words, agency is not determined by structure; structures influence agents’ behavior through things like directional guidance and vested interests, but agents ultimately choose between a variety of courses of action at their disposal. It is then through agential interaction that structures are elaborated (or reproduced) and crystalize in the form of



an entirely new set of institutional compromises. These compromises then work to constrain and shape (but not determine) the subsequent behavior of agents.

As regards my epistemology, I align with both FR and MA in adopting an anti-positivist research approach: I do not believe social phenomena can be investigated like phenomena in the natural world, i.e. through the detection of regularities vis-à-vis a process of trial-and-error (Hollis and Smith 1990). At the same time, I am not interested in conducting a hermeneutic analysis that limits itself to putting forth an *understanding* of the real world, as I depart from the ontological assumption the material world exists independently of our perception. Therefore, while I believe that it is necessary to account for the various ways in which intersubjective meanings contribute to constructing the social world, I do not believe one needs to adopt a positivist stance in order to also *explain* the functioning of causal mechanisms. Rather, I align with the critical realist notion of *epistemic relativism* which argues that while the real world exists independently of our perception, it can never be known fully and in its entirety. The aim is therefore to reconcile understanding and explaining, that is, to adopt a method that

“attempts to both *understand* the intersubjective making of the social world – how intersubjective structures become instantiated in human practice – and *explain* how such structures are materially experienced by individual and collective agency, as both enabling and constraining properties” (Bieler & Morton 2001: 14).

Research should thus neither take the form of a descriptive activity whereby the researcher limits herself to understanding the meanings surrounding social phenomena, nor should it take the form of a truth-seeking mission whereby the researcher emulates the scientific process of the natural sciences.

In line with this position, this thesis argues that neoliberalism must be understood as existing – independently of our perception – as a material and ideational process with its own set of systemic traits. At the same time, it is impossible to access objective knowledge about this process *qua* process without conducting research on its various spatio-temporal forms, i.e. ‘actually existing’ neoliberalisms. Furthermore, it is crucial to acknowledge that our understanding of neoliberalisms as they exist in various spatial and temporal forms is necessarily concept-dependent and framed by discourse and cultural meanings that they are co-constitutive of. Nevertheless, it should not be forgotten that meanings “are related to material circumstances and practical contexts in which communication takes place and to which reference is made” (Sayer 2000: 17). It is therefore important to insist “a) on the material commitments and settings of communicative interaction, and b) on the presence of a non-discursive, material dimension to social life” (ibid.: 18). Thus, neoliberalism must not be understood as being “engendered by human thought nor by the development of an ‘absolute idea’”, but as existing independently of the knowledge we have of it (Lipietz 1993: 103) – as a real process with its own set of internal impulses.

As mentioned above, IFs therefore provide an epistemological gateway for understanding neoliberal configurations within a given temporal and spatial setting. As Boyer points out, IFs represent the “forms that fundamental social relations take in a given society during a particular historical phase” (1990: 13). Rather than representing an immutable set of mechanisms at the core of neoliberalism, IFs allow us to understand the regularities that arise “in the accumulation process *and* in individual and collective behavior” (ibid., emphasis added). Thus, by studying spatially and temporally bound regularities of ‘actually existing’ neoliberalisms that occur across contexts, it becomes possible to make claims about neoliberalism as a ‘regime of accumulation’ in general. In the subsequent sections, I outline the research design that I employ



to implement my study, grounded upon the epistemological foundations that I have outlined in this section.

## **Part II. Research Design**

### *2.1. The case-study design*

The research design – i.e. the “logical sequence” that connects empirics with the research problematic (Yin 2014: 28) – that I have chosen to adopt in my research project is the case study. In broad terms, a case should be understood as a spatially delimited phenomenon which can be observed in/over time (Gerring 2007: 19). Centering the research design around case studies is most appropriate for this project because it permits an analysis both of a systemic process *and* the ‘actually existing’ forms of that very process. As Yin (2014: 16) points out, the case study facilitates an empirical inquiry that “investigates a contemporary phenomenon in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident.” Seeing as the central concern of this research project is shedding light on neoliberalism both as a systemic process as well as one that generates contingencies across contexts, the case study design seems to be appropriate in this case.

In order to capture tendencies of neoliberalization across geographies, I have chosen to adopt a multiple-case research design. Understanding institutional diversity in different places necessitates a focus on more than one case; similarly, making an argument about systemic qualities of neoliberalism requires tracing processes that cut across multiple cases. In order to determine the number of cases that would be analyzed, I employed a theoretically-driven selection strategy. As Yin (2014: 40) points out, relying on theoretical propositions in designing the case study is essential as it helps to “generalize the lessons learned.” In other words, a theoretically-driven logic is a crucial element of hypothesizing the significance of these cases beyond mere descriptions of neoliberalism across three isolated cases. I have therefore chosen to draw on the taxonomy of capitalist diversity proposed by FR analysis, which posits the existence of three different varieties of mature capitalism (to be examined in more detail in the following section). The hypothesis is that, while all three forms of mature capitalism have experienced shared neoliberal transformations, differences between them nevertheless persist due to the path-dependent influence of preceding institutional forms. Thus, while my research project does not purport to make conclusive remarks about tendencies across the entire spectrum of neoliberal variety, I argue that a comparative approach can help us “generalize across a larger set of cases of the same general type” (Gerring 2007: 65).

Furthermore, due to my ontological and epistemological orientation, I will be employing a mixed-method approach. Mixed-methods approaches are most commonly used to refer to the process of combining quantitative and qualitative research methods. Over the years, there has been considerable debate in the social sciences as to whether these two methods can be effectively combined (Ritchie 2003: 38). While one camp has said that the approaches are so different that they cannot be blended effectively, others have argued that a mixed-method approach allows the researcher to collect a richer array of evidence as well as address more complicated research questions (ibid.; Yin 2014: 66). Furthermore, case studies are frequently synonymous with research that is purely qualitative, such as ethnographies, participant observation, process-tracing, etc. (Ritchie 2003: 51; Gerring 2007: 10). While I employ both quantitative and qualitative methods, I principally utilize qualitative methods as I believe they are best able to capture the logic of institutional forms.



With respect to methods, document analysis forms the backbone of this research project, and it is supplemented by archival research and direct observation (to be elaborated on in depth in section 3.3.). The data gleaned from these research methods is reconciled through *triangulation*<sup>15</sup> – the process of relying on more than one type of data for the purpose of investigating the same phenomenon – whose ultimate purpose is to “check the integrity of, or extend, inferences drawn from the data” (Ritchie 2003: 43). Epistemologically, however, triangulation between different sources of data must not be equated with an attempt to gain access to objective truth. One of the most common mistakes arises when the researcher ‘adjudicates’ between different sources of data, leading them to use one account to underplay another without keeping in mind the respective contexts that they are situated within (Silverman 2011). By combining multiple practices, empirical materials and perspectives, triangulation should therefore not be understood as capturing objective reality, but rather “add[ing] rigor, breadth, complexity, richness and depth to any inquiry” (Denzin and Lincoln 2005: 5).

However, before turning to a more in-depth exploration of the methods used in this research project, I will elaborate in further detail on my case selection strategy. First, I will look more closely at how the theoretical framework has informed my choice of cases. In the following section, I elaborate on the case design and how I go about structuring the three cases deployed for the purpose of this study.

## 2.2. French Regulation taxonomy

Over the years, French Regulation theorists have developed a number of different taxonomies of contemporary capitalist variety. In particular, Boyer (2000; 2004; 2005a; 2005b) has proposed a number of categories which have sought to typologize different capitalist institutional configurations. In contrast to the VoC approach and its theorization positing a clear-cut distinction between LMEs and CMEs, FR research has advanced different ideal-types depending on the relevant problem being studied. As Boyer (2005a: 20) points out, “[t]he strategy of FR is to leave open the number of configurations that has to result from the comparison of qualitative and quantitative methods and various research strategies.” For instance, when studying the institutional forms of emerging post-Fordist growth regimes, Boyer (2000) posits *seven* different types of capitalisms, while a critique of the VoC literature (2005a) leads him to posit the existence of *four* different capitalist varieties. Finally, a study of institutional complementarities in the era of post-Fordist, technologically-led growth, leads Boyer (2004) to propose *three* different varieties of capitalism. In this section, I will outline these three taxonomies, before taking a closer look at the one that I have found most relevant for the purpose of this study.

In his 2000 article, Boyer investigates seven different types of growth regimes that have, in some way or another, emerged in the decades following the collapse of Fordism. These growth regimes have been characterized by a range of different institutional configurations and modes of regulation, but at the same time, Boyer points out that almost all of them have “failed fully to materialize in the pure form” (2000: 117). They are as follows: 1) *Toyotism*, the 2) *service-led*, 3) *information and communication technology (ICT)-led*, 4) *export-led*, 5) *finance-led* and

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<sup>15</sup> Patton (2002) distinguishes between four different types of triangulation: triangulation of data sources (data triangulation), methods (methodological triangulation), evaluators (investigator triangulation) and perspectives to the same data set (theory triangulation). In my study, I will be using *data triangulation* in an effort to allow various sources of data to ‘speak’ to each other.



6) *competition-led* growth regimes, as well as the 7) *knowledge-based economy* (KBE). All of these growth regimes are said to have existed at a particular time and place following the collapse of Fordism. For instance, the *Toyotist* growth regime has been characteristic of Japan between the 1970s and mid-1980s, while the *KBE* is used to denote the “close articulation of scientific research, market analysis and flexible manufacturing,” prevalent in the US in the 1990s (Boyer 2000: 113). While this particular categorization represents a useful illustration of the various extant capitalist varieties from the 1970s onwards, it should not serve as a taxonomy of currently existing models of capitalism. Boyer points out that they should be understood as *potential* regimes that are not equivalent (ibid.: 116-7). As a result, I have chosen not to draw on this categorization for the purpose of my research.

In their 1997 volume, Amable, Barré and Boyer distinguish between four different ‘social systems of innovation and production’: the *market-oriented*, *meso-corporatist*, *European integration/state-driven* and *social democratic* capitalist variety. As Amable points out, these four models are distinguished by differences between the relevant institutional forms present in areas such as the “financial sector, the employment relationship, and the education sector, and the consequences of these differences on scientific, technological, and industrial specialization” (2003: 14). This taxonomy is by far one of the most pervasive and influential in the FR literature as it has been reiterated on numerous occasions (and most notably by Boyer (2005a)). Boyer suggests that this taxonomy is predicated upon the distinction between four polar principles which govern coordination across capitalisms, such that “all institutional forms borrow from these four orders in proportions that will vary” (2005a: 24). These four principles are: 1) the *market*, 2) the *company*, 3) the *state*, and 4) the *community*. More specifically, 1) the *market-oriented* variety is characterized by a commercial logic which acts as an organizing principle for coordination, and this type of capitalism is said to be located in English-speaking countries (e.g. US and UK) (ibid.: 20). 2) *Meso-corporatist* capitalism, on the other hand, characterizes countries like Japan and Korea and is known for the role solidarity plays in generating stability within the economy (ibid.: 21). 3) *State-driven* capitalism – prevalent in continental Europe – is distinguished by public interventions (e.g. in innovations, production, credit, etc.) which occur at various different scales (ibid.). Finally, 4) *social democratic* capitalism, typical of Scandinavian countries, is marked by a tight-knit cooperation between social actors and public authorities in matters relevant to the economy (ibid.).<sup>16</sup>

While this typology most certainly provides a more thoroughgoing picture of capitalist variety relative to the one proposed by the VoC, the FR choice to limit analysis exclusively to OECD states is not unproblematic. Most notably, such a focus precludes a more thorough understanding of mature capitalist economies that happen not to be within the OECD. While it is certainly logical that poor developing economies with weak institutions should not be positioned on the same analytical plane as mature capitalisms, the contemporary global economy should not be portrayed in such a dualistic way. In recent years, a growing number of *emerging economies* with “rather sophisticated institutions” (Nölke & Claar 2013: 37), such as the BRIC countries, have experienced significant growth. In addition to being very interesting for comparative analysis, these economies have also become increasingly relevant due to their growing weight within the global economy (ibid.). While this trend might not have been as apparent at the time when the original Amable et al. (1997) typology was proposed, in recent years much work has been done on analytically incorporating emerging economies into

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<sup>16</sup> Drawing on this work, Amable (2003) has posited the existence of five different ideal-types of capitalism: the market-based model; the social democratic model; the continental European model; the Mediterranean model; and the Asian model. However, I will not be covering this typology in detail because of its similarity to the second model outlined in this section.



comparative capitalisms literature (e.g. Nölke & Claar 2013; Nölke 2012; Becker 2013). In this vein, my research project seeks to analytically incorporate these economies into contemporary capitalisms research, and to trace their pathways of neoliberalization alongside those of more traditional, mature capitalisms.

In line with this, I will turn to the article in which Boyer (2004) investigates the conditions for the emergence of a new growth regime in the 1990s. At the core this new growth regime, he argues, are information and communication technologies (ICTs). While the US economy initially appears to be the ideal-type attuned to facilitating this type of growth regime, he concludes that three distinct capitalist varieties can actually be identified (2004: 2). These are: 1) the *deregulated economy* with the US as the prototype, 2) the *knowledge-driven economy* as it occurs within small social democratic countries like Sweden, Finland and Denmark and 3) the *accelerated catch-up economy* in countries that leapfrog due to a shift in their technological paradigm. In a subsequent paper, Boyer (2005b) further develops this particular taxonomy, focusing on the diverse institutional complementarities that lie at the heart of each of the three capitalist varieties:

- 1) The *deregulated economy* is characterized by a complementarity between competition on product markets, pressure to innovate, a very flexible labor market, and strong institutional protection of intellectual property rights which permit the private appropriation of advances in knowledge (Boyer 2004: 18-19). In this configuration, “the unequal distribution of competences is a key ingredient of the very dynamism of growth” (ibid.: 19). While the US is the most obvious example, all English-speaking countries are known for having adopted this trajectory (Boyer 2005b: 22).
- 2) The *knowledge-driven economy* exhibits an institutional complementarity between high general education levels and an institutionalized cooperation between academia/research centers and business (Boyer 2004: 19). Unlike the former model where unequal distribution is central to the growth dynamic, in the knowledge-driven economy, a large proportion of the output is devoted to “education, to software and to other vehicles for the transmission of knowledge” (ibid.). Furthermore, unlike the deregulated economy that relies on the market for coordination, actors within the knowledge-driven economy rely on institutionalized compromises that permit cooperation. This model occurs within Scandinavian countries such as Sweden, Denmark and Finland.
- 3) In the *accelerated catch-up model*, the configuration of institutional complementarities is not as evident or clear-cut as in the previous two models (Boyer 2004: 19). Nevertheless, Boyer points out that the “structural changes in the international economy and innovation systems play a role since they remove the barriers to development that existed previously” (ibid.). The accelerated catch-up model is therefore a useful category for exploring instances of when a given country, which experienced a lag during the era of Fordist mass production, succeeds in catching up thanks to innovation and an increasingly rewarding integration into the international economy. Finally, unlike the market-led model, the catch-up economies are also able to institutionally accommodate a “heavily protected labor force” (Boyer 2004: 19).

I believe this three-pronged taxonomy is most relevant for the purpose of my research project for the following reasons:



- Unlike other categorizations proposed in regulationist research, this particular one places institutional complementarities at the core of an investigation of capitalist diversity;
- It posits the existence of three different ideal-types – by focusing on three cases, it will be possible to conduct a sufficiently in-depth study of each of the three different forms of contemporary capitalism without losing the ability to also capture differentiation across cases;
- Adopting a categorization that incorporates emerging economies allows me to move away from the traditional geographical focus of comparative capitalisms (CC) research. While the US and continental European countries like Germany have received much attention in this regard, and developing economies have been studied in their own right, developing and developed economies have rarely been positioned within the same plane of research.

In line with this, I have therefore chosen to focus on the United States as the *deregulated economy*, Sweden as the *knowledge-based economy* and South Africa as the *accelerated catch-up model*. While the US and Sweden are prototypical examples of their respective brands of capitalism, South Africa may not be as obvious a choice for the *accelerated catch-up model*. Namely, the South African economy was much more advanced in 1950 than most nations that are generally included within this category (e.g. South Korea, India, Brazil). Growing isolation and sanctions during the apartheid period, however, had the effect of curbing South Africa's international expansion; by the early 1990s, the country was on a mission to catch-up through internationalization. Furthermore, South Africa does in large part conform to the accelerated catch-up model, as outlined by Boyer (2004; 2005b): following an initial lag during the Fordist period, innovations within the financial sector and an increasing international openness of domestic industries have propelled the South African economy and led to significant growth. As a result, I believe studying the case of South Africa in this case would offer numerous insights for catch-up economies with similar characteristics.

While the taxonomy outlined in Boyer (2004) certainly resolves the problem of including a category of non-OECD catch-up economies, it nevertheless seems to exclude a host of other mature capitalist economies, such as the meso-corporatist economy included in the Amable et al. (1997) article. Even more notably, however, it excludes a potential fourth category of cases – i.e. mature economies that are integrated into global capitalist flows (albeit in a more marginal way), but that are not in the process of undergoing accelerated catch-up. In recent years, economies such as these (e.g. some Central and Eastern European countries) have become increasingly numerous and globally significant. I have chosen to limit the study to these three cases for a number of reasons:

- First and foremost, these three types of capitalist economy exhibit *particularly* strong institutional divergences. It is legitimate to expect that a liberal, deregulated economy will have very different institutions compared to an economy with a strong social democratic legacy, and that both will in turn significantly diverge from an economy undergoing accelerated catch-up. Investigating systemic qualities across three cases with such strong institutional divergences allows us to capture contingencies (which are presumably starkly different) much more easily *and* renders an argument on systemic, cross-contextual tendencies even more persuasive;
- Secondly, including more than three cases would have run the risk of diluting the empirical section and obscuring nuanced institutional contingencies which exist across the cases being studied;



- Lastly, the chosen taxonomy is in line with a particular FR understanding of institutional divergence, grounded in the role played by ICTs in nurturing different growth regimes (Boyer 2004). While the role of ICTs will not be the main focus of my thesis, this common denominator remains significant for the purpose of the taxonomy itself; deciding to include additional cases would require a complete overhaul of the case selection strategy.

Finally, it is important to note that my aim in this project is not to posit a static typology of capitalisms that will account for all of the existing capitalist forms in the contemporary global economy (*à la* VoC), nor to capture all of the contingencies/divergences that exist across these capitalist forms. Rather, my goal is to select a (logically consistent) taxonomy that captures sufficient institutional diversity while at the same time allowing me to make claims about systemic, cross-contextual qualities of contemporary capitalisms.

### 2.3. Cities

While the central question guiding my research concerns how we can account both for the systemic and contingent tendencies of neoliberal processes, I am equally concerned with the particular role that cities play in this regard, that is, the various ways in which cities have undergone neoliberal restructuring. However, in line with my understanding of cities in an analytical sense (which I have outlined in depth in chapters II and III), my focus will be on ‘the urban’ rather than on the city as a self-contained methodological unit. This allows me to adopt an inherently scalar understanding of cities, situating them within a “broader, multiscalar field of sociospatial relations that constitutes and continually reweaves the capitalist urban fabric as a whole” (Brenner 2019: 15). In other words, while my focus is on pathways of neoliberalization in three particular cities, they are not to be treated in isolation from processes occurring on other scales; rather, cities serve as an entry point for understanding the inherently multiscalar nature of neoliberal processes.

In line with the categorization proposed above, I draw on New York City, Stockholm and Johannesburg as respective representatives of the *market-based*, *knowledge-driven* and *accelerated catch-up* models. Within each of the national contexts that are most commonly associated with these models (i.e., the United States, Sweden and South Africa respectively), I have chosen to focus on cities that have acted as major financial centers in their respective states and regions (as well as internationally in the case of New York). Based upon the theoretical framework that I outlined in chapter III, I am interested in studying neoliberalization through the lens of institutional complementarities/hierarchies. Therefore, choosing cities that have acted as anchors for the neoliberal institutional hierarchy within their respective countries/regions seems to be the natural choice. In particular:

- New York City is home to Wall Street, the largest financial center in North America, as well as internationally. It has acted as a central anchor for the neoliberal institutional hierarchy in the US, and was also one of the first cities to have undergone neoliberal restructuring following the fiscal crisis that it experienced in the mid-1970s. Within the context of my research and identifying the systemic traits of neoliberalization, studying the case of New York City is crucial, as it is where this type of hierarchy should be most clearly visible.
- Stockholm acts as a regional financial center in Scandinavia and the Baltic Sea region; it is home to the largest Nordic stock exchange and the headquarters of four major financial institutions. Over the last several decades, Stockholm has become a major IT



hub and FinTech center, attracting large IT corporations, small startups and venture capitalists in what has become a ‘highly innovative’ environment.

- Johannesburg is a leading financial hub in sub-Saharan Africa. Owing to the influence of British imperial capital in developing finance in South Africa, and the strong link between mining conglomerates and finance houses throughout its history, the South African financial sector is large and well-developed, particularly by African standards (Ashman & Fine 2013: 146). Also, South Africa has established itself as a major regional economic power, particularly through the Southern African Customs Union (SACU) and the Southern African Development Community (SADC), two customs unions that facilitate intra-Africa trade<sup>17</sup>.

This is not to say that other cities within the respective national contexts of the US, Sweden and South Africa have not been ‘neoliberalized’ or that they have not played a part in the multiscalar articulation of neoliberal restructuring; on the contrary, much research has already been done on the pathways of neoliberal restructuring in cities like Los Angeles, Cape Town and Malmö. However, for the purpose of this study, I will be focusing on cities that serve as *anchors* for the institutional hierarchy, i.e. those that have not just been the subject of neoliberal restructuring, but have also – through their role as global, regional and/or national centers of finance – been key agents in the articulation of neoliberal processes. This feature will act as the common denominator in my analysis of these three cities, allowing me to fully situate them within a broader, multiscalar understanding of institutions and the national, regional and international processes that they are also an essential part of.

It is therefore important to reiterate that I am not directly concerned with studying urban transformations in their own right; my analytical point of departure is not the ‘Neoliberal City’. Even though an extensive and immensely valuable body of research exists on the multifarious features of the Neoliberal City, (and has significantly contributed to our understanding of ‘actually existing’ neoliberalisms in these cities), I am rather interested in neoliberalism – or rather, capitalism(s) – in its own right. As I have outlined in chapter II, my research does not analytically depart from the urban scale, but rather from the multiscalar institutional forms that are at the core of neoliberal regimes of accumulation. My aim thus is to formulate an understanding of the inner impulsions of neoliberalism that is explicitly conscious of the urban scale, and that attempts to determine how the urban scale figures relative to other scales in the context of neoliberal restructuring. It is through this lens that I then draw conclusions about various processes that occur in New York, Stockholm and Johannesburg.

For this purpose, I will be drawing on the methodological tools developed by Tickell and Peck (1992), Peck and Tickell (1995) and Swyngedouw (1997a) to lend clarity to these relationships in an FR sense. In this sense, scale:

“embodies a temporal compromise, solidifies existing power relationships, regulates forms of cooperation, and defines competitive and other power strategies. Scale reconfiguration, in turn, challenges existing power relations, questions the existing power geometry, and, thus, expresses the effects of sociospatial struggles” (Swyngedouw 1997a: 147).

In a regulationist sense, therefore “[e]ach regime of accumulation exhibits a distinctive economic geography” (Tickell & Peck 1992: 197) and a mode of regulation is “characterized by a series of formal or informal practices, embodied in the state or other scale-defined formal or informal institutions or levels of governance” (Swyngedouw 1997a: 147).

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<sup>17</sup> In 2019, 27% of South Africa’s exports and 12% of imports were to and from the rest of Africa (Tralac 2020).



Considering that the scalar configuration existing in a particular time and place is intrinsically bound to the relevant RoA/MoR pairing within that context, studying the emergence of a new regime of accumulation (e.g. neoliberalism) necessarily also entails formulating an understanding of the process of *rescaling* relative to the prior RoA/MoR pairing (e.g. Fordism). For instance, while the Fordist regime was characterized by a marked ‘national macroeconomic coherence’, the scalar configuration of neoliberalization is starkly different (despite the fact that the nation-state today remains “one of the key arenas of struggle”), and must be researched and theorized in its own right (Peck & Theodore 1995: 26). The interpenetration of scales will therefore act as the methodological starting point of my research, allowing me to investigate the newfound role of cities in the context of neoliberalization, while keeping in mind the necessary linkages that bind it to the national, regional and international scales.

Therefore, while my aim is to investigate neoliberal processes occurring at the level of the city, my point of departure is not the city, but rather the configuration of institutional forms that prevails in that spatial context. In other words, rather than departing from the urban to determine which IFs are articulated there, I begin by analytically mapping all IFs at  $T^1$  in an effort to trace their dynamic positioning. While the hierarchically dominant IFs are expected to remain constant across all three cases, the remaining IFs might produce a range of contingent relations depending on the context. Once the configuration of IFs has been identified, I plot the relationship existing between the urban scale and regulatory processes occurring on other scales. This two-step process allows me to form a more complete picture of the scalar articulation of relevant IFs at  $T^1$ , and subsequently to trace the relevant ‘scalar recalibration’ that has taken place over time and within a particular spatial context. It then becomes possible to capture the inherently multiscale quality of neoliberal processes, while also delving into an analysis of the specific role played by the urban relative to these processes.

#### 2.4. Case selection strategy

There are a number of different ways of designing a multiple-case study. Based upon the FR taxonomy outlined above, I have selected three different cases for my research project: New York City, Johannesburg and Stockholm. However, as Gerring points out, the greater the number of cases studied, the more difficult it is to study each of those cases intensively (2007: 20). In addition to the spatial constraint in writing-up an empirical analysis, awarding each case the same amount of attention would also require conducting three separate field visits – a highly demanding task relative to the time and financial resources required. As a result, I have decided to employ a selection strategy that allows me to place one case at the center of my study – New York – while a slightly lesser focus will be placed on the remaining two cases.

More specifically, my case selection strategy will approximate what Gerring calls the *pathway case* (2007: 122). In broad terms, the pathway case is one which “conforms to, typifies, or illustrates a causal relationship of interest” and serves an illustrative function (Gerring 2017: 105). It therefore puts the spotlight on a case where particular causal mechanisms are most strongly at work, and which can then be used for the purpose of comparison with other cases. That is, there is no “stand-alone pathway case” (Gerring 2007: 122) and the remaining cases used in the analysis can then be understood relationally, to better understand the nuances of the relationship being studied.

However, in order to avoid the positivist undertones of the focus on causal mechanisms, my pathway case will not serve to illustrate causal mechanisms per se. Rather, it will be used to argue that neoliberal institutional features and neoliberal restructuring can be most readily



pinpointed in one city. Owing to its unique role as a global financial center and its embeddedness within the liberal heartland of the United States, urban neoliberal restructuring is most clearly observable in the case of New York City. To phrase this in terms of the problematique – the pathway case allows us to shed light on the systemic aspects of neoliberal restructuring in cities; while these systemic traits are also presumed to be present within the two remaining cases (the feature that ultimately renders them neoliberal), they are argued to be most prominently displayed in the pathway case. By virtue of the depth and scale of its neoliberalization, New York City will therefore serve as a critical referent, while the institutional configurations of the other cities – Stockholm and Johannesburg – will be studied with this referent in mind.

Therefore, owing to its role as the pathway case, I have chosen New York City as the site where I conduct my fieldwork. Through a combination of archival research and direct observation, my aim was to gain as much information about institutional configurations and the transformations they have undergone in the neoliberal era. The following chapter, chapter V, focuses on the neoliberalization of New York City and presents my findings regarding the nature of neoliberal restructuring. The two remaining cities are then studied in their own right, but also relationally, with respect to the tendencies identified in the neoliberal institutional configuration of New York City. Therefore, chapter VI and VII present empirical evidence pertaining to Johannesburg and Stockholm. Because these two cases will not be dealt with in as much depth and detail as New York, and owing to financial and time constraints, I have chosen not to conduct separate field visits there. As a result, I rely primarily on document analysis for these two cases. Since there is a wealth of qualitative and quantitative data on both cities for the period in question, I believe that this should not present an issue for my analysis.

### **Part III. Methods**

The overarching purpose of this research project is to make a theoretical contribution to the study of the relationship between neoliberalism and cities. This is not to say that I am not concerned with the empirical manifestations of urban neoliberalization and its particular iteration in the three cases that I have chosen to study; indeed, I believe my study can shed a new light on the nature of initial neoliberal restructuring in New York, Stockholm and Johannesburg. At the same time, I am aware that initial neoliberal restructuring has received considerable scholarly attention over the past several decades and that extensive empirical research exists for all three cases that I have chosen to study. Therefore, my aim going into this project was to gain access to a sufficiently large body of data so as to be able to make a broader theoretical contribution to the study of the relationship between cities and neoliberalism.

My analysis therefore draws both on primary and secondary sources, although secondary sources predominate in cases where I was unable to find primary ones (e.g. for the two cases of Johannesburg and Stockholm where I did not conduct fieldwork). Therefore, I draw on three different types of methods in my research: document analysis, archival records and direct observation. In this section, I reflect on each of these three methods in further detail in order to address the ways in which they assist me in gleaning the necessary data for my research.

#### *3.1. Document analysis*

Document analysis forms the backbone of my data collection strategy. Data gathered through document analysis has been useful in the process of mapping institutional forms, pinpointing dominant and dominated social groups, tracing negotiations between actors, as well as



identifying how social compromises are codified in particular institutional practices. Overall, document analysis is crucial for a study that is not limited to studying present-day phenomena, but is rather interested in tracing processes that span several decades. In all three cases – particularly the crucial case – primary evidence has been relatively easy to access via online sources. Of course, it is important to keep in mind that all documents have been written with a specific intention, and are based on particular assumptions (Grix 2001: 81). For the most part, I have therefore chosen to triangulate between different sources to avoid adopting the author’s bias.

The overarching aim of my document selection strategy is to uncover the key features of the institutional forms being studied for the conditioning and elaboration phases for each of the three cases being studied. It also seeks to shed light on the process of interaction between the various ‘dominant’ and ‘dominated’ social groups for these cases. For all three phases, I prioritize primary evidence such as legal regulations, government documents, public officials’ speeches, official statistics, internal correspondence (governmental, organizational), interview transcripts and official memoranda. I then supplement this primary evidence with various secondary sources such as newspaper articles, commentaries and scholarly research on the topic. In this way, I sought to bring several pieces of evidence to bear on every feature of the respective institutional forms, as well as the interaction, covered in my empirical analysis.

The documents that I draw on reflect the multiscale conception of institutional forms outlined earlier in this chapter. In other words, while I place a focus on evidence that pertains specifically to processes occurring at the urban scale, a multiscale reading of institutions also requires drawing on data of institutional articulations at the national and international scales. Since each RoA is said to favor a specific scale, and a transition from one RoA to another always entails a process of ‘rescaling,’ certain RoAs require a focus on one scale to shed a light on the dynamics within the institutional forms. For instance, in order to map the Fordist *wage-labor nexus*, I am focusing on documents that shed light on wage relations at the national scale. In this way, it is possible to capture the inherently multiscale nature of neoliberal processes, and the positioning of each city within a broader web of intrascale relationships.

The advantage of relying on document analysis for understanding neoliberal institutional configurations of different geographies is primarily that it can offer specific evidence that spans a long period of time and many events (Yin 2014: 106). In many cases, this type of evidence can be easily accessed online, which is very useful when conducting research remotely (i.e. in the cases of Johannesburg and Stockholm). At the same time, Yin (2014: 108) points out that many people have been “critical of the potential overreliance on documents in case study research.” Generally, this occurs because usage of the relevant documents is accompanied by a ‘biased selectivity,’ i.e. by an incomplete selection strategy that is motivated by the researcher’s underlying assumptions. In order to avoid this pitfall, I rely on my theoretically-grounded research design to help navigate my selection of documents. By harmonizing the type of documents used across the three cases (Table 4.1.), I avoided deploying an inconsistent document selection strategy based on my own assumptions.

Phase of the cycle	Type of documents selected
Conditioning	official statistics, legal acts and regulations, public officials’ speeches, scholarly research,



Interaction	internal correspondence (by unions, government officials, etc.), official memoranda, newspaper articles
Elaboration	official statistics, legal acts and regulations, public officials' speeches, scholarly research

**Table 4.1.** Document selection strategy across all three cases

### 3.2. Archival research

Overall, archival records are a broad term for investigating historical documents and textual materials created at some point in the relatively distant past (Ventresca & Mohr 2005: 805). But although archival material is necessarily historical in content, it is not exclusively used in the context of historical topics, i.e. “the study of past qua past” (Easton 1995, as cited in Welch 2000: 198). Rather, Welch (2000: 198) identifies three benefits of using archival data in non-historical research:

- 1) to add ‘empirical depth’ to a particular project by “generating new data and enabling verification from other sources;”
- 2) to develop explanations of “processes of change and evolution;”
- 3) to challenge existing theories and develop new theoretical models.

In the first instance, archival records can be used to verify other sets of data through triangulation which, as mentioned earlier in the chapter, allows the researcher to “bring more than one source of data to bear on a single point” (Marshall and Rossman 1989, as cited in Welch 2000: 199). Secondly, archival research is a fruitful method for conducting longitudinal research which is intended to cover “longer epochs and biographic histories rather than shorter episodes” (Welch 2000: 201). Drawing on archival materials allows us to trace processes of change and evolution that would not be visible in data acquired through methods like interviews or surveys. Finally, and on a similar point, archival research “allows for an added level of analysis – the temporal dimension” (ibid.: 202). Consequently, it becomes possible to acquire an insight into previously unaddressed dynamics, structural traits or agential relationships (ibid.).

Within the scope of my research, archival records serve all three of the aforementioned purposes:

- 1) To triangulate data collected from documentary sources and provide an added dimension to understanding neoliberal transformations;
- 2) To trace neoliberalization and accompanying institutional change over the course of several decades (i.e. from the post-WWII period onwards);
- 3) To develop a new theoretical model by focusing on multiscalar institutional dynamics that were previously not central to research on neoliberalism.

However, archival records can range from survey data to organizational records and their usefulness can vary from case to case (Yin 2014: 109), so it is necessary to specify the particular role they play within the scope of the wider research design. In particular, two central questions arise when designing a study using archival materials: 1) What types of materials are selected for analysis, and 2) How those materials are analyzed (Ventresca and Mohr 2005)? Conducting archival research requires considerable time, and – unless archives have been digitalized – also a physical visit to the archive. In other words, performing archival research



in three different cities would not only be time-consuming, but also financially demanding. As a result of these constraints, as well as my research design which places the ‘crucial case’ at the center of the analysis, I have chosen to use archival records and direct observation only in the case of New York City (whereas document analysis will be used in all three cases). Archival analysis therefore allows me to develop a more in-depth understanding of the embeddedness of individuals, organizations and businesses within various institutional forms in New York for the period in question. As Grix points out, the “chief aim of using this type of method is to bring ‘dead’ documents alive to shed light on specific events, personalities or policies” (2001: 81).

Prior to my field visit, my preliminary research showed that an abundance of primary and secondary documentation existed in various documentary sources – both in print and online. A considerable amount of research has been conducted on the New York fiscal crisis, as well as the processes of urban neoliberalization characterizing the subsequent four decades. Therefore, my priority was not to uncover new data or investigate empirical phenomena that were heretofore not given much attention. Rather, the goal was to trace neoliberal processes in New York City from a different, theoretically-driven perspective allowing me to produce a clearer picture of both its systemic and contingent tendencies relative to other sites.

### *3.3. Direct observation*

Yin (2014: 113) argues that when the phenomena of interest are not purely historical, observing relevant environmental and social conditions might also be useful in the context of the case study. However, direct observation can range from a more formal type of data collection to casual observation:

“Most formally, observational instruments can be developed as part of the case study protocol, and a fieldworker may try to assess the occurrence of certain types of behaviors during certain periods of time in the field... This can involve observations of meetings, sidewalk activities, factory work, classrooms, and the like. Less formally, direct observations might be made throughout your fieldwork, including those occasions during which other evidence, such as that from interviews, is being collected” (Yin 2014: 113).

In the context of my study, I have chosen to adopt a less formal approach with respect to direct observation. Much of my observation was conducted in New York in the process of performing daily tasks in different parts of the city (i.e. commuting to and from relevant archives, grocery shopping, etc.). In certain cases, however, trips to specific areas were planned and motivated by a particular theoretically-grounded interest.

Furthermore, it is important to keep in mind that even observational data can be both quantitative and qualitative in nature. For instance, regular, structured observations of a particular activity can yield quantitative data that can be used in conversation with other types of data (Yin 2014: 114). On the other hand, qualitative observational data can consist of observations that provide an added layer of descriptive information to a particular context or phenomenon. Since my observation was relatively informal, I have collected qualitative data that provides an added dimension to documentary analysis and archival research. Overall, therefore, my focus was on the structure of the built environment, the relationship between residential, commercial and business areas, as well as the use of public space in New York City. In order to counter confirmation bias – the unconscious biases that I might have had about the city and its physical structure (e.g. role of real estate speculation, gentrification, etc.) which might have governed my observation choices – I sought to a) conduct direct observation through the prism of my methodology and institutional forms (outlined in further detail in the



next section), b) reevaluate my impressions of my observations and c) seek supplementary information by referring to other evidence.

#### **Part IV. Operationalizing the methodology**

As described throughout the preceding sections, my research seeks to capture the transformation from a Fordist institutional configuration to neoliberal one in three different contexts. It further seeks to capture the multiscale nature of institutional forms themselves, that is, to examine how these institutional forms are articulated on three scales – the urban, national and international – as well as the different roles that they play at different times. Finally, I place a special focus on the urban scale within each of these institutional configurations – New York, Johannesburg and Stockholm – in order to address my overarching research question and make a broader claim about the relationship between neoliberalism and cities.

Capturing all three of these analytical moments – 1) institutional transformation over time, 2) the multiscale nature of institutional forms and 3) the particular role played by the urban scale – is a daunting task methodologically. It requires an empirical analysis that is sensitive to the co-constitutive relationship existing between different scales, but also one which is able to analytically ‘isolate’ the urban scale in order to make claims about its unique role (without falling into ‘methodological cityism’ (Brenner 2019: 13)). In addition, it requires an analysis that is able to capture the features of a given regime of accumulation (neoliberalism, Fordism) in depth and *in time*, as well as to capture its inherently process-based quality, and to formulate an understanding of the interplay between structure and agency *over time*.

In order to simplify what promises to be a multilayered and complex analysis, I have chosen to embed it within the morphogenetic cycle and therefore temporally sequence it into three stages for clarity: *conditioning*, *interaction* and *elaboration*. This overarching sequence allows me to trace the interplay between structure and agency diachronically (i.e. *over time*), whilst also investigating each component synchronically (i.e. *in time*). Since a regime of accumulation is understood as an institutional configuration that allows capitalist accumulation to persist in a relatively stable way for a finite period of time, the conditioning phase is devoted to discerning the variegated features of the Fordist regime of accumulation that persisted in the post-war period. In the interaction period, I trace the dynamics of social action that follow a moment of ‘triggering’ or ‘activation’ causing the breakdown of the preceding regime of accumulation. Finally, in the elaboration phase, I focus on the features of the new, neoliberal regime of accumulation which has emerged out of these dynamics. Each of these temporal sequences features a multiscale understanding of institutional forms and agency, allowing me to capture the co-constitutive nature of scale, while also identifying the specificities of the urban scale in relation to other scales.

However, a process-based and historically situated understanding of neoliberal restructuring must also be aware that in the four decades since the emergence of neoliberalism, different ‘stages’ or ‘waves’ of neoliberalization can be identified. As outlined in Chapter II, Brenner, Peck and Theodore (2009) propose a study of two waves of neoliberalization: the ‘uneven development of neoliberalization’ and the ‘neoliberalization of regulatory uneven development.’ The first refers to the moment of disarticulated neoliberal restructuring, whereby pre-existing rule regimes have been selectively restructured through a series of neoliberal experiments, while the second refers to a subsequent deepening of those initial neoliberal reforms. Bruff (2014) has also proposed the idea of ‘authoritarian neoliberalism’ to refer to



more recent iterations of neoliberalism that have entailed a reconfiguring of the state into a less democratic entity. If we assume that common waves/stages/cycles can be identified across global neoliberalisms, this understanding must be reflected methodologically. In each city, I have therefore opted to limit my empirical investigation to the cycle of *initial neoliberal restructuring* – the process through which a relatively fixed and stable neoliberal regime of accumulation was established in each context. In this sense, disarticulated neoliberal experiments are understood as ‘coping strategies’ of agents following the breakdown of Fordism, while the outcome of this disarticulated agential action is the establishment of a (relatively) stable neoliberal institutional configuration.

My starting point for determining the periodization of neoliberal restructuring within each institutional context is the moment of crisis of the Fordist regime of accumulation. Assuming that neoliberalism emerged out of a crisis of Keynesianism on the global scale, that is, through a breakdown of the Fordist regime of accumulation, the key moment that I have looked out for is the breakdown of Fordist institutional forms. The moment of activation neatly serves to demarcate the conditioning period from the period of interaction. Thus, while the crisis of Keynesianism was global, its material and discursive manifestation differed in each of the three multiscalar institutional contexts being studied. The ‘moment of activation’ that signals the end of the period of conditioning was therefore iterated in different ways and entailed a breakdown of a different set of (patterned) institutional forms. In Table 4.2., I pinpoint the three moments of activation that will serve to delimit the conditioning phase from the period of interaction.

Case	Moment of activation	period
New York City	the NYC fiscal crisis	1974-5
Johannesburg	crisis in apartheid; Soweto uprising	1976
Stockholm	the breakdown of Bretton Woods	1975-6

**Table 4.2.** Identifying the moment of activation in each of the three cases

While the different moments of activation (mid-1970s) took place roughly around the same time, the respective periods of interaction that followed differed in length amongst each other. Since the period of interaction depends on the capacity of agents to organize, form alliances and therefore new viable dominant groups, the length of interaction is wholly contingent and context-specific. Thus, while the period of interaction in New York City occurred over a relatively short period of time, in Stockholm it lasted nearly a decade, while in Johannesburg it spanned a period of two decades. Following the end of the period of interaction, we can speak about elaboration, that is, the establishment of a new, relatively stable institutional hierarchy. Based on these operational criteria, the following tables summarize the periodization of each of the three cases. The remainder of this chapter includes a brief discussion of the three different stages of each cycle and how they relate specifically to a study of neoliberalism.

Periodization of New York City	Morphogenetic sequence
T <sup>1</sup> : 1945 to mid-1970s	Conditioning
T <sup>2</sup> -T <sup>3</sup> : mid-1970s to late-1970s	Interaction
T <sup>4</sup> : 1980s and 1990s	Elaboration



Periodization of Johannesburg	Morphogenetic sequence
T <sup>1</sup> : 1946-1976	Conditioning
T <sup>2</sup> -T <sup>3</sup> : 1976-1994	Interaction
T <sup>4</sup> : 1994-early 2000s	Elaboration

Periodization of Stockholm	Morphogenetic sequence
T <sup>1</sup> : 1951-1971	Conditioning
T <sup>2</sup> -T <sup>3</sup> : 1971-1985	Interaction
T <sup>4</sup> : 1985-2000s	Elaboration

**Table 4.3.** Periodization of initial neoliberal restructuring

#### 4.1. Conditioning

As outlined in the theoretical chapter, the conditioning phase is used to analytically denote a (relatively) stable RoA existing in a particular spatial and temporal setting. At the core of this RoA is a configuration of IFs that are arranged in a unique way, dynamically acting to adjust various instabilities that pervade a given capitalist system. In critical realist terms, these IFs are bound by necessary and internal relations, which allows them to persist in a relatively durable fashion within an open system. At the moment of conditioning, IFs exist within a particular institutional hierarchy. In accordance with the periodization outlined in Table 4.3., the moment of conditioning will be used to refer to the period in time preceding the onset of neoliberalization in all three cities – Fordism. Thus, one of the first tasks is to identify the constitution and configuration of the five IFs in the Fordist period of conditioning. Within the context of this study – that is, in the wake of the crisis of Fordism – conditioning is marked by a hierarchically dominant *wage-labor nexus*.

Describing a particular RoA at the level of conditioning – with its accompanying institutional forms – allows us to trace the structural context within which agents are embedded at T<sup>1</sup>. At this stage, *all* structural influences are mediated to people by “shaping the situations in which they find themselves” (Archer 1995: 196). In order to understand these situations, Archer proposes studying them through the lens of vested interests, opportunity costs, degrees of interpretative freedom and directional guidance (via situational logics). Conceptually, this allows us to understand how ideational and material structures are mediated to agents in day-to-day situations. However, for the purpose of clarity, rather than employing the Archerian lens, my focus will be on the content on the institutional forms themselves, their arrangement into hierarchies and complementarities, as well as their scale of articulation. This will allow me to focus on each case’s institutional specificities (while at the same time tracing patterns across the different cases).

Describing the nature of the institutional forms at the level of conditioning also allows us to understand the dynamic existing between the dominant bloc – as represented by the broad group of individuals benefiting from the dominant *wage-labor nexus* – and the dominated social groups, represented by the individuals whose interests are currently not reflected in the Fordist institutional hierarchy. The dominant bloc should be understood as consisting of an



alliance between industrial capital and labor<sup>18</sup> (vis-à-vis labor unions) – a coalition grounded within a set of compromises pertaining to the wage relation (Amable 2003: 69). These groups formed the core of the dominant social bloc in the Fordist era, nurturing a range of state-sponsored social protection provisions and collective bargaining mechanisms, prioritizing employment issues and social welfare. On the other hand, the dominated social group(s) were comprised of unskilled or immigrant laborers, the unemployed, women, minorities, but also intellectuals promoting ideas that did not resonate with respect to the ideational framework of the Fordist status quo (e.g. Chicago school intellectuals).

As previously mentioned, IFs are treated as inherently multiscalar in nature. The next step is therefore to plot the relationship existing between the urban scale and regulatory processes occurring on other scales. Namely, what role does the urban scale play with respect to other scales? What types of scalar relations is the urban scale embedded within? What are the scalar infrastructures that have been essential to a particular socioeconomic configuration such as Fordism? In what ways does the spatiality and built environment of a Fordist city nurture the needs of the broader Fordist institutional configuration?

At some point during the conditioning phase, a moment of ‘activation’ undermines the stability of the entire system, triggering one or more institutional forms within the existing hierarchy. As Amable (2016: 95) points out, if we define institutions as socio-political compromises, “changing an institution implies reopening a social conflict.” Within the context of the breakdown of the Keynesian status quo, what is generally observed is a triggering of the *wage-labor nexus*, which should therefore be understood as reopening a conflict between groups that had previously formed an alliance. The circumstances surrounding this triggering differ in each of the relevant institutional contexts; they can be either exogenous and/or endogenous such that the perceived moment of ‘crisis’ occurs in manifestly different ways. Identifying the circumstances that surround this triggering is crucial, and this will be the last step of the analysis within the moment of ‘conditioning’, but one which allows us to develop a more thorough understanding of the orientation of agents in the subsequent stage.

#### 4.2. Interaction

At the level of interaction, instability within the system places the dominant bloc in a state of flux, transforming it into a (set of) dominant social group(s) which are vulnerable to contestation both from within and without. During this time, both the dominant and dominated social groups become situated within a set of five *institutional continua* – a concept used to denote that the moment of ‘activation’ of institutional forms has occurred and their consequent vulnerability to agential action. While these continua open up a range of new possibilities for action, they are nevertheless grounded in the material and ideational inheritance of the past.

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<sup>18</sup> While it may seem counterintuitive to categorize labor within the ‘dominant social bloc’ of any capitalist system, it is useful to remember (as outlined in chapter III) that this concept is used to denote the *temporary* and *inherently crisis-ridden* set of compromises that may arise between classes in a given historical period. This is not to say that these classes do not have inherently different interests, nor to negate that one class possesses a disproportionate amount of power relative to another, but rather that their interaction *might* in certain historical period result in a compromise whereby the interests of capital, for instance, are (temporarily) subdued to the advantage of the working class. This type of analytical treatment of agency is in line with the broader FR theorization of capitalism(s) as existing in relatively stable (and yet contradictory) configurations, and therefore allows us to shed light on the different constellations of actors that emerge at different times, nurturing different forms of capitalism. As we shall see, however, these types of compromises are unstable and tend to break down relatively quickly – precisely because of the contradictory nature of capitalist accumulation and the innately opposing interests between capitalists and laborers.



Thus, following the breakdown of the *wage-labor nexus*, agents are directly compelled to deal with the various institutional remnants of Fordism. While the dominant social groups seek to take all necessary action to preserve the Fordist status quo (e.g. maintain influence of labor unions, retain various social welfare benefits), dominated groups rather seek to regroup, increase in numbers and strength, and articulate their own set of demands. In this sense, dominant social groups progressively expand, whereas there is a complementary shrinkage of dominated groups (Archer 1995: 263). Much depends on the reflexivity of the agents themselves as they contemplate various avenues for action<sup>19</sup>. For instance, the concept of *ideas as self-explication* can help us understand the ways in which corporate agents reflect on the cultural and structural system of the past, deploying various containment strategies to resist the actions of the dominated groups. Ultimately, the course of action adopted by the dominant group(s) relative to the dominated ones, and the respective abilities of each to articulate their own interests and become socially accepted determines the outcome of the interaction stage.

Thus, a necessary part of my study during the interaction period will be capturing the potential scalar shifts occurring in the wake of interaction between relevant groups. As Swyngedouw argues, scale is not “socially or politically neutral, but embodies power relationships” and is therefore “both the result and the outcome of social struggle for power and control” (1997a: 140). To this end, I also take into consideration the scalar positioning of the dominant and dominated groups that participate in the interaction stage and the implications this has for destabilizing the scalar positioning initially in place during T<sup>1</sup>. This is necessarily linked to the ways in which the dominant and dominated social groups undergo transformation in their own right, that is, whether and how they re-group to form new dominant social blocs and dominated groups. What can be observed in relation to the transition from Fordism to neoliberalism – as the dominant Fordist bloc disintegrated – is the re-grouping of agents who increasingly drew on various neoliberal ideational and material resources at the international level. While the context and extent of such a movement differed in all three cases, this inherently contributed to the ‘scalar recalibration’ of IFs in that particular spatio-temporal conjuncture.

During this stage of the cycle, I therefore identify the different social groups and their diverse positioning following the moment of activation, i.e. following the breakdown of Fordism. In other words, how have the dominant social groups become destabilized following the moment of activation? In what way do they reflect on their interests at T<sup>1</sup> and proceed to try to contain the behavior of dominated groups? How have dominated groups, on the other hand, mobilized to articulate their respective interests? Finally, it is necessary to determine how dominant and dominated groups are struggling to acquire consensus for their projects. Are negotiations taking place between the various groups? This allows us to move into the elaboration/reproduction period to identify and trace the results of these multifarious interactions.

#### 4.3. Elaboration

Once agential interaction has drawn to a close, it becomes possible to trace whether transformation or reproduction (i.e. morphogenesis or morphostasis) of the original IFs has taken place. Since the breakdown of one institutional hierarchy and the entrenchment of another one in its place in the context of initial neoliberal restructuring is inherently a morphogenetic scenario, what we then expect to see in all three cases is elaboration. This stage

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<sup>19</sup> It is through agents that we can observe the intersection of structural and cultural domains of institutional forms (Archer 1995: 305). As Archer points out, empirically we “have to recognize that there is structural penetration of the cultural realm, and cultural penetration of the structural domain” (ibid.). This is the case because social groups “not only have interests, resources and sanctions but they also have ideas” (ibid.).



therefore allows us to study the establishment of a new RoA-MoR pairing and the different social, structural and cultural dynamics which have led to the emergence of a hierarchically dominant financial monetary regime. Through the concept of *ideas as adequacy*, it becomes possible to identify the transcendental ways in which necessary relations present in the conditioning phase remain present in the phase of elaboration. Furthermore, at this stage of the cycle, it becomes possible to trace the rearrangement which has occurred among existing social groups, to pinpoint the formation of new social groups, as well as delineate the resulting relationship existing between the new dominant bloc – which benefits from the new institutional hierarchy – and the dominated groups. Additionally, it becomes possible to trace the shift that has occurred in both the structural and the cultural components of institutional forms relative to their original position at T<sup>1</sup> (i.e. the hierarchies and complementarities that they form within an institutional configuration).

In addition to identifying the arrangement of IFs relative to each other, at the level of elaboration it becomes possible to map each of the IFs in a scalar sense, too. In sum, the set of interactions that have just taken place between different social groups have resulted in the elaboration of IFs on specific scales, thereby generating stability within a particular institutional configuration. Identifying the scalar location of these IFs therefore allows us to paint a clearer picture of the newfound relationship between different scales under the new RoA-MoR pairing, and account for the potential emergence of a given scale as more significant relative to others. Much like in the conditioning phase, the next step is to trace the necessary ways in which initial neoliberal restructuring has shaped diverse geographies. Namely, in what ways does the urban scale – embedded within the newfound neoliberal scalar configuration – nurture neoliberal processes?

In the elaboration phase, there is a newfound sense of stability within the system. While the entire cycle from conditioning to elaboration seems to follow a simple movement from one hierarchy to another, this section has sought to demonstrate how this model is able to methodologically enrich an understanding of neoliberalization and transformations occurring within capitalism as a whole. It does so by shedding light on the interaction between the dominant and dominated groups, by periodizing and spatializing these interactions, and developing a nuanced understanding of the relationship between structure and agency. Therefore, I believe that this model methodologically allows me capture both the systemic and patterned qualities of neoliberalization, as well as their contingent and differentiated articulation across different urban contexts (in a multiscalar sense).

## Conclusion

My aim in this chapter has been to provide a detailed account of the operationalization of my theoretical framework relative to my research questions. In the first section, I outline the epistemological assumptions underlying the research project; these assumptions form the foundation of my research and they have directly informed my conceptualization of the overall research design. The design that I have adopted is embedded within an overarching case study analysis which I believe is best suited to address the central research problem concerning the nature of systemic vs. contingent dynamics inherent within neoliberal processes. In particular, I have chosen to draw on three different cases – I believe this number allows me both to delve into sufficient depth when exploring systemic tendencies of neoliberalism, but also to identify differentiation between cases to a point where it is generalizable and significant beyond the scope of this particular study. However, not all three cases are awarded the same degree of analytical focus. I adopt a ‘crucial case’ selection strategy, which permits me to identify a



single, crucial case (New York City) whose institutional configuration will form the centerpiece of my study, while the remaining two cases (Johannesburg and Stockholm) are studied relationally with respect to the crucial case. In this way, I am able to delve into a more in-depth analysis of the institutional dynamics prevalent in New York City, an exemplar of neoliberal restructuring, while the remaining two cases are used for the purpose of studying institutional differentiation and divergence from the crucial case.

Furthermore, my selection of cases is grounded within a French Regulation-inspired taxonomy of capitalisms. Thus, while my research does not claim to offer an all-encompassing account of neoliberal variety, I believe that it allows us to draw broader conclusions about neoliberalization beyond the three cases used for the purpose of this study. The theoretical model I propose also offers an analytical gateway for developing an understanding of the role played by cities with respect to broader regulation dynamics. By adopting a multiscale understanding of institutional forms, it becomes possible to theorize and research processes of regulation occurring on different scales, while at the same time retaining an understanding that spatial scales necessarily overlap and intersect one another. In order to operationalize this understanding of cities and neoliberal variegation methodologically, I focus on the pathways of *initial* neoliberal restructuring in each of the three cities. Since various geographies have undergone neoliberalization at different points in time and at different paces, and since multiple rounds of neoliberalization can be identified in any given locality, focusing on initial neoliberal restructuring allows us to adopt a methodology which places processes of neoliberalism at the focus of the analysis. For this purpose, I embed my analysis within Archer's morphogenetic cycle which allows us to trace a given transformative process vis-à-vis three analytical moments: conditioning, interaction and elaboration.



## Chapter V. New York City

During the post-war period, New York acted as a key national and regional center for space-intensive industrial production. It was also an important union city that established precedents in collective bargaining, particularly for municipal unions, and provided extensive welfare benefits to residents. By the mid-1970s, this was no longer the case. The city was exposed to a variety of neoliberal restructuring efforts, which favored finance and ultimately contributed to it becoming a powerful, internationally-oriented financial center. In an effort to lend clarity to the pathways through which initial neoliberal restructuring was conducted, I trace New York's transformation from the post-war period until the 1980s. A multiscale understanding of institutional transformations allows me to trace New York's shift from a nationally-oriented manufacturing city to – owing to its extensive incorporation of financial and private-sector interests into governance and policy making activities, as well as its role as a global financial center – one of the earliest prototypes of a fully 'neoliberal city.'

In this chapter, I examine the initial neoliberal restructuring of New York City through the theoretical framework outlined above. For this purpose, and in accordance with my methodology, the chapter is divided into three parts: 1) the conditioning phase, which I roughly take as the post-WWII period (mid-1940s to mid-1970s), 2) the interaction phase, represented by the New York fiscal crisis, and 3) the elaboration phase, i.e. the period following the fiscal crisis, i.e. the 1980s and 1990s. In line with my theoretical assumptions, I will not be focusing 'just' on New York City in my analysis. Rather, I situate my understanding of cities within a multiscale understanding of institutional forms arguing that cities are not isolated spatial entities floating in space, but rather belong to a complex national, international scalar dynamics.

### Part I. Conditioning

#### *1.1. The hierarchically dominant Fordist wage-labor nexus*

The Wagner Act<sup>20</sup> (also known as the National Labor Relations Act of 1935) was the first piece of legislation in US labor history to formally guarantee private sector employees the right to unionize. It emerged in the ideational context of the New Deal and its ultimate aim was to alter the bargaining power imbalances between organized employers and employees who did not possess freedom of association. The Act mediated worker dissatisfaction, moving it away from the sphere of violent confrontation and into a "regulated grievance machinery" (Herod 1991: 85). At the core of this machinery was the National Labor Relations Board (NLRB), a federal agency placed in charge of interpreting and applying the Wagner Act. The central board of the NLRB initially consisted of three presidentially-appointed members and ran its operations through a number of field offices placed in charge of conducting elections, as well as investigating and seeking voluntary resolutions of unfair labor practices (Helgeson 2007: 967). In scalar terms, one of the major accomplishments of the Wagner Act was that it successfully brought disarticulated local labor struggles under national control (Johnston 1986: 30).

The importance of the national scale in the context of the Fordist wage-labor nexus was further accentuated by the material and ideational legacy of the Second World War. Throughout this period, wartime production was organized nationally and fueled by feelings of 'wartime

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<sup>20</sup> The Act was sponsored by Robert F. Wagner, a pro-labor Senator from New York, and officially signed into law by then-president Roosevelt.



solidarity.’ A major institutional legacy from this period was the National War Labor Board (NWLB), established with the purpose of ensuring that labor relations would remain harmonious during the war so that wartime production would not be adversely affected. Throughout this period, the NWLB reviewed over 10,000 labor disputes and, through its decisions, created precedents in labor relations both substantively and procedurally (Shister 1945: 52). Through its ‘tripartite approach,’ the NWLB included equal representation of industry, labor and the public in nearly every phase of its actions – for the first time, unions had become institutionalized in decision-making processes (ibid.). The prevailing attitude became that labor and management “can learn much from each other and, therefore, live together in greater harmony” (ibid.: 37).

The dominant scale for the collective organization of labor during this period was therefore also national. A key institutional player in the Fordist wage-labor nexus was the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)<sup>21</sup>, an umbrella organization which lobbied for labor reforms and provided organizational support to affiliated unions. In 1956, the AFL-CIO represented approximately 15 million workers. Each worker belonged to one of 60,000 industry-based local unions which, in turn, formed part of one of 139 national and international unions (AFL-CIO 1956). Each of these local unions played a crucial role by virtue of their immediate contact with workers; workers generally had no direct contact with AFL-CIO (Neufield 1956: 375). Their contact with the organizational structure of the AFL-CIO was therefore mediated through their respective national and international unions. The national union was considered to be “the keystone of a federation” and its autonomy and jurisdictional inviolability was guaranteed by the AFL-CIO constitution (ibid.: 376; 379). In spite of its predominantly national sphere of influence, the operation of AFL-CIO itself was institutionalized along city, state and regional lines, allowing union representation to be articulated at different scales.

For the first time in history, US labor was well-organized on multiple scales and grew to occupy an increasingly powerful role in the wage-labor nexus. Capital was not opposed to labor’s new role insofar as it had the effect of increasing consumption – something that was lacking in pre-war, Taylorist production. Capital’s attitude was part of a broader ideational shift; a consensus among industrialists slowly started to emerge that “an economic policy based on the principles of laissez-faire was obsolete,” and that “intelligent planning” should be used in order to regulate the economy (Mizuchi 2013: 38). This consensus emerged around the Committee for Economic Development (CED), a newly established ‘club’ for industrialists representing budding multinational corporations like General Electric, Studebaker and Coca-Cola. These businessmen formed a “moderate, pragmatic and corporate elite” which argued in favor of a strong role for the state in ensuring optimal business conditions (ibid.: 43). Soon enough, this ideational consensus had spread beyond the CED, producing a unique climate in which industrial capital saw an interest in allowing the state to intervene in the market and even appeared to express responsibility for the well-being of society (ibid.: 44). The relationship between ‘big business’ and ‘big labor’ during this period led to a period of stability and a new social contract based on a largely depoliticized form of collective bargaining and unionization (Peet 1983: 121). The Fordist wage-labor nexus therefore “effectively turned the workers’ concern from the sphere of production to the sphere of consumption” (ibid.).

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<sup>21</sup> The AFL-CIO emerged in 1955 out of the merger of AFL – the historically powerful federation of skilled workers organized in crafts – and CIO, AFL’s rival organization that promoted industry-based organization (Rees 2007: 76-77).



While the Wagner Act made unprecedented advances in institutionalizing labor rights at the federal level, it was not without opponents. Resistance to organized labor had a regional dimension: southern industrialists vehemently opposed the advances that had been made by labor as they were believed to pose a threat to segregationist Jim Crow laws<sup>22</sup>. Ultimately, this resulted in the passing of the Taft-Hartley Act in 1947 – a piece of legislation that amended the Wagner Act, curbing the power of unions and limiting the advances made by organized labor. Taft-Hartley changed labor policy by imposing new constraints and conditions on the milieu in which workers would be able to collectively organize, and by reforming existing labor institutions.

In particular, Taft-Hartley appeased Southern industrialists through the advent of ‘right-to-work’ (RTW) laws, which allowed states to prohibit union agreements that made joining a union compulsory as a condition of employment. Southern states with Jim Crow laws – where workers were segregated along racial lines – passed RTW laws months after the institution of Taft-Hartley. States in the Deep South (e.g. Georgia, Arkansas, Tennessee, North Carolina) with a very strong legacy of slave ownership and a distinct racial hierarchy had trouble coming to terms with racial mixing in the context of industrial unionism (Devinatz 2015: 301). RTW therefore had a distinctly variegated geographical impact on collective bargaining and the wage-labor nexus as a whole, reinforcing existing regional differences and awarding US capital a unique ‘internal mobility’ (Herod 1991: 86). Capital could now easily circumvent unionized workforces and access labor markets with more favorable work conditions and wage costs (ibid.). By delegating responsibility for RTW laws to individual states, Taft-Hartley encouraged differential geographic implementation and fragmented the “spatial configurations of labor’s legal rights and privileges” (Johnston 1986: 29). As Herod (1991: 86) points out, this facilitated the creation of a new regional geography of US labor relations.

Another key innovation of Taft-Hartley was the introduction of ‘unfair labor practices,’ a category used to refer to union practices that ostensibly obstructed the free flow of commerce. This classification was a response to the ‘unfair management practices’ outlined in the Wagner Act and it placed a range of restrictions on labor unions (Berkowitz 2007: 1353). Certain forms of popular strike actions – e.g. wildcat strikes, jurisdictional strikes or secondary strikes<sup>23</sup> – were now prohibited, and lengthy notice had to be given prior to holding a strike. Membership-wise, closed shops<sup>24</sup> were outlawed, prohibiting unions from compelling all employees of a unionized shop to join that union and pay dues. In accordance with this ideational shift, institutions like the NLRB – perceived to be structurally pro-labor – were reformed. The interests of capital were incorporated into the NLRB by dividing responsibilities between the central board and the newly appointed General Counsel, who was independent and possessed the ability to seek injunctions against both employers *and* unions (Berkowitz 2007: 1353-1354). Additionally, the NLRB could no longer become directly involved in labor disputes as it lost the power to engage in mediation and conciliation (Gross 1981: 264). Therefore, while NLRB was held in particularly high regard for its role in maintaining ‘industrial peace’ from the early 1960s to the late 1970s (Helgeson 2007: 967), following Taft-Hartley it was structurally designed to favor the interests of capital over labor.

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<sup>22</sup> Jim Crow laws were local and state statutes that legalized racial segregation in the US. They existed for over a century – from 1865 until 1968.

<sup>23</sup> A jurisdictional strike is defined as picketing against a rival union, while secondary strike is understood as boycotting directed towards a company doing business with a struck company (Helgeson 2007: 967).

<sup>24</sup> Closed shops are businesses that require employees to be members of a union prior to applying for a job.



Taft-Hartley contributed to weakening the labor movement from the inside as well. From 1947 onwards, all trade union officials were required to sign an affidavit guaranteeing that they were not Communists “by organizational affiliation or belief” (Lichtenstein 1998: 782). This particular clause, fueled by Truman doctrine sentiments, had the effect of marginalizing a considerable number of trade unionists and depoliticizing the labor movement as a whole (ibid.: 785). Overall, scholars like Lichtenstein (1998: 765) have argued that Taft-Hartley should be understood more broadly:

“the Taft-Hartley law stands like a fulcrum upon which the entire New Deal order teetered. Before 1947 it was possible to imagine a continuing expansion and vitalization of the New Deal impulse. After that date, however, labor and the left were forced into an increasingly defensive posture” (ibid.).

As he points out, one of the chief aims of Taft-Hartley was to put a halt to industry-wide bargaining as it was perceived as “leading inexorably to...class solidarity, politicized bargaining, and governmental intervention” (Lichtenstein 1998: 786). While collective bargaining and unionization remained significant throughout the Fordist period, Taft-Hartley should be understood as the beginning of the decline of private sector unionism in the United States.

The new wave of unionization that occurred in the 1950s and 60s therefore did not occur in the private sector, but rather among governmental employees. Historically, organized labor in the public sector in the US was rare and generally frowned upon by the public<sup>25</sup>; a wide range of antistrike laws prevented local and state employees from organizing collectively. Motivated by a desire to receive recognition equal to their private-sector counterparts, public employees resorted to more militant tactics in their drive to unionize (Ryan 2007: 85; Mollenkopf 1976: 124-5). This was evidenced by a rise in work stoppages –while there were only 42 public sector work stoppages in 1965, by 1974 they had grown to 382 (Mollenkopf 1976: 125). As Mollenkopf argued in the mid-1970s, “public sector labor has become the most volatile and poorly contained area of class conflict in the economy, parallel in many respects to the early days of the CIO” (ibid.: 126). Public sector workers gradually grew to become the largest bloc of workers in the US workforce (Meany & Wurf 1976: 167), with some even calling the 1960s the “decade of the public employee” (Belush & Belush 1984: 83). The struggle of public sector workers became institutionalized through the American Federation of State, County, and Municipal Employees (AFSCME), a labor union federation that brought together a broad base of government employees in a wide range of industries (i.e. from health services and education to public administration and social work) (Ryan 2007: 84).

New York City emerged as a crucial local battleground for the articulation of public sector grievances. Even though the city’s population remained at 8 million for a decade, thousands of public employees had been added to the payroll during this time (Bellush & Bellush 1984: 85). In 1958, the city’s workforce numbered 247,000 – ten years later, it had expanded to 400,000 (ibid.). AFSCME District Council 37 (DC 37) leader Jerry Wurf played a central role in expanding AFSCME membership at the local level and gaining a range of concessions from New York City government (Ryan 2007: 85). From 1952 to 1957, he brought DC37 membership up from 1,000 to 25,000 members by reforming the organization and ensuring it became more attentive to wider social concerns (Bellush & Bellush 1984: 44). As some authors

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<sup>25</sup> In 1937, Franklin D. Roosevelt called strikes by public sector workers “unthinkable and intolerable” (Belush & Belush 1984: 84); the Wagner Act – perceived as the cornerstone of progressive labor legislation – did not envisage public sector unionization neither at the federal nor the local level (Ryan 2007: 84).



have noted, the rise of public sector unionism in the city was amplified by (or, rather, precipitated) the decline of the Democratic Party in New York City (Horton 1976: 186).

Pressure from DC37 in New York City eventually led to the passing of the ‘Little’ Wagner Act in 1958 – an executive order passed by Mayor Robert Wagner Jr. that granted public sector employees in the city collective bargaining rights. This order ultimately became a basis for President Kennedy’s Executive Order 10988 which led to the establishment of a similar program for Federal employees (Bellush & Bellush 1984: 61). This established a much more favorable environment for public sector unionism across scales – not only

“were scores of cities bargaining with unions for the first time, but 11 states enacted various forms of collective bargaining laws. Federal managers, in the interim, signed about 600 union contracts covering just under 1 million workers” (ibid.: 83).

Because of the sheer number of workers they represented and their growing organizational strength, by the mid-1960s municipal unions became one of the most influential political interest groups in the city (Horton 1976: 186). DC37 acquired a leading role in this context, leading the union fight for municipal employees throughout the country. The rise of public employee strikes in 1966 therefore led to a sharp upsurge of the wages of municipal employees compared to their private-sector counterparts (Schultze et al. 1977: 198). While this was a welcome development for public employees, it simultaneously placed a major strain on city budgets throughout the country. In New York City, which employed one full-time local government employee for every twenty residents, this strain was particularly noticeable (ibid.: 199).

## *1.2. Forms of competition*

By the post-WWII period, US industry was populated by large corporations that had undergone extensive horizontal mergers in an effort to control competition, exert market power and create a relatively stable and predictable business environment (Djelic 1998: 34-5). Vertical mergers subsequently allowed these industrial giants to acquire additional control over supply-chain management, thereby streamlining production. Corporations expanded in size, forming industrial clusters across the Manufacturing Belt – i.e. across the territory of New England, the Mid-Atlantic and the East North Central region of the US. The Manufacturing Belt (also known as the ‘Steel Belt’, ‘Factory Belt’ and, more recently, the ‘Rust Belt’) acted as the industrial heartland of the US and was internally subdivided into a number of regions with traditions in different sub-types of manufacturing. For instance, New England and the Northeast were well-known for their large textile industry, while the area around lake Michigan in the Midwest famously specialized in automobile production.

Mergers and incorporations also led to an overhaul of corporate structures – central to this was a separation between ownership and managerial control in companies (Djelic 1998: 37). Management became a profession in its own right, “characterized by a specific set of tools” and “confirmed and reinforced, within society at large, by the development of management education, by the multiplication and spread of management literature, and by the emergence, in the 1920s and 1930s, of professional associations and consulting firms” (ibid.). Central company headquarters, situated in large cities, became the key loci for corporations’ managerial functions; it is here that strategic decision making and long-term planning took place (ibid.: 38). New York City emerged as a key urban center in this industrial landscape – following WWII, it attracted the main headquarters for both national and international corporations, and the concentration of managerial personnel in the city had seen a consistent upsurge (Sayre & Kaufman 1960: 23). Therefore, the US economy in the post-war period



generated an industrial landscape that, as Smith and Dennis (1987: 163) point out, was dispersed across a “mosaic of distinct regional systems, the backbone of which were systems of urban production centers.”

New York City – as well as its industrial suburbs in New Jersey – acted as an urban industrial center in its own right, attracting small, secondary manufacturing industries. Industries that settled in New York City in the post-war period were predominantly ones constrained by rapid shifts in demand, such as the garment industry or newspapers and custom printers (Harris 1993: 174). Printing was a particularly lucrative industry in New York City during this time, with 41.4% of all bookbinding and 42.4% of all of engraving and plate printing in the country concentrated there (Pred 1965: 119). As Pred points out, this was very much a reflection of the city’s position with respect to the national economy, catering to an increasing number of printing consumers like the head offices of corporations, advertising agencies, legal firms, etc. (ibid.).

In addition, industries in New York’s metropolitan region were generally ones whose transportation costs were a small proportion of total costs (ibid.: 114). Manhattan, for instance, was the most desirable location for industry due to the easy access it provided both to skilled labor and efficient transportation routes (Harris 1993: 173). However, expanding industries were often compelled to leave Manhattan and settle in one of the remaining boroughs, or to leave the city for neighboring New Jersey (ibid.). Although spatial constraints made overhead costs expensive for these industries, the city compensated with access to a flexible pool of resources: “materials in any stage of manufacture, skilled labor, the services of commercial and technical specialists, and easily available markets,” as well as 17.7 million m<sup>2</sup> of specialized factory buildings for small firms (Wagner 1961: 6-7). These advantages also allowed the city to act as a ‘nursery’ for small, startup manufacturers (ibid.: 6-7). Its large and diverse industry made New York City a manufacturing giant, such that by 1974, it accounted for 43% of the total revenue of the 48 largest cities in the entire country (Judd 1984: 214).

However, by 1960, changes in the wage-labor nexus (outlined in the previous section) began to have an impact on the prevalent form of competition. A newfound distinction emerged between localities with *high-intensity class struggle* (i.e. ones with strong unions, a high incidence of strikes and labor struggles, as well as wage bargaining) and those with *low-intensity class struggle* (i.e. regions with RTW laws or labor forces with limited access to collective bargaining) (Peet 1983: 128-9). As the cost of labor increased in the regions of high-intensity class struggle, industrial activity gradually started to move to low-intensity struggle areas in the South. Much of the job growth that occurred in this period was therefore at the expense of unionized workers in the organized states in northeast, while non-unionized workers in Southern states saw an increase in labor demand (ibid.: 129).

The 1960s were also the era of the conglomerate boom. The conglomerate entailed a further expansion of existing corporations through the acquisition of existing enterprises, rather than through internal investments. The emergence of conglomerate-style businesses occurred, as Chandler (1978: 127-128) argues, when limits to the growth of existing enterprises had been reached and companies started to purchase other, smaller companies in unrelated fields. Increasing ‘conglomeration’ led to a reformulation of business operations, and was accompanied by a process of international expansion and financialization. As Magdoff and Sweezy argued in 1969, “the great majority of the 200 largest nonfinancial corporations in the United States today – corporations which together account for close to half of the country’s industrial activity – have arrived at the stage of both conglomerateness and multinationality”



(as cited in Suwandi & Foster 2016). Headquarters became increasingly purely concerned with financial matters; the emergent multinational corporation has become “the key instrument of finance capital in the second half of the 20<sup>th</sup> century” (ibid.). Therefore, as Panitch and Gindin point out, “financial capital was not passive in this period” (2005: 57). Throughout the 1960s, a new generation of MBAs – trained in business strategy, marketing, and product development – played a key role in designing a new wave of takeovers and mergers (ibid.). These bankers developed key innovations in financial services and laid the groundwork for the securitization of commercial banking (ibid.). The multinational corporation therefore became “the expression *par excellence* of the international expansion of Fordism” (Overbeek and van der Pijl 1993: 13).

Processes of deindustrialization on the national scale were amplified at the urban scale by the passing of the 1961 Zoning Resolution in New York City, an urban policy which reasserted the principles of Euclidean zoning<sup>26</sup> initially laid out in the city’s 1916 Zoning Resolution. Namely, the logic that industry must occupy specially designated zones, separated by a specific distance from residential neighborhoods, has largely been intended to protect residential areas from the harmful effects of industry (Shenkel 1964). Zoning was also employed as an exclusionary instrument and portrayed as an effective mechanism for protecting valuable land against slums (Judd 1984: 179). In New York City, there existed a fear that fashionable sections of Fifth Avenue would be invaded by industrial lofts present in the Garment District (ibid.; Walker 1981: 388). The Zoning Resolution of 1961 was therefore most strongly supported by real estate groups and property owners, backed by politicians, who wished to protect property values (Judd 1984: 179).

This placed considerable restrictions on the amount and type of land available for industrial purposes, which some have argued has been responsible for the migration of industry from urban centers in the decades following WWII. As a result, New York saw a decline in manufacturing employment from 1,038,800 jobs in 1950 to only 766,000 in 1970 (Edel 1977: 234). Deindustrialization in New York City was amplified by a large migratory wave of workers from the South. A range of factors drove this wave – improvements in agricultural productivity, mechanization, as well as a growth of anti-segregationist sentiments – cumulatively leading to a rapid growth of unskilled workers in the city (ibid.). At the same time, middle class residents were more inclined to leave the city for the suburbs, leaving a large number of “the young, the old, the unskilled and the poor in the central city” (State Study Commission 1973: 1). Towards the late 1960s and early 1970s, this process of ‘selective suburbanization’ generated a major demographic shift which, in turn, contributed to eroding the city’s main source of income: real estate and income taxes (Temporary Commission on City Finances 1977: 21-22). Combined with the negative effects of deindustrialization, this placed a major strain on the city budget.

### *1.3. Monetary regime*

The financial structure during this period was defined by New Deal-era regulations, including the Glass Steagall Act, the Banking Act of 1935, the Securities and Exchange Act and the

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<sup>26</sup> ‘Euclidean zoning’ – or single-use zoning – is the dominant form that occurs in North American urban planning. This type of zoning separates municipalities into districts based upon land use, i.e., into residential, commercial and industrial zones, and it has been accused of rigidly dividing cities into uniform, low-density districts devoted to a single primary use (Wickersham 2001: 548). This type of zoning has its origins in US colonial times when industry, because of the presence of gun powder mills, was separated from (largely wooden) residential buildings for safety purposes (Shenkel 1964: 259).



Federal Home Loan Bank Act. As Florida (1986: 208) points out, these regulations functioned to “erect regulatory barriers between the various segments of the financial industry and to bring the different types of institutions under the umbrella of specific regulatory bodies.” The key regulation that formed the core of the Fordist monetary regime was the Glass-Steagall Act, which established a strict separation between commercial and investment banking. Its ultimate aim was to prevent commercial banks from engaging in the risky securities transactions that were believed to be responsible for the stock market crash of 1929 (White 1986). Thus, commercial banks were limited to providing checking accounts and commercial loans, and were prohibited both from engaging in interstate operations and engaging in securities trading (Florida 1986: 208). On the other hand, while investment banking was permitted on an interstate level, securities dealers were not permitted to accept deposits or to offer loans (ibid.).

One of the unintended consequences of the regulatory framework underpinned by Glass-Steagall was that investment banks were able to take advantage of their newfound independence, creating and molding investment banking free from the shackles of the “traditionally slow-moving commercial banking culture” (Golding 2001: 26). This gave investment banks an advantage; as Golding points out,

“the US investment banks wrote the rules while everyone else, struggling in the bowels of a commercial bank, was busy trying to work out what investment banking was all about!” (ibid.).

Commercial banks on the other hand focused on lending to consumers and businesses. Consumer credit experienced an exceptional boom, with a large number of families utilizing bank credit for the purchase of consumer durables like household appliances and automobiles. Consumer finance products were surprisingly diverse, offering a wide range of methods of payment and types of loans (Ryan et al. 2011: 472). Between 1947 and 1971, residential mortgage debt in particular rose from \$34.8 billion to \$374.6 billion – an increase of 976 percent (US Department of Housing and Urban Development 1974: 54).

The Federal Home Loan Bank Act, established during this period, was passed with the intention of creating a credit reserve which would facilitate affordable home ownership following the Great Depression. It was responsible for creating Federal Home Loan Banks – twelve regional banks which made funds available to thrifts by extending low-cost mortgages. Thrift banks (or the savings and loan (S&L) institutions) were further strengthened through legislation such as the Home Owners’ Loan Act and the National Housing Act. The thrift industry became a major source of mortgage credit, and it sheltered consumers from more volatile flows of funds in the capital markets (Florida 1986: 209). It grew at a phenomenal pace in the years following WWII, outpacing growth in the commercial banking sector (ibid.). By the mid-1950s, the thrift system had come to control a vast pool of resources. The advent of mortgage insurance, a major innovation which served as the primary channel for housing credit to consumers, led to the emergence of “the low down-payment, long-term, fixed rate, self-amortizing loan” (ibid.). Owing to this system, the housing stock considerably expanded, as 21 million new homes were added and home ownership soared to over 60% (ibid.).

The prevalent attitude during this period was that the federal government has an important role to play in providing adequate housing. However, the articulation of housing policy at the national scale led to a significant involvement of large builders who were perceived as being better equipped at resolving the housing shortage – they were relied on for developing new products, methods and ideas for housing (Checkoway 1984: 162). Large builders also received credit advances more easily:



“[l]arge operators and powerful economic institutions were among the principal beneficiaries of federal programs. Small operators were either excluded, penalized, or driven from the market. Any builder who could promise a large quantity of mortgages was eagerly sought after by a federal program” (Checkoway 1984: 162).

This gave a major boost to the prefabrication industry, that is, a construction of prefabricated housing that could be built quickly and easily by large building companies (ibid.: 161-2). The federal housing policy therefore took on a distinct spatial form, strongly promoting suburban development (ibid.: 161). While suburbanization was not a new phenomenon (and was previously practiced by wealthy urban residents) it now took on a new form based on the “developed capacity of large builders to take raw suburban land, divide it into parcels and streets, install needed services, apply mass production methods to residential construction, and sell the finished product to unprecedented numbers of consumers” (ibid.: 153).

During the 1950s and 60s, New York City was at the forefront of these developments. One of the most well-known post-war suburban developments, Levittown, was built on Long Island farmland by employing “adapted assembly line techniques to the mass production of housing” (Checkoway 1984: 157). Levittown, named after the building company’s owner, Levitt and Sons, pioneered prefabrication and large scale housebuilding (ibid.):

“By 1948 Levitt was completing more than 35 houses per day and 150 houses per week and rapidly selling the low-cost product. More than 17,000 identical houses for over 70,000 people were finally built side-by-side in uniform rows and sold for the same price of \$7900” (ibid.).

This type of construction was met with significant demand, sparking the rapid development of suburban areas in other areas around New York City’s core. Staten Island, for instance, was a “paradise for the home building industry” and was rapidly suburbanized during the 1960s and 1970s (Danielson & Doig 1982: 106). By the late 1970s, suburbanization had led to a major expansion of New York’s suburbs across New York, New Jersey and Connecticut such that “suburbs in the tristate region come in all sizes, shapes, ages, and prices, ranging from exclusive preserves like Westchester’s Scarsdale and Essex’s Short Hills to the mass-produced Levittowns of Nassau and Middlesex counties” (ibid.: 38).

Suburban expansion was legitimated by the emergence of the ‘suburban ideal,’ the notion that suburban living would offer an escape from the chaos of the city, as well as a more pleasant and ‘wholesome’ living environment, reflective of the values of the emergent middle class (Checkoway 1984: 166). The move away from the suburbs was also a mechanism for avoiding the overcrowding and blight of inner cities, which was marked by a distinctly racial hue. Therefore, while low-income individuals – African Americans, Puerto Ricans and immigrants – remained in the city core (or moved to less desirable, older suburbs that were well-connected to the city through public transportation), more affluent, white families with cars moved to the newly built suburbs. Suburbanization therefore changed the socio-economic landscape of the city and significantly contributed to the erosion of New York City’s tax base.

#### *1.4. Insertion of the state into the international economy*

One of the key features of Bretton Woods was its fixed-exchange rate system which tied the dollar to gold and pegged international currencies to the dollar. Two institutions were created to lend stability to this system: the International Monetary Fund (IMF) and the World Bank. While the IMF was designed to provide short-term funding to offset exchange rate shocks caused by the fixed-exchange rate system, the World Bank served as an investment authority and was in charge of providing long-term loans. In 1947, the General Agreement on Tariffs



and Trade (GATT), a trade agreement premised upon the multilateral removal of tariff and non-tariff barriers and precursor to the World Trade Organization (WTO), was also established.

In this context, the nation-state played a central role in securing the territorialization of capital (Brenner 1998a: 475). The simultaneous strength of both realist approaches in foreign policy and Keynesian economics led to an emphasis on the primacy of the nation-state in US policy circles, leading to the dominance of perspectives whereby the nation-state became synonymous with 'the economy' (Leyshon 1992: 258). Consequently, as Leyshon (1992: 258) points out,

“international economic relations became viewed as precisely that: economic transfers between national economic spaces. The vision was of a system of sovereign political and economic states engaged in reciprocal trade relations, supported by a stable and complementary international monetary regime.”

Since the national scale acted as the geographical 'container' for capital accumulation, regional and local state institutions largely became 'transmission belts' for policies formulated at the level of the nation-state (Brenner 1998a: 475).

The United States emerged as the hegemon securing the international economic regime institutionalized within the Bretton Woods system (Peck & Tickell 1994: 290). The key mode of the insertion of the United States into the international regime was therefore vis-à-vis the fixed exchange rate system. The Bretton Woods agreement led to the establishment of the dollar as a *numeraire* currency which, considering the political significance of credit-money, substantially increased the power of both Washington and Wall Street (Seabrooke 2001: 52). A “dynamic interdependency between the US economy and the global economy, between the dollar as national currency and the dollar as world currency” therefore emerged (Peck & Tickell 1994: 20). On one hand, this meant that the unique structural position of the US allowed it to be immune from the disciplinary power of money under the Bretton Woods system, since balance-of-payments difficulties could always be countered through an expansion of domestic credit (Leyshon 1992: 258). On the other hand, it also meant that the US was faced with conflicting interests between nationally- and internationally-oriented capital; while domestic capital pushed for increased controls, a financial elite sought to liberate access to financial markets (ibid.).

Throughout the construction of the Bretton Woods framework, New York bankers lobbied against Keynesian policy, expressing concern over capital controls which they believed would obstruct their lucrative business opportunities (Helleiner 1994: 39; Seabrooke 2001: 53). They wished to ensure that New York would emerge as the key financial center after the war (Helleiner 1994: 57). While Ikenberry has argued that Wall Street was not part of the policy elite that participated in the design of Bretton Woods, Seabrooke points out that the ensuing rejection of capital controls by Washington was an evident sign of “Washington's and Wall Street's *interactive embeddedness*” (2001: 53). While Keynesian ideas remained at the core of the Bretton Woods settlement, the division between Keynesian and orthodox thinking was institutionalized in the US post-war order: Keynesian thinking enjoyed strong support by 'New Deal industrialists' and enjoyed a strong presence in the State Department and the newly created Economic Cooperation Administration (ECA), while orthodox thinking adopted by New York bankers found a home in the Treasury Department and the IMF (Helleiner 1994: 63-64).

Therefore, contrary to popular belief, and in spite of numerous regulatory constraints that were in place during this period, the Bretton Woods system structurally accommodated New York financial interests in a substantial way. As Panitch and Gindin point out, the dollar's unique



status relied on the “immense size, depth, liquidity and openness of the US domestic financial markets” (2005: 52). Domestically, Wall Street drove Fordist consumerism by providing consumer loans and mortgages to the working class; internationally, New York investment banks played a crucial role vis-à-vis capital-intensive project financing and the placement of corporate, state and World Bank bond issues (ibid.: 52-3). This not only facilitated financial flows, but it also led to the exporting of Wall Street banking techniques and expertise, facilitating an FDI boom on the part of American multinational corporations. Less than a decade after the war, branches of US investment banks had become implanted inside Europe, acting as dynamic financial actors (ibid.: 53). Panitch and Gindin argue that “[t]his penetration of Europe by American corporations and banks meant the implantation of American capital as a class force inside European social formations” (ibid.).

Over time, finance eroded the spatial order of the Bretton Woods system, undermining the geographical integrity of national economies (Leyshon 1992: 259). As manufacturing progressively internationalized, and international capital was empowered, Wall Street acquired an increasingly central role in national accumulation. For instance, the profits of financial firms grew faster than non-financial profits throughout the 1950s and 60s: between 1945 and 1952, profit growth in the financial sector amounted to 18% compared to 11% in the non-financial sector; between 1953 and 1969, it was 7.5% for the former and 4.5% for the latter (Panitch & Gindin 2005: 52). Fordist regulation was therefore articulated at the “interface of the national and the global” (Peck & Tickell 1994: 290). However, as the dollar started to expand into Eurodollar markets and dollar deposits were increasingly made outside of the US, a contradiction emerged between the dollar’s role as both reserve and vehicle currency (Seabrooke 2001: 58). The contradiction at the heart of the dollar fixed-exchange rate system eventually led Nixon to make a break with it in 1971. However, this was merely an act of expedience – it did not deal with the underlying contradiction of class relations at the heart of the crisis (Panitch & Gindin 2005: 58).

The Bretton Woods regime is generally identified with the repression of finance, and neoliberalism with the ‘liberation’ of finance from Bretton Woods constraints (Panitch and Gindin 2005: 47). John Ruggie (1982: 392), for instance, coins the term ‘embedded liberalism,’ to describe the Bretton Woods arrangement, while Gill (1998: 29) calls it a ‘progressive constitutionalism’ referring to the centrality of capital controls which limited the mobility of capital and facilitated post-war reconstruction. However, dichotomizing these two periods is inherently problematic as it leads us to “neglect the processes at work that led from the first era to the second, and the extent to which neoliberalism’s spread in the 1980s and 1990s depended on the structures previously established” (ibid.). Bretton Woods should not be understood as allowing for the repression of finance, but rather that “the seeds planted at that time for a new liberal trading order both reflected and contributed to the influence and power of financial capital” (ibid.).

### *1.5. Forms of the state*

The US state form is shaped by a federalist system of government which structurally envisages a separation between monetary and fiscal policy – while monetary policy falls under the purview of federal government, fiscal policy is devolved to different levels of sub-national government (e.g. state or municipal government). This envisages federal control of the common currency, while each level of government is fiscally autonomous and has its own tax base from which it generates revenue for meeting its expenditures (McKinnon 1997: 73). Thus, while the federal government is traditionally responsible for national defense, foreign policy,



a national currency, and judiciary, other governmental functions tend to be devolved to state and local governments (ibid.: 83). Under the Constitution, Federal and State governments in the United States are treated as sovereign with respect to legislating taxes, such that local governments are “chartered or owned by their respective states” (ibid.). Throughout history, therefore, state and local governments have had considerable independence in determining tax systems and setting their own priorities for public expenditure (ibid.), the assumption being that they must remain reliant on their own revenue sources (Oates 1999: 1139).

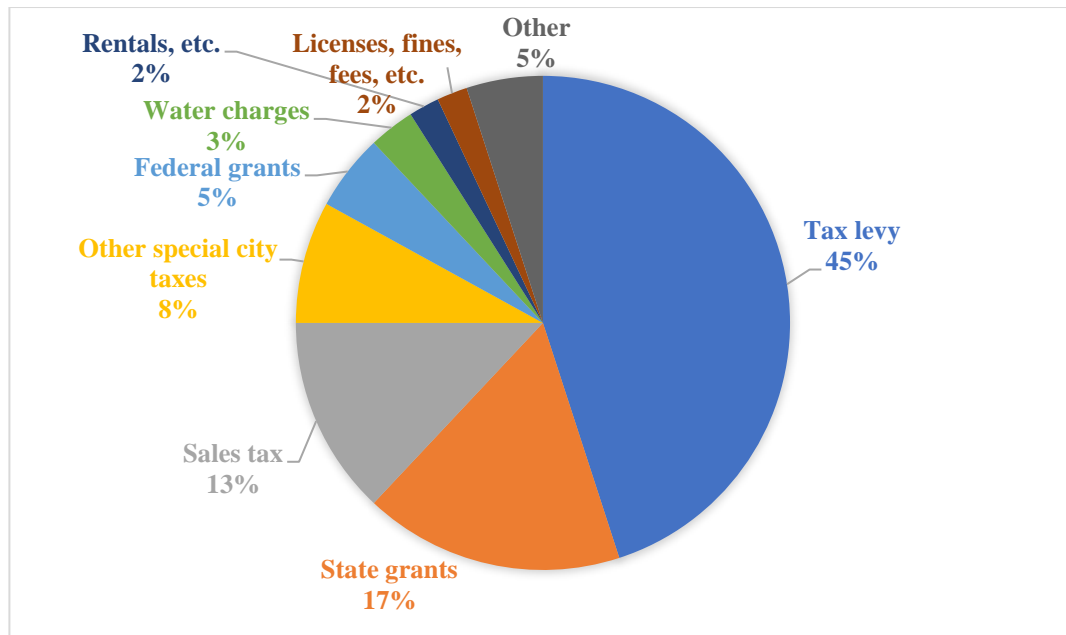
Fiscal federalism therefore exposes both local and state governments to ‘hard budget constraints’ as they neither have access to monetized debt nor are able to easily gain access to credit (Oates 1999: 1139). Every state operates under some form of balanced budget requirement, and some state constitutions even include limits on spending and/or revenues (Finegold 2005: 151). As a result, sub-national governments operate in private credit markets just like private borrowers. Oates (1999: 1139) argues:

“These markets themselves, through the determination of credit ratings and other forms of monitoring fiscal performance, create an environment in which the fiscal authorities must behave in responsible ways. These markets, by creating a hard budget constraint in terms of debt finance, have imposed a very useful discipline on decentralized fiscal behavior.”

Sub-national governments are also constantly under competitive pressures from other localities, as they fear that imposing higher taxes on property or consumer goods would lead to residents ‘voting with their feet,’ i.e. moving to jurisdictions with lower tax rates (McKinnon 1997: 85). Overall, this resulted in a system of what Weingast (1995) terms ‘market-preserving federalism’ – a form of government operating in such a way that prioritizes sustaining the market economy.

Each level of government possesses its own functions and is institutionalized into the economy through an independently designed set of fiscal instruments (e.g. debt and tax collection mechanisms) (Oates 1999: 1124). During the Fordist era, the most prevalent forms of funding for sub-national governments were tax revenue and intergovernmental grants (Bergvall et al. 2006: 3). Imbalances across jurisdictions in the US were customarily offset through federal grants but, as Oates points out, these “have never amounted to much” (1999: 1127). States, on the other hand, had more significant equalizing functions with respect to local jurisdictions (ibid.). The extent and combination through which these forms of funding are administered varies considerably, producing different types of intergovernmental relationships.





**Figure 5.1.** Sources of New York City Revenue, 1957-1958

Source: Annual Report of the Comptroller of New York City, 1957-1958, Part I, chart 6.

Historically, New York City has had a very strong tradition of fiscal autonomy. As seen in Figure 5.1. above, in 1957-58 the city relied primarily on property and income tax revenue (45%) to meet its expenditures. Remaining sources of income during this period included New York state grants (17%), city sales tax revenue (13%), with the remaining 25% raised through a range of small grants and taxes. While the city was independent in balancing its budget, a series of fiscal conditionalities imposed by New York State did not give it full autonomy in setting its own tax structure. This included a cap on property tax as well as a cap on municipal bond debt (Sayre & Kaufman 1960: 51). The tax limit had a particularly negative effect on the ability of the city to raise its revenue. As early as 1964, the Temporary Commission on City Finances called the limit on the City's real estate tax levy "uniquely and unnecessarily restrictive" (Temporary Commission on City Finances 1964: 46). Structurally, it favored the interests of real estate and property owners over lower-income and middle class individuals who were much less likely to own property (Sayre & Kaufman 1960: 51). Prevented from raising property tax above a specific threshold, the city therefore had the option of raising funds either on the municipal bond market or by raising other taxes, such as sales tax, which produced "relatively small revenues and aroused a great deal of irritation" (ibid.: 51).

Throughout the post-war period, New York City provided a vast amount of public services, including a free university system, a municipal hospital system, as well as affordable housing programs for low- and middle-income families (Congressional Budget Office 1977: 291). New York was therefore one of the most 'generous' cities in terms of welfare expenditures in the entire country (Table 5.2.). While welfare is generally a state function, New York City carried a major part of the welfare financing burden. So, while welfare expenditures rose sharply in most cities by the mid-1970s, they represented a modest proportion of the cities' total budgets (Schultze et al. 1977: 201). In New York City, however, this was not the case; between 1962 and 1970, welfare costs accounted for nearly one-third of the increase in expenditures.



City	Percentage of population receiving welfare payments in 1975	Per capita expenditures by city government in 1972-73	Local government employment per 10,000 population in 1974
New York City	12.4	\$1,224	517.1
Los Angeles	8	242	162.2
Chicago	11.1	267	140
Boston	16.9	858	378
Detroit	11.1	357	194.8
Philadelphia	16.2	415	163.8

**Table 5.2.** New York City compared to other large central cities in the 1970s  
Adapted from Congressional Budget Office (1977: 292-3)

In terms of major urban development projects, however, the city relied heavily on transfers from the federal and/or state governments. Much of New York City's present-day infrastructure (including highways, bridges, housing and parks) was built in the New Deal era using federal funds intended for urban development projects. At the same time, federal programs "interact with state and local policies, and the effects of federal provisions can be shaped in important ways by decisions at 'lower' scales. The interactions can draw intricate patterns in the policy and market landscapes of a city" (Wyly and DeFilippis 2010: 65). New York City stood out in terms of the sheer scale of its public projects as well as the particular combination of actors involved in their implementation during the time, and in many ways acted as an exemplar for postwar construction.

New York's role as a leader stood out particularly in the sphere of public housing; by 1964, it had more public housing than any other city in the country and housed over half a million people (Friedman 1966: 643). Public housing was built largely with federal funds channeled through the New York City Housing Authority (NYCHA). A coalition of actors, including the city's Mayor, developers, urban reformers and powerful individuals like Robert Moses<sup>27</sup>, emerged and made an "aggressive use of federal resources" for this purpose (Wyly & DeFilippis 2010: 66). While public housing was intended for low-income families most affected by the Great Depression and the aftermath of WWII, Moses and his team "never had the slightest interest in building *anything* for the poor" but rather saw an opportunity in the fact that large amounts of federal funds were earmarked for public housing in urban areas (Caro 1975: 610). The building of public housing thus became more of an afterthought in the broader redevelopment process (Bloom 2012: 421).

Public housing and urban renewal in New York City therefore became synonymous with slum clearance and large-scale building projects which led to the forcible displacement of thousands of low-income families and their replacement with largely white, moderate-income renters. By 1962, these represented 42.7% of NYCHA tenants (Bonnet 2014). Rather than increasing the availability of public housing to low-income individuals, urban renewal projects effectively reduced the city's low-cost housing stock (Kleniewski 1984: 216). Public housing was also perceived as largely unattractive – as Bloom points out (2012: 421),

"[d]uring Moses' tenure, NYCHA internally maintained strict tenant selection methods and built thousands of solidly constructed, if unattractive, red brick modernist towers in the park,

<sup>27</sup> Robert Moses was, in the words of his biographer Robert A. Caro (1975), the infamous 'power broker' who exerted significant control over New York City's major construction projects.



fundamentally transforming neighborhoods such as East New York, East Harlem, and the Lower East Side into Corbusian dreamscapes.”

Public housing in the late 1950s was therefore rigid and paternalistic in its management style, as well as inherently crude and segregated in project design (Friedman 1966: 643).

New York City tenants in the private sector were also protected by a range of rent regulations at the federal, state and city levels. A rent control mechanism was first implemented at the federal level in 1942 (and adopted in New York City in 1943 in the form of a rent freeze to combat speculative rent increases) (Linneman 1987: 15). The subsequent 1947 Federal Housing and Rent Act placed all housing constructed prior to March 1947 under rent control, and three years later, the State moved to take over rent control codification, regulating all aspects of the relationship between landlords and tenants (e.g. rents, services and evictions) (ibid.). Most rental units in New York City were rent-controlled during this time, with the exception of a minority of luxury units. Once rent regulation was transferred to the urban level in 1962, however, New York City started to progressively move away from a system of ‘rent control’ and towards one of ‘rent stabilization.’ While rent control continued to apply to pre-1947 housing, rent stabilization was a less stringent mechanism effectively designed to allow landlords to ‘self-regulate’ (Keating 1987: 78). From the passing of the Rent Stabilization Law in 1969 until the mid-1970s, stabilization became increasingly controversial as conflict grew between tenants and landlords, generating a convoluted and crisis-ridden system of rent stabilization (ibid.: 79).

Throughout the 1960s, as the city started to experience increasing budgetary pressures, it increased both sales tax as well as lending on the municipal bond market (Table 5.3.). However, the sales tax, raised from 3% to 4% in 1963, had a counterproductive effect— not only did it fail to raise as much revenue as planned, but it also caused a considerable loss in the volume of business. (Citizens Budget Commission 1964). In light of these circumstances, the city increasingly borrowed on the municipal bond market not to finance major projects but to bridge its growing current account deficit (Gramlich 1976: 415). Due to the fact that bonds were typically issued in large denominations – \$25,000 or greater – the municipal bond market structurally favored investment from commercial banks, insurance companies and wealthy individuals (Judd 1984: 220-221). In the early 1970s, an overwhelming majority of New York municipal bonds was held by commercial banks and insurance companies (over two-thirds of overall bonds) which made city finances heavily reliant on the investment decisions of commercial banks (ibid.: 222). The city’s bonds were also a first lien on all its revenues; before the city could spend any of its income (e.g. from taxes, state or federal aid, etc.), it had to first repay whatever was owed to the bondholders (Stern 1975).

Date	Revenue	Current Expenditures Plus Debt Retirement	Current Account Surplus	Capital Expenditures	Net Borrowing
1960	2,769.6	2,726.5	43.1	528.3	485.2
1961	2,901	2,948.2	- 47.2	542	589.2
1962	3,119.5	3,170	-50.5	582	632.5
1963	3,408.4	3,459	-50.6	667.4	718
1964	3,688.8	3,788.5	-99.7	657.6	757.3
1965	3,961.1	4,015.4	-54.3	657.7	712.0
1966	4,367.5	4,537	-169.5	561.3	730.8
1967	5,174.8	5,176	-1.2	554.8	556
1968	6,085.8	6,144.1	-58.3	658	716.3
1969	6,864.7	6,945.6	-80.9	698.3	779.2



1970	7,233.9	7,775.4	-541.5	797	1,338.5
1971	8,274.8	9,053.9	-779.1	1,135.1	1,914.2
1972	9,501.5	10,119.6	-618.1	1,192.9	1,811
1973	10,774.9	10,807.2	-32.3	1,371.5	1,403.8
1974	11,291.5	11,779.1	-487.6	1,709.6	2,197.2

**Table 5.3.** New York City Budget Data, Fiscal 1960-1974  
(in millions)

Source: US Bureau of the Census, City Government Finances; various issues

To a large extent, the cost of borrowing municipal bonds for US cities was determined by bond ratings which ostensibly measured the credit quality of the issuing municipality (Judd 1984: 223). Bond ratings, essentially a combination of subjective and objective factors, were generated by two national rating firms: Moody's and Standard & Poor's (ibid.: 223). Even though ratings have "generally proven to be an inadequate measure of the possibility of default," these two rating agencies played a very strong role in determining the interest rates at which credit would be available to municipalities such as New York City (ibid.: 224). As Judd points out, US cities were (and continue to be) "bought and sold in the same manner as any other commodities in the private marketplace" (1984: 226). The city was therefore significantly affected when the city's bonds – awarded an A rating by both Moody's and Standard & Poor's in the early 1960s – were downgraded to a BAA rating by 1965-66 (Gramlich 1976: 421). Banks started to offer loans at much higher interest rates, making it much more expensive for the city to borrow on the bond market (ibid.: 422). A report by the Congressional Budget Office (1977) states:

"New York has been forced to compete for funds with many other state and local governments with far sounder fiscal conditions as well as with the large borrowing requirements of the federal government. While the volume of [bond] issues has grown, the recession probably has diminished the desire and ability of banks, corporations, and individuals to buy tax-exempt bonds. This is clearly the case with commercial banks; during the first quarter of 1975 they dropped out of the municipal bond market almost entirely... With respect to individuals, it has been suggested that interest rates on municipal offerings have to be raised significantly to entice new buyers into the market."

As a consequence, the city resorted to considerably riskier short-term borrowing strategies (e.g. revenue anticipation notes) in order to stay solvent.

### *Summary*

In the United States, the Fordist regime of accumulation existed in a relatively stable form from the end of WWII until the mid-1970s. The institutional hierarchy was led by the Fordist wage-labor nexus which generated relatively predictable relations between workers and industrialists. Workers had access to a relatively high standard of living, while industry had a stable supply of labor. The wage-labor nexus existed in a complementary relation with both forms of competition and forms of state during this period, fueling a rapidly expanding industry and a relatively extensive welfare state by US standards.

The dominant bloc – i.e. the set of social groups that most directly benefited from the Fordist wage-labor nexus – was a product of the mutually beneficial alliance between labor and industrial capital. The agents that populated this dominant bloc consisted of, on the one hand, organized labor groups – represented by private (and later public) sector unions – and heads of large conglomerate-style companies such as General Motors, Ford and US Steel, on the other. Organized labor – represented by AFL-CIO, the umbrella organization – was articulated on multiple scales, with over 60,000 constituent unions at the local level. Industrial capital, on the other hand, had a distinct scalar presence on the national level with increasing tendencies



towards international expansion. This international expansion was undergirded by Wall Street activities and Wall Street's key role in funding the expansion of US industry, providing the financial tools for mergers and acquisitions and finally for supporting the expansion of industry internationally. Wall Street therefore also belonged to the dominant bloc, playing a crucial role in propping up the Fordist *wage-labor nexus*. While Wall Street interests were ancillary to the interests of industrial capital within the Bretton Woods framework, over time they grew to occupy a more central role within the dominant bloc.

Throughout the 1960s, it started to become apparent that the Fordist institutional configuration was no longer tenable in its original form. By the mid-1970s tensions challenged the integrity of all five institutional forms. The role of unions and the relationship between labor and industry accentuated tensions in the form of competition and the concomitant migration of industry away from high-class struggle areas to ones characterized by low-class struggle (Smith & Dennis 1987). Furthermore, the breakdown of the dollar-bound fixed-exchange rate system, fueled by the conflicting imperatives of industrial capital and finance, challenged the logic of the Bretton Woods system, signaling its exhaustion. Cumulatively, deindustrialization and a changing geography of labor relations put a considerable amount of pressure on local governments, structurally constrained by the US system of fiscal federalism. The result was stagflation on the national level and an urban fiscal crisis.

New York City was a key locus where all of these tensions expressed themselves in a particularly strong way. Not only was it hit the hardest fiscally, but it was also a crucial battleground for the struggle for dominance between financial and corporate interests in the mid-1970s. The Wall Street elite that pushed for the abandonment of capital controls in Bretton Woods and the abandonment of the fixed-exchange rate system in 1971 was the same elite that lent funds to the city on the municipal bond market. Thus, while the tensions in the institutional forms that I have described above operate simultaneously on multiple scales, they should be understood as part of the same puzzle – one in which the New York City fiscal crisis acted as a moment of activation for the breakdown of the entire Fordist institutional configuration.

In December 1974, a fall in New York City's bond ratings led to a major spike in interest rates; the city was obliged to accept a 9.476% interest rate on a \$500 million loan needed to bridge its deficit (Alcaly & Bodian 1977: 31). By spring 1975, however, New York was unable to market a new note issue and, unable to raise its revenue from other sources, faced the threat of insolvency. A March 1975 article in *The New York Times* reported:

“Once a month or so, representatives from the major banking syndicates gather around a little green tin box in the City Controller's office. They are there to lend money to the city. Each syndicate inserts a sealed bid into the box. The syndicate that offers the lowest interest rate is permitted to buy millions of dollars in city notes or bonds, which will be resold to investors.

On March 6, something most unusual happened. When the box was, opened, it was empty. No bank wanted to buy them. The city weathered this crisis. Two days of intense talks with bankers ended in a “negotiated” bid at a near record high interest rate.

But since then investor confidence in New York City's credit has fallen even lower. The banks have voiced reluctance to underwrite more city securities. As a result, the city's ability to raise cash to pay its bills is in danger.

The question heard everywhere is: Is the city going bankrupt?” (Darnton 1975a).

This moment is taken as the moment of activation, effectively undermining the stability of the entire Fordist institutional configuration and the structures and agential relations that it fostered.



## Part II. Interaction

Following the moment of activation, newly generated instability within the system placed the dominant Fordist bloc in a state of flux, challenging its integrity as a cohesive bloc and rendering it vulnerable to contestation both from within and without. In this section, I expound on the different ways in which agents grappled with the existing institutional structures, their changing circumstances, and contemplated various courses of action. This makes it possible to identify the interaction of structure and agency by stressing the primacy of structure, and by tracing the interplay between the two over time.

Owing to the role of municipal bond markets and the newly established structural position of lenders throughout the fiscal crisis, Wall Street was positioned in a comparatively much more dominant position relative to other actors. This was amplified by the fact that other key players, such as the state and federal government, refused to become actively involved in the city's debt crisis. As time passed, Wall Street gradually also became aware of this increasingly powerful position and, as early as March 1975, believed that a resolution should entail a combination of austerity measures and a series of concessions to Wall Street demands (Darnton 1975a). After all, this was not unprecedented: during the Great Depression, a similar set of fiscal troubles were resolved in such a way. This arrangement, called the Bankers Agreement, took the form of a loan package that, in return, required the imposition of a range of stringent austerity measures and tax cuts for the wealthy (Darnton 1975a; 1975b). The bankers' logic was – it had been done before and it worked, why not again this time?

One of the strongest supporters of austerity was President Gerald Ford, the unelected one-term president who served following Nixon's resignation. Ford, a Republican, had a long-standing hostility to the welfare state and organized labor and was adamant about the importance of fiscal discipline (Phillips-Fein 2017: 139-140). However, a host of other structural conditions nurtured Ford's persistent refusal to step in and offer aid to the city. Ford was surrounded by a range of rising neoliberal economists who advocated a hardline approach towards the city – Arthur Laffer held a position in Ford's Treasury department, while Alan Greenspan was chair of his Council of Economic Advisers (*ibid.*: 142; 145). Ford was also intent on proving his staunch commitment to minimal government in the upcoming Republican primaries as his likely opponent was Ronald Reagan, a conservative movement hero (*ibid.*). And finally, the White House was aware that New York City was not the only city going through fiscal troubles. Fearing that a potential bail-out of New York would set a bad example for other cities, or trigger a national urban crisis, Ford was advised not to provide assistance. In a May 1975 memorandum, Robert Gerard of the Treasury Department briefed the White House:

“[b]oth for reasons of equity and for political reasons, such assistance would have to be offered to all local governments. Such action would have two types of adverse impact. First, it would be extremely expensive for the USG [United States Government]. Perhaps more importantly, it would lessen existing pressures for fiscal restraint at the local level (Detroit, for example, recently laid off approximately 25% of its municipal work force)” (Gerard 1975).

The Federal government thus concluded that “radical measures on the expenditure side” – e.g. cutting salaries and essential municipal services<sup>28</sup> – would have to be conducted by the city before the Federal government stepped in (*ibid.*).

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<sup>28</sup> A Memo from 12 May 1975 reflects the range of ‘possible expenditure changes in the 1975-76 budget’ that the Federal government had in mind, such as: establishing free tuition at the City University of New York; reducing the workforce by 10,000 employees; raising subway fares from \$0.35 to \$0.40; implementing tolls on East River bridges; charging day care fees according to Federal standards; reducing City University salaries; renegotiating



At the level of the state, Governor Hugh Carey played a pragmatic role in the context of the crisis. While the *New York Times* described him as an old-fashioned Democrat who “is more likely to be concerned about the minimum wage and revenue sharing than amnesty or abortion” (Phillips-Fein 2017: 108), he was also on a belt-tightening mission from the moment he stepped into office. In his inaugural address on 1 January 1975, he addressed the looming crisis in New York City by pointing to the need of the state to begin “the painful, difficult, imperative process of living within its means” (Carey 1975, as cited in Clines 1975). Ominously, he proclaimed:

“All around us in this capital are symbols of splendor, monuments of glass and marble. They stand as living embodiments of an idea of government as an ever-expanding institution, to be paid for from the ever-expanding riches of tomorrow. To the citizens of New York I say: Tomorrow is here. We have learned that every resource of this earth is finite; so is the resource by which the government sustains itself: the earnings of the people” (ibid.).

While Carey hinted at austerity as a necessary evil for the purpose of straightening out New York City finances, he nevertheless believed there was a limit to belt-tightening. Carey was a born Brooklynite who did not hesitate to express dismay at the destructive role played by Wall Street as well as the unwillingness of the Federal government to step in and assist the city during the fiscal crisis. At a Brooklyn Democratic Party dinner in May 1975, Carey proclaimed: “The Mayor and I were not elected to be participants in the liquidation of New York City and State, and I will resist that even if the President tries to force it upon us” (Lynn 1975).

New York City Mayor Abraham Beame, on the other hand, was staunchly opposed to austerity and believed cutting essential services was not the appropriate response to the crisis. Many perceived Beame as a well-meaning character, although many pointed to his inability to deal with the financial crisis in all of its complexity. Victor Gotbaum, the leader of DC37, the largest municipal union in New York City, expressed his opinion on Beame:

“the job always was too big for Abe Beame and this to me is a sadness. Basically a very decent, dedicated guy without a bad bone in his body, he should never have been mayor, he just shouldn’t have been, and especially in the crisis, especially in the crisis. You really needed innovative... You needed energy, you needed innovativeness, you needed energy, you needed somebody who really could pull pieces together, present programs, you needed an ambassador to Washington and to Albany” (Gotbaum 1977: 58).

Beame was inaugurated as Mayor in 1974, serving previously as the City’s Comptroller. Throughout this time, he blamed the Federal Government – particularly Nixon’s tight monetary policy which resulted in exorbitantly high interest rates and inflation – for contributing to the city’s ballooning budget deficit. Once he was elected Mayor and the fiscal crisis mounted, Beame argued the banks and the exorbitantly high interest rates they set were responsible for the city’s fiscal difficulties, calling it a ‘cash boycott’ against the city (Darton 1975). In a meeting with President Ford, he expressed frustration with the fact that, even though he had been implementing unprecedented austerity in the city, the banks wanted even more – “I think I’ve gone as far as I can. Otherwise the city will disintegrate” he said in mid-May 1975 (Nessen 1975). He was convinced that both the Federal and State governments had to get involved in a more substantial way for the city’s fiscal crisis to be fully resolved.

Beame’s benevolent attitude towards workers was the result of the cooperative relationship he developed with municipal leaders through the years, first as Comptroller and then as Mayor.

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employee contracts to require a 20% contribution to retirement funds; reducing primary and secondary education costs; implementing a state takeover of the city court system; implementing a state takeover of the correction system; reducing the level of free hospital services and preventing any form of pay level increase under pending negotiations (Cannon 1975b).



Barry Feinstein, leader of the Teamsters Local 237<sup>29</sup>, argued that this close relationship ultimately led union representatives to adopt the conciliatory stance that they eventually did in the resolution of the fiscal crisis:

“Most of us grew up with Abe... We all supported him in his run for mayor and when he was elected it was like having a friend in office. No other mayor could have sat us down and had us agree to giving away pieces of our contract. If it had been Lindsay or anyone else, the unions would have been more militant. I trust Abe Beame. When he says something about a budget gap, when he says there isn’t enough money, I believe it” (Friedman 1977: 330).

In addition to the close working relationships formed between Beame and the various union leaders, the Fordist wage-labor nexus structurally embedded municipal union leadership within a series of inherently cooperative, rather than conflictual, institutional arrangements.

Victor Gotbaum, president of DC37 and leader of the Municipal Labor Committee (the loose federation of the city’s key municipal unions), was accustomed to having a guaranteed place at the negotiating table through the years – so much so that cooperation between city, state and union officials started to take on a largely routine, administrative form. And even though he was known for his militant style, during the crisis he leaned very much toward compromise rather than confrontation (Friedman 1977: 332; Moody 2007: 44-45). Harry Van Arsdale, president of the New York City Central Labor Council (NYCCLC), was also very much incorporated into decision-making structures throughout the fiscal crisis. He was invited to serve on the Mayor’s Management Advisory Board in September 1975 and later on the Temporary Commission on City Finances, a working group known for proposing the first series of austerity policies in the aftermath of the crisis (see section 3.1.) (Moody 2007: 45). As Moody (2007: 44) points out, he played a behind-the-scenes role in convincing the municipal union leaders to “tone down the rhetoric” and cooperate with the city to avoid default. These two influential leaders very much influenced the remaining municipal unions who, ultimately, “rolled over” in the face of the fiscal crisis (Friedman 1977: 333). Friedman (1977: 334) characterizes the perils of the structural relationship between unions and government by arguing, “[t]he municipal unions hovered too close to the flames of political power in New York: they were blinded into thinking that the workers and the bosses had the same interests, and in the end, they got burned.”

In mid-May 1975, Mayor Beame and Governor Carey met with President Ford, asking him to support legislation that would give the City short-term access to Federal credit in the amount of \$1 billion. Both Beame and Carey believed this loan would help the city bridge the budgetary gap over the next 3 months, buying the city time to reorganize its finances and simultaneously restore investor confidence. However, Ford responded that Federal assistance, even in the form of short-term credit, was not the answer. In an internal memorandum circulated to President Ford, aide James Cannon proposed different ways of denying Beame and Carey’s request (Cannon 1975a), stating:

“You agreed to respond to them in about 24 hours. Your response could be:

1. Agree to support the concept.
2. Flatly deny the request.

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<sup>29</sup> Teamsters Local 237 was a municipal union that represented over 17,000 municipal employees in New York City, predominantly in the housing authority, the transit authority, health and hospitals, municipal services administration, transportation administration, Board of Education and the Board of Higher Education (Weitzman 1979: 94).



3. Deny the request, but leave a slight loophole which would enable the Federal Government to assist the City if disruption of the financial markets did occur as a result of a default; and/or subject to certain conditions and restrictions” (Cannon 1975a).

Essentially, the federal government wished to push the city toward the brink, triggering “the kind of radical fiscal action by the City which is required” while at the same time allowing room for an intervention in a worst-case scenario (Gerard 1975). In the final letter to Mayor Beame, President Ford stated

“Fiscal responsibility is essential for cities, states and the Federal Government. I know how hard it is to reduce or postpone worthy and desirable public programs. Every family which makes up a budget has to make painful choices. As we make these choices at home, so must we also make them in public office too. We must stop promising more and more services without knowing how we will cover their costs” (Ford 1975).

At this stage, it was clear that the vested interests of the respective agents participating in the resolution of the fiscal crisis essentially pitted the interests of labor – as represented by unions, the city and (to an extent) the state government – against Wall Street, supported strongly by President Ford and the federal government. And while Ford was certainly aware that too much national activity depended on New York for the government to let it go bankrupt, and Wall Street knew that – in an emergency situation – it would have to provide emergency loans to the city (Stern 1975), in the end the pressure was placed on municipal unions, Mayor Beame and Governor Carey.

In order to appease both the Federal Government and Wall Street, the city eventually relented and formed the Municipal Assistance Council (MAC) at the end of May 1975. The MAC was a new, independent agency placed in charge of helping the city raise funds for bridging the budget deficit. Aware that bankers would not provide funds to the agency unless it was composed of influential members from the financial community that it could ‘trust,’ both city and state consented to finance being structurally accommodated within this new agency. Details pertaining to the “concept, structure and powers of the Municipal Assistance Council” were ultimately worked out by a group of banking executives at the home of Richard Shinn, the president of Metropolitan Life, a large New York City financial firm and a major landlord in the city (Moody 2007: 35; Tabb 1982: 25). Furthermore, MAC’s board was comprised of a variety of individuals from the financial and business elite, such as Shinn, Felix Rohatyn from Lazard Frères, lawyer Simon Rifkind, Macy’s Department Store CEO Donald Smiley, president of New York Telephone Company William Ellinghaus, investment banker George Gould, brokerage partner John Coleman, Thomas Flynn of accounting firm Arthur Young and others (Phillips-Fein 2017: 189; Moody 2007: 36).

The state legislature officially passed the Municipal Assistance Corporation Act on June 10, 1975, empowering this new agency to sell obligations intended to finance short-term debt and city operating expenses through September 1975 (Horton 1976: 194). The law officially states that the aim of the MAC was:

“to assist the city of New York in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of such city so that it may retain its ability to sell its obligations to the public” (New York State Municipal Assistance Act 1975).

In sum, the MAC imposed limits on the City budget, ensured the city’s month-to-month survival, but most of all, it rendered the public “accustomed to their city being managed by creditors” (Alcaly & Bodian 1977: 33). Throughout this time, the MAC imposed a crisis-driven narrative which was employed to maintain an illusion of a looming bankruptcy and that “the



suspension of democratic rule was a fair price to pay for the good offices of the investment community” (ibid.). Municipal job cuts were implemented, transportation fares were raised and wage freezes were implemented (ibid.: 32).

The White House expressed satisfaction with the advances made in New York. In an internal memo, a White House staffer acknowledged the benefits of the newly established MAC, its newly established oversight powers with respect to the City budget and the fact that it “does provide for some cutbacks of personnel and some reduced services” (Simon & Cannon 1975). At the same time, it expressed concern with whether the MAC was a sufficient vehicle for ensuring that the city would meet subsequent cash flow requirements. Mayor Beame in particular was seen as a major obstacle:

“The ability of the City to raise these funds in the public market depends almost entirely on Mayor Beame’s actions over the next 45-60 days. If his conduct is responsive to the market’s judgment that

- the payroll is too large;
- wage and benefit levels are too high; and
- the range of services is too broad –

then a market should exist in October. If not, another source of outside funds must be found or the City will default not later than late November or early December”

The overwhelming sentiment was that the MAC was a good step in the right direction, but certainly not sufficient to resolve the city’s problems in the long-term.

Faced with a looming early September deadline to meet a \$2 billion payment, and pressured to implement the federally-endorsed mission to ‘restore investor confidence’ at all costs, the city gave in to investor demands yet again. This led to the establishment of another agency in September 1975 – the Emergency Financial Control Board (EFCB) – which was not only put in charge of fiscal matters (like the MAC) but also given considerable authority to intervene in the very management of City government (Horton 1976: 194). In the words of MAC representatives, the establishment of the EFCB essentially imposed “a mechanism of state control of city expenditures of the most drastic kind” (MAC 1975). So drastic was this control that one author called it “fiscal martial law” (Auletta 1979a).

The EFCB was comprised of a seven-member board consisting of the governor, the mayor, the state comptroller, the city comptroller, as well as three appointees from the corporate world, chosen by Governor Carey. This board was endowed with the power to review the city’s finances on a monthly basis before any spending was conducted (Ferretti 1975). In addition, a three-year plan was proposed based on a plan by Mayor Beame, and intended to produce a balanced budget by 1978 (Horton 1976: 194). At the core of the EFCB was a hardline austerity program that allowed the city to prioritize the interests of finance over labor.

Throughout the summer and early fall of 1975, a range of disorganized strikes took place – municipal workers protested the reductions in wages, layoffs and the worsening of working conditions that resulted from the imposition of MAC rule. For instance, the Sanitationmen’s Association went on a wildcat strike in July to protest the layoffs of 1,400 workers (Friedman 1977: 333). In September, the 80,000-member United Federation of Teachers (UFT) struck over salaries and working conditions (ibid.). However, strikes like these were sporadic and quickly quashed from the inside; even though the unions had the power to disrupt and influence negotiations, a large, coordinated response from the municipal unions to the incipient neoliberal structures never materialized (Moody 2007: 42). Rather, the unions gradually acquiesced to the crisis regime:



“Having convinced themselves of the danger of bankruptcy, and been convinced by others to follow a cooperative course, the majority of union leaders severely limited their actions and possibilities. Lacking an alternative plan, they accepted both MAC and, later, the EFCB once they were granted guarantees of formal bargaining” (Moody 2007: 45).

The Americana meetings – a series of negotiations that took place between city, unions and business from late July until September 1975 – produced a series of concessions by union leaders, including a wage freeze and a reduction in payments to the workers’ welfare fund by \$8 million (Moody 2007: 45). In a way, as Moody points out, the Americana agreement was a turning point for unions – “away from potential opposition to one of cooperation, a stance that would affect collective bargaining for years” (ibid.).

The unions themselves gradually became aware of the fact that their role in New York City politics was eroding. DC37 published an internal document that addressed some of these dynamics, pointing out:

“At this juncture, the municipal workers of New York are not in a position to break the nationwide strike of finance capital against the City.

The balance of forces is such that the Beame Administration and the City Council, like the professional bourgeois politicians they are, have capitulated to the demands of a united finance capital. Furthermore, the state and federal government, in a manner customary for the leading components of the corporate liberal state, have refused financial relief to the city. (In effect, the gigantic fiscal resources of the federal government have been denied to the City. The federal government is on strike against us too.)

The municipal unions are completely isolated. They cannot rely on their traditional Democratic and Republican support, are subject to vicious anti-union campaigns by the media, and lack a broad base of support among working people in the City – the very citizens who receive the services provided by the municipal workers” (Dykema 1975).

Unions were aware of the shifts in the wage-labor nexus and reoriented themselves to the newfound circumstances.

Therefore, throughout the fall of 1975, alarms over default “peaked and subsided in periodic waves, while an undercurrent of reorganization processes steadily flowed in the direction of greater control of the city’s finances by its creditors” (Alcaly & Bodian 1977: 33-34). In spite of all of the concessions that had been made by the city, in late October 1975 Ford nevertheless proudly proclaimed that he would veto any bill that called for a federal bail-out of New York City. This was reported by *The Daily News* with the famous headline “Ford to New York: Drop Dead” (Harvey 2010: 46; Tabb 1982: 27). The headline sparked considerable backlash from New Yorkers and the country as a whole, putting considerable pressure on the President who was also in the midst of an election campaign. When the City was once again on the verge of default in November 1975 and required additional financial acrobatics to remain solvent, Ford finally succumbed to this mounting pressure and finally chose to intervene in the crisis.

The new financing scheme that was eventually worked out between the different parties included: \$2.3 billion in seasonal loans from the federal government, a three-year moratorium on \$2 billion in short-term City debt and \$2.5 billion in City and MAC bonds purchased by trustees of the five City pension funds (Meany & Wurf 1976: 195). And while this did not mark the end of the first ‘wave’ of neoliberal restructuring, it was a defining moment for New York City. First of all, an intervention by the Federal government signaled that the City was no longer left to its own devices and that the worst of the crisis was finally over. Secondly, it became clear once and for all that the Mayor no longer had any substantial decision-making power with respect to the City’s affairs. Milton Friedman is reported to have said in December 1975:



“Mayor Beame is no longer in charge of New York, so [his forced resignation] wouldn’t make a difference one way or the other. New York City is now being run by the caretakers appointed by the state of New York. At the moment New York doesn’t have any self-government” (as cited in Alcala & Bodian 1977: 33).

And finally, and perhaps most importantly, was the decision of municipal unions to tie up workers’ pension funds into the newly neoliberalized structure of New York City government. Ultimately, this spelled an end to the Fordist structure and process of bargaining (Weitzman 1979: 111). It meant that “municipal unions assumed a central financing role in the City” (Alcala & Bodian 1977: 33) and that, rather than standing in opposition to government as employer, they became “partners in the city’s destiny” (Weitzman 1979: 111). In sum, the Fordist wage-labor nexus had officially broken down.

### **Part III. Elaboration**

#### *3.1. The hierarchically dominant financial monetary regime*

The entrenchment of Wall Street interests within New York City government following the fiscal crisis awarded the city a structural interest in the prosperity of finance. Even though Wall Street interests had always been embedded within the dominant bloc, throughout the Fordist period the dominance of the wage-labor nexus prevented these interests from becoming structurally incorporated into the logic of the city itself. From the mid-1970s onwards, however, the two had become indistinguishable. Wall Street and New York City now institutionally reinforced each other, and jointly became central to the emergence of a new financial monetary regime.

Many of the policies adopted following the were fiscal crisis were based on the recommendations outlined in the final report of the Temporary Commission on City Finances (TCCF). The TCCF was a pro-business committee<sup>30</sup> appointed in 1975 to propose policies that would mitigate the city’s fiscal crisis in the long-term (Moody 2007: 66). At the core of the developmental strategy proposed by the TCCF was the view that “investment of slack public resources in ways that promote the competitiveness of the local economy will increase private investment” and therefore that an increase in “private investment ultimately holds the key to stability in the local economy” (Temporary Commission on City Finances 1977: 9). The idea was to reduce corporate taxes, eliminate rent control and rent stabilization measures as well as reduce expenditures in public transportation and municipal hospitals (ibid.: 11-16). The business community had succeeded in articulating neoliberal conceptions of government and the role of Wall Street in the key context of New York City and now proceeded to articulate these strategies and ideas across other scales.

On the national scale, newly elected President Carter was also very much a product of the nascent neoliberal milieu. Phillips-Fein (2017: 425) argues that “Carter, like Koch, represented a new movement within the Democratic Party – one that was more skeptical of government power, less connected to organized labor, and less committed to civil rights.” In his 1978 State of the Union address, Carter proclaimed:

“Government cannot solve our problems, it can’t set our goals, it cannot define our vision. Government cannot eliminate poverty or provide a bountiful economy or reduce inflation or save our cities or cure illiteracy or provide energy. And government cannot mandate goodness...private business and not the government must lead the expansion in the future” (Carter 1978).

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<sup>30</sup> Among others, the TCCF consisted of MAC members Donna Shalala and John Coleman, real estate magnate Robert Tishman, business consultant Lawrence Lachman, as well as union leader Harry Van Arsdale and former Mayor Robert Wagner Jr.



It is then no surprise that in 1979 he appointed Paul Volcker, the key economist involved in Nixon's decision to abandon the convertibility of the dollar to gold 8 years prior, to serve as Chairman of the Federal Reserve. Volcker was a monetarist heavily influenced by the ideas of Milton Friedman and the Chicago school of economics and his appointment as Fed Chairman cemented his reputation as the economist who led the 'battle for fiscal responsibility' in America (Silber 2012: 2).

As the Fed Chairman, Volcker implemented a series of harsh monetary measures commonly known as the 'Volcker shock' (Panitch & Gindin 2009: 8). Between 1979 and 1982, Volcker limited the money supply and allowed a steep rise in interest rates which ultimately resulted in an overall decrease in lending. Domestically, the Volcker shock was a pivotal moment that signaled the easing of financial regulation and a transformation of the banking sector, both of which strongly supported the entrenchment of a financial monetary regime. A rise in interest rates placed considerable pressure on the banking sector, negatively impacting the lending practices of commercial banks. As Hager (2012: 83) points out, "rising interest rates made bank loans more costly relative to securities markets, and the issuance of commercial paper became a favored option in corporate financing. This directly benefitted the investment banks that underwrote these and other debt issues." As investment banking became more profitable, commercial banks sought to acquire access to securities markets. Banks stopped engaging in activities that produced profits from net interest margins (acquired through lending) and rather shifted to activities that produced income through fees and commissions (through securities brokerage, mutual fund sales, etc.) (Kregel 2008: 54). From the 1980s onwards, a series of legislative accommodations were made to blur the line between commercial and investment banking, culminating in the dismantling of the Glass-Steagall Act in 1999 (Hager 2012: 83-84). The Volcker years and the accompanying turn to monetarism therefore had an enormous impact on the monetary regime, signaling a shift in the monetary policy advocated by the Fed, and dismantling most of the government regulations that governed the behavior of banks and the services they offered.

The Volcker shock significantly contributed to restoring confidence to Wall Street and financial markets (Panitch & Gindin 2005: 63-64). This development allowed the Wall Street investment banks, which had already developed a number of key financial innovations throughout the 1970s, to retain a key position in relation to the global economy. Panitch & Gindin (2005: 66) for instance argue:

"Apart from the competitive advantages [New York investment banks] enjoyed from having pioneered the innovations in securitized finance, they were also aided by the other financial centres' emulation of New York's 'big bang', and by the American state's own concerted actions aimed at the diffusion of its neoliberal regime. The fact that the major New York investment banks took the lead in providing financial services and advice for mergers and acquisitions in all the regional financial centers from Europe to East Asia meant that they came to play a significant role in transforming not only financial markets, but business practices generally, on US lines."

In a scalar sense, what the Volcker shock did was create a milieu in which finance would be able to increase the vulnerability of urban contexts to processes occurring at the international scale.

One of the major ways in which finance has altered urban contexts is through the increasing linkage between real estate and the broader capital markets; this financialization of property markets has fundamentally restructured the nature of investment in real estate. As Madden & Marcuse (2016: 31-22) point out,



“[m]anagers, bankers, and *rentiers* produce profits from real estate through buying, selling, financing, owning, and speculating. Players in this market often exchange in a disembodied, electronic realm. They need not ever see the actual physical buildings from which they make their fortunes – though their trading has serious consequence for those who occupy their properties.”

The major vehicle for this has been securitization – an innovation entailing a transformation of “illiquid financial assets into liquid capital market securities” – which has allowed real estate to be financed in national and international capital markets (Gotham 2006: 257). Financialization of property markets has been implemented through a range of new institutional and regulatory frameworks at the national level. In 1984, Congress passed the Secondary Mortgage Market Enhancement Act (SMMEA) which, along with the removal of a number of other regulatory constraints throughout the 1980s, led to an increasing involvement of investment banks, mortgage bankers, private mortgage insurance companies, pension funds in the secondary mortgage market (ibid.: 260). The expansion of the secondary mortgage market was underpinned by a basic contradiction between real estate as “by definition illiquid, spatially fixed and immobile, relatively durable and costly, and defined by local particularities and idiosyncrasies” and capital as “abstract, nomadic and placeless” (Gotham 2009: 359).

Financialization has been strengthened through the growth of Real Estate Investment Trusts (REITs) – shareholding companies that invest in different types of real estate (e.g. apartment buildings, office buildings, shopping centers, etc.) and take an active role in their operation (Gotham 2006: 264; Madden & Marcuse 2016: 34). While they were established as early as the 1960s, they only started to play an active role in real estate investment following the passage of the 1986 Tax Reform Act (Gotham 2006: 264). During the 1990s, REITs were a common source of capital in real estate; in New York City, they have grown to become the largest property owners, including firms like Vornado and SL Green (Madden & Marcuse 2016: 34). This has paved the way for the emergence of a wide range of new predatory practices by private investment firms in New York – one common method of generating quick returns has involved purchasing hundreds of apartment buildings with rent-regulated units by increasing rent once existing tenants vacate their units (Morgenson 2008).

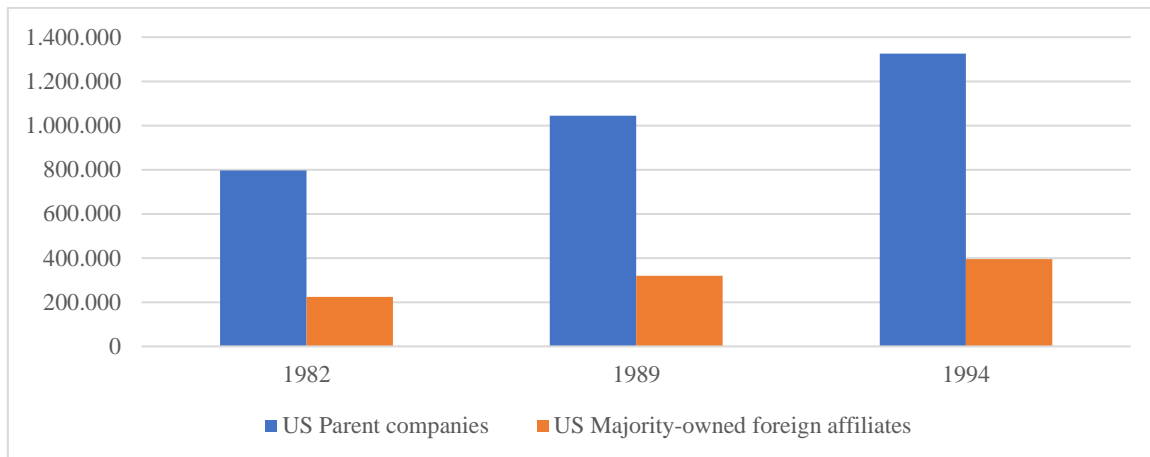
### *3.2. Forms of competition*

Throughout the 1980s, the increasing dominance of finance led to a comparative decline of productive capital. However, rather than opposing or resisting this development, industry welcomed it:

“[b]y the end of the 70s, the non-financial sectors of capital had themselves generally come to acknowledge the need to give priority to fighting inflation and thereby to accept that strengthening financial capital was in their own interests. Far from fighting the emerging leading role of financial capital, industry leaders accepted the costs implied by a finance-led revival of domestic and international accumulation” (Panitch & Gindin 2005: 62).

In fact, the rise of finance went hand in hand with the increasing internationalization of trade and the expansion of Fordist-era multinational corporations (MNCs). Through MNCs, US industry acquired access to foreign markets, cheap labor supplies, natural resources, and bypassed protectionist barriers (Sharpe 1994: 333). From the 1980s onwards, competition therefore became thoroughly internationalized, subjecting US companies to pressures from competitors throughout Europe and Japan. In 1982, MNC production grew to account for one third of US GDP, amounting to approximately \$1 trillion in gross product (Bureau of Economic Analysis 1996). By the 1990s, MNCs had come to be regarded as the “new saviors” of the international economy because of their ability to “combin[e] various productive resources scattered across the globe in the most efficient way” (Chang 1998: 226).





**Figure 5.4.** Gross product of MNCs (parent companies and majority-owned foreign affiliates) in millions of \$

Source: Bureau of Economic Analysis (1996)

Domestically, internationalization of trade accelerated the deindustrialization that had begun in the 1960s. Production processes increasingly moved from lower-wage domestic locations in the South to lower-wage locations abroad, resulting in widespread plant closures and massive job loss across the US. In 1982, plant shutdowns caused a loss of as many as 1.2 million jobs (Bureau of National Affairs 1982). In this context, New York and other cities had thoroughly deindustrialized, a process that was accompanied by a major expansion in their service sectors. In 1982 for instance, only 14.7% of residents of Los Angeles were still employed in manufacturing; in New York, only 10.6% were (Mollenkopf 1994: 46). With respect to its economic function, New York City has specialized in the provision of services to the financial sector (Table 5.8.), offering exports in “accounting, advertising, management consulting, international legal services, engineering services, information products and services and other business services” (Sassen 1991: 173).

1960			1991		
Rank	Industry	Employment	Rank	Industry	Employment
1	Wholesale trade	315	1	Health services	268
2	Apparel manufacturing	268	2	Business services	219
3	Printing and publishing	127	3	Wholesale trade	201
4	Eating and drinking places	125	4	Banking and other credit	166
5	Business services	120	5	Security & commodity	129
6	Real estate	104	6	brokers	129
7	Insurance carriers	102	7	Social services	119
8	Banking and other credit	101	8	Eating and drinking places	97
9	Health services	97	9	Educational services	96
10	Construction, special trades	88	10	Real estate	91
				Engineering & management services	

**Table 5.5.** Largest private sector industries in terms of employment in New York City, 1960 and 1991 compared (in thousands)

Source: Ehrenhalt (1993)

Throughout the 1980s, the growth of the service sector in New York City led to a major growth in demand for office space. Between 1979 and 1987, construction-contract awards grew from \$2.4 billion to \$4.8 billion (adjusted for inflation) (Mollenkopf 1994: 53). In 1980 alone, 2.25 million square meters of office space were constructed, dramatically changing the city’s



skyline (ibid.). Furthermore, between 1980 and 1989, the value of real estate throughout the entire city appreciated by 152%; in Brooklyn, it almost doubled in value (Furman Center 2008: 13). Real estate interests became concentrated in the hands of a few 'real estate families' – as much as 60 percent of Manhattan's office space was owned by thirty-six families.

Structural changes in the city also provoked a series of demographic shifts. Namely, the growth in corporate and financial services in New York City raised the demand for professional workers in finance, IT as well as ancillary services like advertising, accounting, architecture and engineering services (Sassen 1991). The service sector drew an increasing number of white-collar workers who were predominantly high-income, educated and white. The interests of the new class fraction benefiting from the financial restructuring of the city were captured by Ed Koch, the three-term mayor elected in 1977. As one of his biographers states:

"Mayor Koch capitalized on the tensions generated by rapid social transformation. He appealed to white ethnics who were apprehensive about losing their dominant position, but he also appealed to the growing black and Latino middle class which was also worried about the threats posed by poverty, welfare, and crime" (Mollenkopf 1994: 5).

He also had strong support from the finance and real estate sectors, allowing him to secure a conservative Democratic coalition for over a decade.

### 3.3. *Wage-labor nexus*

The New York City fiscal crisis had a monumental impact upon the wage-labor nexus, dealing a major blow to public sector unionization in New York City. By the late 1970s, tens of thousands of layoffs in the public sector had been conducted, decreasing public sector union membership and considerably weakening the power of municipal unions like DC37. The relationship between unions and government structures had also changed. As Mollenkopf (1994: 191) points out, the newly elected Koch government attacked public employee unions in the media, calling them 'special interests' and obstacles to better government. Behind closed doors, however, unions had developed a close working relationship with Koch. Aware that the leaders of the municipal unions controlled employee pension funds and were now "the city's principal bankers," Koch was wary about irritating them through additional layoffs (Auletta 1979b: 78). Throughout the 1980s, public sector workers therefore received substantial pay raises and a large number of sectors of city government expanded, resulting in an overall increase in public sector employment (Mollenkopf 1994: 191). In return, unions offered endorsements to Koch in his two re-election campaigns and even gave him campaign contributions (ibid.). Overall, this led to a reformulation of the relationship between unions and city government – as Horton (1976: 200) points out, this led to the "integration of collective bargaining with other management functions such as budgeting and financial planning." Coupled with the decline in private sector unionization resulting from deindustrialization, New York was no longer a city where workers' interests were structurally embedded into decision-making, but rather one where labor tacitly accepted its subservient role relative to finance, in exchange for modest pay raises and hiring in certain sectors.

On an *intrascale* level, lessons learned from New York City were generalized and applied to other urban contexts. The 'rhetoric of fiscal crisis' was used by mayors throughout the country to pursue a range of spending policies benefitting business interests (Fuchs 1992: 4). Beginning in the early 1980s, Fuchs argues, "mayors across the country reminded their constituents of the dire consequences of fiscal profligacy by invoking New York's near bankruptcy in 1975" (ibid.). The first step to this end was to eliminate the major influence of unionized public sector employees in urban centers. One *Business Week* article from 1976 sums up this attitude:



“The big city governments of the US are overextended and over-mannered. They need to shape up and simplify the complex structures they have developed through the years. They desperately need to increase productivity. They need to end once and for all the idea that the city is run primarily for the benefit of its employees” (*Business Week*, as cited in Mollenkopf 1976: 126).

Throughout the 1980s Detroit, Atlanta, Newark, Cleveland and Boston underwent extensive fiscal restructuring at the expense of public sector employees and organized labor.

In an *interscalar* sense, one of the precedents set by the New York fiscal crisis was in the way that workers effectively ‘bailed out’ the city, directly using their pension funds to bridge the budget deficit. Therefore, when automobile giant Chrysler was on the brink of bankruptcy in 1979, workers were expected to participate in Chrysler’s rescue through a series of concessions. The Carter administration offered an unprecedented \$1.5 billion bailout to Chrysler under the condition that \$850 million in workers’ pension funds be given to Chrysler in the form of a loan, and that \$200 million in further payments be deferred (Miller 1979). Workers were also expected to agree to a three-year wage freeze, which encountered strong opposition from the United Automobile Workers (UAW) (*New York Times*, 10 December 1979). A *New York Times* article argued: “Chrysler workers should contribute significantly to their own rescue – in amounts sufficient to discourage other firms and unions from relying on similar [Federal] help” (*ibid.*). A compromise was ultimately reached between Chrysler and UAW whereby the workers provided \$1.5 billion in pension funds as a loan, as well as an additional \$462.5 million in wage cuts and other concessions.

The failure of the 1979 UAW strike against Chrysler had a domino effect on labor relations throughout the auto industry and was further generalized throughout the economy (Smith & Dennis 1987: 179). Throughout the 1980s, companies in industries as diverse as steel, textiles and retailing had adopted the kind of strategy pioneered by municipal workers in New York City. As Smith and Dennis (1987: 179) point out, by the mid-1980s, this “employers’ offensive” had become “a generalized political strategy for capitalizing on the political weakness of organized unions.”

By the early 1980s, the ‘New York scenario’ had been generalized to the national level – the same issues that were perceived as causing the New York City fiscal crisis – a bloated welfare apparatus, inflationary wages, free services and government-regulated production – were now believed to be “at the heart of the national economic crisis” (Tabb 1982: 122; Harvey 2005: 48). In August 1981, less than a year into his presidency, Reagan had his first confrontation with organized labor during the strike of air traffic controllers. Demanding higher wages, a reduced workweek and a renegotiation of their retirement plans due to safety concerns, 13,000 air traffic controllers walked out of their jobs, causing major disruption in airline travel (Witkin 1981). In a statement made by Reagan that month, it was clear that he was committed to adopting a hardline stance against the strikers. Rather than engaging in further negotiations, the striking air traffic controllers were replaced by supervisors and military controllers, despite their lack of qualifications – a move that was critiqued widely and represented a major safety hazard (*ibid.*). Eventually, 11,345 striking air traffic controllers were fired and banned for life from employment by the federal government.

Throughout the negotiations, Reagan depicted the strikers’ actions as greedy, illegal and unethical (UPI 1981). He argued that the union demands are “twice what other Government employees can expect” and that they “would impose a tax burden on their fellow citizens which is unacceptable” (*ibid.*). Then, he drew attention to the fact that air traffic controllers are employed by the federal government and that “[g]overnment cannot close down the assembly



*line*, it has to provide without interruption the protective services which are Government's reason for being" (ibid., emphasis added). Reagan's resolution of the strike sent a green light to the private sector to adopt a more hardline stance towards collective bargaining. McCartin (2011) argues:

"[m]ore than any other labor dispute of the past three decades, Reagan's confrontation with the Professional Air Traffic Controllers Organization, or Patco, undermined the bargaining power of American workers and their labor unions...By firing those who refused to heed his warning, and breaking their union, Reagan took a considerable risk...But the risk paid off for Reagan in the short run. He showed federal workers and Soviet leaders alike how tough he could be."

Private employers like Phelps Dodge and International Paper quickly followed suit – rather than negotiating with strikers, they merely replaced them with other ones (McCartin 2011).

The logic of limiting the power of unions, particularly municipal ones, was gradually also embedded within institutions that had once served to protect the interests of labor. For instance, the National Labor Relations Board – established as part of the Wagner Act to handle unfair labor practices and implement union certification – became one of the most blatantly anti-union government agencies throughout the 1980s. In 1983, the NLRB had a Reagan majority<sup>31</sup> under chairman Donald Dotson, a former steel industry attorney with a decidedly anti-union stance (Farber & Western 2002: 392). Dotson was known for adopting a range of controversial tactics during his time at the NLRB – for instance, while previous chairs had relied on the Board's general counsel for legal assistance, Dotson hired a lawyer from the National Right to Work Committee, an anti-union lobby group (ibid.: 393). The Dotson Labor Board also registered a growing backlog of cases, preventing workers from efficiently resolving complaints brought against employers (Greenhouse 1984). This encouraged unfair management practices, giving employers room to lay off workers engaged in union activities (ibid.). Finally, the Board was accused of relaxing its scrutiny of employer conduct, at the same time that unions faced increasing obstacles in conducting elections and securing representation (Farber & Western 2002: 392). As Harvey points out, "it took less than six months to reverse nearly 40 per cent of the decisions made during the 1970s that had been, in the view of business, too favorable to labor" (2005: 52).

### *3.4. Insertion of the state into the international economy*

The Bretton Woods institutions – particularly the IMF – underwent a transformation in light of Nixon's abandonment of the fixed exchange rate system. Before the mid-1970s the IMF's role was to assist predominantly industrial countries in collaborating on exchange rates and payments. After 1977 however, the IMF gradually became an institutional channel through which the economic (and other) policies of developing countries could be controlled (Peet 2003: 82). In 1979, the IMF's Guidelines on Conditionality were published, setting the basis for the structural adjustment programs that would become central to the IMF's lending practices throughout the 1980s (Felder 2008: 180). Following the Volcker shock of 1979 and the debt crisis of the 1980s, the loans provided by the IMF started to become conditional on the implementation of structural adjustment programs that involved a wide range of fiscal, financial and monetary reforms.

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<sup>31</sup> As elaborated in section 1, the NLRB is a five-member body of presidential appointees each of whom serve five-year terms. However, not all terms end in the same year, which means that the political leaning of the appointees changes gradually over time. In 1981, two of President Jimmy Carter's appointees resigned, allowing Reagan to make two appointments later that year (Farber & Western 2002: 392). In 1983, the third appointment was made, allowing Reagan to form a majority and therefore also appoint a Board chairman.



While the IMF's role might have shifted following the breakdown of Bretton Woods, US dominance over the institution<sup>32</sup> meant that it remained heavily aligned with US national interests. The IMF therefore supported the strengthening of financial flows internationally, reinforcing the structural power of Wall Street. By the mid-1980s, the IMF started working more or less in concert with US commercial banks to provide loans to indebted developing countries. Peet (2003: 87) points out:

“the IMF and the commercial banks developed an uneasy relationship of mutual support. The commercial banks needed the IMF to ensure loan repayment, and the IMF could do this with stabilization and structural adjustment measures imposed as conditions for loans ensured by the state. In return for playing this essential role, denied to private banking institutions, the IMF demanded that the commercial banks contribute even more money for international lending. This made the IMF a powerful institution again, while increasing the profits of the commercial banks.”

This relationship was amplified through the advent of the ‘used loan’ market in the 1980s which allowed private capital interests to purchase loans of developing countries from commercial banks, receiving the loan in the currency of the debtor country (Peet 2003: 87). This led to a great deal of currency speculation, “destabilizing non-Western economies that the IMF was supposedly stabilizing” (ibid.). The international regime, and the modality through which the United States was inserted into it, existed in a strongly complementary relation with the newly dominant financial monetary regime. In a sense, therefore, Seabrooke (2001: 98) is correct in positing an “*interactive embeddedness*...between Washington and Wall Street,” arguing that it worked to enhance US *state capacity*. Indeed, finance reinforced US state power internationally, such that structural power on the international plane was “shared by government and commercial interests” (ibid.: 99).

The World Bank has also been key in the entrenchment of US structural power through what Gill (1998) has called ‘new constitutionalism.’ In particular, the World Bank has advanced different facets of the US constitutional model in other countries as a way of ‘locking in good policies’ (Gill 1998: 34). A US-style independent judiciary – separate from the executive and legislative branches of government – as well as a vertical decentralization of the state through a form of fiscal federalism are recommended by the World Bank for guaranteeing a good business climate (ibid.). This is complemented by countries’ participation in a new regulatory investment structure at the international scale vis-à-vis the establishment of a network of Bilateral Investment Treaties (BITs), and later through the adoption of the North American Free Trade Agreement (NAFTA) as well as other multilateral investment treaties. BITs – agreements concluded between two states to set out the rules according to which the investments made by the nationals of either of these two states are protected in each other’s territories – are structurally unequal, however (Sornarajah 2010: 175). As Sornarajah (2010: 177) points out, however, BITs are made between unequal partners – they “entrench an inequality” and are usually concluded between “a capital-exporting developed state and a developing state keen to attract capital from that state.” Relaxing national and international legal barriers to cross-border investment, in combination with new layers of protection for foreign investors, has led to a considerable increase in FDI flows from the 1980s onwards.

Real estate – “acquired in the expectation or used for the purpose of economic benefit or other business purposes” – has traditionally formed an integral part of FDI flows (NAFTA art. 1139). Globalization of real estate property markets has therefore complemented the financialization

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<sup>32</sup> The IMF adopts a quota-based system of financing whereby the quota is determined by the size of a country’s economy and its volume of trade (Peet 2003: 71). The larger a country’s quota, the bigger its financial participation in the funding of the IMF, and the greater its voting power (ibid.). The IMF member with the largest quota is the United States and it has veto power in IMF decision-making (ibid.).



of real estate outlined in section 1.1. of this chapter. Real estate flows expanded rapidly throughout the 1970s and 1980s, both into and out of the United States. FDI real estate outflows were much greater than inflows, but the latter nevertheless increased sharply; FDI in US real estate increased from \$2.33 billion in 1973 to over \$50 billion in 2002 (Gotham 2006: 249; 244-5). The globalization of real estate has therefore led to a “decoupling of housing from residential needs” – apartment buildings have regularly been marketed to foreign investors, frequently at international property fairs while their “use as living space barely registers” (Madden & Marcuse 2016: 35). Real estate prices in Manhattan have therefore become more closely linked to prices in central London or Frankfurt than to prices in other parts of New York’s broader metropolitan area (Sassen 2019: 9).

### *3.5. Forms of the state*

The New York fiscal crisis had a considerable impact on the institutional articulation of state forms, particularly through the normalization of private sector involvement in practices that were ordinarily confined to democratically elected government. The two key entities that played a role in this respect were the Municipal Assistance Corporation and the Emergency Financial Control Board. Both of these agencies, established ad hoc, normalized the participation of private sector actors in public affairs in an unprecedented way. While both of these particular institutions have faded from view since the fiscal crisis<sup>33</sup>, they left an institutional imprint on New York’s public sector through the embrace of private sector logics in public governance practices. As Harvey (2005: 47) points out, city government,

“was more and more construed as an entrepreneurial rather than a social democratic or even managerial entity...City business was increasingly conducted behind closed doors, and the democratic and representational content of local governance diminished.”

This led to a shift in the material practices of government (at all scales), as well as a reformulation of the function and role of government.

Mayor Ed Koch, elected in 1978, emerged as a central figure following the fiscal crisis. Koch reduced social spending, kept public wages down and prioritized capital investment (Mollenkopf 1994: 7). After 1983, he adopted an expansionary fiscal policy, although these new expenditures were inherently biased in favor of “protecting property and promoting real estate development” (ibid.). Furthermore, financial interests were directly incorporated into city government structures as a result of Koch’s symbiotic relationship with Wall Street investment bankers (ibid.: 192). As Mollenkopf points out, “[h]e appointed them as underwriters, and they provided campaign contributions and advised his administration” (ibid.). Koch supported private interests by supporting pro-business zoning policies, development projects and by offering a variety of tax breaks and incentives for the new dominant bloc (ibid.). This paved the way for a subsequent reconceptualization of the Mayoral role – the Mayor became an entrepreneurial figure who ‘managed’ New York’s day-to-day business – and the election of figures such as Rudy Giuliani and Michael Bloomberg.

Urban governance was reconceptualized at the national scale as well, and President Carter was the first to promote a reliance on the private sector in his urban program. The ‘centerpiece’ of this program was the Urban Development Action Grant (UDAG) which envisaged leveraging private funds for the revitalization of older urban areas (Tabb 1984: 258). In reality, the UDAGs had the effect of funding not public projects but predominantly luxury hotels and shopping

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<sup>33</sup> The MAC ceased its operations in 2008 while the EFCB, having dropped the ‘E’ from its title, continues its operations until this day (albeit in a limited capacity).



malls which would have been built anyway (ibid.). In many ways, this paved the way for the adoption of Reagan Administration's so-called 'urban enterprise zones' which were, in Reagan's words, "based on utilizing the market to solve urban problems, relying on private sector institutions" (ibid.: 261). The enterprise zones envisaged attracting businesses through tax cuts and the removal of certain government regulations such as the minimum wage, which was waived under this program for persons under 21 years of age (Denton 1982). As Tabb (1984: 262) argues, the enterprise zone program is very much "representative of the Reagan approach" which requires "very little in direct federal outlays, shifts new burdens to local areas, represents an erosion of the tax base by subsidizing corporations not through direct expenditures but tax forgiveness, and intensifies competition between jurisdictions by lowering wages and tax receipts in other competing locations."

Enterprise zones were complemented by a move towards so-called 'new federalism' which envisaged the cutting of federal participation in social spending at the local level. Reagan sought to eliminate the block program which had been in place since the Nixon era<sup>34</sup>, opposing intergovernmental transfers entirely. In the summer of 1981, congress enacted \$35 billion in cuts and eventually accepted the conversion of 57 specific grant programs into nine block grants which would give states broader discretion in spending priorities; further cuts were implemented in September 1981 (Tabb 1984: 266). Decentralization allowed mobile capital to play off jurisdictions against each other, and played a role in creating a patchwork of unequal service delivery, based on differential jurisdictional capacities for generating revenue (ibid.).

In 1973, Nixon imposed a moratorium on subsidized public housing production and in the decades since, "low-income housing assistance has involved a reduced federal role in favor of state- and locally-led partnerships, and a blend of block grants, tax credits to private developers, and vouchers" (Wyly & DeFilippis 2010: 63). While the voucher program was touted for its ability to allow families to choose their own accommodation and spread federal funds across more families in need<sup>35</sup>, it threatened to severely disrupt the existing public housing system (Tabb 1984: 264). NYCHA officials claimed that such a move would have a "traumatic and devastating effect" on public housing; others pointed out that the voucher system would be particularly problematic in high-rent urban areas like New York City where "subsidies would be insufficient and coverage too restricted to help many of the poor to obtain adequate housing" (ibid.: 264-5).

Research conducted by Wyly & DeFilippis (2010: 69) demonstrates that the introduction of vouchers in New York City did not offer low-income tenants greater choice in selecting housing, nor did it offer better access to low-poverty environments:

"Most of the Bronx has higher-than-average concentrations of HCV recipients, living in neighborhoods surrounded by higher-than-average rates of extreme poverty...smaller clusters [of extreme poverty] also appear from the southern fringe of Williamsburg, Brooklyn, all the way to East New York. Other parts of the City – Staten Island, much of Lower Manhattan, most of Queens – have few voucher recipients and low rates of poverty."

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<sup>34</sup> Nixon's version of 'new federalism' sought to increase the role of the states and local governments in spending; however, the federal government awarded funding in the form of so-called block grants which allowed states to benefit from intergovernmental transfers for the purpose of funding essential programs at the local level (Conlan 1998: 3). While increasing the role of the local and state governments, these block grants aimed to improve coordination and planning across local jurisdictions, as well as to give them funding reliability (ibid.).

<sup>35</sup> More specifically, supporters argued that demand-side assistance like rental vouchers would lead to deconcentration of poverty in cities, whereas conventional (supply-side) housing confined the recipients of public housing to neighborhoods of concentrated poverty (Wyly & DeFilippis 2010: 66).



Overall, disinvestment from public housing and forms of rent regulation in New York – i.e. the “spaces of partial decommodification of housing” – have therefore resulted in an increasingly precarious rental market for tenants (Madden & Marcuse 2016: 40).

## Conclusion

The aim of this chapter has been to trace the pathways of initial neoliberal restructuring in New York City. I have done so by tracing the breakdown of the wage-labor nexus in the Fordist institutional configuration and the subsequent establishment of a new, finance-led institutional hierarchy. By analytically integrating the city into both national and international scales, I have charted how New York has transformed from a nationally-oriented manufacturing city into a major center for global finance. A set of complex multiscalar processes, rooted in the broader crisis of Keynesianism, have instigated a fundamentally transformative process and produced a sea change in New York’s labor relations, its economic configuration, and the role of finance relative to its broader urban governance structures.

Throughout the post-war period, US Fordism was firmly anchored to a hierarchically dominant wage-labor nexus which generated a relatively stable and persisting compromise between labor and capital. A depoliticized form of collective bargaining and unionization was institutionalized through the Wagner Act which, on the one hand, awarded workers a relatively high standard of living, while also guaranteeing access to stable and predictable labor for industrial capital. The wage-labor nexus therefore exhibited a very strong complementarity with the oligopolistic competition that existed between large-scale industrial producers across the Manufacturing Belt, as well as the credit-based monetary regime, grounded in the Glass-Steagall Act’s separation of commercial and investment banking functions. The forms of state and the insertion into the international economy further reinforced these complementarities.

Fordism inherently favored the national scale and it is here that the dominant bloc had crystalized. The dominant bloc temporarily united the interests of industrial capitalists operating across the Manufacturing Belt, a privileged stratum of white, predominantly male workers benefitting from the wage-labor nexus, as well as a nascent strand of bankers employed both in investment and commercial banking establishments. The dominant bloc relied on the subjugation of a variety of gendered and racialized dominated social groups, such as black workers, marginalized groups and women, placing them in an inherently unfavorable position relative to the institutional hierarchy.

By the mid-1970s, tensions had built up within each of the institutional forms, challenging the integrity of the entire Fordist institutional configuration. Most notably, the Fordist wage-labor nexus was undermined by the geographically mediated consequences of the Taft-Hartley Act and the migration of capital to southern states with lax labor regulations, while capital’s push for international expansion undermined the oligopolistic logic of competition. Ultimately, this culminated in the breakdown of the institutional hierarchy, triggered by the New York City fiscal crisis. New York therefore served as the key anchor for the multiscalar interaction that ultimately led to the rebuilding of institutional forms to reflect a new, finance-oriented regime of accumulation.

Throughout the interaction period, I traced the dynamics through which agents embedded at national, state and urban scales reflected on the institutional configurations of the past (*self-explication*) and played an active role in negotiating a new institutional configuration. The structural power exercised by Wall Street – through its role as a key financier both domestically



and internationally even during the Fordist period – was amplified by President Ford’s decision not to provide assistance to the city (a decision steeped in austerity discourse and liberal understandings of the role of federal government), increasing pressure on the city to acquiesce to Wall Street’s demands. The restructuring of city government in favor of financial interests through the MAC and EFCB directly incorporated Wall Street interests into the city’s day-to-day governance and policy making functions. As a result of the crisis, therefore, New York City government and municipal unions had acquired an interest in the prosperity of finance, while Wall Street formed a new set of strategic alliances at different levels of government. Once both city government and municipal actors had fallen in line behind Wall Street interests, the dominant bloc had officially broken down, paving the way for the establishment of a new institutional hierarchy.

The new finance-led monetary regime therefore formed the core of a new institutional configuration, one which was supported by a complementary relationship with internationalized competition. This has led to the emergence of a new dominant bloc centering around agents within a Wall Street ‘core’ (and its ancillary industries) and those situated in an increasingly financialized, internationally-oriented fraction of capital. Within this multiscale institutional context, New York City has emerged as a key spatial anchor for the dominant bloc, and it has been restructured largely in its favor.

While my primary focus has been on tracing change, I have also argued that an approach at the intersection between FR and MA allows us to deploy institutional forms to identify continuity across RoA/MoR configurations in a particular geography. This allows us to avoid the pitfall of artificially dichotomizing Fordism and neoliberalism and treating them as polar opposites, rather than forms with the same underlying capitalist logics and impulses. In fact, *adequacy* allows us to hypothesize neoliberalism in its embryonic phase, tracing its origins back to the Fordist regime of accumulation. This echoes the argument made by Panitch and Gindin (2005: 48) that “[c]oncentrating on what distinguishes the two eras leads to the neglect of the processes at work that led from the first era to the second, and the extent to which neoliberalism’s spread in the 1980s and 1990s depended on the structure previously established.”



## Chapter VI. Johannesburg

In recent years, Johannesburg's persisting socio-economic inequalities have increasingly been in the spotlight. Different reports have sought to understand why the city (and country as a whole) seems to have failed to deal with the social, economic and spatial legacies of apartheid. One New York Times article reports on living conditions in Johannesburg's largest township, Soweto, where one of its residents states: "There's nothing that I've experienced of the new South Africa" as the situation is only "getting worse" (Kingsley 2019). A Deutsche Welle report describes the stark differences existing between Johannesburg's northern neighborhoods where "more affluent residents live in well-protected and gated communities...surrounded by barbed wire, high walls and watchdogs" and the desolate 'no go' areas in the city center inhabited by poorer black citizens and managed by slum lords (Hasel 2014). The question that has reverberated throughout these reports is – why does Johannesburg remain one of the world's most unequal cities 25 years following the breakdown of apartheid? And why has territorial segregation seemingly been reinscribed within the city fabric, perpetuating many of the social divisions that were a central feature of the apartheid era?

In this chapter, I argue that in order to understand Johannesburg's current spatial, social and economic conjuncture, it is necessary to study its particular pathway of neoliberalization, that is, its transformation from an industrial city with a witting pattern of territorial segregation to a key financial center linking an internationalizing domestic industry with international financial flows. By tracing the multiscale interplay between agency and structure in the neoliberalization of Johannesburg, it becomes possible to identify the complex, multidimensional ways in which apartheid intersected with and reinforced Fordist accumulation, while the inherently neoliberal post-apartheid period further built upon and exploited the legacy of this institutional configuration to produce a persistently uneven urban landscape.

Much like in the previous chapter, I present my argument through a temporalization of the three different sequences of initial neoliberal restructuring. The first section looks at the phase of conditioning (1948-1976) which is taken as the period of relative stability of what Gelb (1991) has termed 'racial Fordism'<sup>36</sup>. It also depicts the 'tensions' that gradually built up within the institutional hierarchy and ultimately culminated in the breakdown of 'racial Fordism' following the moment of activation. In the second section, I look at the period of interaction (1976-1994) and the processes through which key agents (re)grouped and reflected on the legacy of past institutional forms to devise strategies for future action. In the final section – elaboration (1994-early 2000s) – I look closely at the new, relatively enduring institutional hierarchy which emerged from this agential action, underpinning a neoliberal regime of accumulation.

Throughout my analysis, and particularly in the conditioning and elaboration sections, I refer to the five institutional forms which I have argued form the core of any institutional configuration. I deploy a multiscale understanding of institutional forms; this allows me to understand the complex ways in which the urban, national and international scales intertwine in the process of neoliberalization. In this sense, I argue that the neoliberalization of Johannesburg cannot be understood solely with reference to processes occurring within the city

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<sup>36</sup> This particular variant of Fordism shared the technology and labor process of Fordism – enabling mass production – but failed to establish mass consumption norms as consumption was limited to a privileged stratum of white laborers. 'Racial Fordism' achieved its peak throughout the 1950s and 60s, leading South Africa to achieve unprecedented economic growth during this time (Freund 2007: 207).



itself, but only by awarding equal importance to neoliberal transformations on a national and international scale.

## **Part I. Conditioning**

### *1.1. The hierarchically dominant Fordist wage-labor nexus*

Central to South Africa's racial Fordist regime of accumulation was an intricate network of institutions favoring white labor; preferential labor market policies allowed white laborers access to well-paid, skilled jobs and their position was further strengthened by strong collective bargaining rights and a racialized welfare system. Non-white workers, on the other hand, had highly restricted access to the labor market due to the 'color bar.' The Mines and Works Act of 1926 – governing the responsibilities of workers in South Africa's mines and works – was at the core of the color bar (although the term is used to encompass a much broader set of labor practices<sup>37</sup>). It delimited the skilled occupations that were reserved exclusively for whites (e.g. blasting, driving engines and supervising machinery), while black workers were confined to low-paying, unskilled positions. Furthermore, black workers had virtually no access to collective bargaining mechanisms or strike action; as Friedman (1987: 37) points out, employers “were free to run their factories as they chose and to pay Africans what they pleased; cheap, docile, African labor helped industry grow as never before.”

Workplace relations were profoundly structured by apartheid (Von Holdt 2002: 287). Aside from job reservation, a range of other practices led to the establishment of a violently racist workplace. All facilities were racially segregated and supervisory practices were characterized by “an aggressive culture of racial insults and racial assault” (ibid.). It is therefore not surprising that the link between labor struggles and the national liberation struggle, i.e. the struggle against apartheid, was made early on (ibid.). Namely, both shop stewards and regular members of the trade union were active in the community and youth organizations, creating a range of formal and informal linkages between the two causes (ibid.).

The Industrial Conciliation (IC) Act of 1924, for instance, permitted workers to register trade unions and form Industrial Councils which would then be placed in charge of mediating labor disputes (Hirson 1990). However, since black men were barred from forming registered unions (that is, they could form their own unions which had no legal standing), they did not have access to these protective mechanisms. Similarly, the Wage Act of 1925, intended to investigate wages and work conditions, applied only to workers who enjoyed ‘civilized habits of life<sup>38</sup>,’ i.e., white workers (ibid.). While a 1937 amendment to the Wage Act no longer made mention of ‘civilized habits,’ it made separate minimum wage provisions for black and white workers (ibid.). In other words, the racial wage-labor nexus institutionalized wage suppression for one segment of the population while it provided the other, privileged segment easy access to secure, well-paid employment. This institutional form then not only played a role in

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<sup>37</sup> The ‘color bar’ is broadly used to refer to the set of “labor practices, informal trade union practices, government regulations, and legislation, all of which were developed over time to prevent blacks from competing for certain categories of jobs monopolized by whites” (Crush et al. 1991: 214).

<sup>38</sup> In a 1924 circular, Prime Minister Hertzog defined civilized labor as “the labor rendered by persons whose standard of living conforms to the standard generally recognized as tolerable from the usual European standpoint,” while uncivilized labor was regarded as “the labor rendered by persons whose aim is restricted to the bare requirements of the necessities of life as understood among barbarous and undeveloped peoples” (Hancock 1942: 48).



establishing a variant of Fordism in South Africa, but also in institutionally entrenching the dominance of white citizens over black and ‘colored’ through apartheid.

The key method for establishing a racially segregated workforce was through the institution of ethnically-based territorially segregated spatial units. These territorial ambitions of the apartheid government<sup>39</sup>, outlined in the 1947 Sauer report, became law in 1952 with the passing of the Native Laws Amendment Act and then in 1954 with the Natives Resettlement Act, which limited the rights of black South Africans to live in urban areas, and gave the government the right to relocate those who no longer had permission to reside where they did (Horowitz 1992: 11). Unless a black person had permission from the local labor bureau, it was forbidden for them remain in an urban area for longer than 72 hours. The labor bureau therefore played a key role in the movement and settlement of black individuals in urban areas (Hindson 1985: 403).

Therefore, the key way in which racial superiority in the workplace (and everyday life) was established was, as Evans (1997) argues, not through the implementation of brute force on a daily basis, but rather through the spatial character of administration, particularly urban administration. At the core of the spatial articulation of the wage-labor nexus was the “planned urban location”:

“Prominent in every urban center and fundamental to the policing strategies of the apartheid state, the planned urban location embodied the [Department of Native Affairs]’s perception that spatial configurations were just as effective as – and considerably less costly than – the physical presence of the police in regulating the behavior of Africans in the urban areas. The planned urban location, in other words, sought to modernize and routinize the compliance of Africans, in part by getting Africans to condition their own compliance with the racial state” (Evans 1997: 8).

From the 1950s onwards, the government instituted this spatial configuration via road blocks, random street and transport checks, as well as night raids in townships and servants’ quarters in white suburbs (Hindson 1985: 403).

This had the effect of geographically segmenting the black urban labor force into two groups: one that resided in the segregated townships on the peripheries of South African cities and another that was temporarily settled in temporary accommodation within cities (Hindson 1985: 404). Employers generally reserved higher grade and supervisory jobs for the former, while the latter were employed in unskilled, low-wage positions (ibid.: 414). As a consequence, urban black citizens were “a politically mute and landless class” (Davies 1981: 65). As Davies (1981: 65) points out,

“with a preponderance of single male migrant workers, Africans were mainly housed in single quarters attached to private businesses and public institutions, in compounds, barracks and hostels in the work zones of the city. Others were housed in domestic servant quarters on private residential properties, and in shacks erected on private and public property in poorer and peripheral zones of the city.”

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<sup>39</sup> While fully charting the emergence of apartheid is beyond the scope of this thesis, it should be noted that, as a political principle, it was instituted with the victory of the National Party in the 1948 election. It built on and expanded the system of segregation that was in place over the past decades. The National Party was elected on a platform of white supremacy and racial purity through ‘apartness’ but, as (Saul 2014: 42) points out, “[m]aterial interests were to prove at least as important as symbolic gestures and national ideology.” Urbanization due to an expansion in the demand for cheap African labor in the cities was increasingly difficult to control and was now perceived as requiring more formal intervention.



In the 1960s, ‘influx control’ was further intensified: acquiring a permanent residence permit became much more difficult, while township building came to a near standstill in white cities, with new commuter townships being built within Bantustans (Hindson 1985: 405).

By the 1970s, however, a new black trade union movement was on the rise (see Table 6.1.). As Freund (2007: 208) points out, the starting point of this new era is generally taken to be January 1973, when a series of major strikes erupted in Durban, the country’s second largest industrial center. The first strike took place on 9 January 1973 in Coronation Brick and Tile company, when 2,000 workers went on strike demanding higher wages. The following day, workers at AJ Keeler stopped work for 45 minutes, while on 11 January about 150 workers at TW Becket & Co., a tea packing company, went on strike. By the end of January, approximately 29 companies in Durban were affected by the strikes. Many of the strikes that took place that year were highly successful, with many of the companies agreeing to raise workers’ wages.

Year	Number of strikes	Number of strikers	Work days lost (in thousands)
1972	71	8814	14.96
1973	370	98029	246.07
1974	384	58975	102.18
1975	276	23488	19.21
1976	248	28098	73.59
1977	90	15334	16.15
1978	106	14153	10.70
1979	101	23064	70.54

**Table 6.1.** Number of strikes, strikers and work days lost, 1972-1979

Source: Freund (2007: 209)

Following the strikes, the government made a series of unexpected concessions to the striking workers. First, it raised the minimum wage for unskilled black workers, and then it amended the 1953 Settlement of Disputes Act, giving black workers a limited right to strike (Friedman 1987: 50-1). This was the first time since the 1940s that unrest ended with reform rather than force (ibid.: 51). Much of this had to do with the “new climate of opinion” that followed the strikes (ibid.). The press painted a vivid picture of the workers’ conditions and the nature of their demands, causing shock even among upper-class white citizens (ibid.). In 1976, the government established an independent commission – commonly known as the Wiehahn Commission – to provide an evaluation of existing labor relations. Three years later, the recommendations produced by this Commission resulted in a series of amendments to the Labor Relations Act which enshrined the right of black workers to register their unions and collectively organize, introduced the concept of unfair labor practices, and established an Industrial Court to oversee labor disputes (Barrett & Mullins 1990: 25).

In addition, the rise of black unions was accompanied by (and connected with) the rise of contradictions in the territorial articulation of apartheid (Hindson 1985: 412). Unions challenged the divide between city-dwellers and migrants by organizing them into single workers’ organizations and focusing on reducing the wage differentials between the two groups (ibid.: 414). The rigid constraints placed on urbanization also ultimately proved to be incompatible with the exigencies of an economy experiencing an expansion of manufacturing (Smith 1992: 2). Smith points out:



“A sophisticated workforce, of the kind required by the manufacturing and service industries steadily displacing mining from its earlier pre-eminence, could not be expected to emerge from a disenfranchised and insecure proletariat who were supposed to identify with an often unfamiliar mini-state many miles away” (ibid.).

This problematized the geographical articulation of the wage-labor nexus and rendered it inherently incompatible with the demands of capital. By the end of the 1970s, the racial Fordist wage-labor nexus was starting to come undone.

### *1.2. Forms of competition*

Throughout the 1950s and 1960s, the economic engine of apartheid South Africa was comprised of a range of tariff-protected and subsidized industries that revolved around mining in commodities such as gold, diamond, platinum and steel, coal, iron and aluminum. A handful of conglomerate groups controlled operations in South Africa’s mines. In the mid-1970s, the Anglo American Group, a mining giant, was in control of nearly one third of the gold mines in South Africa (out of 39), while Anglo American’s nearest competitors (Gold Fields and Union Corporation) controlled 7 mines each (Innes 1984: 159). Monopoly competition in South Africa was a product of the capital-intensive origins of mining in the 19<sup>th</sup> century and the “low and tightly controlled cost structure” needed to maintain long-term profitability (ibid.: 52). This gave rise to an oligopolistic ‘group system’ whereby a few key companies (i.e. groups) controlled mining resources and cooperated closely through institutionalized channels such as the South African Chamber of Mines (ibid.: 53). Conglomerate structures were, as Chabane et al. (2006: 554) argue, similar to Chandler’s concept of ‘personal capitalism,’ consisting of relatively unsophisticated managerial structures, largely cooperative relationships between the groups and a very low degree of competition.

In this context, Johannesburg emerged as the “nucleus of South Africa’s powerful industrial northeastern development region” (Hart 1974: 9). Manufacturing and mining was located on the southern side of the central business district (CBD) in a strip that ran from east to west, following the city’s rail and road networks (Crankshaw 2008: 1695). Throughout the apartheid period, Johannesburg also acted as a major national commercial center that provided essential services such as banking, finance and insurance and acted as a key center for many national and international corporations’ headquarters (Hart 1974: 9). Most of the commercial and service-sector firms were located in the central part of Johannesburg, around the CBD (Crankshaw 2008: 1695).

The mining groups also established a variety of informal relations with public authorities and benefited from different protectionist government policies. For instance, mining was strongly supported by the publicly-owned monopolies in electricity (ESCOM), iron and steel (ISCOR), telecommunications (SABC) and transportation (SATS and SAA). A key distinction developed between ‘English’ capital and ‘Afrikaner’ capital; while the former “operated on the basis of a fairly stark separation between economic and political arenas, assuming an attitude that capital’s business was ‘business’ and the state’s was ‘politics,’ Afrikaner capital historically developed a much closer relationship to the apartheid government and was ideologically invested in the survival of the government’s racial political program (Morris & Payadachee 1989: 72). Morris and Payadachee (1989: 72) argue that this produced a considerable deal of political incoherence of capital in South Africa.

Spatially, oligopolistic competition in South Africa therefore prioritized the national scale, relying on the complex network of relationships existing between the mining conglomerates



and the state and government-owned monopolies. Furthermore, it relied on legislation implemented at the national level for support (e.g. the Mines and Works Act of 1926, the Native Building Workers Act of 1951, the Industrial Conciliation Act of 1956 and the Price Control Act of 1964) (Williams 1989: 127). Finally, it benefited from the abundant and cheap labor guaranteed through the racialized wage-labor nexus, as well as the territorial apartheid that it produced. The wage-labor nexus therefore existed in a complementary relation with oligopolistic competition, and the two formed the core of the post-war South African regime of accumulation, nurturing a system of 'racial Fordism.'

While mining played a key structural role in the South African economy, following WWII manufacturing experienced a steady growth relative to mining such that by 1946, the former surpassed the latter as a share of GDP (17% of total for manufacturing compared to 11.9% for mining) (Innes 1984: 167). By the 1970s, manufacturing employed twice as many workers as the mining sector (Fine and Rustomjee 1996: 73). Much of the manufacturing industry exhibited strong linkages with the mining sector, providing it with a number of required consumable items such as "explosives, drill steels, chemicals and timber roof supports as well as certain capital goods, like earthmoving equipment, mine winders and continuous mining equipment" (ibid.: 72). In fact, many manufacturing industries developed as service industries to mining (Innes 1984: 176). For instance, the Highveld Steel and Vanadium Corporation, Scaw Metals, Boart and Hard Metals and Mondi Valley Paper were all industrial subsidiaries of the Anglo American mining conglomerate (ibid.: 194-5). This leads Fine and Rustomjee (1996) to coin an umbrella term – the Mineral-Energy Complex (MEC) – to denote the complex linkages existing between mining and manufacturing as well as to capture the economy's inherently integrated quality.

However, while manufacturing initially developed adjacent to primary industry and was wholly dependent on it, it subsequently branched out and became relatively more independent (Innes 1984: 176). The two sectors also operated on different geographic scales: while mining was national in character and depended on a web of relationships with the state, manufacturing relied on the urban scale and, ultimately, put a strain on the territorial articulation of apartheid that restricted access of black citizens to urban areas. During the latter part of the 1970s, monopoly capital was faced with a conflictual situation: it required a 'large reservoir' of cheap and stable (black) labor in cities, but a range of apartheid constraints impeded it from gaining access to it (Soni 1992: 45). As a result, employers started to ignore job reservation rulings, replacing expensive white workers with cheaper black workers (Lowenberg 1997: 63). They did so by breaking down work categories to allow black workers to move into positions nominally reserved for whites – for example, on the railways, whites were named 'ticket collectors' while blacks were 'ticket examiners' (Lipton 1985, as cited in Lowenberg 1997: 63). One of the key ways in which this challenged the stability of oligopolistic competition was by undermining its geographical basis. As Soni (1992: 46) points out, "the state was forced to reconsider its stance on the impermanence of the Black urban dwellers."

### *1.3. Monetary regime*

From the end of the Second World War onwards, South African economic policies were strongly shaped by Keynesian ideas (Addleson 1992: 37). Much like in other Fordist economies at the time, monetary policy was inherently subservient to fiscal policy and aligned with the government's broader economic policies. The key body in charge of monetary policy, the central bank – i.e. the Reserve Bank of South Africa – did not have much of an independent voice relative to government. Monetary and fiscal policy merely performed different functions:



while the former controlled the credit extended by banks to businesses, the latter referred to the set of measures controlling government spending and taxation (De Kock 1978: 139).

The 1942 Bank Act was South Africa's first comprehensive approach to money and banking since 1910 (Jones & Müller 1992: 200). Implicit within this Act was the belief that "demand deposits formed the main component of the nation's monetary supply and that the commercial banks' ability to create money could have profound effects upon the economy, by restricting or expanding consumption or investment" (ibid.: 201). As a result, monetary policy came to concentrate on the instruments that controlled bank credit, such as higher cash reserve and liquid asset requirements and bank credit ceilings. Addleson (1992: 37) argues that these extensive controls went in line with the broader ethos adopted by the apartheid government, i.e. one of "strong regulation and control, which in the political sphere has been accompanied by subjugation and domination." From the mid-1960s onwards, control was further tightened over the banking sector, with asset and reserve requirements repeatedly increased (Verhoef 2009: 166). This credit-based monetary regime was therefore well-positioned to prop up the 'racial Fordist' wage-labor nexus and oligopolistic competition.

The monetary regime exhibited particularly strong complementarities with competition. As Ashman and Fine (2013: 162) point out, the MEC "produced and was produced by a powerful and concentrated financial system with uniquely close ties/overlapping ownership structures with productive capital and strong state support." Namely, from the 1950s onwards, banking experienced rapid growth under the control of the mining conglomerates; owing to their large stock of investment finance, financial expertise, and access to technological information, the conglomerate groups became much more active in industry and finance, contributing to establishing new institutional links between the different sectors (Innes 1984: 192).

Throughout the 1960s, South Africa's banking and financial sector had undergone a 'phenomenal' expansion (Innes 1984: 191). In the late 1960s, a glut of consumer goods forced capital out of production and into the financial sector (Bond 2000a: 21). This ultimately led to a period of intense speculation on the Johannesburg Stock Exchange (JSE) between 1967 and 1969 (ibid.). However, from the 1970s onwards, South African banks came to be constrained by exchange controls and a decline in foreign direct investment (Singleton & Verhoef 2010: 545). Furthermore, productivity in the economy remained low and inflation surged, pushing it into a period of stagflation (Marais 2011: 31). Coupled with emerging tensions in the racialized wage-labor nexus and forms of competition, towards the end of the 1970s, the monetary regime entered a period of crisis.

By the 1970s, developments in industry and the financial sector led Johannesburg to establish itself as the key industrial, commercial and financial center in South Africa (Table 6.2.). Most business and financial activities in Johannesburg revolved around the Central Business District (CBD) and its northern flank (Crankshaw 2008: 1695). The city's key business and government offices, as well as a range of shopping and entertainment venues, were located here (ibid.). Towards the end of the 1960s, due to an increased demand for office space in the CBD and a range of incentives offered as part of the 1946 Johannesburg Town Planning Scheme, business activities in the city had started to move northwards into the Braamfontein neighborhood of Johannesburg.

	<b>Industrial or commercial</b>		<b>General financial</b>		<b>Totals</b>	
	<b>Offices</b>	<b>Assets</b>	<b>Offices</b>	<b>Assets</b>	<b>Offices</b>	<b>Assets</b>



<b>Johannesburg</b>	55	3,209.8	27	8,610.8	82	11,820.6
<b>Cape Town</b>	10	378.4	5	1,034.7	15	1,413.1
<b>Pretoria</b>	2	104.6	2	1,190.7	4	1,295.3
<b>Durban</b>	16	650.5	1	344.8	17	995.3

**Table 6.2.** Total offices and assets controlled by companies by location (in millions of Rand)  
Source: Rogerson (1974: 90)

#### *1.4. Insertion of the state into the international economy*

As Marais (2011: 87) points out, South Africa's economy had been integrated into the world economy along lines similar to other semi-industrialized economies. Following the interwar period, however, South Africa industrialized and became

“not just richer than its neighbors, but a producer of much more advanced goods. Protecting the home market through high tariffs and related measures not only fostered the expansion of local firms but also permitted the creation of state industries in leading sectors, where no local or foreign firms would invest (like the steel giant ISCOR). At the same time, US multinationals began to build branch plants (from auto producers Ford and GM, to consumer-goods manufacturers like Kellogg's). By the end of World War II...South Africa was not only richer than other African territories, Korea, Brazil and most of southern Europe, but was one of the very few industrial powers outside Europe and North America” (Martin 2013: 170).

Some have therefore argued that this led to the emergence of a sub-imperial role for South Africa, whereby the state seized opportunities created “by a colonial world in chaotic disarray” (Martin 2013: 171). Thus, South Africa became a leading regional exporter of industrial manufactures, while also an importer of cheap labor employed at its farms and mines (ibid.).

At the same time, a reliance on imports for capital and intermediate goods made the South African economy heavily reliant on imports, which were financed chiefly through mineral exports (Marais 2011: 88). A heavy dependence on capital-goods imports and foreign technology therefore left the country vulnerable to balance-of-payment imbalances (ibid.). Throughout the late 1970s and early 1980s, the IMF played a key role in channeling balance-of-payments support to the country, providing \$2 billion in loans during this time (Bond 2000a: 159).

Throughout the apartheid era, the World Bank also provided \$212 million in loans<sup>40</sup> that financed large-scale South African projects. These projects chiefly benefited the white segment of the population: the building of Eskom, a thermal power plant, supplied electricity only to whites, while only pass-bearing black citizens who lived in cities benefited from a segment of the railway network built using World Bank funds (Bond 2000a: 158-9). Despite widespread condemnations by the international community, and the range of international sanctions implemented during this period, both the World Bank and the IMF continued to provide assistance to the apartheid government, with the IMF halting its lending in South Africa as late as 1983. This has led critics to claim that the financial and strategic support provided by the IMF and the World Bank made them “accomplices of the racist and repressive South African regime” (Toussaint & Bond 2019).

The withdrawal of funding by the international financial institutions generated considerable tension within the institutional form through which South Africa was inserted into the

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<sup>40</sup> For the sake of comparison, between 1946 and 1967, the total value of South Africa's loans from the World Bank was by far the greatest on the African continent; only Nigeria came even remotely close to receiving this amount (Padayachee 1993: 190).



international regime, and further exacerbated the tensions inherent within the overall institutional configuration.

### *1.5. Forms of the state*

In the late 1930s, a general consensus had emerged that a large, interventionist state was the key to both economic and social progress in South Africa (Posel 1999: 102). In 1944, the government-appointed Social and Economic Planning Council (SEPC) asserted that it is “in the general interest [that] the State is in growing measure impelled to assist, to guide, to regulate and to initiate” (ibid.). With the election of the National Party in 1948, this vision became a reality and was used to advance a distinctly racial program. This large, powerful state therefore set out to delimit the ‘place’ where each race belonged – economically, politically, socially, culturally (ibid.: 103) as well as geographically. Apartheid was therefore a heavily statist system (Carmody 2002: 257) that relied on a complex web of institutions articulated at the national scale.

In the post-war period, this web of institutions nurtured the emergence of, and sustained, the MEC:

“The institutions, laws and practices of apartheid are basically extra-economic devices elaborated to secure the processes of capital accumulation through the maintenance of the black majority as an easily exploitable source of cheap labor power. Because of the total inter-penetration of racial oppression and capitalist exploitation, the South African struggle also necessarily has a class dimension” (ANC, as cited in Wolpe 1988: 30).

In this sense, the racial ideology at the core of apartheid, as Wolpe (1972: 454) argues, should not be understood as being external to capital relations of production, but rather as integral to sustaining and reproducing them. Namely, racist ideology and policy appeared not only “as the means for the reproduction of segregation and racial discrimination generally, but also as what they really are, the means for the reproduction of a particular mode of production” (Wolpe 1972: 429). The racialization of the state nurtured the Fordist regime of accumulation, propping up the forms of competition and the wage-labor nexus.

In this context, the segregated state played a major role as it created a dual structure of subnational governments (Ahmad 2003: 326). The 1951 Bantu Authorities Act established a separate administrative authority for Africans that operated on three levels – tribal, regional and territorial. Tribal authorities were led by a chief and were granted administrative, executive and judicial powers (Kelly 2015: 278). Regional authorities were in charge of the establishment and management of public infrastructure, educational and health institutions, agriculture and they exercised control over two or more tribal authorities. Finally, territorial authorities – the highest tier of government – exercised control over two or more tribal authorities and were in charge of providing assistance to tribal and regional authorities “in connection with matters affecting the material, spiritual, moral and social welfare and the educational interests of the Black population of that area” (Black Authorities Act 68 of 1951). However, the economic survival of these ‘tribal sovereignties’ was contingent on fiscal transfers from the apartheid state which were so low that, at the height of apartheid, they amounted to only 7% of South Africa’s overall GDP (Ahmad 2003: 327). In many ways the Bantu Authorities system was therefore “fused with an economic development program destined to fail” (Evans 1997: 244). At the local level, townships belonged to black local authorities (BLAs) and, just like higher levels of black government, had neither political nor economic autonomy nor were able to develop a fiscal base (Ahmad 2003: 327). Creating a parallel governance structure within the broader apartheid state allowed the government to devolve all unwanted responsibilities to the



administrative apparatus of the Authorities, even though these responsibilities largely went unfulfilled as a result of the Authorities' fiscal incapacity.

On the other hand, the white government administration consisted of an intergovernmental system with the central government at the apex, four provincial administrations under it and within each province a series of independent local governments (Ahmad 2003: 326). Major sources of revenue – i.e. the personal income tax, the sales tax (and subsequently VAT) and the corporate income tax – were collected by the central government and represented about 85% of the overall tax collection (ibid.). The provincial governments acted as “delegated administrations of the center” and depended on transfers from the central government (ibid.). Finally, the local governments – also known as white local authorities (WLAs) – were relatively independent from the central government. They had significant borrowing capacity and frequently resorted to raising funds directly from the capital markets (Smith 2000: 244; Ahmad 2003: 326).

The separation between black and white local authorities was reinforced territorially through a system of urban spatial segregation, generating what some authors have called the ‘Apartheid City’ (Davies 1981; Smith 1992). The Group Areas Act of 1950 created a legal framework for the zoning of all urban areas into sections which were to be the exclusive preserve of particular races. It envisaged the territorial separation of these groups by physical or man-made barriers, or buffer zones of sterile land, for the purpose of inhibiting contact and interaction between members of different races (ibid.). The Group Areas Act was a sweeping piece of legislation that applied to all non-white racial groups (including Indians and Coloreds) and therefore caused massive urban displacements as large swathes of urban residents were ‘rezoned’ (Magubane & Yrchik 1977: 31). This was the foundation on which the Apartheid City was built and which ensured that South African cities would be spatially tailored to fit the needs of the dominant (ethnically white) social bloc. The dominant bloc therefore occupied land that was “conveniently and strategically related to the centrally located economic, social and political functions of the city” (Davies 1981: 64). Johannesburg in particular had an extensive white residential core which expanded in the direction of desirable northern suburbs (ibid.: 70).

On the other hand, black, colored and Asian citizens in the 1950s migrated to the south-western peripheral area of Johannesburg, particularly the townships of Soweto, Riverlea and Lenasia. These townships occupied low-value and poorly accessible areas of the city, located a significant distance away from the CBD. As Beavon (1982: 16) points out, black townships in no way resembled the white residential parts of the city, nor did they even resemble “the geography of Third World cities in general and of Africa in particular.” This is the case because townships were intended to be temporary dormitories for black laborers who would eventually return to live in the reserves (ibid.). Townships were therefore essentially shanty towns with little to no access to shops or entertainment facilities (ibid.).

The large CBD of Johannesburg remained the single most important part of the city where all races converged, although “its opulence was reserved for whites only” (Beavon 2000). By the 1960s and 70s, however, wealthy white residents no longer cared much for the “bustling town together with its non-white and industrial appendages” and started to move out north-eastward to ensure “maximum spatial separation between themselves and undesirable areas” (Hart 1974: 12). This move was assisted by the increase in private automobile ownership after World War II (Beavon 2000). Consequently, by the late 1970s, a number of mega-malls (e.g. Sandton City Mall, Eastgate, etc.) had opened in the city’s northern suburbs, attracting Johannesburg’s white upper and middle class residents. As Beavon (1998: 13; 2000) points out, shopping in these



mega-malls had become so popular by 1978 that a third of all white shoppers were making their purchases *only* there. This, in turn, had a major impact on shopping in the CBD as white shoppers were increasingly replaced by predominantly black shoppers:

“Whereas it would become increasingly difficult to find high-order internationally-branded luxury items in CBD shops it became increasingly easy to buy the types of items needed by householders living in townships where the bulk of houses were still without electricity” (Beavon 1998: 13).

Regardless of the legal restrictions, more black shop-owners were running their businesses in the CBD than before.

The spatial segregation of races, combined with the overall neglect of non-white urban residential areas, created an inherently tension-ridden form of urbanization:

“[N]otwithstanding the introduction and repeated strengthening of the influx control and expulsion provisions of the Urban Areas Act between 1923 and 1945, urban administration remained unsynchronized and incapable of detecting or absorbing the streams of Africans who entered the increasingly squalid and febrile urban areas, either as migrant workers or as permanent settlers” (Evans 1997: 39).

By the 1970s, dissatisfaction with living conditions in cities started to manifest itself overtly in the form of township protests, with the Bantu Authorities system undermined by “an illusion of decentralization and false autonomy” (Kelly 2015: 278). Rent boycotts – a refusal to pay rent or utilities for state-owned houses – were one of the most popular mechanisms that disgruntled township residents used to voice their dissatisfaction (Beavon 1992: 240).

### *Summary*

Between 1948 and the mid-1970s, oligopolistic competition existed in a complementary relationship with the racialized wage-labor nexus. These two institutional forms were further supported by a complementary apartheid state form, which generated a stable regime of accumulation within the confines of a highly racialized institutional milieu. In accordance with this, the dominant bloc was comprised of large-scale capitalists in the MEC, as well as key agents associated with the National Party in the apartheid state who implemented top-down institutional reform to the advantage of the MEC. A racialized wage-labor nexus thus generated two distinct groups: a disenfranchised group of exploited black laborers, on the one hand, and a white ‘working class aristocracy’ on the other. This provided industry with a large source of cheap and stable unskilled and semi-skilled labor, while at the same time nurturing the apartheid state form through the maintenance of a ‘superior,’ skilled white workforce.

Throughout the 1970s in South Africa, however, contradictions inherent within this institutional configuration – particularly within the wage-labor nexus and the forms of competition – contributed to destabilizing and eventually breaking down the institutional hierarchy. Namely, worker dissatisfaction and the rise of black labor unions challenged the supply of cheap, exploitable labor that formed the core of the wage-labor nexus, while the rapid rise of manufacturing – and a comparative decline of mining as a share of the economy – destabilized the role of the MEC, producing tensions within the logic of oligopolistic competition. This exacerbated the inherently racialized nature of the entire institutional configuration which most directly manifested itself in the apartheid form of the state, challenging the segregation that it instituted on national, regional and urban levels.

Throughout this period, Johannesburg acted as a key center for the expression of these tensions and, in June 1976, was the locus of the ‘moment of activation’ which, I argue, ultimately triggered the breakdown of the ‘racial Fordist’ institutional configuration. Lipietz (2008: 141)



perfectly encapsulates the crucial role of Johannesburg in general, and the Soweto uprising in particular, in triggering the ‘moment of activation’:

“Johannesburg has...been a hotbed of anti-apartheid activism. The 1976 Soweto township uprising, for instance, marked a turning point in the struggle against apartheid, and, ever since, Johannesburg politics have been as much intertwined with the redistributive impulse of township grievances. In particular, the Soweto civics’ late 80s/early 90s call for ‘one city, one tax base’, symbolizing black urban dwellers’ aspiration to be recognized as fully fledged actors with equal rights to city resources soon became a national anti-apartheid rallying cry. Arguably, Johannesburg’s local politics have encapsulated, more acutely than those of any other South African city, the governance dilemmas of the late- and post-apartheid eras.”

Namely, on 16 June 1976, an uprising began in the Johannesburg township of Soweto, bringing thousands of students to the streets. While the uprising began as a student protest against the introduction of Afrikaans as a language of instruction, it quickly turned into a broad-based protest against living conditions in townships and the status of black citizens in urban areas. Unlike the protests that had originated in the wage-labor nexus – i.e. the workers’ protests in the early 1970s – these protests succeeded in triggering multiple institutional forms and calling into question the stability of the entire institutional configuration.

While the uprising did not succeed in bringing down the apartheid regime, it sparked a crisis within the regime of accumulation, rendering the institutional forms prone to agential action. This period of interaction paved the way for a re-grouping of the dominant bloc, allowing a new set of actors to emerge, and bringing the financial monetary regime to the top of the institutional hierarchy. However, unlike in the case of New York City where interaction took place over the course of a few months in 1975, in Johannesburg this period spanned over a decade.

## **Part II. Interaction**

The 1980s in South Africa were a decade marked by considerable turbulence caused by the exhaustion of the Fordist regime of accumulation and the racial system of government that it propped up. Agents grouped and regrouped as they grappled with the inheritance of the institutional forms that existed prior to the moment of activation. In this sense, ideas proposed at this time can be understood through the concept of *ideas as self-explication*. Namely, ideas adopted by the dominant bloc sought to preserve ‘racial Fordism’ by appeasing the anti-apartheid struggle through waves of incremental adjustments of the existing institutional forms. The dominated social groups, on the other hand, reflected on the breakdown of the existing institutional hierarchy by strengthening their resistance efforts; new social groups formed and existing ones, even those in exile such as the ANC, gained in strength. This was accompanied by a process of rescaling that saw a comparative decline of the national scale and rendered cities, particularly Johannesburg, central to the new regime of accumulation.

By the early 1980s, the dominant bloc had begun to plan a course of action within the confines of the given institutional continua. Members of the apartheid government became aware that crisis tendencies within the regime of accumulation could not be resolved within the existing political and social confines of apartheid (Marais 2011: 33). Head of National Intelligence, Neil Barnard urged President Botha to “make peace now while we’re masters of our destiny” (Gevisser 2007, as cited in Marais 2011: 33). On the other hand, agents within the MEC sought to remedy these crisis tendencies by (incrementally) moving away from problematic apartheid policies, particularly those inherent within the wage-labor nexus. Representatives from Anglo American, for instance, argued in favor of instituting black home ownership and coupling it with family accommodation, claiming that it would “dampen the militancy of the workforce



and ensure social stability” (Crush & James 1991: 306). Therefore, the aims of the state and those of capital were frequently contradictory, ridden with tensions and influenced by a range of domestic and international factors (Marais 2011: 42).

The two core areas that were the focus of restructuring efforts during the interaction period were labor relations and urbanization (Marais 2011: 43). The apartheid government appointed two commissions to explore potential pathways for reform – the Riekert Commission was appointed to specifically focus on potential changes within urbanization policy, while the Wiehahn Commission was placed in charge of proposing changes within labor relations that would address capital’s concerns and demands for a stable supply of semi-skilled and skilled black labor (ibid.). Essentially, reports prepared by both commissions proposed incremental reforms within the wage-labor nexus, without addressing its complementary relation with the apartheid state form. This marked the beginning of a reformulation of the top-down model of governance characteristic of ‘peak apartheid’, and a scaling down of policy-making and policy implementation. Ultimately, it resulted in the internal restructuring of the National Party, whereby the traditional core of the NP (i.e. white workers, Afrikaner middle classes and small farmers) split off from the reformist NP to form the right-wing Conservative Party (ibid.: 45).

With respect to urbanization, state strategy shifted from top-down control of all aspects of urbanization to a selective intervention in certain areas (Soni 1992: 47). A shift had taken place from *control* to *management* of black urbanization; the state had accepted that “urbanization of Blacks was here to stay and that its role was to direct and manage that process” (ibid.). In addition, urban policymaking had increasingly been devolved from the national level to local and regional governments, as well as the private sector (ibid.). The Riekert Commission envisaged that a shift away from central state intervention would be accompanied by a decentralization of administrative control to local black township councils (Morris and Padayachee 1989: 78). Before the 1980s, housing for black citizens had been provided by the state on a rental basis; the 1980s saw a withdrawal of the state from housing and an introduction of market-based solutions to housing provision (Soni 1992: 47). This resulted in a “kind of privatization within an authoritarian framework... with the central state appearing to retreat from the day-to-day management of Africans’ lived realities” – an attempt to defuse township discontent (Marais 2011: 43).

At the same time, capital took important steps in its own attempt to resolve the crisis by setting up the Urban Foundation (UF), an urban policy think tank and housing development agency which implemented minor market-based palliatives to apartheid (Bond 2000a: 125). The UF was funded by the Anglo American Corporation and the Rembrandt Group<sup>41</sup> and its ultimate aim was to maintain the existing process of capital accumulation (Soni 1992: 46). The UF’s intervention into policymaking was thoroughgoing and ranged from policy lobbying to drafting of legislation (e.g. the contentious 1983 Black Local Authorities Act) to generally becoming “the main vehicle for imposition of neoliberal policy in South Africa’s cities” throughout the late 1980s and early 1990s (Bond 2000a: 126-7; 129). By the early 1990s, the Urban Foundation had grown from having a “shaky practical foundation and eclectic intellectual heritage” to acting as the “favored World Bank junior partner” in South Africa (ibid.: 131; 160).

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<sup>41</sup> The Rembrandt Group was a South African tobacco conglomerate founded by the Afrikaner tycoon Anton Rupert.



Reforms during this time took the form of what Morris and Padayachee (1989: 75) call “a kind of ‘selective Fordist’ response” whereby efforts were made to incorporate a protected ‘insider’ urban black population into urban areas, while at the same time “compartmentalizing the marginalized, unemployed, unemployable population in the bantustans.” By distinguishing between ‘insiders’ and ‘outsiders,’ the apartheid government sought to create a new territorial basis for segregation (Morris & Padayachee 1989: 75). However, the insider/outsider division failed as it was based on a set of flawed assumptions:

“the bantustans were no longer simply subsistence repositories of surplus labor. They were integrated into the national economy through a massive system of commuter migration to the metropolitan areas...The classic patterns of labor supply and reproduction based on the migrant/settled rural/urban dichotomies were being superseded by the restructured urban regional economies around the industrialized metropolitan areas which encompassed traditional rural-bantustan, rural-white, urban-industrial and urban-black areas” (Morris & Padayachee 1989: 77).

Therefore, many of these initial reforms had the opposite effect of containing tensions, resulting rather in increased dissatisfaction and widespread revolts in the townships.

During this time, protests gained steam – “black worker organizations were growing in scope and sophistication, organized community protests were reviving and international hostility was reaching a pitch” (Marais 2011: 45). Agential (re-)grouping during this time resulted in the emergence of a range of new social groups that offered a new form of resistance to the apartheid government’s dying efforts to appease the black population. These organizations sought to unite economic struggle with political struggle, recognizing the mutual constitutiveness of labor struggles and racialized oppression. One of these organizations was the United Democratic Front (UDF), a broad-based non-racial, cross-class coalition that emerged in 1983 (ibid.: 47). Labor unions had also joined in on the fight – the Congress of South African Trade Unions (COSATU) was a non-racial trade union federation that emerged in 1985 and united its labor efforts with the fight against apartheid. As Marais (2011: 47) points out, “old popular organizations were revived, new ones were built and fresh alliances were struck around an increasingly implacable opposition against the apartheid system.” These new developments generated a new political terrain with a new set of constraints for the dominant social groups.

In response, the apartheid regime conducted a range of uncoordinated tactical adjustments that ventured further than earlier ones (Marais 2011: 45-6). This new wave of reform, deemed ‘orderly urbanization,’ yet again sought to restructure the territorial basis of apartheid in order to stem resistance to the political underpinnings of apartheid (Morris & Padayachee 1989: 78). The policy shift was outlined in the 1985 Urbanization Strategy for the Republic of South Africa, a report put together by the President’s Council (ibid.). One of the most notable reforms was the official abandonment of influx control in 1986 when pass laws were abolished and black citizens were allowed to freely enter and work in urban areas (ibid.: 79; Marais 2011: 46). In addition, squatting was legalized and even encouraged for the poorest members of the black working class. As Morris & Padayachee (1989: 79) point out, this differed radically from Riekert Commission policy and its efforts to maintain a territorial division between urban and rural workers – rather than implementing a territorial separation, a spontaneous separation based on economic status emerged within cities. This had the effect of rescaling the wage-labor nexus, anchoring it at the urban scale.

‘Orderly urbanization’ had the largest effect on townships. For instance, citizens formed township street committees which sought to fill the void left by the retreat of the state apparatus. In certain cases, governability in townships was affected in a surprising way – as one UDF official pointed out:



“Within the ensuing vacuum we have seen the remarkable...emergence countrywide of rudimentary organs of people’s power. In particular, democratic street committees, elected house by house, street by street, have developed...in a large number of townships and villages. Suddenly, many of the most severe problems that had plagued our ghettos have been resolved, like weekend violence, gangsterism, rape. A strange paradox this, as the authorities have collapsed, as black policemen have packed up and fled from the townships, so, strange to say, we have seen a dramatic drop in the level of violent crime. This has been the experience countrywide. It is limited to the development of basic democratic control over the streets by the people themselves. These have become our own liberated zones, not in the remote countryside but in the backyard of an industrial society” (cited in Soni 1992: 49).

While other authors (Marais 2011: 54; Friedman 1987: 62; Morris & Payadachee 1989: 84) have noted that situations where street committees established ‘liberated zones’ were the exception rather than the rule, the fact remains that townships throughout the country acted as crucial loci of struggle during this period.

Toward the end of the 1980s, more violent forms of resistance started to take shape. The banned and exiled African National Congress (ANC), South Africa’s predominant political power, set up a range of covert activist cells and underground networks (Marais 2011: 51). The ANC was one of the main advocates of a ‘people’s war’ and in January 1985 called for South Africa to be ‘rendered ungovernable’ (ibid.: 50). This brought anti-apartheid struggle to a head, resulting in the declaration of a state of emergency first in July 1985 and then again in 1986. The UDF – which endorsed ANC’s tactics – was subject to fierce state repression and was finally banned in early 1988.

In response to these developments, in 1987, the apartheid government implemented a parallel system of state power through the National Security Management System (NSMS), vesting a great deal of administrative power in the military and police (Morris & Payadachee 1989: 88). The NSMS was a massive structure that operated at all scales, “running parallel to and plugging into the government structure at every level – from the cabinet down to the smallest local authority” (ibid.). In the end, the NSMS succeeded in containing the militant insurrectionism within townships by isolating specific ‘hotspot’ townships and imposing repressive force on them (Marais 2011: 54). Aside from the major influence that the NSMS had on popular struggles within the dominated groups, it also signaled a major shift in the balance of power within the state itself (Morris & Payadachee 1989: 89). Namely, the security apparatus started to wield considerable power, and was placed in charge of a wide range of day-to-day administrative issues (Marais 2011: 53). For instance, the NSMS was placed in charge of implementing urban renewal projects in over 200 townships throughout the country, as well as rapid improvement projects within thirty-four of the country’s most ‘volatile’ townships (ibid.). With the help of the NSMS, the apartheid government succeeded in defeating militant resistance, but as Marais (2011: 56) argues, the democratic movement persisted.

Throughout the 1980s, the IMF had stopped lending to South Africa, but sent a number of advisory teams to help the government implement a number of neoliberal measures. For instance, in 1991, it designed the regressive Value Added Tax – a measure that led to a massive two-day worker strike (Bond 2000a: 159). The World Bank was equally engaged during this crucial period in South Africa; as Smith (2008: 240) points out, South Africa “became THE international story of a country in transition and the Bank wanted to be seen as shaping the development path of the country.” Therefore, between 1990 and 1994, the World Bank sent a



number<sup>42</sup> of advisory and fact-finding missions to the country. Much of this engagement focused on urban and housing policy and infrastructure, and brought together the Bank, the apartheid government, the ANC, as well as representatives from a range of urban non-profits and NGOs such as the Urban Foundation, as well as PLANACT (a progressive urban planning NGO from Johannesburg), INLOGOV (a non-profit focusing on local government capacity), the Soweto Civic Association and the Development Bank of South Africa (ibid.: 242). In 1992 and 1993, these missions produced the Urban Aide Memoires, reports which had outlined a distinctly neoliberal urban development program and policy framework, which had laid the foundations for the future Municipal Infrastructure Investment Framework (ibid.: 243). The aggressive intervention by the IMF and World Bank during the period of interaction generated a neoliberal ideational milieu which would later be adopted by the emergent dominant bloc.

From 1986 onwards, divisions in oligopolistic competition between ‘Afrikaner’ and ‘English’ capital, as well as capital’s insertion in the international economy and the accompanying transformation of a “formerly independent national capital into a more locked-in relationship with foreign capital” (Morris & Payadachee 1989: 103) precluded the emergence of a concerted strategy of capital during the interaction phase. With the exception of the Urban Foundation and its active input into social and economic policy, the norm for capital was to tacitly endorse state policies, except when specific interests were at stake (Marais 2011: 59). This allowed the Urban Foundation to emerge as a key agent mediating between residual forms of apartheid and the anti-apartheid movement. As Bond (2000a: 131) points out,

“Locating itself between the ‘extremes’ of Democratic Movement housing-for-all discourses and residual apartheid, homegrown Bank-think prospered in South Africa’s liberal capitalist and econocrat subcultures.”

Throughout the late 1980s and early 1990s, the UF provided ideological fodder for the resolution of ongoing township struggles and set the groundwork for a transitional urban policy steeped in neoliberalism. By providing a local grounding for international capital flows, the UF therefore played a crucial role in the shaping of the newly emergent financial monetary regime.

The UF’s broad mission was supported by a broader shift in monetary policy from the 1980s onwards through the appointment of the Commission of Inquiry into the Monetary System and Monetary Policy in 1977. Gerhard de Kock, a former IMF employee, was appointed to lead this Commission (colloquially known as the De Kock Commission) which eventually produced a set of recommendations and policy prescriptions steeped in monetarism (Addleson 1992: 46). He was subsequently appointed as Governor of the Reserve Bank of South Africa, contributing to facilitating a massive overhaul of the financial system. Ashman and Fine (2013: 163-4) provide a concise summary of the sheer scope of De Kock’s reforms during this period:

“[De Kock] argued for monetary policy to be conducted by the market mechanism as far as possible; for specialized bank categories to be abolished in order to ‘stimulate competition’; liquid asset requirements were superseded by cash reserve requirements; new capital requirements were imposed, as prescribed by the Basel Accord; foreign banks were allowed to establish branches and buy shares in South African banks, and the latter were permitted to establish offshore interests.”

While De Kock himself died in 1989, his influence over the monetary regime was undeniable.

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<sup>42</sup> The first of these fact-finding missions took place in 1991; subsequent missions were divided into specialized sectoral groups which made trips to the country every 4-5 months until 1995 (Smith 2008: 242-3). By 1992, the Bank had started to conduct missions on the condition of South African cities, with a focus on Johannesburg, Cape Town, Durban and Port Elizabeth.



Township struggles throughout this period played a major role in forcing both the Botha and de Klerk governments to contemplate power-sharing (Bond 2000a: 135). Namely, by the mid-1980s, a consensus had emerged within both capital and state that a peaceful “political exit” of the apartheid regime would in some way have to involve the ANC (Marais 2011: 59). This led to a series of negotiations with the imprisoned and exiled leaders and, in 1990, resulted in the unbanning of the party and the release of its leaders from prison. By this time, the ANC had achieved “substantial ideological hegemony” among the popular masses, and had acquired the reputation of being the ‘government-in-waiting’ (ibid.: 61). Many of the civic organizations that were active during ANC’s exile – such as the UDF and the South African Youth Congress (SAYCO) – had even opted to be ‘absorbed’ within the overarching structure of the ANC following its unbanning (ibid.: 63).

Black trade unions also maintained strong links with the ANC throughout the interaction period, with talented shop stewards offering considerable support to the party (Von Holdt 2002: 294). Shop stewards helped prepare for the first democratic elections, built ANC branches and participated in transforming local government institutions (ibid.). Overall, the unbanning of the ANC and its success at the polls in both 1994 and 1999, allowed it to assert its dominance over COSATU (Webster & Buhlungu 2004: 236). As Webster & Buhlungu argue (2004: 236), rather than COSATU and the SACP drawing the ANC into their redistributive politics, the ANC thus drew these two organizations into orthodox economic policies. This paved the way for the establishment of a strong, unified bloc of black civic organizations centered around an ANC core.

However, it was only during the extensive negotiations that took place between the incumbent NP and the ANC in the early 1990s (and the latter’s adoption of a broad-based neoliberal strategy) that this dominant bloc became fully entrenched within the new political landscape. From the adoption of the 1955 Freedom Charter until its unbanning in 1990, the ANC adopted a loosely socialist view on what the post-apartheid state would look like. A month before Nelson Mandela was released from prison, he insisted that

“[t]he nationalization of mines, banks and monopoly industries is the policy of the ANC and a change or modification of our views in this regard is inconceivable. Black economic empowerment is a goal we fully support and encourage, but in our situation state control of certain sectors of the economy is unavoidable” (Mail & Guardian 1990).

Patrick Lekota of the UDF reiterated this aim, explaining that

“[n]ationalization of certain industrial sectors would realize the ANC’s aims of redistributing the wealth of the country in order to achieve the upliftment of the exploited” (ibid.)

Nevertheless, the ANC succumbed to adopting a home-grown neoliberal project that drew largely on World Bank/IMF ideas and was selectively adopted by the apartheid regime throughout the interaction period in an effort to palliate resistance efforts. Ultimately, this project was outlined in the Reconstruction and Development Program (RDP) which – as Alec Erwin, the chief author of the RDP points out – envisaged opening up “new opportunities for the private sector to take up a wide range of economic activities, and for market forces to come into play in areas where they never operated” (as cited in Bond 2000a: 92). The new dominant bloc therefore gravitated towards the ANC and its efforts to simultaneously remove the racial underpinnings of capitalist accumulation (e.g. via Black Economic Empowerment (BEE)<sup>43</sup>)

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<sup>43</sup> Black economic empowerment (BEE) is an economic program that was launched by the post-apartheid ANC government to address the economic imbalances generated by years of segregation and institutionalized racism.



while also preserving (and deepening) the capitalist process itself. Rather than uplifting the black population as a whole, these reforms therefore nurtured the emergence of a “minority black capitalist class” (Marais 2011: 109) within a new neoliberal/post-apartheid dominant bloc, that is, within the context of a new, neoliberal institutional hierarchy.

### **Part III. Elaboration**

#### *3.1. The hierarchically dominant financial monetary regime*

By the end of the interaction period, it was clear that the new institutional hierarchy was headed by a financial monetary regime. While the De Kock governorship of the Reserve Bank had failed to reach most of the targets it had set, it – coupled with the De Kock Commission Reports – paved the way for the establishment of a monetarist ‘common sense’ within the Reserve Bank. In 1989, the Reserve Bank Amendment Act was adopted, ensuring a greater degree of decision-making autonomy for the Bank – in the neoliberal spirit (Addleson 1992: 58). The consensus that had therefore emerged was a prioritization of low inflation, an open capital market, as well as a strong currency (Ashman & Fine 2013: 171).

By 1996, the ANC had adopted these policy measures as part of its Growth, Employment and Redistribution (GEAR) strategy stating that the “main objective of monetary policy will continue to be the maintenance of financial stability and the reduction of the inflation rate” (GEAR 1996: 10). GEAR also supported the tightening of fiscal policy as well as the setting of fiscal deficit targets – “inflationary pressures will be kept in check and domestic resources will be released for financing capital formation” (ibid.: 8). Finally, GEAR insisted on the importance of a strong currency:

“the objective is to keep the real effective exchange rate of the rand at a competitive level. Although short-term fluctuations may at times be unavoidable, monetary and other policy measures will be geared towards the attainment of long-term real effective exchange rate stability” (ibid.: 11).

GEAR’s policy recommendations were a clear signal that the ANC had adopted a thoroughly neoliberal program, at the core of which was a financial monetary regime.

The monetary regime of the post-apartheid period therefore nurtured a very strong FIRE (finance, insurance and real estate) sector whose contribution to GDP has risen from 11% in 1980 to 15% in 1990 and 21% in 2010, outstripping all other sectors (Ashman & Fine 2013: 164). This had a range of spatial implications, particularly for the city of Johannesburg which had by then become a key anchor for finance in the South African context. Employment in the FIRE sector in Johannesburg more than doubled, increasing from about 79,000 in 1980 to 181,000 in 2001 (Crankshaw 2008: 1696). This was coupled with a decline in employment in the manufacturing sector from about 200,000 to 110,000 during the same period (ibid.: 1695-6). Between 1989 and 1999, nearly half of all of the factories in central Johannesburg had closed (ibid.: 1697). Considering the heavily segregated nature of Johannesburg, this had a range of socioeconomic and spatial implications: the decline of manufacturing left a large black working class population without work, causing a spike in the unemployment rate in the southern suburbs (particularly Soweto). At the same time, a range of structural barriers within the wage-labor nexus left this population unable to access the semi-skilled and skilled jobs opening up within the service sector in the northern part of the city (Beall et al. 2002: 52). The decline of manufacturing was therefore spatially confined to the poorest parts of the city in the

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It gave different non-white South African racial groups preferential treatment relative to whites vis-à-vis a form of affirmative action in the economy.



south, while the concomitant rise of finance served to further perpetuate the ‘whiteness’ and wealth of the leafy northern neighborhoods.

Deindustrialization and the decline of the CBD precipitated a considerable deterioration in the quality of inner city residential life (Beavon 1998: 15). A substantial increase in crime – particularly petty crime, muggings and physical assaults – led to further expulsion of offices, retail and hotels from the CBD (ibid.). By 1998, many of the formerly prestigious buildings in Johannesburg’s CBD had become vacant or had even fully closed: the former IBM building was 100% vacant; the 5-star Carlton Hotel had closed; the 50-storey Carlton Office Tower was over 50% vacant and the Diamond Building was over 70% vacant (ibid.: 16). Most of the offices and businesses located in these buildings moved to the northern suburbs of Randburg, Sandton and Midrand which had by then formed a “new city center” (Crankshaw 2008: 1697). That is, the northern neighborhoods of Johannesburg acquired a ‘totalizing’ character as they combined residential, recreational, commercial and industrial activities and therefore became entirely independent of the old CBD (ibid.: 1698). Corporate expansion was so rapid and concentrated in northern Johannesburg that, by 2000, it contained approximately twice as much office space *and* shopping space as the CBD (ibid.: 1697).

### *3.2. Forms of competition*

As mentioned in the previous section, the emergence of the financial monetary regime at the top of the post-apartheid institutional hierarchy subdued productive capital in favor of finance. As Marais (2011: 123) points out, “South Africa’s economy was derelict and misshapen in the early 1990s, dominated by ponderous conglomerates desperate to restructure and venture into global markets.” A policy of steady financial liberalization implemented as part of ANC’s GEAR program facilitated the global expansion of South Africa’s major mining conglomerates (Marais 2011: 127). Under the aegis of the ANC government, the country’s MEC core therefore successfully transferred vast amounts of domestically accumulated capital abroad (ibid.: 125). Between 1994 and 2000, for instance, capital flight was an average of 9.2 percent of GDP per year (Mohamed & Finnoff 2004: 2). International expansion was accompanied by a drive for conglomerates to unbundle their bulky structures and reform their unsophisticated managerial hierarchies (Chabane et al. 2006: 554). As Chabane et al. (2006: 555) point out, the change in managerial mindset was promoted by the realization that “while the complex cross-holdings and pyramid ownership structures reinforced family control, they failed to promote effective management and maximize profit.” Beginning in 1994, the country’s largest mining and finance conglomerates therefore moved their primary listings to London (e.g., Anglo American, Old Mutual, Liberty Life, SA Breweries). Conglomerates argued that liberalization of exchange controls and overseas listings would allow them to raise capital cheaply in international markets, and consequently increase investment in South Africa (Chabane et al. 2006: 558). This never occurred, and it has rather been argued that these companies have successfully joined the ranks of a global mining capital elite, detached from the South African industrial context (Makgetla 2004: 276).

In spite of the changing dynamics within the form of competition, industries centering around an MEC core have retained a central (albeit comparatively smaller) role in the economy (Table 6.3.). Therefore, even though MECs have undergone international expansion and restructuring, they continue to maintain an oligopolistic domination of the industrial core of the economy. This has produced a contradictory effect:

“Oligopolistic concentration and divisions between sectors can produce stagnation in levels of investment as a consequence of market power whilst the conglomerates’ international vision leads



to the growing importance of foreign capital markets, and also widespread, illegal and staggering levels of capital flight” (Ashman and Fine 2013: 171).

Due to the difficulty of entering concentrated markets, this has therefore contributed to stagnation in levels of investment.

	1985	1990	1991-1995	1996-2000	2001-2003	2004
Anglo American Corporation	53.6	44.2	38.9	22.7	23.3	18.7
Sanlam	12.2	13.2	12.7	11.2	6.1	2.7
Liberty Life/Stanbic	2.0	2.6	5.8	9.0	5.2	4.7
Rembrandt/Remgro	3.8	13.6	13.2	10.2	9.2	7.9
Old Mutual/SA Mutual	10.6	10.2	11.2	10.4	9.9	4.5
Anglovaal	2.1	2.5	3.1	1.2	0	0
Top 6 groups collectively	84.3	86.3	84.9	64.7	53.7	38.5

**Table 6.3.** Summary of control of Johannesburg Stock Exchange market capitalization (% of total)

Source: Chabane et al. (2006: 553)

The scalar articulation of competition in South Africa had therefore undergone a major transformation – from prioritizing the national scale to operating predominantly internationally. Furthermore, the establishment of a new, neoliberal complementarity between the form of competition and the monetary regime was significant in a scalar sense, as it provided a complementary link between the urban scale (at which finance was anchored) and the international scale (where competition was predominantly articulated). In this context, the city of Johannesburg acquired a set of new roles and responsibilities within the broader regime of accumulation.

### 3.3. *Wage-labor nexus*

The breakdown of the ‘racial Fordist’ wage-labor nexus led to the emergence of an entirely new web of labor relations in post-apartheid South Africa. One of the major transformations in this respect has been the changing position of unions and the nature of labor struggles. Following the establishment of democracy in South Africa, black trade union members became “citizens with the right to vote, and their allies in the popular resistance movement now constituted the governing political party” (Von Holdt 2002: 293) – the democratically elected government now included a range of representatives from COSATU. While the power of unions previously stemmed from a close relationship between leaders, shop stewards and the rank-and-file, the new set of cooperative relationships that emerged – particularly between union leaders and the new political and economic elite – eroded this power (Webster & Buhlungu 2004: 235).

In his study of post-1994 workplace organization at Highveld Steel – one of the largest South African steel producers owned by Anglo American – Von Holdt for instance points to the new tendency for shop stewards to increasingly move on to political careers:

“the shop steward committee was seen as a stepping stone to opportunities for promotion or careers outside the factory...It became a platform for new aspirations and ambitions, which undermined its role as the accountable representative of workers in the workplace” (2002: 293).

The proximity between labor and the ANC had therefore contributed to eroding collective solidarity in the workplace within the new wage-labor nexus (ibid.: 294). This worked to dilute the militancy of the labor unions and generated an ‘identity crisis’ for the trade union movement as a whole, which had seen toppling the apartheid government as part and parcel of broader labor struggles.



Following the end of apartheid, unions also found themselves unable to keep up with the changing structure of the labor market and the growing informalization of work. Membership of COSATU unions was largely limited to full-time, permanent workers, which led to an exclusion of the ‘new working poor’ – that is, workers on part-time contracts as well as those employed in the informal sector (Marais 2011: 188; Webster & Buhlungu 2004: 234). Furthermore, companies started to introduce new HR management practices which reinforced the decentralization of bargaining, promoted labor agreements at the company level and established a “move towards individualism, coupled with new strategies to make employees identify more closely with the company” (Webster & Buhlungu 2004: 235). This challenged traditional sector-wide bargaining tactics adopted by COSATU unions; ultimately, COSATU therefore failed to engage with efforts to subvert the power of unions through the reformulation of employee bargaining (ibid.: 236).

At the urban scale, the new neoliberal wage-labor nexus entailed the replacement of large factories in the city center with flexible, precarious employment in more informal types of manufacturing (e.g. clothing, printing and jewelry) (Beall et al. 2002: 54). Coupled with a rise in employment in the services sector, job expansion in Johannesburg was largely biased in favor of either skilled or increasingly precarious (or informal) types of employment. With the exception of an emerging black elite which has succeeded in gaining access to well-paid employment, many of the existing racialized divisions in labor relations have persisted. In 1991, the Group Areas Act was abolished allowing non-white residents to freely choose wherever they wished to live – that is, as Crankshaw (2008: 1694) points out, if they could afford to do so. In this sense, the only barrier to entering a residential area became the price (Beavon 1998: 20). While a significant number of wealthy black people have succeeded in moving to the northern suburbs, an overwhelming majority of black citizens remain “literally and figuratively on the margins” – a phenomenon that has created a form of ‘*de facto* apartheid’ (ibid.).

As Crankshaw (2008: 1698) points out,

“the residents of the ‘excluded ghettos’ are working-class Blacks, comprising those who have been both discriminated against in the long term by *apartheid* legislation and who are also newly excluded from employment by the skill and spatial mismatch brought about by the decline of employment in the manufacturing sector and the generally slow employment growth across all sectors of the economy.”

At the same time,

“the White population of Johannesburg is still concentrated in the northern neighborhoods, precisely those neighborhoods that are characterized by the highest personal incomes, the best shopping facilities and the lion’s share of office-based businesses and jobs...although there has been some residential desegregation of the formerly Whites-only neighborhoods, the percentage of African homeowners has remained extremely low” (ibid.).

The wage-labor nexus has therefore nurtured and reproduced a legacy of racially segregated urban space, leading some to describe Johannesburg as a “neo-apartheid city” (Beavon 2000).

### *3.4. Insertion of the state into the international economy*

By the time the ANC had come to power, South Africa’s transitional government had already applied for an \$850 million loan to the IMF for the purpose of servicing part of the apartheid foreign debt (Bond 2000a: 176). The onerous terms of the loan – including a commitment to drop wages and scrap import surcharges – were kept secret until only a month before the



democratic elections, when they were leaked to the press (ibid.). IMF head Michel Camdessus is also said to have exerted a considerable amount of pressure on the ANC to reappoint two apartheid era government officials: finance minister Derek Keys and Reserve Bank governor, Chris Stals (ibid.: 178). Institutional continuity was therefore been established with the late apartheid era, placing South Africa on the path towards an integration into the international economy on neoliberal terms.

Nevertheless, there remained strong doubts regarding the international regime dominated by the World Bank and IMF. The ANC was elected in 1994 on a platform outlined in the RDP, a document that was “uneven and often internally contradictory,” but demonstrated that the ANC was inherently critical of international institutions and their prior engagement in South Africa:

“[South African countries] were pressured into implementing [IMF and World Bank] programmes with adverse effects on employment and standards of living...The RDP must use foreign debt financing only for those elements of the programme that can potentially increase our capacity for earning foreign exchange. Relationships with international financial institutions such as the World Bank and the International Monetary Fund must be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions” (as cited in Bond 2003: vi).

This doubt had reverberated across the ANC; as Patrick Bond notes, exiled ANC members who had lived in places like Tanzania, Zambia and Uganda “shared a gut feeling that a democratic South Africa must avoid the World Bank like the plague” (2000a: 160).

Nevertheless, within the space of two years, the RDP was scrapped in favor of the ardently neoliberal GEAR strategy (which the World Bank participated in drafting) that showed a drastically revised vision of South Africa’s insertion into the international economy. The scrapping of the RDP also implied a scrapping of the ideas of urban restructuring that advocated for the “need to break down the apartheid geography through land reform, more compact cities, decent public transportation” and promoting the “densification and unification of the urban fabric” (as cited in Todes 2006: 55). The shift to GEAR in 1996 therefore shifted the emphasis from urban restructuring to urban competitiveness and market-led urban developments (ibid.). The World Bank’s engagement in urban reform during the early post-apartheid period was thus focused on infrastructure provision, without much attention to the specific urban context or existing ‘local’ representatives of knowledge (Smith 2008: 245). This culminated in the Bank’s participation in the drafting of the neoliberal Municipal Infrastructure Investment Framework (MIIF) in 1997 – a national framework for municipal finance with a 10-year mandate and a \$12 billion budget for addressing service backlogs in urban areas that were excluded during the apartheid era (ibid.).

South Africa’s extensive links to the World Bank, the IMF, as well as its partnership with major international powers like the United States and the European Union, has led some to argue that South Africa’s ‘sub-imperialist’ role in the post-apartheid period has taken on a markedly neoliberal hue (Bond 2004; 2006). Namely, Bond (2006: 113) argues that “modern imperialism necessarily combines neoliberalism and ‘accumulation by dispossession’ in peripheral sites like Africa, along with increasing subservience to the USA’s indirect, neocolonial rule.” Within this context, South Africa has emerged as a regional ‘subhegemon,’ acting as a proxy for US interests and a conduit for neoliberal policies elsewhere in Africa.

### *3.5. Forms of the state*



The World Bank played a major role in providing the technical know-how for restructuring the bulky, racial apartheid state following the breakdown of apartheid in 1994. Its emphasis, both during the period of interaction and in the years following the democratic election, was on ‘development through decentralization.’ As Smith points out, the World Bank’s primary focus relative to the creation of a decentralized, multi-tiered government was on the elaboration of an intergovernmental fiscal framework (2008: 244). The Bank “helped to provide the rationale, method and frameworks for moving money between different tiers of government, a critical feature for the eventual decentralization of national government responsibilities” (ibid.). This was conducted in close cooperation with Trevor Manuel, the influential ANC economic policy chief and Minister of Finance (ibid.), nicknamed ‘Trevor Thatcher’ by South Africa’s *Mail and Guardian* newspaper (Bond 2000a: 78). The Bank’s vision was coupled with its push to privatize municipal services and move away from the emphasis on redistribution inherent in the RDP, replacing it with a model of ‘self-sufficient’ local government (Cameron 2002: 122).

Central to the neoliberal reforms that occurred at the urban scale were a series of efforts by the post-apartheid government to fundamentally restructure local government. Ahmad (2003: 329) captures the three distinct components inherent within this push: 1) administrative amalgamation, 2) fiscal and financial restructuring and 3) reform of the municipal service delivery. Amalgamation sought to redraw boundaries between segregated levels of government. At the regional level, homelands and provincial administrations were merged, forming new provinces; at the local level, the BLAs and WLAs were amalgamated to form new nonracial local governments (ibid.). This produced a three-tier governmental structure consisting of central, provincial and local government (ibid.: 330). In this revised context, local government has become a markedly independent institutional sphere with its own set of constitutionally guaranteed powers and functions (Cameron 2002: 113). It was placed in charge of providing essential services, such as water, electricity, sanitation, refuse removal and storm water drainage (ibid.: 121). However, in Johannesburg, restructuring entailed the amalgamation of eleven different local authorities that had existed under apartheid, which proved to be highly problematic (Lipietz 2008: 148).

Problems with the fiscal consolidation of the city eventually sparked “concerns over efficiency, fiscal discipline, growth and competitiveness” (Didier et al. 2012: 126). Faced with a technical bankruptcy, Johannesburg city council’s administrative powers were abrogated through a special intervention by higher tiers of government (Lipietz 2008: 142). In a move that is oddly reminiscent of the ‘coup’ by the financial elite in the wake of New York City’s fiscal crisis, an emergency committee with ‘super executive powers’ was formed to oversee budgeting and decision-making in Johannesburg (ibid.). As Lipietz (2008: 142) points out:

“Under its tight supervision, far-reaching institutional and financial restructuring of the city was instigated, culminating in a three-year restructuring plan called iGoli 2002...A process of long-term city visioning, ‘iGoli 2010’ was subsequently initiated in 1999, in order to ‘move beyond short-term crisis management.’”

Namely, ‘iGoli 2002’ introduced ‘new public management’-driven components to urban planning that were perceived as “a local version of the national neoliberal GEAR macro-economic framework” (Lipietz 2008: 143). The ‘iGoli 2010’ plan was a broad continuation of this program, although in a participatory, multi-stakeholder setting which sought to create a new social contract for urban planning in Johannesburg (ibid.). This form of negotiation was strongly influenced by prevailing World Bank-inspired forms of strategic planning, as well as the recent apartheid transition-inspired practice of building consensus by “gathering major players for negotiating difference” (ibid.: 140). ‘iGoli 2002’ and subsequently ‘iGoli 2010’ culminated in the creation of the significant *Johannesburg 2030* document that sought to



provide a long-term strategy for Johannesburg's development over the next three decades (Rogerson 2003: 63). At the core of this strategy was a focus on enhancing city competitiveness and urban economic growth, thereby propelling Johannesburg to the ranks of a 'World City' (ibid.).

Reform of governance at the local level therefore resulted in the corporatization and privatization of municipal services through which provision for a range of essential services was transferred to the private sector. Throughout this period, the MIIF guided the privatization and corporatization of public service provision, while the associated Municipal Infrastructure Investment Unit (MIIU) – jointly sponsored and staffed by the South African National Treasury and USAID – was formed with the aim of “encoura[ging] and optimiz[ing] private sector investment in local authority services” (Smith 2008: 245; McDonald & Ruiters 2006: 17). The MIIU has involved private actors in the management of local authorities in a variety of ways: by assisting the latter in hiring private sector consultants, contracting out the management of various services, privatizing assets and services, developing project proposals for private sector investments, etc. (McDonald & Ruiters 2006: 17).

As Smith (2006: 5) points out, most of South Africa's smaller local authorities have opted to involve the private sector in service delivery through concessions<sup>44</sup>, while the country's three largest metropolitan areas – Johannesburg, Cape Town and Durban – have rather employed corporatization<sup>45</sup> as an institutional model. Furthermore, while the latter two cities have chosen 'milder' versions of corporatization, Johannesburg has opted to develop a municipally-owned utility that is operationally entirely separate from the city council (Smith 2006: 5). Regardless of the model or extent of corporatization, this form of governance has led to a de facto privatization of services in cities, producing utilities that are more 'private' than 'public' (McDonald & Ruiters 2005: 28-29).

Corporatization in Johannesburg has allowed the city to remain the sole shareholder of public utilities, even though the utilities themselves are “'run like a business' without the administrative constraints of city council procedures” (Smith 2006: 8). Three different utilities<sup>46</sup> were formed in Johannesburg: for water and sanitation (i.e. Johannesburg Water), electricity (i.e. City Power) and refuse collection (i.e. Pikitup) (ibid.: 10). The commodification of water in the context of the Johannesburg Water public-private partnership was particularly contentious, not just domestically but also on an international scale, and is a particularly relevant illustration of the way in which forms of state were rescaled within the new institutional hierarchy.

Johannesburg Water was administered through a 5-year international management contract with three corporations – Suez (France), Northumbrian (Britain) and Water and Sanitation Services (South Africa) (Smith 2008: 246). It inherited a system that was steeped in the legacy of apartheid and therefore highly dysfunctional in low-income areas – a majority of the city's

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<sup>44</sup> A concession is an investment-linked contract whereby the concessionaire has overall responsibility for the provision of services, including operation, maintenance, management, capital investments, tariff collection and 'customer management' during the concession period (McDonald & Ruiters 2005: 16). The contract generally lasts between 25 and 30 years and is the result of competitive bidding (ibid.).

<sup>45</sup> Corporatization involves the provision of services by “stand-alone 'business units' owned and operated by the (local) state but run on market principles” (McDonald & Ruiters 2005: 17-18). The business unit therefore operates at arm's length from the municipal authority; while elected officials set standards and goals for service delivery, the corporatized service unit is placed in charge of daily management and long-term planning (ibid.).

<sup>46</sup> Aside from utilities, the city also established a number of agencies (e.g. City Parks, Johannesburg Roads Agency, etc.) and corporations (e.g. Zoo, Bus Services, etc.) for the provision of traditionally public services.



3.2 million shack settlement residents used communal standpipes for the provision of water, while the dominant form of sanitation were self-dug pit latrines (Bond & Dugard 2008: 6). This placed low-income residents in a particularly precarious situation in which it became very difficult to manage cholera and diarrhea epidemics, as well as the HIV infection rate. Instead of expanding supply to unserved areas, the water utility conducted massive water disconnections to save money and implemented a rate policy which directly disadvantaged low-income consumers (ibid.). While all Johannesburg residents were provided with a free basic amount of water (approximately 6,000 liters per month per household), this amount was never sufficient to last until the end of the month and the price of the subsequent tariff block was raised by 32%, making water and sanitation services incredibly difficult to access by low-income households (ibid.). In 2004, Johannesburg Water installed pre-paid, self-disconnecting water meters to remedy the situation – once the free basic water supply was exhausted, the pre-paid water meter would be disconnected until ‘water credit’ was purchased (ibid.: 2). Needless to say, the privatization of utilities in Johannesburg made it difficult to access basic public services, thereby perpetuating socio-economic differences.

## **Conclusion**

In this chapter, I situated the neoliberalization of Johannesburg within the broader breakdown of the ‘racial Fordist’ institutional hierarchy and the subsequent transition (following a period of agential interaction) to a new, neoliberal institutional hierarchy. A multiscalar understanding of institutional forms allows us to situate the neoliberalization of Johannesburg within processes occurring on national and international scales, that is, to capture the complex ways in which urban neoliberalization intersects with processes of neoliberalization occurring on higher scales. It therefore becomes possible to form a more complete picture of the transformation of Johannesburg from a predominantly nationally-oriented industrial city that served to territorially administer the apartheid state form to a fully neoliberalized international financial center and key South African ‘basing point’ for internationally-oriented capital.

Racial Fordism in South Africa was characterized by a hierarchically dominant Keynesian wage-labor nexus which played a key role in institutionalizing racialized labor relations. White laborers were placed in a position of considerable privilege, while a vast number of cheap and easily exploitable black laborers were made available to suit the labor-intensive needs of mining and industry. The wage-labor nexus formed a complementary relation with two institutional forms – the oligopolistic forms of competition and the apartheid form of the state. MEC-centered industries relied on cheap and disenfranchised labor for growth, while the apartheid state form institutionalized a territorial and administrative basis which propped up this racialized institutional configuration. The wage-labor nexus/forms of competition/forms of state complementarity constituted the core of the racial Fordist institutional configuration and allowed the apartheid state to exist in a state of relative stability for several decades. ‘Racial Fordism’ in South Africa therefore favored the national scale, and it was here that a dominant bloc formed, uniting three groups: a privileged class of industrial capitalists around an MEC core, a privileged stratum of white administrators within the apartheid state apparatus and white laborers who were granted disproportionately high wages at the expense of their black, colored and Asian co-workers.

Throughout the mid-1970s, tensions pervaded the racial Fordist institutional hierarchy and jeopardized the stability of the dominant bloc, eventually culminating in the breakdown of the institutional hierarchy. By tracing social (re)grouping during the period of interaction, I traced the interplay between structure and agency, that is, the way in which agency has reflected acted



upon inherited structures (*self-explication*) to produce a new institutional hierarchy steeped in the legacy of past institutional forms. The breakdown of the National Party and the extensive intervention of international institutions like the IMF and the World Bank in the early 1990s made way for the emergence of a new dominant bloc centered around the key opposition party, the ANC. Through its economic and social program, the ANC formed strong links with international agencies such as the IMF and World Bank, as well as domestic capital which had begun to internationalize. Thus, a new, hierarchically dominant financial monetary regime emerged, forming complementary relations with the international form of competition as well as the insertion of the state into the international regime.

Within this broader institutional shift, Johannesburg transformed from a nationally-oriented administrative and business center into a major international financial center in Africa. As South Africa's largest city and a key anchor for the 'racial Fordist' wage-labor nexus, Johannesburg territorially embodied the racial underpinnings of apartheid by segregating the population into distinctly racialized neighborhoods. While the infrastructure of Johannesburg's northern suburbs became comparable to wealthy residential neighborhoods elsewhere in the world, living conditions in the city's southern townships were more punishing than those in most other parts of Africa. The establishment of an ANC-led, post-apartheid government following the emergence of the new institutional hierarchy, however, did little to ameliorate this situation. As Bond (2000b: xiii) points out, "the *uneven development* of South Africa's cities and black townships (as well as smaller centers, towns and villages) was generally *amplified* during the 1990s transition to democracy." The neoliberalization of Johannesburg therefore reinscribed many of the existing socio-economic disparities in the city, and was therefore *adequate* to the racial Fordist forms, generating what many have called a 'neo-apartheid city.' Thus, rather than drawing an artificial line between the apartheid and post-apartheid periods, adequacy allows us to understand the continuities across these two periods and the ways in which neoliberalism is deeply embedded within South Africa's apartheid legacy. This is key to understanding why prominent inequalities and spatial segregation have persisted following the democratic transition.



## Chapter VII. Stockholm

Peter Hall argued that post-war Stockholm “came to be seen as the living embodiment, the showcase, of a society they sought proudly to create as a model for the world... [By the 1950s and ‘60s] it became known worldwide as the quintessence of a social philosophy, realized on the ground” (as cited in Peebles 2011: 23). Indeed, Stockholm’s legacy as a social democratic city is so etched into the collective consciousness that it still commonly serves as an example for a ‘more humane’ form of urban capitalism and as a viable alternative to hyperliberal forms of urban policymaking. Yet, there is substantial research has emerged that Stockholm has come to resemble most contemporary cities by virtue of its increase in social polarization and exclusion, gentrification, neoliberal forms of urban governance, place branding efforts and the financialization of housing (to name a few) (Stahre 2004: 81). This begs the question – to what extent has Stockholm’s social democratic legacy persisted, or rather, to what extent is it possible to argue that Stockholm has become a ‘neoliberal city’?

In an attempt to provide an answer to this question, I trace Stockholm’s institutional transformation between the 1950s and late 1990s. Through a multiscalar understanding of institutional forms, I trace how Stockholm has changed from a social democratic city – one anchored to the national scale and oriented to accommodating the interests of industry and labor – to an internationally-oriented city representing the interests of an emergent neoliberal social stratum embedded within the IT- and service-based sectors of the economy. By tracing the interplay between structure and agency over time, it also becomes possible to pinpoint ways in which past institutions have persisted and are reflected within the urban milieu, generating an institutional legacy that is neoliberal, yet firmly rooted in social democratic values and material practices.

Just like in the two preceding chapters, I present my analysis through a chronological sequence spanning three distinct phases – conditioning, interaction and elaboration. In the first section, I examine the phase of conditioning (1951-1971) during which Sweden’s ‘disarticulated Fordism’<sup>47</sup> persisted in a relatively stable manner, before crisis-tendencies started to appear in each of the institutional forms. I look at how the collapse of Bretton Woods acted as a moment of activation, precipitating a breakdown of ‘disarticulated Fordism’ and the dominant social bloc that it nurtured. In the second section, I take a closer look at agential interaction (1971-1985), i.e., the modalities through which social groups struggled to interpret the crisis and – whilst reflecting on the legacy of prior institutional forms – constructed a new, viable institutional hierarchy. In the final section, I look at how the interaction period has resulted in elaboration (1985-2000), producing a new, neoliberal institutional hierarchy.

### Part I. Conditioning

#### *1.1. The hierarchically dominant Fordist wage-labor nexus*

Throughout the postwar period, the wage-labor nexus was central to the Fordist institutional configuration and captured the core of the ‘historical compromise’ between employers and

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<sup>47</sup> ‘Disarticulated Fordism’ refers to the specific trade-dependent nature of the Swedish economy through which mass production relies on demand in the world economy, while mass consumption relies on exports (Ryner 2002: 68). As Ryner points out, ‘disarticulated Fordism’ derives from the usage of the term ‘disarticulation’ in Samir Amin’s version of dependency theory where he explains how a high degree of trade exposure is possible without resulting in dependency and underdevelopment (2002: 68).



unions in the Swedish model<sup>48</sup> (Martin 1984: 193). The two principal agents<sup>49</sup> that formed the core of Sweden's wage-labor nexus were the Confederation of Swedish Trade Unions (*Landsorganisationen i Sverige*), or LO, and the Swedish Employers' Federation (*Sveriges arbetsgivareförbund*), or SAF: most private-sector employers belonged to the SAF, while nearly all blue-collar workers' unions belonged to the LO. The LO maintained strong political ties with the Social Democratic Labor Party (*Sveriges socialdemokratiska arbetarparti*), or SAP. Historically, LO unions played a key role in mobilizing the vote of blue-collar voters for the SAP, while SAP policies worked to promote unionization both directly and indirectly (Pontusson 1987: 6). The SAF, on the other hand, allowed Swedish industry to remain active in politics through various lobbying efforts without having to affiliate itself with any of the major political parties. From the 1950s onwards, wage bargaining between the LO and the SAF took the form of 'centralized self-regulation,' i.e. in the absence of government intervention (Kjellberg 1992: 94).

The relationship between labor and capital (i.e. LO and SAF) was embedded within a broader policy framework put forth by LO-affiliated economists Gösta Rehn and Rudolf Meidner in 1951, and later adopted as official SAP government policy. The core feature of this model was the solidaristic wage principle, that is, the notion that the wage should be a 'just wage' rather than based on the employer's ability to pay the worker. Workers in efficient companies would restrain their demands for higher wages so that workers in less efficient firms would be able to push for higher wages (Pontusson 1991: 170). Profit margins of successful firms would therefore increase, encouraging their expansion, whereas relatively unprofitable firms would have to "rationalize or go out of business" (Pontusson 1987: 9). This strategy sought to establish incentives for expansion in dynamic, export-led sectors of the economy (Ryner 2002: 82). The centralized bargaining scheme at the core of the wage-labor nexus was therefore appealing both to LO and SAF: LO achieved wage solidarity as well as non-inflationary, full employment growth, while employers within the SAF were provided with a stable workforce, no work interruptions and voluntary wage moderation on the part of the workers. The 1960s were considered the "heyday of the centralized system" – the agreements signed by LO and SAF dominated wage setting, wage drift<sup>50</sup> was moderate and solidaristic wage policy considerably reduced the wage differentials between laborers (Freeman & Gibbons 1995: 362).

The government supported unions and employers through an 'active labor market policy' (Pontusson 1987: 9). Namely, workers affected by the shutdowns of plants in less productive sectors would be offered state assistance through retraining, subsidies for occupational and geographical mobility, etc., thereby helping the economy absorb redundant labor (Erixon 1996: 46; Swenson 1989: 138). While business and 'bourgeois' parties initially perceived 'active

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<sup>48</sup> It is important to note that this 'historic compromise' originated much before the end of the Second World War; it was established in the early 1930s as a response to the Great Depression in the form of an alliance between farmers and workers. In 1938, this alliance was cemented in the Saltsjöbaden agreement between the labor movement and the central business association.

<sup>49</sup> Two other major union federations were present within the Swedish wage-labor nexus – the TCO, representing white-collar workers, and the SACO, representing professional workers. As the Swedish service sector increased, the TCO in particular grew in importance, which created major tensions within the wage-labor nexus, particularly because of the different vested interests of the workers it represented. For instance, unlike the LO, TCO members did not nurture such a strong relationship with the SAP – approximately 40% of all TCO members voted for the SAP, while the remaining votes were "spread across the entire party spectrum" (Martin 1984: 191).

<sup>50</sup> Wage drift refers to the deviation in actual wages from ones determined through centralized bargaining – it is therefore a product of interscalar tensions generated as part of the bargaining process. As Swenson (1989: 144) points out, wage drift is "the most powerful irritant in any system of wage determination where agreements about contractually guaranteed increases are negotiated above the firm level but where individual employers retain considerable autonomy in setting actual wages."



labor market policy' as unnecessary interference in the economy, a consensus eventually emerged in the 1960s and was institutionalized within corporatist structures of the Labor Market Board (AMS) (Pontusson 1987: 9). The AMS encouraged geographical and occupational mobility, allowing expanding industries to take on workers from regions and industries that were experiencing a decline (Kjellberg 1992: 97).

Blue-collar wage formation was therefore articulated on three scales: (1) on the national scale, through a central agreement between the unions and the employers' associations (i.e. LO and SAF), (2) on the industry-level, via different forms of bargaining, and (3) on the plant-level, through negotiations regarding the implementation of the arrangements negotiated at higher scales (Hibbs 1991: 96; Kjellberg 1990: 5). The national scale therefore played a principal role in designating the broad norms and parameters of the wage distribution for the entire blue-collar workforce, even though deviations from nationally-negotiated norms and wage levels were permitted at both the industry and firm levels (on the condition that both unions and employers agreed) (Hibbs 1991: 96-7). LO-SAF negotiations were conducted by small three-person delegations on each side and the agreements reached between their representatives at the national level therefore served as a norm for the rest of the labor market (Lewin 1994: 69). As Pontusson & Swenson (1996: 227) point out,

“in contrast to industry-level *contracts*, peak-level *agreements* were not legally binding but decisive nevertheless, for they indicated which demands LO and SAF would back up with their considerable resources in case of conflict at the industry level.”

Industry-level agreements were then implemented at the local level through bargaining at individual workplaces, in so-called 'workshop clubs' (*verkstadsklubbar*) or 'trade union clubs' (*fackklubbar*) (ibid.; Kjellberg 1990: 5). Local-level bargaining therefore controlled actual wage earnings, frequently producing 'wage drift.' This complex, multi-scalar structure of wage bargaining leads Kjellberg (1990: 5) to label the Swedish trade union system “simultaneously centralized and decentralized.”

One of the major sources of tension within the wage-labor nexus during this time was a combination of wage drift and structural inequalities existing between blue- and white-collar wage bargaining. Over time, as employment in white-collar services industries increased, the two white collar union confederations TCO and SACO (who negotiated their own respective agreements with SAF) increased in strength and numbers. This marked the beginning of an inter-union rivalry between the LO on one side and TCO and SACO on the other, straining the system of central wage regulation (Ryner 2002: 130). For instance, blue-collar workers in the state-owned LKAB mining corporation in Kiruna had experienced low negotiated wage increases throughout the late 1960s due to solidaristic wage policy, and did not benefit from wage drift, while blue-collar workers in other mining companies and white-collar workers within the same corporation tended to have some of the highest salaries in the industry (Ryner 2002: 128-9; Freeman & Gibbons 1995: 363). This produced what Ryner calls a “sense of alienation within the union collective” (2002: 128). A spontaneous wildcat strike by LKAB miners that involved nearly 5,000 workers and lasted almost two months erupted in December 1969, and was one of the first signs of the crisis-tendencies that had started to build up within the wage-labor nexus (Freeman & Gibbons 1995: 363).

The centrality of private-sector LO unions and the SAF in the wage-labor nexus was further challenged by the emergence of strong public-sector unions in 1966. The growth of the welfare state had led to a major expansion of the public-sector workforce, leading to a diversification of players involved in collective bargaining (Mahon 1991: 304). As Freeman & Gibbons (1994: 365) point out, “the growth of new organizations (more precisely, an increase in the



heterogeneity of the population of bargainers) ma[de] centralized bargaining arrangements more difficult.” Therefore, by the early 1970s, the wage-labor nexus was in crisis. Agents at the core of the wage-labor nexus were simply fed up: “SAF felt locked in as a hostage for social-democratic policies it disliked on ideological grounds. LO felt trapped into accepting a market economy, which set narrow limits on what the trade unions could hope to achieve in the future” (Lewin 1994: 72).

## 1.2. Forms of competition

As mentioned earlier, the Swedish post-war economy is generally understood as a type of ‘disarticulated’ or ‘peninsular’ Fordism, with a strong reliance on trade both for mass consumption and production. In line with this, Swedish exports were central to accumulation in the postwar period – by 1960, Swedish exports amounted to 19.2% of the country’s GNP; by comparison, in the USA and France exports comprised respectively 5.5% and 14% of GNP. It has therefore been argued that international orientation was a “precondition of the Swedish model” (Erixon 1996: 18). However, while ‘outwardness’ played a major role in the success of Swedish companies in the post-war period, this success was nevertheless predicated upon the development and maintenance of oligopolistic relations at the national scale.

	1946	1951	1956	1961	1966	1970	1973
Wood products	11.4	12.3	12.3	8.6	7.2	6.7	7.9
Pulp and paper	36.6	42.4	28.2	22.6	20	17.3	16.1
Iron and steel	13.8	9.9	14.3	13.6	15.1	15.5	14.1
<b>Total</b>	<b>61.8</b>	<b>64.4</b>	<b>54.8</b>	<b>44.8</b>	<b>42.3</b>	<b>39.5</b>	<b>38.1</b>

**Table 7.1.** The raw material industries’ share of Swedish commodities exports (in %)

Source: Erixon (1996: 76-7)

As early as the beginning of the post-war period, the Swedish economy exhibited a very high concentration of industrial ownership. From this period onwards, two business groups have been central to the establishment of oligopolistic control within the Swedish economy – the Wallenberg group and the Handelsbanken group. These groups have – through their unique ownership structures and role as investment companies – succeeded in nurturing Swedish capital and rendering it internationally competitive in the long-term (Larsson & Petersson 2018: 272). The Wallenberg group is a family controlled group of major industrial giants such as Electrolux, SAAB and Scania which operates through a pyramidal structure and centers around the Skandinaviska Enskilda Bank (SEB). On the other hand, the Handelsbanken group – consisting of companies like Volvo and Skanska – revolves around the eponymous commercial bank and is not under such tight family control. While banks were situated in close proximity to the business groups, the banks themselves did not own shares within the companies. Shares were rather owned by their respective investment companies: Investor (Wallenberg group) and Industrivärden (Handelsbanken group) (Reiter 2003: 106). During this time, banking was therefore embedded within (but also subservient to) oligopolistic competition as the “economic consciousness of financiers converge[d] with that of industrialists” (Larsson & Petersson 2018: 272).

Sweden’s export-oriented economy was structurally predisposed to industrial concentration in two sectors: the country’s commodity exports (i.e. wood, steel, iron) and the engineering sector (Edquist & Lundvall 1993: 277). The link between the two is historically significant as engineering emerged as a supplier of companies engaged in the production of semi-processed goods (Edquist & Lundvall 1993: 278; Ryner 2002: 69). Raw materials and engineering were therefore closely linked to each other – investment in capital- and energy-intensive raw



material companies benefited engineering companies like Volvo, ASEA and Alfa-Laval, while investment in engineering benefited raw materials industries such as iron and steel (Erixon 1996: 22). Over time, the share of raw materials declined while engineering exports increased (Tables 7.1. and 7.2.), but the complementarities between the two sectors produced qualitative and quantitative linkages that were integral to the emergence of oligopolies within the Swedish economy (Edquist & Lundvall 1993: 275-6).

	1966	1970	1973
Alfa-Laval	1	1.3	1.4
ASEA	3.3	3.4	3.2
Atlas Copco	1.4	1.3	1.2
Electrolux	0.7	0.9	1.8
Ericsson	2.3	3.1	3.6
Saab-Scania	1.7	2.7	3.1
SKF	2.5	1.9	1.5
Volvo	5.7	7.3	8.4
<b>Total</b>	<b>18.6</b>	<b>21.9</b>	<b>24.2</b>

**Table 7.2.** Eight engineering companies' share of Swedish commodities exports (in %)   
Source: Erixon (1996: 78)

The state nurtured close relationships with representatives from the business groups – members of the Wallenberg family have maintained close ties with Swedish prime ministers and SAP governments (Larsson & Petersson 2018: 269; Giertz et al. 2015: 78). Furthermore, both Wallenberg and Handelsbanken have been actively involved in Sweden's innovation system within which both private and public parties cooperated to render the Swedish economy more internationally competitive (ibid.: 271). Namely, as the controlling owners of Sweden's largest companies, these business groups have been directly involved in their innovation activities (ibid.). Throughout this period, the state and industry cooperated to support several key industrial sectors in the Swedish economy, including space technology, energy research and microelectronics. Therefore, R&D was strongly supported by a proactive state such that, by the 1960s, Sweden's R&D intensity had already grown to become one of the world's highest (Blomstöm et al. 2002: 27).

Industry	1940	1950	1960
Metals and machinery	79	87	88
Earth and clay	21	36	47
Wood	24	35	40
Paper, pulp and graphical	47	62	69
Food	81	85	86
Textiles and clothing	72	73	73
Leather, hair and rubber	73	84	82
Chemical	73	78	74

**Table 7.3.** Urban share of manufacturing employment in Sweden (in %)   
Source: Adapted from Berger et al. 2012: 302

Throughout the post-war period, manufacturing had firmly established itself in urban centers (both large and small) throughout the country (Table 7.3.) (Berger et al. 2012: 301-2). Stockholm was a particularly important base for Swedish industry (Hårsman & Wijkmark 2013: 30). In 1950, only about 15% Ericsson's employees and 18% of Ericsson's factory floor space was located *outside* of Stockholm (Olsson 2019). By attracting a growing segment of the national population in the post-war period, Stockholm also grew into a key Fordist commercial center.



However, it quickly became apparent that Stockholm's central business and commercial district, Norrmalm, was built "for the residential needs of a bygone age," and a consensus emerged that it was inadequate for the changing commercial needs of the city and country as a whole (Larsson 1962: 223). The small-scale buildings and narrow streets of Norrmalm tended to be populated by small shops offering personalized services and often only a narrow line of consumer goods (Hall 1991: 264). As Fordist production expanded, however, smaller businesses were exposed to increasing competition from large-scale department store chains and supermarkets (*ibid.*). A 1953 regulation which prevented manufacturers and wholesalers from fixing retail prices exacerbated this situation – it stimulated price competition among retailers and therefore worked to the advantage of large-scale production and national chains (*ibid.*). As large-scale retailers started to predominate, the small-scale buildings and shopping areas of Norrmalm proved unable to accommodate their needs spatially – new premises were deemed essential to accommodate "rational and efficient business" (*ibid.*).

A rapid expansion of car traffic in the post-war period reiterated the need for a reconstruction of the city center. Between 1945 and 1960, the number of private cars in Sweden grew from 50,000 to 1.2 million; by 1980, Swedish citizens owned as many as 2.9 million cars (Hall 1991: 264). The narrow streets of Norrmalm were built for slow horse traffic, and street networks were suited to the needs of the pre-industrial town (Larsson 1962: 221; 223; Hall 1991: 264). Very few segregated parking places existed in Stockholm and other cities, making it increasingly difficult for cars to access the city center. Aside from material concerns, the reconstruction of Norrmalm fit into a broader vision of what Stockholm should represent within the context of the broader Swedish social democratic project. As the city commissioner argued in a 1963 city council debate, reconstruction of Norrmalm was necessary so that it would reflect "the capital's special role as leader" and become "a display window for Sweden, a worthy reflection of the modern welfare state" (Hall 2009: 112).

The reconstruction of the city center was a project of unprecedented size that lasted over 20 years and during which over 700 buildings were demolished. During this time, many streets were widened and a range of traffic tunnels and new parking spaces were constructed. While most European cities during this time were busy reconstructing buildings bombed during the war, Stockholm voluntarily opted to tear down a large portion of its old center such that in "the middle of the 1950s, the central business district looked like a bombed town" (Larsson 1962: 225). The new buildings that emerged were "effectively planned modern offices and shops" that emerged in pedestrian areas with a range of interconnecting stairs, escalators and under- and overpasses (*ibid.*: 225-6). The renovations also made way for the Stockholm subway so that the city center became a largely non-residential and car-free pedestrian area, oriented almost exclusively towards commercial and business-related activities.

Throughout the 1960s and 70s, however, the international economy experienced a transformation, placing added competitive pressure on the Swedish export sector. Namely, Swedish companies were met with increased competition from Japan and other newly industrializing countries in some of Sweden's key exports – ships, iron ore, steel and lumber (Erixon 2010: 686). The traditional export industries in raw materials, semi-finished goods and investment goods therefore started to erode, while the advanced sectors of industry (*i.e.* engineering) responded by reducing labor costs through various labor-saving investments or by relocating their production abroad (Pontusson 1991: 173). This caused a rise in unemployment, as well as a rapid deindustrialization.



The reconstruction of Norrmalm coincided with the deindustrialization of Stockholm as manufacturing “moved out, changed in character, or disappeared” from the city (Hårsman & Wijkmark 2013: 31). Most ‘traditional’ industrial jobs were lost as industry moved to regions where costs were lower and preconditions for production remained the same (Johansson 2002: 456). The only industries that remained in Stockholm were those like graphic design, handicrafts and specialized forms of manufacturing (Hårsman & Wijkmark 2013: 31). Between 1970 and 1980, employment in manufacturing in the Stockholm region decreased by 20%, and was replaced by jobs in the business-oriented service sector (Johansson 2002: 456-7). By the early 1960s, it was evident that Stockholm was becoming a predominantly trade- and administration-oriented city (Larsson 1962: 221).

### *1.3. Monetary regime*

The monetary regime in postwar Sweden existed in a complementary relationship with two additional institutional forms: the (hierarchically superior) wage-labor nexus, as well as the forms of competition:

“the Swedish economic model was characterized by a small and strictly regulated capital market, close and long-term relations between financiers and corporate leaders, and an extensive concentration of private sector ownership in the hands of a few powerful bank-centered business groups. It was also reflected in the interaction between the shape of Sweden’s financial system and the government’s economic policies. The Swedish government played a central and active role in the economy, supporting large corporations in various ways, and made extensive use of different instruments to control the allocation and prices of credits” (Reiter 2003: 106).

This monetary regime was inherently credit-based and supported the broader economic and social policy outlined within the Rehn-Meidner model and its central goal of attaining full employment. As Belfrage (2015: 708) points out,

“while the wage-labor nexus was at the top of the institutional hierarchy of this model, the navigation between the Scylla of unemployment and the Charybdis of wage drift necessitated considerable capacities of counter-cyclical management and powers over exchange and interest rate setting.”

While the R-M model was never fully applied in Sweden – not even during its ‘golden age’ between the late 1950s and mid-1970s (Erixon 2004: 72) – it provided an alternative to Keynesianism and set the priorities for policymaking, forming the core of the monetary regime. Broadly, R-M advocated for low interest rates for the purpose of keeping the cost of credit low, as well as a tight fiscal policy as a means to curb inflation. Therefore, much like in other European economies in the post-war period, monetary policy was subordinated to broader fiscal policy. The Swedish central bank, the Riksbank, therefore functioned “as an agency affiliated with the Ministry of Finance” (Kurzer 1993: 175, as cited in Bieler 2000: 41). As one US Congressional study noted:

“credit policy in Sweden is clearly understood to be part of the government’s economic policy, even though it is the Riksbank that implements it. This is assured by both the formal rules and political realities that define the Riksbank’s role” (US Congress 1981: 196).

Since low interest rates generated an excess demand for credit, the Riksbank resorted to credit rationing in order to curtail liquidity. Credit rationing was a tool deployed to ‘fine tune’ the economy – it gave the government direct control over the lending activities of commercial banks compelling them to channel credit to industries that were deemed ‘preferential’ (Notermans 1993: 141). Banks were therefore “co-opted into the implementation of economic policy” (Wetterberg 2009: 355).



As Ryner (2002: 90) points out, credit regulation and monetary policy were synchronized with pensions through the so-called ATP pension scheme, which was adopted in 1959 and became a key source of public savings and finance. The ATP scheme was financed through the contributions of employers, and was designed to award pensions that amounted to approximately 60% of the employee's 15 highest salaried working years (Belfrage 2015: 709). It was managed by the so-called AP funds, tripartite boards which were in charge of allocating credit for different investments, both public and private (ibid.: 710). Since AP funds were legally compelled to operate in the bond market – the financial market most directly subject to Central Bank regulation – they ended up investing in government bonds which, for the most part, financed public housing (Ryner 2002: 91). It was therefore through the AP funds that the interests of labor, the welfare state and finance were united, thereby serving a “complementarity-making function,” that is, playing an active role in entrenching the institutional hierarchy (Belfrage 2015: 705; 709). In fact, as Belfrage (2015: 709) argues, AP funds co-evolved with other institutions to become “key building blocks of the emerging Swedish Model.”

The corporate tax system was also very much in line with the policy proposals outlined in the R-M model (Ryner 2002: 89). One of the central forms of corporate taxation was implemented through the so-called investment fund (IF) system. This system allowed firms to exempt 40 per cent of their accounted profits from taxation by placing them in an investment fund<sup>51</sup> (ibid.). During recessions, these funds could then be ‘freed’ for the purpose of financing new investments (alternatively, they could also use these funds without permission, but would then have to pay the appropriate taxes) (Bohlin 2014: 121). At the same time, during economic upturns, investments would be held back, which would have the effect of curtailing liquidity (ibid.; Ryner 2002: 89). This system clearly favored firms which had a previous history of performing well (i.e. established and highly profitable export-oriented corporations), whereas small family-owned companies and start-ups generally had trouble accessing funding (Schnyder 2012: 1136; Davis & Henrekson 1995: 13).

All of the credit-based instruments at the core of the monetary regime played a major role in allowing Sweden to prioritize funding for specific sectors of the economy, such as housing (Bohlin 2014: 122). Each year, the quantity of credit allocated to the housing sector was determined through a series of agreements, the first of which was between the ‘delegation for housing finance’ – that is, representatives of the six central government institutions concerned with housing policy<sup>52</sup> – and the banks. Negotiations between these parties would produce a plan outlining the amount of credit which the banks would make available for housing construction (US Congress 1981: 201). The remaining amount would then be acquired through agreements with the nonfinancial institutions, such as AP funds, insurance companies and mortgage institutions (ibid.). During this time, the credit-based monetary regime therefore played a key role in supporting the nationally-mandated housing program, allowing the state to meet a key goal of the welfare state.

Ample credit for housing construction provided incentives for the construction of large-scale, multi-family apartment blocks situated on undeveloped land on the outskirts of urban areas. While the center of Stockholm was being reconstructed in favor of commercial interests and expanding service-based industries, the city therefore started to be developed radially outward

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<sup>51</sup> 46 per cent of these funds had to be deposited into specially designated (blocked and interest free) accounts in the Central Bank (Ryner 2002: 89).

<sup>52</sup> That is, the Budget, Economic Affairs and Housing ministries, the agencies in charge of administering housing and labor market, or manpower, policies, and the Riksbank (US Congress 1981: 200).



for residential purposes (Hall & Vidén 2005: 303). Housing policy was further amplified and expanded with the advent of the ‘Million Homes Program’ (*miljonprogrammet*) – a government program that planned to build one million new dwellings between 1965 and 1974. During the so-called ‘record years’ of 1961-1975, there was an unprecedented expansion of housing, with approximately 920,000 apartment dwellings and 480,000 single-family homes built in Sweden.

By 1973, however, the oil embargo had triggered a crisis within the monetary regime. Following the oil crisis, the government adopted a series of Keynesian-style expansionary bridging policies (Lindvall 2006: 259-60; Erixon 2010: 687). The idea was that keeping domestic demand high would prevent the increase in oil prices from reducing economic activity and compromising full employment (Lindvall 2006: 259-60). The favored instrument here was once again fiscal policy – for instance, the government implemented a series of VAT reductions, changes to the tax structure as part of the ‘Haga agreements’<sup>53</sup> and support for inventory investment (Erixon 2010: 687). However, the reversion to Keynesian macroeconomic policies was not “driven by new economic ideas or new political norms,” as Lindvall (2006: 260) points out. These were rather ad hoc measures employed in response to exogenous shifts in the international economy. The bridging policies produced a high price and wage inflation, an expansion of the budget deficit as well as a fall in exports (Henkerson et al. 1996: 254-5). In 1977, the government had to devalue the krona twice (*ibid.*: 255). In sum, the monetary regime of the ‘Golden Age’ Swedish Model was in crisis – the tools outlined in the Rehn-Meidner model were no longer appropriate for the changing international context.

#### *1.4. Insertion of the state into the international regime*

Considering the inherently export-oriented quality of its postwar economy, Sweden relied on high integration into the international regime. Ryner (2002: 96) notes that:

“the ‘disarticulated Fordist’ economic foundation of the Swedish model presupposed the interdependent and mutual validation of Fordist production and consumption norms through North-North trade...international demand ensured that Sweden could pursue a relatively restrictive policy (especially expressed through high taxes) to contain profit rates, wage drift, and inflationary tendencies, while nevertheless maintaining full employment.”

Therefore, Sweden was strongly integrated into, and benefitted from, the Bretton Woods regime; the institutional underpinnings of Bretton Woods were essential for allowing the Rehn-Meidner model to function properly (Ryner 2002: 98). The fixed exchange rate system at the core of Bretton Woods “provided an anchor for the price level while at the same time allowing restrictive macroeconomic policies that allowed growth to continue” (Notermans 1993: 156). Bretton Woods was also a key factor in keeping collective bargaining stable as it allowed exchange rates to remain fixed and interest rates low and constant, which was essential for keeping the variables in bargaining simple and straightforward (Ryner 1999: 56). While the national scale acted as the primary scale of articulation for the institutional hierarchy of the Swedish model, it displayed a strong reliance on the institutional mechanisms of Bretton Woods articulated at the international scale. As Ryner sums it up – the “Swedish model *presupposed* Bretton Woods” (2002: 100; *emphasis added*).

In prosperous periods, the international scale therefore existed in a complementary relation with the national scale and was highly auspicious for the institutional hierarchy. At the same

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<sup>53</sup> The Haga agreements, concluded between Social Democrats and the Liberal party in 1974-5, decided to lower the retirement age and income tax, which would be financed by an increase in payroll tax (Bergh 2014: 39).



time, this scalar complementarity rendered the institutional hierarchy inherently vulnerable to fluctuations and downturns. Sweden was therefore struck particularly hard by the collapse of Bretton Woods in 1971 as it signaled a breakdown of the demand-pull that sustained the Swedish export industry (Ryner 1999: 56). The collapse of the fixed-exchange rate system led to uncertain currency conditions, problematizing collective bargaining which now also had to factor in currency depreciation and inflationary estimates (ibid.; Erixon 2010: 686). This was exacerbated by two oil crises which took place in 1973 and 1979 respectively. As it had benefitted from the raw materials boom of 1974-76, Sweden had only started to feel the effects of the “economic crisis of the Fordist world order” in 1976 (Ryner 2002: 131). Once it did, however, it experienced “the most severe structural economic crisis in the OECD during the second half of the 1970s” (ibid.).

### 1.5. Forms of the state

Sweden’s public administration is divided into three levels of government: national, regional and local. Different functions and roles are assigned to the different levels of government: while most policies are formulated at the national scale, and it is also here that agents predominantly advance their interests, the local and regional scales play a key role in the provision of services and the administration of the welfare state. This is owing to the fact that the Swedish Constitution makes a clear distinction between policy formulation and policy implementation: while policy formulation falls under the purview of policy-makers, policy implementation is conducted by career bureaucrats (Pierre 1995: 142). Namely, policy-makers tend to be politically-appointed government officials situated in departments (*departement*) at the national level, whereas public administrators are located in agencies (*ämbetsverk*) in the multi-tiered administrative structure (ibid.). Therefore, while the national authorities determine the broad scope of a given task, planning and implementation at the local level largely falls under the purview of municipalities (Fröjd 1970: 252). A strong and independent local government is very much culturally ingrained as a virtue in Swedish public administration (Greenwood 1979: 467-9)

Central to the autonomy of municipalities in Sweden is a budgetary system that provides them with considerable financial autonomy relative to the national government. The key source of revenue for municipal governments – i.e. local income tax – is both removed from national control and “economically buoyant” (Table 7.4.) (Greenwood 1979: 465). The municipality can expect an increased yield from its local income tax even if the tax rate remains unchanged (ibid.). This gives the municipality considerable leeway in planning its expenditures on a yearly basis. Finally, financial transfers from the national level to the municipalities are generally made in the form of grants-in-aid for particular projects (ibid.). In 1970, a law was passed forbidding the national government from instituting regulations that place financial burdens on municipalities without making a provision for the financial support of these burdens (ibid.). This tends to reduce the dependence of municipalities on the national government for meeting its day-to-day financial needs, as well as to avoid financial obligations that are imposed top-down.

Revenue sources	1971	1972	1973	1974	1975	1976	1977	1978
Local taxes and fees	51	54	53	53	52	53	55	58
Grants	24	25	27	28	27	27	27	26
Other (including borrowing)	24	19	18	18	19	18	16	16

**Table 7.4.** Sources of Swedish local government revenue (in % of total revenue)



Source: Greenwood (1979: 464)

The distinction between policy making and policy implementation is particularly evident with respect to Sweden's housing policy in the post-war period. At the national level, 'good housing for all' became an overarching goal of housing policy, as well as an important goal of the welfare state (Hedman 2008: 12). The government implemented a system of national loan, tax and building code policies to direct the "type, extent and location of development," and was able to intervene to determine the national interest when disputes occurred between different localities (Goldfield 1982: 26). One of the key national planning documents passed in the immediate post-war period was the 1947 Building and Planning Act, which outlined the pathways for stimulating rational and ecologically sound urban development (*ibid.*: 27). Locally, however, municipalities have discretion within the national urban policy framework and have power over land use within their boundaries (*ibid.*: 26-7). Under this Act, local municipalities were placed in charge of determining the location and type of development that was to take place (although all municipal plans had to be approved by the national government). Planning responsibilities were transferred to local government with the aim of solving the country's housing shortage in an expeditious and coordinated manner – the SAP government believed that private-sector development was unable to deliver "quality, quantity and equity" like the public sector could (*ibid.*: 28).

Since Swedish cities were known for their large stock of municipal land – by 1966, Stockholm owned 74% of the land within the city proper (Passow 1970: 180-1) – the plan in Stockholm was to develop suburban land in the form of relatively self-contained clusters of neighborhoods that would run along traffic lines radiating from the urban core (Larsson 1962: 227). Buildings were to be designed in line with the style and ideas of the early Modern Movement – strictly geometrical with plain façades made of cement, brick or concrete panels (Hall & Vidén 2005: 305). Functionalist architecture resonated with the aims of the social democratic movement – both advocated for "better housing for the people at large," as Hall (1991: 243) points out. Furthermore, communication between the two was facilitated by the fact that a number of functionalist architects had joined the social democratic movement (*ibid.*). These suburban neighborhoods were therefore generally organized around a commercial area and featured a range of community facilities (e.g. libraries, assembly halls, health centers, youth centers, churches, theaters, etc.) (Larsson 1962: 227). This intended to give suburbs a certain degree of independence as well as to decentralize the labor market, drawing labor away from the city center (*ibid.*).

In line with this aim, the national government encouraged local authorities to establish public building corporations that would be administratively separate from, yet responsible to, the municipality (Goldfield 1982: 28-9). Quickly, municipal housing companies became "the main instruments for implementing the state's housing policy" (Hedman 2008: 12). They were entrusted with the task of preventing speculation and ensuring more efficient production of housing (Bengtsson 1992: 92). Municipal housing companies were specially favored during this time by receiving generous tax advantages, subsidies and loans which covered as much as 100 percent of their initial outlays (Hedman 2008: 12-13). As a result, these companies became key actors in the implementation of national housing policy and instruments of both the state and the municipalities (*ibid.*: 13). Thus, while the local scale played a major role in the implementation of housing projects, it was ultimately on the national scale that policymaking priorities pertaining to housing were articulated and further coordinated with other goals at the core of the Swedish welfare state.



In Stockholm, housing policy led to the construction of a number of new suburbs like Vällingby and Farsta – located respectively to the west and south of the city center – which, as Goldfield (1982: 29) argues, were some of the “most notable examples of efficient kommunal implementation of national urban policy goals.” The extension of the subway line, combined with the establishment of new day care centers, medical facilities and other social services to create the “ecologically efficient environments” prescribed by the 1947 Act (ibid.: 29). Suburbs constructed during the 1950s therefore largely became known for their variation and attention to detail (Hall 1991: 255).

However, despite the increase in housing production, the housing shortage continued to grow in large cities like Stockholm, prompting the launch of the Million Homes program. This program accentuated the role of the national scale in the articulation of planning and urban development, while local development plans and architectural norms took a back seat. As Hall (1991: 255) points out, the production of housing came to be

“regarded primarily as a question of technology and economics, not of architecture. What a good home should look like had been established in the national norms; provided these were fulfilled, by definition the standard would be acceptable.”

Construction came to be dominated by large municipal housing corporations, which manufactured their own materials and implemented their own building methods (Hall 1991: 255). Much of the time, this meant that new residential areas were built in a way that suited the builder, rather than the neighborhood’s future residents (ibid.).

The dominance of decision-making at the national scale with respect to the construction of housing diminished the role of local actors. For instance, political pressure was exerted on planners, leading them to modify or eliminate esthetic or social considerations from their plans, prioritizing speedy construction and numbers over quality (Goldfield 1982: 30). Housing constructed in Stockholm from the mid-1960s onwards was therefore largely prefabricated; as Hall (1991: 256) argues, it was:

“unimaginatively assembled in rows on what used to be pastureland, creating an environment that lacks any visual quality or stimulating variety, anything which could generate a local identity.”

For the most part, hurried planning and a fast construction pace led the Million Homes developers to abandon essential considerations such as access to community centers, day-care facilities and other social services (Goldfield 1982: 31). Building during this period produced high-rise suburbs that were densely built, yet had very few amenities and therefore stood out like “overgrown sores” in Stockholm and Gothenburg (Goldfield 1982: 30).

This trend is particularly noticeable in certain Stockholm suburbs. For instance, in Hallunda and Norsborg in the southwest, the buildings were so large that they had to be considerably spread out to avoid high densities; as a result, people had to cross excessively long distances to reach shops or commercial areas (Hall 1991: 256). Similarly, Tensta and Rinkeby – northern suburbs in the Järvafältet area of Stockholm – were underserviced, overbuilt and monotonous (Goldfield 1982: 30). When the two areas were inaugurated in 1967 and 1968, they had major accessibility issues as there was no subway line connecting them to the rest of the city (Berglund et al. 2017: 4). Suburbs of this kind were not attractive or appealing to residents – Stockholmers who had no alternative moved there, treating it as a “temporary expedient only” (Hall 1991: 256).

By the time it was complete, the Million Homes Project was considered a success, at least quantitatively – for the first time since the 1930s, there was excess housing in Sweden’s major



cities (Hedman 2008: 16; Hall 1991: 259). Qualitatively, however, the project was the subject of much criticism. Rapid, large-scale construction characterizing the project produced monotonous and oftentimes technically deficient housing. As Hall & Vidén (2005: 313) point out, in quite a few of these large-scale housing areas, “vicious spirals of increasing management problems, vacancies and segregation developed shortly after completion.” Vacancies in a large number of these newly built housing areas therefore led them to become residual parts of the local housing market, placing a financial strain on the municipal housing companies and therefore the municipalities themselves (Lindberg & Karlberg 1988: 86). The municipal housing companies which had been in charge of construction (and were now placed in charge of management) were attacked as “ineffective, expensive for the public sector, and incapable of maintaining their properties in good condition” (ibid.: 85). As a result, the suburbs came to be increasingly populated by low income residents with little alternative – those who could choose moved out or did not move there in the first place (Hedman 2008: 16). By the mid-1970s, it was clear that Stockholm’s public housing sector – and specifically the role played by municipal housing companies – was in crisis (Lindberg & Karlberg 1988: 86).

### *Summary*

From the postwar period until the mid-1970s, Sweden’s strong wage-labor nexus – with centralized bargaining and the tripartite compromise at its core – was situated at the top of the institutional hierarchy. This institutional form existed in a complementary relationship with export-oriented oligopolistic competition and a credit-based monetary regime, a relationship that played a central role in the institutionalization of social democracy in postwar Sweden. The stability of these institutional forms further relied on support from the forms of the state and a particular form of insertion of the Swedish state into the international economy – one which allowed the Bretton Woods regime to act as a key stabilizing mechanism for collective bargaining, as well as the export of key Swedish products. All together, these institutional forms constituted a form of ‘disarticulated’ Fordism whereby mass production was dependent upon demand in the international economy and mass consumption was contingent on international imports (Ryner 2002: 68).

The dominant bloc was thus comprised of key agents from industry, state and labor whose vested interests united around the Swedish variant of social democracy and the notion of a fair and redistributive form of capitalism. In particular, the institutional hierarchy favored the group of agents situated in close proximity to Sweden’s two key business groups (the Wallenberg group and Hallengsbanken/Industrivärden), that is, the various predominantly export-oriented industries represented by the Swedish Employers Confederation (SAF). These agents benefited from a steady source of wage-restrained labor and ample support from the state in the form of active labor market policies. The interests of labor, on the other hand, were accommodated through centralized bargaining structures, as well as through the welfare state. Blue-collar workers (represented by the LO), as well as an ever-increasing share of white-collar workers (represented by the TCO) were central agents representing labor interests within the dominant bloc. Finally, the state, represented chiefly by the Social Democratic Party (SAP), was also key in providing the appropriate legislative and administrative milieu for the success of the ‘Swedish model’ and benefitted both politically and materially from the success of the Swedish economy. This historically specific and inherently transitory dominant bloc existed in a relatively stable form until the mid-1970s, when the breakdown of the institutional hierarchy prompted a period of interaction and a subsequent grouping and regrouping of the various social groups.



In a scalar sense, the Fordist institutional hierarchy exhibited a distinct complementarity with the national scale, as this is where most institutional forms were articulated. While rapid urbanization as well as an increasingly autonomous role of municipal government relative to central government led Swedish cities to acquire an increasingly central role, they nevertheless remained subservient to strategies and processes articulated at the national scale. Stockholm therefore emerged as a key urban center within the broader Fordist institutional hierarchy. It served as the primary locus for the headquarters of industrial giants like Ericsson, Volvo and Electrolux, was responsible for attracting various business service and consultancy agencies and housed an ever-growing portion of the country's labor force. An increase in consumer purchasing power has also played a part in rendering Stockholm a major commercial center.

Between the 1950s and 1970s, two projects played a key role in molding Stockholm to spatially suit its role as a major Fordist urban center: on the one hand, the reconstruction of the city center, and on the other, the implementation of the Million Homes Program. The reconstruction of Norrmalm created a new, commercially-oriented CBD which was tailored to spatially accommodate the needs of the dominant social bloc – ample, reconstructed office space provided workers with more light and air; wider avenues and new parking garages reduced traffic allowing cars easier access to the city center; and new shopping areas supported mass consumption habits. At the same time, workers relocating to the city were provided with guaranteed housing which was (more or less) well connected to the city center by public transportation.

Year	Home ownership	Tenant-ownership (co-op)	Private rental	Public rental
1945	38	4	52	6
1960	34	9	43	14
1970	34	13	30	23
1980	41	14	21	24
1990	40	15	20	25

**Table 7.5.** Forms of tenure, 1945-90 (in %)

Source: Tuner (1997: 478)

In this sense, the breakdown of the Bretton Woods regime and the abandonment of the fixed exchange rate acted as a key 'moment of activation' for the breakdown of the institutional configuration. This occurred within an institutional hierarchy which was already replete with tensions. Namely, the fragmentation of collective bargaining combined with increasing deindustrialization and the rise of service-based employment problematized the articulation of the wage-labor nexus, as well as the forms of competition. This was accentuated by a set of tensions inherent in the monetary regime – based upon the unique policy recommendations of the Rehn-Meidner model – which relied on a strong insertion of the state into the international economy.

Crisis tendencies therefore had a distinctly scalar quality – much like in the case of New York City and Johannesburg, tensions within the institutional configuration were primarily articulated at the national scale, challenging the centrality of the nation-state in the articulation of regulation mechanisms that stabilized the accumulation regime, as well as the dominant bloc that had been anchored to it. Following the moment of activation, the destabilization of the institutional forms challenged their predominantly national orientation and prompted a process of rescaling whereby agents vied to construct alliances and articulate their interests by 'jumping scales.'



## Part II. Interaction

From the mid-1970s, agents (re)grouped in response to Sweden's newfound economic and political instability. In line with the concept of *ideas as self-explication*, ideas and strategies adopted by the SAP initially sought to resolve the crisis by making incremental adjustments within the existing institutional forms; however, its defeat in the 1976 general election was proof that these strategies were inefficient. This gave a new coalition of political actors the opportunity to emerge with a set of alternative policy adjustments, grounded in neoliberal thinking and monetarist economic theory. This, in turn, inspired a shift within the SAP itself, which chose to adopt a 'Third Way' economic and social policy that built on Sweden's social democratic legacy, yet was steeped in neoliberal ideas and practices. Agents during this period underwent a process of rescaling as they abandoned many of the key centralized corporatist arrangements of the Fordist period, and rather 'jumped scales' to the international level. City-making processes in this period reflected this shift, as housing underwent various forms of privatization and decentralization, while new real estate developments started to focus on the needs of international capital and a new, neoliberal dominant bloc.

Namely, the beginning of the interaction period was largely defined by the 'red wave' – that is, by the radicalization of Swedish labor politics that occurred as a result of tensions within the Fordist wage-labor nexus. One of the first responses by the SAP was to try to accommodate this leftward shift through a range of pro-labor reforms such as the co-determination act (MBL), a more active industrial policy, etc. (Ryner 2002: 124). SAP therefore resorted to Fordist tools and incremental adjustments to attempt to resolve the crisis. Opposition parties like the Liberal Party and the Center Party also found their place within the incremental reform agenda; as Ryner (2002: 124) points out, they "sought niches in the reform agenda to outflank SAP."

These policy reforms did very little to appease the radicalized labor movement. The LO demanded more radical change in the form of so-called 'wage-earner funds.' In 1970, LO economist Rudolf Meidner proposed restructuring the wage-labor nexus in favor of labor through the allocation of so-called 'wage-earner shares' – in return for exercising wage restraint, employees would be given a percentage of their company's shares (Ryner 2002: 139). According to the official proposal – titled the Meidner Plan – companies with over 50 employees would be legally obliged to place 20 percent of their pre-tax profits in wage-earner funds, which would represent collectively owned equity capital. The funds would be managed by union-appointed directors and give workers a corresponding share of decision-making power within the company (ibid.; Pontusson & Kuruvilla 1992: 779). Essentially, this proposal implied a gradual transfer of ownership from private individuals to collective entities, allowing labor to acquire an ever-increasing share of the ownership of the means of production (Pontusson & Kuruvilla 1992: 779). In 1976, the Meidner Plan was approved and adopted as official LO policy.

However, the Meidner Plan was perceived as radical by a wide range of actors (including different segments of the SAP), and contributed to alienating labor unions from the business community, thereby playing a considerable part in the breakdown of the dominant bloc. Ryner (2002: 168) argues that one of the key reasons that wage-earner funds presented such a contentious issue is because of their violation of the clear boundaries that existed between state, labor and capital under the Fordist institutional configuration:

"The historic compromise delineated clear institutional boundaries between the realm of operation of the state, the organizations of the labor market, and the capitals owning individual. The wage-



earner funds represented a violation of the sphere of absolute discretion of the capital owner, and were therefore not seen as legitimate means as defined by the social welfare hegemony embodied in Swedish civil society” (Ryner 2002: 168).

In other words, the LO’s attempt to rectify the negative aspects of solidaristic wage policy through wage-earner funds necessitated a break from the dominant bloc and the tripartite structures that had formerly characterized it.

The wage-earner fund issue contributed significantly to destabilizing the political landscape in Sweden – they emerged as a key issue in the buildup to the 1976 election and it was therefore largely in response to them that the different political parties proceeded to position themselves. While the SAP did not endorse wage-earner funds in 1976, its traditionally strong link to the LO had a negative impact on the public’s perception of its program as well as its ability to deal with the fiscal crisis. This stood in stark contrast to the attitude adopted by center and right-wing parties which vigorously denounced wage-earner funds, deeming them ‘fund socialism.’ Wage-earner funds were therefore a major factor that contributed to SAP’s defeat at the 1976 elections, leading them to lose control over government after 44 years of continuous rule.

In 1976, a new center-right coalition consisting of the Liberal Party, the Center Party and the Moderates came into power. This coalition conducted an attack based on “themes of decentralization and environmentalism (the Center Party), civic rights and freedom of choice (the Liberals) and freedom of choice and free enterprise” (Ryner 2002: 125). Once in government, however, this coalition proved fragile – its constituent parties had trouble agreeing over major policy issues, leading the government to collapse in 1978 and experience instability and fractionalization until 1982 (*ibid.*). For instance, while the Moderates were most explicitly in favor of neoliberal policies, the Center Party and Liberals retained a favorable stance to the welfare state (*ibid.*). Nevertheless, the influence of monetarist thinking and rational expectation theory in the center-right coalition was apparent by 1981 when one of the government’s bills contained an extensive critique of employing fiscal policy for purposes of macroeconomic stabilization (Lindvall 2006: 263). Subsequently, these ideas found a home at the Ministry of Economic Affairs and Ministry of Finance where a small group of economic experts became very influential in driving economic theory away from Keynesianism (*ibid.*: 264). In September 1981, the coalition government implemented a currency devaluation coupled with a set of new, austere fiscal policies (Lindvall 2006: 262). Thus, while the center-right coalition did not take concerted action to dismantle the Swedish welfare state, it initiated a process of neoliberal restructuring through incremental adjustments and forms of policy experimentation.

By the mid-1970s, an ideational shift had occurred within the SAF as well. A change in the organization’s leadership firmly oriented the SAF in an openly confrontational neoliberal direction, directly aligning the organization’s interests with those of the export-oriented Wallenberg sphere (Ryner 2002: 144; 169). In line with this, the SAF altered the nature of its activities and social engagement by taking an active role in “defining the terms of political discourse, not only at the level of policy, but also at the level of popular culture” (*ibid.*: 144). Believing that it was lagging behind the LO in defining the terms and logic of the wage-labor nexus in the early 1970s, the SAF sought to counter the crisis narrative established by labor by asserting the ‘ideology of business’ (*ibid.*: 169). Following the establishment of a more thorough policy in 1978, SAF established and started to manage a fully-fledged ideological apparatus that included “three publishing houses, advertising agencies, and a permanent infrastructure to organize seminars, workshops, fairs in municipalities (‘Free Enterprise Days’), materials for distribution in schools, through evening newspapers, support for student and youth organizations” (*ibid.*: 170). This apparatus was employed, *inter alia*, to run a negative



campaign on the Meidner Plan. National advertisements run by the SAF linked wage earner funds with central planning and totalitarianism, juxtaposing them with free enterprise, freedom of choice and decentralized ownership (ibid.: 170). The apparatus therefore offensively mobilized to advance and disseminate neoliberal ideas among the general population.

The Social Democratic Party was not immune to these ideational shifts. By the late 1970s, an economic ‘club’ had formed within the party; a small group of SAP economists sought to “reconcile modern macroeconomic theory and rationality with social democratic ideology” (Lindvall 2006: 264). In particular, two economists – Erik Åsbrink and Michael Sohlman – who were active in this club developed a new economic program in line with the new neoliberal economic paradigm. While they “operated independently, without a clear mandate,” SAP leadership quickly adopted this program as official party policy (ibid.). As Åsbrink himself argued, “nobody had a clear idea of what the economic strategy after the [1982] election should be, so you could get things done if you said, ‘let’s do it this way’” (as cited in Lindvall 2006: 264).

Therefore, even though the LO persistently lobbied for the SAP to adopt the wage-earner funds as part of the official agenda – in the late 1970s, it became clear that cooperation between the two relied on this very issue (Giertz et al. 2015: 78) – the SAP perceived them as a liability and once again failed to endorse the Meidner Plan during the 1978 election. In an effort to bridge the divide between historically close partners, a joint LO/SAP working group was formed. The working group eventually produced an agreement on the wage-earner funds, albeit one that diluted the original Meidner Plan by changing the emphasis from wealth redistribution to capital formation (Pontusson & Karavilla 1992: 783). As Pontusson and Karavilla (1992: 783) point out, in this revised plan, “collectively owned investment funds were to serve a national or regional development purpose by providing industry with capital for technical and productive investment without redistributing income from workers to private owners.” Wage-earner funds were finally enacted in 1983, following SAP’s return to power in 1982. The legislated version of the Meidner Plan is therefore a retreat of the SAP in the face of massive opposition from both non-socialist parties and organized business, as well as a result of the increasing divisions between the labor movement and the SAP (Pontusson & Karavilla 1992: 785).

Therefore, even though the SAP was elected back into power on a traditional social democratic platform in 1982, it diverged very little from the economic course set by the center-right government (Ryner 2002: 125). Shortly after the SAP came into office, it conducted another devaluation of the currency:

“Devaluation was the foundation of the Minister of Finance Kjell-Olof Feldt’s ‘third way’ to improve Sweden’s current account and simultaneously increase total employment. This social democratic strategy included appeals to the social partners for wage moderation and restrictive fiscal measures to reduce the public budget deficit. In addition, fiscal austerity intended, in conjunction with the devaluation, to bolster private investment and transfer resources to the exposed sector. By the ambitions to boost profits in the (wage-leading) export sector and control inflation by incomes policy Feldt’s third way was an obvious departure from the R-M model” (Erixon 2010: 688).

Furthermore, in 1985, the SAP government took the decision to deregulate capital and money markets, as well as to implement a so-called ‘norms based’ monetary policy (Ryner 2002: 149).

By the mid-1980s, there was a broad-based move towards neoliberal forms of policymaking across the political spectrum; a consensus started to emerge, paving the way for the emergence of a new dominant bloc. At the same time, agents were compelled to deal with prior routinized



forms of policymaking grounded in the institutional legacy of the R-M model, which inevitably produced various hybrid forms of policy experimentation. As Erixon (2010: 704) points out,

“Swedish economic policy since the mid-1970s can be classified as a hybrid of a Keynesian, RM and ‘neo-monetarist’ model in which active labor-market policies are the recurrent RM features. There are also signs in the 1990s and 2000s that social democratic, as well as non-socialist, governments have taken over – without reference to the RM model – its basic idea of stabilization; that full employment must be reached within the framework of a restrictive macroeconomic policy. Today’s inflation and budget targets, and Central Bank independence, might be seen as price-stabilizing frameworks for an active employment policy” (Erixon 2010: 704).

Therefore, while monetarist thinking was becoming increasingly prevalent, it simultaneously exhibited a strong Fordist institutional legacy.

By the mid-1980s, the Fordist wage-labor nexus was making way for a new neoliberal wage-labor nexus, one which was to take on a supportive role relative to the internationalization of competition and the financial monetary regime. As Pontusson and Swenson (1996: 236) point out:

“Swedish engineering employers felt compelled to pursue *diversified quality production* or *flexible specialization* in the manufacture of high value-added, internationally tradable consumer durables and producer goods. This applies especially to Fordist mass producers such as Volvo, Saab-Scania, and Electrolux, but also to smaller-batch manufacturers of electrical, telecommunication, and mechanical engineering products, such as Asea-Brown Boveri (ABB), LM Ericsson, and Alfa-Laval. To improve productivity, flexibility, and quality, and therefore competitiveness in international markets, both of these groups discovered a need for more discretion in the use of wage incentives than the centralized bargaining system allowed.”

It is in this context that the engineering employers’ association in the SAF (that is, the Verkstadsföreningen, or VF) began to lobby in favor of the decentralization of collective bargaining:

“First, they want wage differentials between export-oriented and sheltered (including public) sectors to rise in order to secure an adequate supply of motivated labor to export-oriented sectors. Second, they want employers to be able to use wages as a means to stimulate employee commitment within firms and thereby stimulate quality improvements and productivity growth” (Pontusson and Swenson 1996: 232).

In 1983, this became a reality when the VF succeeded in enticing the Metalworkers’ Union – which employed over half of the industrial labor force – to exit the centralized bargaining framework (Swenson 1989: 171; Hibbs 1991: 97). This produced one of “the least egalitarian” contractual agreements: while metalworkers received higher-than-average contractual increases, employees represented by other LO unions received significantly lower average wages (Swenson 1989: 172). VF’s exit from centralized bargaining was momentous; it was SAF’s largest affiliate union and traditionally held a large share of power in internal SAF politics (Pontusson & Swenson 1996: 230).

The regrouping of the dominant bloc and the rescaling of agency during the interaction period led to various forms of neoliberal experimentation, particularly with respect to attempts to resolve the emergent problems in Sweden’s newly built public housing. The public housing areas were defamed by the media – they were called ‘concrete ghettos’ and portrayed as the ‘logical’ outcome of SAP ‘centralism’ and ‘socialist’ planning (Elander 1991: 35). Large-scale suburban apartment blocks in cities therefore came to be associated with SAP rule and a social democratic vision of urban life. The negative press ended up being a major contributing factor for SAP’s electoral loss in 1976 (ibid.). The public housing question even caused a fracture among social democrats, with one side favoring the existing housing policy, and the other increasingly in favor of co-operative housing (Lindberg & Karlberg 1988: 86). The non-



socialist parties, which had always been skeptical towards municipal involvement in the construction and management of social housing, started to intensify their opposition (Lindberg & Karlberg 1988: 86). They argued that public housing was distorting the market and that the solution was to sell off the companies' properties to tenants' cooperatives (ibid.: 85).

Therefore, once the center-right coalition came to power following the 1976 election, a series of legislative proposals were made to diminish the dominance of municipal housing companies by converting public rental housing into co-operative tenant-ownership or owner-occupation (Lundqvist 1988: 176). While actual conversions during the coalition government's tenure between 1976 and 1982 were meagre, considerable pressure was placed on the municipal housing companies to restructure their operations. In 1978, the Swedish Associations of Municipal Housing Companies (SABO) – the main association uniting the interests of municipal housing companies – initiated a three-year research and development project on the internal operations of the housing companies (ibid.; Lindberg & Karlberg 1988: 87). This project was conducted by an interdisciplinary team of behavioral scientists, economists and lawyers who were concerned with – in the words of two of the team's members – “how practical use could be made of behavioral sciences and research on business economics in housing management” (ibid.: 88). Their 1981 final report signals a move to a new management philosophy emphasizing service provision as an organizational model. It was argued that municipal housing companies should be characterized by a “decentralized organization and good financial management,” as well as “closer co-operation between the company and the tenants” (ibid.).

Throughout the 1980s, municipal housing companies underwent a range of transformations. While there was no massive sale of public housing, as Elander (1991: 33) points out, a range of selective strategies such as semiprivatizations, decentralizations and renewal programs were deployed, incorporating various market-based forms of policymaking into the public housing sector. Both the center-right coalition and the SAP government that returned to power in 1982 followed these broadly neoliberal strategies. In 1984, for instance, SABO purchased 30 percent of the stock of Formator, a company that specialized in the renewal of problematic public housing estates through notoriously repressive methods (ibid.). ‘Troublesome’ tenants were subject to intrusive investigations and inspections through which Formator gained insight into their behavior, habits and even financial situation (ibid.).

As large, multi-family apartment blocks situated in relatively isolated suburban areas acquired a negative reputation, they became increasingly undesirable for prospective tenants. Due to the housing shortage in the 1950s and 60s, housing corporations knew they could always find tenants; from the 1970s onwards, they were put under pressure to build “attractive environments” (Hall 1991: 260). In Stockholm, for instance, this led to the emergence of new developments like Skarpnäcksstaden – a project built on a former airfield in southern Stockholm, featuring varied house types and differentiated planning patterns (ibid.: 261). In addition to a new aesthetic, these developments also diverged from the Million Homes by virtue of the scale on which the planning and building process took place. While the Million Homes Program was characterized by strong centralization at the national level and coordinated decision-making, developments in this period were decentralized and scaled down to the local level (Gullberg & Kaijser 2004: 29). Cooperation was limited to the principal actors – the building companies, municipal planning authorities and the local infrastructure providers, and the coordination between them was of a “network character” (ibid.).



Building companies also started to reorient development to suit the needs of nascent industries, particularly those in the ICT sector. A major development during this period was the northern suburb Kista, built on the last large piece of Stockholm land available for development (Hall 1991: 261). The land in Kista was built on commercially attractive land – close to major motorways, underground rail and in close proximity to Arlanda airport (Hall 1991: 261). The aim was to transform Kista into an integrated work, commercial and residential site. Development began as early as the 1970s as part of the Million Homes Program, but a number of factors resulted in the project being temporarily abandoned – while the neighboring residential suburbs of Testa and Rinkeby were completed as planned,

“planners soon found out that setting up an industrial zone [in Kista] from a blueprint design is much more difficult due to the unpredictability of economic development and the strategic decisions of firms. Planners found that they had to learn to adapt to the circumstances of the time and give more space to the free market, allowing more bottom-up initiative than may have been expected in the Swedish context at that time” (van Winden et al. 2014: 109-10).

It was only in the late 1970s and early 1980s that some of Sweden’s major ICT players started to settle in Kista. It is reported that personal connections between Stockholm’s mayor and the CEO of Ericsson Marcus Wallenberg led up to Ericsson’s decision to establish two of its subsidiaries – SRA and Rifa – in Kista (van Winden et al. 2014: 99). Shortly thereafter, IBM Sweden had settled there as well, marking the beginning of Kista’s rapid rise as a prime location for ICT corporations (ibid.). As van Winden et al. (2014: 99) point out, the “size and reputation of these three anchor tenants set off a chain reaction, quickly giving Kista the image of a high-tech engineering hub and making it an attractive location for other electronics firms and their suppliers.”

### **Part III. Elaboration**

#### *3.1. The hierarchically dominant financial monetary regime*

The deregulation of capital and money markets in 1985 during the interaction phase had a crucial impact on the subsequent reconfiguration of the monetary regime within the new, neoliberal institutional configuration. As a result of deregulation, banks increased their lending, leading to a significant increase in borrowing by both companies and households at very low interest rates. Much of this borrowing was channeled into property and equities, ultimately leading to a rise in the value of real estate. Inflation, which peaked at about 12% in 1990-91, fueled this cycle, as the rising value of assets was used as collateral for further borrowing (Jonung 2009: 3-4). At the same time, the SAP government was still struggling with the ideational remnants of the Rehn-Meidner model so there was very little support for a restrictive fiscal policy. This overheated the Swedish economy, and produced a bubble in the financial and real estate markets.

The emerging financialized monetary regime had now scaled up to the international level, and was exposed to international dynamics to a much greater degree. In 1990, this transformation had a significant impact on the entire economy as international interest rates increased, putting pressure on Sweden’s interest rates and exposing the currency to speculative attacks (Buendia & Palazuelos 2014: 769). In response, the government increased interest rates, thereby curbing domestic demand and bursting the two bubbles (ibid.). This produced a major economic crisis in Sweden between 1991 and 1993. As Ryner (2002: 152) points out, it “led to a virtual meltdown of the Swedish banking system” which was resolved through a transfer of liquidity from the state that “dwarfed most social expenditure programmes in its magnitude.”



At the tail end of this crisis, the financial monetary regime had stabilized and entrenched itself at the top of the new institutional hierarchy. The main goal of monetary policy had become inflation control, with very little attention now paid to the unemployment rate (Buendia & Palazuelos 2014: 774; Englund 1999: 89). In 1990, the tax system had also been reformed when a ‘Reaganite’ tax reform resulted in a reduction of corporate tax rates from 55 to 30 per cent (Schnyder 2012: 1136). Within the new tax framework, as Belfrage and Kallifatides (2018: 884) point out, Sweden became a haven for capital and money managers. Aside from low corporate taxes, capital flows were encouraged through tax deductions for super-high income earners (e.g. private equity firm partners, etc.), gift and inheritance taxes were abolished, as was property and wealth taxation (ibid.). In addition, the investment funds system which had favored more established, well-performing enterprises was abolished in favor of a system that contributed to the expansion of small and medium enterprises (SMEs) (Schnyder 2012: 1136). This reform and the accompanying growth of the SME sector further increased demand for market-based finance sources, thereby fueling the development of the financial system (ibid.).

Stockholm was strongly affected by the release of credit restrictions in the late 1980s, as building and real estate companies were motivated to produce new housing developments. Unlike the housing developments of the 1960s and early 1970s which were conducted under a strong, credit-based monetary regime, the late 1980s and 1990s saw an expansion of finance-based real estate developments. The situation changed from one in which the national scale played a key role in coordinating the development of housing, to another where agents became embedded within the “international tendency to see the upgrading of real estate as a branch of lucrative financial operations” (Gullberg & Kaijser 2004: 30). The priority of real estate developers was therefore no longer limited to building an affordable and functional housing stock, but rather shifted to suit the needs of the more internationally-oriented elite employed in the city’s most viable industrial sectors (IT, finance and other service-based industries). The real estate industry has therefore ventured into a range of new commercial developments such as sports arenas, conference halls and shopping centers. A major focus has been on developing the required infrastructure for the head offices of IT firms and related consultancies (Hall 1991: 271).

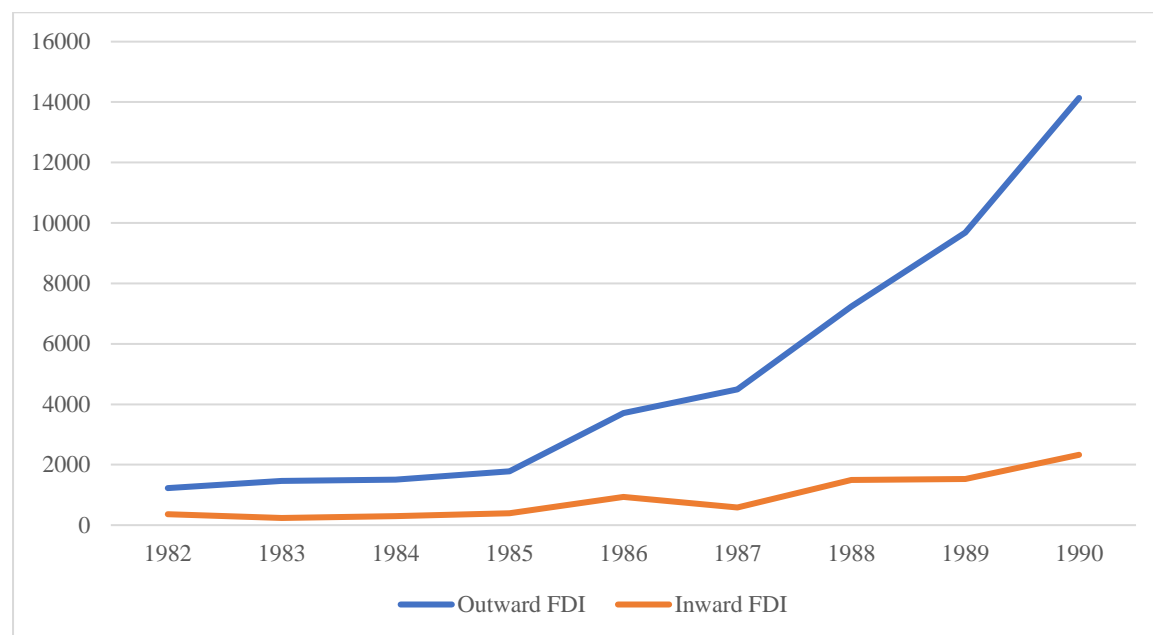
Moreover, new trendy and upper scale housing has cropped up to meet the residential needs of the new neoliberal dominant bloc, employed in the ICT and service sectors. The city center has emerged as the favored location for residents; to suit their needs, rental apartments have increasingly been transformed into owned flats, while the price of owner-occupied flats has experienced a rapid rise (Stahre 2004: 71). Rising rents have pushed low-income residents out to more affordable neighborhoods in the suburbs, making way for a slew of new restaurants, cafés, shopping centers and services with “ever increasing exclusivity” (ibid.). Gentrification is particularly evident in formerly working class neighborhoods like Södermalm, situated south of the Old Town (ibid.).

### *3.2. Forms of competition*

Removing the barriers to international monetary flows also fueled the internationalization of competition. In the second half of the 1980s, there was an increase in both inward and outward FDI in Sweden, with the latter experiencing a particularly dramatic rise (Figure 7.6.) (Bieler 2000: 43). By 1990, Sweden had started investing more abroad than at home (ibid.). During the same period, Swedish production had also undergone significant internationalization – in 1965, TNCs employed 33.9 percent of their employees abroad where they achieved 25.9 percent of their overall turnover; by 1990, this number had risen to 60.6 percent, accounting



for 51.4 percent of turnover (ibid.). Throughout this period, the economy was restructured in favor of knowledge-intensive sectors such as ICT services and equipment, and biotech (Schnyder 2012: 1133). The country's industrial giants – which had previously relied on the centralized structures situated at the national scale – made considerable strides in adapting to the demands of the international economy (e.g. Ericsson successfully shifted its emphasis from mechanical engineering to electronics during this period). This also led to the ‘mushrooming’ of clusters of small- and medium-sized enterprises (SMEs) which were active in the ICT industry (ibid.).



**Figure 7.6.** Swedish outward and inward FDI, 1982-90 (in million \$)

Source: EFTA 1991: 43-4

At the same time, the internationalization of competition compromised many of Sweden's traditional manufacturing industries as they became exposed to competition from other parts of the world. By the 1990s, Sweden had therefore experienced a major decline in steel, shipbuilding, and pulp and paper – all industries that had relied on oligopolistic competition. This transformation was distinctly scalar in nature, with a clear move from the national to the international scale in the articulation of competition, infusing industries that relied on the national scale with crisis tendencies, while at the same time giving a ‘boost’ to industries that were able to remain competitive internationally.

Therefore, throughout the 1990s, the ICT sector had become a key growth engine for Sweden's economic growth: between 1990 and 1998, ICT employment in Sweden increased, even as overall employment during the same period experienced a decline (Karlsson & Klaesson 2002: 270). Aside from its link to the international scale, the ICT sector relied strongly on the urban scale for anchoring. As Stahre (2004: 70) points out, the ICT sector has become “so dynamic, expansive and large that Stockholm and Sweden itself are fast growing into the role of a global IT-centre.” Stockholm has played a central role in supporting the development of the ICT sector and, in turn, the ICT sector also left a major imprint on the city itself. As Karlsson and Klaesson (2002: 244) point out, Stockholm grew into a “major import node for new technologies and advanced, new products developed in other leading metropolitan regions in the world but also a major region in terms of R&D and product development, not least within the ICT sector.”



In this context, Kista solidified its role as a key site for the Swedish ICT sector, leading it to become known as ‘Sweden’s Silicon Valley.’ In the early days, Kista’s nascent ICT cluster gained an image as a place for free-thinking and ‘rebellious’ researchers who focused on long-term projects and radical innovation (van Winden et al. 2014: 108). In the 1980s, the Electrum Foundation<sup>54</sup> was established to help Kista expand its knowledge base and attract university departments and transform the neighborhood into a veritable science city (van Winden et al. 2014: 110). The construction of the Electrum Building was illustrative of this aim – it sought to foster cooperation between research institutes and universities to the benefit of industry (ibid.: 101). Throughout the 1990s, Kista underwent considerable expansion – while Ericsson remained the main player, Nokia, Microsoft, Apple and Sun (as well as a range of other SMEs and start-ups) had also chosen to settle there (Sandberg et al. 2007: 8). The atmosphere had changed from a place of “skunkworks and free-wheeling innovation” to one that was more professional and business minded (van Winden et al. 2014: 104). By 1999, Kista had therefore grown into a “well-known and prestigious area of industry, research, and education” and is now known as Kista Science Park (van Winden et al. 2014: 102).

### 3.3. *Wage-labor nexus*

Following the breakdown of centralized bargaining in 1983 when the engineering employers’ association, VF, succeeded in compelling the Metall labor union to break away from the bargaining framework, bargaining was scaled down from the national level (Hibbs 1991: 97). In 1984, wage agreements for LO unions were negotiated at the industry-level and by 1990, SAF had officially disbanded its bargaining division and formally announced the end of its participation in centralized bargaining (Wallerstein & Golden 2000: 117; Freeman & Gibbons 1995: 365). Employers made the case in favor of industry-level bargaining, arguing that it would award greater decision-making power to local parties in setting appropriate wages (ibid.). For instance, SAF began advocating in favor of ‘coordinated decentralization’ whereby working time and other terms of employment would be regulated at the industry level, whereas wage bargaining would be devolved to the local (i.e. firm) level (Pontusson & Swenson 1996: 229).

However, as decentralized bargaining broke down, the government started experiencing increasing wage inflation. In an effort to ameliorate persisting tensions within the wage-labor nexus, it appointed a national body to assist with the decentralized negotiation of collective agreements (Elvander 2002: 199). This new body – commonly known as the Rehnberg Commission – was comprised of one government mediator as well as one representative from each of the labor and employment associations: SAF, LO, TCO and SACO. It was given a mandate to negotiate a two-year wage agreement for the entire labor market which was to be implemented in industry-level bargaining (Wallerstein & Golden 2000: 118). Following a series of difficult negotiations with over 110 organizations, this produced a pattern agreement which was accepted across the entire labor market, breaking down the wage and price spiral (Elvander 2002: 199). While this initially seemed like a resuscitated attempt to sustain a form of centralized bargaining at the national level, the Rehnberg Commission quickly broke down by the next bargaining round in 1993 (Wallerstein & Golden 2000: 118).

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<sup>54</sup> The Electrum Foundation is a public-private partnership between representatives of the ICT sector (Ericsson, IBM and Packetfront), a real estate company, the research institute Acreo, the KTH as well as the Stockholm Municipality.



Therefore, while wage bargaining “seesawed between peak-level and industry-level negotiations” from the early 1980s to the early 1990s, by 1993 centralized bargaining was officially a thing of the past (Pontusson & Swenson 1996: 229). Rather, as Pontusson & Swenson (1996: 229) point out, “the question of whether – or to what extent – industry-level negotiations will determine wage setting has emerged as the issue of contention between employers and unions.” By this time, therefore, even industry-level agreements had become significantly less restrictive, allowing more flexibility for bargaining at the local scale (ibid.: 230). Devolving wage bargaining to firms also had considerable implications for the traditional division between blue-collar and white-collar unions. Bargaining at the level of the firm tended to encompass all workers, obscuring the traditional divide between blue- and white-collar organizations (ibid.: 229).

The wage-labor nexus therefore underwent considerable rescaling in the transition from centralized to industry- and local-levels of wage negotiation. Rescaling was a tool deployed by a newly emergent dominant bloc – centering around a core of export-oriented employers within the SAF – in response to the internationalization of competition and the concomitant demand for labor flexibilization.

### 3.4. *Insertion of the state into the int'l economy*

Sweden’s reliance on a strong insertion into the international economy has persisted from the Fordist period until the neoliberal era. At the same time, however, this institutional form has experienced a substantial *qualitative* change in the move to a neoliberal institutional hierarchy. Namely, while the Fordist state relied on the Bretton Woods regime for its export-oriented insertion into the international economy, the neoliberal period has rather been marked by the Swedish financial markets’ integration into international financial markets as well as an increased transnationalization of production (Bieler 2000: 41-2). As Ryner (2002: 156) notes:

“Sweden’s growth model was always dependent on the export sector, but the difference is that today, after the demise of the Rehn-Meidner model, the state lacks the steering mechanisms to regulate this sector so as to ensure autocentric economic development.”

Both institutional hierarchies have therefore exhibited a strong complementarity with this institutional form, although it has performed markedly different functions at different times.

Swedish capital’s reliance on exports has also played a part in reinscribing its reliance on a strong insertion into the international economy. As Bieler (2000: 70) points out, one of the deciding factors in the EU accession debate was labor’s realization that the Internal Market program was going to affect Swedish exports<sup>55</sup>. Fearing the negative impact this would have on exports to its main trading partners, first the LO and then the SAP adopted a pro-EU accession stance. Following a referendum that was only narrowly in favor of accession, Sweden joined the EU in 1995, immersing itself in a range of new regulatory constraints and convergence criteria operating at the supranational scale. Namely, from 1 January 1995, Sweden had to fulfil a number of fiscal convergence criteria that focused on low inflation, low budgetary deficits and low government debt. Therefore, aside from experiencing a qualitative change, Sweden’s insertion into the international economy also underwent a scalar transformation, that is, to EU-scale processes as well.

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<sup>55</sup> Due to space limitations, I have not provided a more detailed account of the extensive social struggles that preceded Sweden’s accession to the EU in the interaction phase. For a thorough account of this topic, please see Bieler (2000).



### 3.5. *Forms of the state*

An increasing emphasis on privatization and decentralization throughout the 1980s had an impact on the ways in which municipalities started to experiment with alternative forms of service provision. From 1982 onwards, the SAP government changed its attitude to governance at the local level adopting a framework of decentralization which, as Montin (1992: 34) points out, became an umbrella term designating a broad range of political and organizational strategies strongly rooted in the emerging neoliberal paradigm. By the late 1980s and early 1990s, SAP therefore fully embraced “‘alternative’ ways of financing and producing social services” such that ‘competition’ and ‘freedom of choice’ started to be factored directly into public service provision (Montin & Elander 1995: 38). Thus, parts of certain municipalities’ administrative structures (so-called, ‘performing organizations’) were transformed into ‘result units’ tasked with streamlining service production through the inclusion of non-governmental actors into activities normally performed by government (Montin 1992: 36). This produced a range of new organizational and governance patterns, and varying degrees of privatization and decentralization. In Stockholm, for instance, this resulted in the establishment of fully liberalized electricity provision, a private-public holding company for heating, and a public monopoly for water and wastewater (Rutherford 2008: 1874). A range of other previously public services have also been privatized – the management of the St Göran hospital, the subway, as well as the suburban rail transport were all privatized from the late 1990s onwards following the general election victory of the conservative coalition (Stahre 2004: 73).

Municipal housing corporations, which had played a key role in the implementation of housing policy in the Fordist era, experienced significant restructuring. In 1991, a Riksdag resolution abolished the preferential treatment traditionally awarded to municipal housing corporations, placing them on an equal footing with private housing companies with respect to subsidies, finance and tax regulations (Hedman 2008: 22; 18). This compelled them to move to an overall ‘businesslike’ style of operation; they organized into limited liability companies, operationally distancing themselves from the municipalities which had formed them (ibid.). An increased emphasis was now placed on financial efficiency and meeting the individual preferences and needs of tenants, who were now treated like customers (ibid.). As Christophers (2013: 892-3) points out, this placed municipal housing companies in what was essentially a gray zone between the private and public sector – while they essentially operated like private entities, they ‘belonged’ to municipalities and continued to receive government support to cover operating losses.

The planning process itself has also been exposed to the influence of private sector actors through the advent of ‘consortium planning.’ Here, a consortium (consisting of building contractors and insurance companies) negotiates with the municipality on large and valuable development projects (Hall 1991: 272). The architect is thereby “dethroned” in the planning process, while private interests are given a much greater say in decision-making (Thörn 2012: 164). The different participants in ‘consortium planning’ structures each play a role – the building contractors provide the municipality with a new, lucrative development; the municipality exploits its planning monopoly by granting building permits; and the insurance company provides the financing (Hall 1991: 272). The decentralization of the planning process through models like ‘consortium planning’ has not only down-scaled decision-making, but it has also removed the social dimension from planning considerations. As Hall (1991: 273) argues:

“present-day planning does seem to lack something of the social commitment, the visions of a better and more equitable society, which used to mark the urban development debate in Sweden. ‘Human’



needs, like re-equipping the many shabby schools throughout the country, have been overshadowed by spectacular multi-billion projects.”

In Stockholm, one such consortium formed in the 1980s, consisting of building companies, property owners and the chamber of commerce (Gullberg & Kaijser 2004: 30). The consortium’s central aim was to exploit a series of strategic areas situated in the ‘near-periphery,’ that is, in close proximity to the inner-city which it was well-connected to by public transportation (ibid.). The consortium’s negotiations with the city resulted in a series of key developments such as the Globe, a large sports arena visible from many parts of the city, and the Southern Station project, a large residential project built on the renovated Southern Station (Gullberg & Kaijser 2004: 30; Hall 1991: 272). As Hall (1991: 272-3) points out, the Globe was built by the consortium and subsequently given to the municipality in exchange for permission to transform the area surrounding the arena into a large retail and office center. Similarly, the Södra station project entailed a rebuilding of a large former railyard into residential units, as well as office space, a conference center and a hotel (Hall 1991: 270-1).

## **Conclusion**

In this chapter, I have narrated the neoliberalization of Stockholm by situating it within the broader breakdown of the institutional hierarchy of ‘disarticulated Fordism’ and the subsequent establishment of a new, neoliberal institutional hierarchy in its place. A multiscalar understanding of institutional forms has allowed me to trace the complex ways in which Stockholm has transformed from a key urban center anchored to the nationally-oriented ‘Swedish Model’ to an urban anchor for large, transnationally-oriented corporations specializing in ICT and electronics. I have therefore argued that the neoliberalization of Stockholm has been part and parcel of broader processes of neoliberalization occurring on international and national scales.

Throughout the 1950s and 60s, the Swedish Fordist institutional configuration was characterized by a hierarchically dominant wage-labor nexus which institutionalized the capital-labor compromise central to the ‘Swedish model.’ Solidaristic wage bargaining at the core of the wage-labor nexus allowed large export-oriented corporations to benefit from a steady and uninterrupted supply of affordable labor, while labor in turn benefitted from strong central bargaining mechanisms and political representation. Much like in the case of Johannesburg and New York, the wage-labor nexus exhibited a strong complementarity with oligopolistic competition and the credit-based monetary regime – Sweden’s large, export-oriented transnational corporations relied on the solidaristic wage principle instituted within the wage-labor nexus, while the credit-based monetary regime was defined by the concentration of a few powerful bank-centered business groups and the government’s active role in setting interest and exchange rates, in line with the Rehn-Meidner model. Yet, the Swedish institutional hierarchy exhibited a further complementarity with the insertion into the international regime, an institutional form which acted as a key stabilizing mechanism for collective bargaining, and set the institutional framework for Sweden’s export-reliant industry, as well as the form of state, which provided a decentralized, yet coordinated framework for the implementation of a range of welfare programs and social democratic policies.

By the mid-1970s, each of the institutional forms comprising the Swedish Fordist institutional hierarchy were exhibiting crisis tendencies. However, it was the collapse of the Bretton Woods agreement that ultimately triggered the breakdown of Swedish Fordism, prompting agents to begin their search for a new social compromise, all the while building on the legacy of past



institutions (*self-explication*). While the SAP initially sought to contain these crisis tendencies by making incremental adjustments within the existing institutional hierarchy, it did not succeed. The blue-collar labor unions were the first to propose a new basis for the revised wage-labor nexus vis-à-vis the so-called wage-earner funds, while the SAF launched a counterattack on labor's proposals and embarked on a mission to naturalize a 'business-friendly' atmosphere in the country. The SAP, voted out of office in 1976, was also in the process of undergoing an ideational shift during this time; it ultimately adopted a 'Third Way' economic policy leading it to align more closely with the emerging monetarist economic policies adopted by opposition parties. This challenged the predominantly national articulation of the institutional configuration, leading to a process of rescaling in the move to a new institutional configuration.

The finance-led monetary regime subsequently emerged at the top of the new institutional hierarchy, forming a complementary relation with internationalized competition. This nurtured the establishment of a neoliberal dominant bloc consisting of agents participating in a newly liberalized financial sector, and capital which had restructured and reoriented production in line with demands in the international economy. At the same time, Stockholm's new institutional configuration remained *adequate* to the one in the conditioning phase – while Swedish capitalism during the Fordist era very much protected the interests of workers, this institutional configuration was highly reliant on the acquiescence of industrial capital which, due to the international constraints of Bretton Woods, perceived a compromise with labor as inherent within its own interests. As soon as international conditions shifted following the collapse of Bretton Woods, and Swedish capital could further internationalize, the need for a compromise with labor disappeared, paving the way for the emergence of a strong ICT sector and a strengthening of export-oriented industry. Thus, while it might be tempting to dichotomize Sweden's social democratic and 'neoliberalized' eras, it is clear that the latter is adequate to the former and, in this sense, so is Stockholm's transformation into an anchor for many of the country's existing engineering giants, as well as its nascent ICT industries.



## VIII. Major Findings

In this chapter, I provide cross-contextual remarks that build on the analysis of the cases outlined in the three preceding chapters. The aim of this chapter is to summarize what I argue are systemic neoliberal features of cities, as well as to pinpoint the contingencies of the three cases that are the subject of this study. In other words, I explore the cities' shared pathways of neoliberal restructuring, while simultaneously tracing the differences that exist and persist between them. I start by pinpointing the systemic qualities of neoliberalism in New York, Johannesburg and Stockholm, before making a brief remark on systemic traits of neoliberal cities. I then problematize these traits, pointing to the ways in which these cities could nevertheless be argued to differ amongst each other. Finally, I provide a brief discussion of the importance of analytically accounting for contingencies *alongside* systemic traits, and I summarize the analytical pathways for doing so.

New York City has become such an emblem of urban neoliberal restructuring that it is almost difficult to recall what it used to be like before it was 'neoliberalized.' Wall Street's influence has permeated the city's every pore. Throughout the 1980s and 1990s New York became the site of widespread gentrification which dramatically altered the socio-economic composition of neighborhoods like the Lower East Side, Williamsburg and Brooklyn Heights. A business-friendly city government and a series of mayor-entrepreneurs have made a host of legislative adjustments to the advantage of finance, exponentially increasing the power of Wall Street, corporate developers and other real estate interests. Property in wealthy neighborhoods like the Upper East Side quickly became almost exclusively attainable by the super-rich, whereas the working class has been pushed out progressively further away from Manhattan, to farther parts of the Bronx and Queens. The Financial District, with Wall Street at its core, has become a largely non-residential single-use neighborhood, with Midtown – containing the vast majority of the city's office buildings – performing a supporting function.

Neoliberal Johannesburg is a starkly divided city. In the immediate post-apartheid period, its rich, white northern CBD-cum-residential suburbs vividly contrasted the black townships located in the south of the city. While the northern suburbs boasted a healthy FIRE sector benefitting from job expansion in skilled, finance-oriented work, southern townships like Soweto were plagued by unemployment (or precarious employment), poverty and a rapidly increasing crime rate. The manufacturing sector, employing low-skilled residents of the predominantly black townships in the south, had all but disappeared. Rampant crime in the formerly bustling inner city (i.e. the old CBD) precipitated the migration of businesses, hotels and offices to the new CBD in the northern suburb of Sandton, allowing the area to gradually fall into a state of deprivation and decay. By the early 2000s, Johannesburg's inner city was considered a no-go zone by white residents. Income-based divisions were amplified through the corporatization and privatization of public utilities which relied on existing, apartheid-era infrastructure and therefore placed township residents at a significant disadvantage.

Stockholm's neoliberal urban structure, on the other hand, has transformed in line with the demands of a growing global ICT-sector. The city's northern suburbs, particularly Kista (and its Science City), developed into a core ICT cluster, attracting major national and international tech giants and research institutes. A new urban elite formed, pricing out long-term, lower income residents from lucrative residential neighborhoods like Södermalm, while the latter moved out to more affordable suburbs. This amplified socio-economic residential patterns, with lower income residents increasingly occupying undesirable Million Homes suburbs like Testa and Husby, while wealthier ones chose to live closer to the inner city. Municipal services



underwent varying degrees of privatization and decentralization, including municipal housing, which had long been the backbone of Swedish urban planning.

Neoliberal restructuring in all three cities has therefore entailed a rise of the financial monetary regime in the institutional hierarchy, i.e., a progressive institutionalization of the power of finance into the urban fabric, both materially and ideationally. This has chiefly entailed (but has not been limited to) the corporatization of municipal government, a heightened influence of corporate real estate developers, as well as a shift in the city's employment structure. The wealth of workers employed in finance-oriented industries has increased substantially, while there has been a corresponding expansion of a large non-unionized, underpaid and increasingly precarious workforce. Neoliberalism has produced new socio-spatial differences (as well as re-inscribed and amplified existing ones), thereby resulting in the fragmentation of the urban landscape and the creation of sharp socioeconomic divisions between (internally homogeneous) neighborhoods. Cities have come to structurally favor a new, finance-oriented elite that has acquired access to desirable residential locations, types of property, forms of employment, transportation, entertainment as well as mobility to other, equally desirable locations.

And yet, we have seen that neoliberalism in these three cities has produced oftentimes disparate features. At first glance, Johannesburg's spatial division along north-south lines and the emergence of a no-go zone in its inner city seems to have little in common with the processes of gentrification in Brooklyn or the Lower East Side. The emergence of a major ICT cluster in Stockholm – the largest of its kind in Europe and second in the world only to Silicon Valley – similarly appears contextually unique and unrelated to the transformations in the two cities described above. The sheer diversity of spatial and institutional iterations of neoliberal restructuring is astounding, and it is not entirely unexpected that a growing number of scholars have opted to study this diversity rather than to try to make sense of the complex patterns that exist across cases. As Peck (2015:165) points out, “everywhere was now different (or ordinary), and nowhere was more different (or ordinary) than anywhere else.”

An emphasis on sheer diversity fails to capture that, while the *content* of neoliberal restructuring differs, it is nevertheless characterized by a shared cross-contextual neoliberal *form*, powered by a set of systemic institutional features. Systemically, neoliberalism is characterized by a hierarchically dominant financial monetary regime that forms an inherently complementary relation with two additional institutional forms: the internationalization of competition and the state's insertion into the international regime. At the same time, the *content* of neoliberal restructuring results from a variety of contingent institutional and scale-specific influences. That is, New York City, Johannesburg and Stockholm exhibit divergences amongst each other in spite of their shared neoliberal trajectories for two key reasons:

- Neoliberal restructuring at the urban level is mediated through the national and international scales. Each scale, although intertwined with other scales, embodies a particular logic that is historically and materially specific;
- Neoliberal restructuring does not take place in a vacuum, but rather confronts various institutional legacies that exert a path-dependent role on these emergent neoliberal forms.

In order to understand the systemic *form* of neoliberal restructuring across cases, it therefore becomes necessary to disentangle these various scalar and institutional influences, accounting for why neoliberalism appears the way it does across urban contexts.



New York's role as a financial center during the Fordist era, its embeddedness in the national context of a hegemonic power with a strong liberal tradition like the United States and its key role in the Bretton Woods context has rendered the city particularly receptive to neoliberal restructuring. It is because of these intersecting scalar and institutional factors that Wall Street was well-positioned to become the largest global financial center and acquire key structural power in New York City's decision-making processes and to accommodate the interests of real estate and business through a variety of legislative reforms and tax cuts. Johannesburg's role as a key regional financial center is similarly a product of its intersecting institutional and scalar influences. Embedded within a strongly centralized and racialized state with a government trying to overcome decades of segregation and international isolation, as well as an economy with a fairly developed financial sector, Johannesburg was particularly vulnerable to the influence of reforms sponsored by the IMF and World Bank. Finally, Stockholm's embeddedness in a national framework with a tradition in state-led R&D, a strong legacy of municipal decision-making, as well as an internationally-oriented economy dominated largely by engineering companies, created the structural milieu necessary to accommodate the creation of a large ICT cluster. At the same time, its strong social democratic legacy has worked in a path-dependent way to counter some of the social inequities of neoliberal restructuring, leaving in place some (albeit significantly watered down) facets of its social safety net which have worked to dampen the harshest effects of neoliberal restructuring.

At the same time, neoliberalism is not imposed top-down in a monolithic way, nor is it a mechanic, self-powered process that operates without the knowledge or consent of its unwitting subjects. It is articulated by agents situated in specific historical and material milieux – agents that form different types of coalitions, in response to different structural conditions, deal with different context-specific forms of contestation and are motivated by a range of differing interests. These agents are also situated at different scales, adopt particular scalar logics and are embedded in specific institutional contexts that impact their reasoning and decision-making. As crises are contingent – and the processes through which agents group and regroup forming new hegemonic and counter-hegemonic groups is context-specific – the emergence of neoliberalism is also mediated through institutional and scalar hierarchies.

As we have seen, the neoliberal restructuring of New York City was implemented by a multiscale alliance of actors consisting of the New York City Mayor, New York State Governor, Federal Government, a constellation of internationally-oriented financiers and business executives and unions. On the other hand, neoliberal coalitions in Johannesburg and Stockholm have predominantly been formed at the national and international scales. In the former case, a coalition has emerged between the newly elected ANC government and national unions, as well as international institutions like the World Bank and IMF. In Stockholm, neoliberal restructuring was ushered in by the center-right coalition government that came to power in 1976 and subsequently via the SAP and its 'Third Way' policy orientation.

Furthermore, the respective 'moments of activation' that precipitated the emergence of neoliberalism differed significantly amongst each other. Both New York and Johannesburg were triggered by events anchored at the urban scale. In New York, the period of 'interaction' was sparked by an inherently urban crisis, originating in New York City itself. It was a fiscal crisis produced by a combination of contradictions in the Fordist regime of accumulation and the scalar tensions inherent in the overarching system of fiscal federalism. In Johannesburg, the 1976 Soweto riots – resulting from the tensions caused by the territorial articulation of racial Fordism – had precipitated a breakdown of the regime of accumulation. Territorial segregation, which entailed a physical separation of races through man-made barriers and a



neglect of non-white urban areas, had produced a highly tension-ridden form of urbanization. Finally, the trigger to Stockholm's neoliberal restructuring was the breakdown of the Bretton Woods compromise, anchored firmly at the international scale. This event exposed the inherent contradictions within the Swedish form of 'disarticulated' Fordism – i.e. the simultaneous reliance of mass production on demand in the international economy and mass consumption on international imports – in which the national and international scales were complementarily and intimately bound. Therefore, while each of the three institutional hierarchies were in a state of tension by the mid-1970s – owing to contradictions inherent in the Fordist regime(s) of accumulation – their respective breakdowns were triggered by qualitatively different events, articulated at different scales.

Understanding the ways in which neoliberal cities differ and the ways in which they are alike is of crucial significance in the context of a broader study of the relationship between cities and capitalism. The problematique at the core of this project – tracing the systemic and contingent features of neoliberal restructuring in urban contexts – not only seeks to contribute to existing scholarly debates, but also to real-world urban struggles against neoliberalism. Understanding neoliberalism as a systemic and all-encompassing form of capitalism that has permeated urban contexts across the globe allows us to more directly capture the common denominator of seemingly very diverse urban struggles. While this project focuses on three cities, all of which are financial centers, it makes broader claims about the systemic nature of neoliberalism which has the potential to be extended to other cities – financial centers or otherwise. This provides the potential for new trans-urban alliances and social movements, allowing them to confront neoliberal processes occurring on higher scales, i.e. to 'jump scale' (Smith 1984).

At the same time, any abstract study of systemic facets of neoliberal urbanization must be complemented through, as Brenner (2019: 43) points out,

“concrete-complex analytical strategies, including those that are attuned to place-based conditions, and that thereby illuminate the specificity and even contingency of emergent histories, strategies, and struggles.”

Formulating an understanding of contingencies and how they are mediated through scales, institutions and agents is key to these same urban struggles. First of all, capturing how each city relates to its respective national and international context renders the mechanisms that cause difference explicit. Not every city forms the same relationship with the national scale, nor does it relate to the international scale in precisely the same way. Furthermore, identifying dominant alliances, dominated social groups as well as the various processes of (re)grouping that occur following periods of crisis makes it possible to pinpoint the role of agency – as well as the concrete persons that embody it – in different contexts and at different times. Finally, understanding institutions as path-dependent captures the influence prior social compromises have had on present-day social arrangements, thereby allowing us to shed further light on contextual specificities.

### *Limitations of the thesis*

Due to the breadth of the historical periods covered and the number of cases that I have selected, a few limitations have emerged during the research process. Most notably, the thesis does not deal with the ideational aspects of institutional forms in as much depth as the material components. This is the case because the emergence and institutionalization of ideas is much more difficult to capture through documentary analysis and archival research – the two primary methods that I drew upon – than through methods like interviews. Due to financial and time constraints, I have chosen not to conduct interviews, and I have unfortunately not had access



to individuals' insights about the ideas they have held, e.g. when involved in key negotiations. At the same time, however, my usage of ideas fits with my overarching materialist ontology. Namely, while I do not address the full spectrum of ideas that are contained within given institutional forms – and that therefore delimit the full range of ideas that are available to be drawn upon by agents at a given point in time – I do refer to ideas through the lens of *adequacy* and *self-explication*. This allows me to provide an understanding of ideas that is explicitly conscious of the material circumstances out of which they emerge.

Also, for the sake of brevity, I have focused on sketching only key features for each case's cycle of neoliberal restructuring. This has compelled me to omit much supplementary data which would have surely added much more nuance to the overall narrative. Finally, analytically separating the study into three components might give the false impression that agency only operates during one historical interval while remaining 'dormant' at others. This is not the case – agency constantly acts upon structure in an effort to challenge it or elaborate on it. What I have highlighted, however, are the crisis-driven moments in history when institutional forms are 'activated' and therefore more receptive to agential action. It is through a special focus on agency during these periods that it becomes possible to identify how institutional change comes about.



## IX. Conclusion

The present-day global urban condition is inherently neoliberal. Empirically, this condition manifests itself through a variety of seemingly disjointed tendencies across individual cases; this has contributed to the emergence of a differentiated, kaleidoscope-like landscape of global neoliberal urban forms. Nevertheless, these processes are distinctly systemic and it is for this reason that we are able to employ ‘neoliberalism’ as an umbrella concept to designate even ostensibly divergent empirical phenomena. Neoliberal restructuring must be understood with reference to the process of rescaling, and I have particularly argued that it took place during the period of *initial neoliberal restructuring*, i.e., the moment when neoliberalism became hegemonic within a particular institutional context. This allows us to identify the contextually-specific structural conditions that have nurtured the emergence of neoliberal solutions, as well as the concomitant path-dependencies that have emanated out of them.

In this thesis, I have put forward an analytical framework which I argue is best equipped to trace the systemic pathways through which neoliberal restructuring unfolds, while at the same time identifying the contingencies that give rise to contextual specificities across geographies. This analytical framework is grounded in a French Régulation understanding of institutions and institutional dynamics, as well as a morphogenetic understanding of the interplay between structure and agency over time. In particular, I build on Knio’s (2020) research which integrates the two, building a methodology for the study of capitalist stasis and change across three moments: conditioning, interaction and elaboration/reproduction. His two concepts of *self-explication* and *adequacy* allow us to further specify the ways in which certain institutions persist over time, shedding light on the persistence of path-dependencies across contexts.

With respect to my analytical treatment of cities, I have chosen to reformulate my problematique in line with a scalar understanding of cities; namely, rather than focus on ‘cities’ as bounded entities isolated from processes occurring in other places and on other scales, I have rather focused on the ‘urban.’ In this sense, I focus on broader multiscale institutional dynamics which do not assume clear-cut boundaries between the urban and other scales, but rather conceive of an inherent overlapping and intermeshing between them. For this purpose, I draw on research by Peck and Tickell, as well as Swyngedouw, which incorporates scale into a regulationist understanding of institutions. Neoliberalism is therefore conceptualized as a process of rescaling, whereby the role and nature of the urban scale has experienced a fundamental change in the transition from a Fordist to a neoliberal regime of accumulation.

As I have argued in chapter III, my analytical framework revolves around two (overlapping and mutually intertwined) hierarchies – an institutional and scalar hierarchy. The *institutional hierarchy* has two key features: a) that certain institutional forms within a given regime of accumulation can be bound by complementary relations and b) that, within these complementary relations, one institutional form tends to emerge as dominant such that it guides the development of the remaining institutional forms within the configuration. In this context, the Fordist institutional configuration is said to be characterized by a hierarchically dominant wage-labor nexus and a complementarity with oligopolistic competition and a credit-based monetary regime. The neoliberal institutional configuration, on the other hand, is characterized by a hierarchically dominant financial monetary regime and its complementarity with internationalized competition. In line with this, I have argued that in tracing the breakdown of the Fordist institutional configuration and the subsequent emergence of a neoliberal configuration, I would be able to observe the systemic clustering of hierarchies and complementarities (as outlined above) across all three of the cases being studied. By describing



the arrangement and content of the remaining institutional forms, it becomes possible to identify contingencies and how they result in differentiation between cases.

At the same time, I deploy the concept of a *scalar hierarchy* which refers to the relative dominance of one scale relative to others as an arena for action, as well as a site and object of power struggles and contestation. This has also involved a systemic and a contingent component. In a systemic sense, ‘initial neoliberal restructuring’ has involved a process of rescaling through the breakdown of the Fordist RoA and the subsequent emergence of a neoliberal RoA. While the national scale was of crucial importance to the articulation of the former, the urban scale has played a crucial role in anchoring neoliberal processes; this has transformed the cities themselves, as well as the role of the urban scale as a whole, rendering it more receptive to processes, particularly those articulated at the international scale. At the same time, scalar hierarchies also have a contingent component. For instance, the international scale played a major role in the articulation of the particular Swedish variant of ‘disarticulated’ Fordism, while the urban scale played an important role in the territorial articulation of racial Fordism, and Johannesburg’s dynamism has been, as Lipietz (2008: 141) argues, “of primary concern to South Africa as a whole, indeed arguably, to the sub-continent.” The complex process of rescaling is therefore also inherently path-dependent, as emergent scales do not form a universal set of neoliberal interscalar relationships, but rather form their own unique scalar patterns within the broader scalar hierarchy.

Through my empirical analysis, I have identified that, in all three cases, a wage-labor nexus-led hierarchy characterized the Fordist institutional configuration, which formed two complementarities – with oligopolistic competition and the credit-based monetary regime. In New York City, the wage-labor nexus institutionalized a compromise between labor and capital that, on the one hand, fueled consumption by keeping workers’ wages relatively high, and on the other, allowed capital access to a stable, uninterrupted supply of labor. This worked to the advantage of large-scale US capital – at the core of oligopolistic competition – which concentrated in a range of key industries scattered throughout the Manufacturing Belt. The credit-based monetary regime complemented both of these institutional forms, providing both laborers with cheap consumer and mortgage credit, as well as large industrialists with capital needed for expansion. In Johannesburg, on the other hand, the wage-labor nexus played a key role in institutionalizing the racialized labor relations that formed the backbone of apartheid and its Fordist regime of accumulation. It fueled the growth of MEC-centered industries which relied on cheap labor for growth, while the credit-based monetary regime, characterized by an inherently powerful and concentrated financial system, existed in an inherently symbiotic relationship with the mining conglomerates. A similar pattern could be identified in Stockholm, where the compromise between labor and capital through solidaristic bargaining, institutionalized by the wage-labor nexus, formed the core of the ‘Swedish Model.’ Much like in the case of New York City, this institutional form worked to the advantage of Sweden’s export-oriented corporations which benefitted from the aforementioned solidaristic principle. Similar to Johannesburg, on the other hand, overlapping ownership structures between capital and the banking sector, as well as a range of government sponsored concessions, allowed big export-oriented corporations easy access to cheap credit.

In all three cases, neoliberalization manifested itself through the emergence of a hierarchically dominant financial monetary regime and a complementary form of internationalized competition. In New York, this move was self-evident. Through the 1970s fiscal crisis, Wall Street interests secured their dominant position relative to the interests of labor and industrial capital, providing the stability for the emergence of a new, hierarchically dominant financial



monetary regime. Furthermore, Wall Street played a key role in supporting the international expansion of large US conglomerates through an inherently complementary position with internationalized competition. In Johannesburg, the financial monetary regime established itself through an IMF and World Bank-sponsored transformation of monetary and fiscal policy, which inherently supported the MEC industries' increasing international expansion. Following the deregulation of capital and money markets in 1985, the financial monetary regime emerged as hierarchically dominant in Stockholm, as well. This nurtured the further expansion of existing internationally-oriented corporations, and made credit accessible to a range of budding small and medium enterprises in ICT and engineering industries.

At the same time, the institutional configurations of these three cities allow us to trace a host of context-specific contingencies. Most notably, Johannesburg's 'racial Fordist' wage-labor nexus exhibited a very strong complementarity with the forms of the state; this institutional form provided the necessary institutional architecture for the apartheid state apparatus, and ultimately played a major role in articulating the territorial logic of apartheid. In the case of Stockholm, on the other hand, the wage-labor nexus also exhibited a very strong complementarity with the form through which the state was inserted into the international economy, as the Bretton Woods regime played a key stabilizing role for collective bargaining.

This approach responds most directly to research that has tended to overemphasize either the systemic or the contingent aspects of neoliberal restructuring. Research stressing the former has deployed largely structuralist understandings of neoliberalism and therefore possesses limited analytical power in accounting for the various context-specificities of neoliberalized cities. Accounts such as these, embedded largely within more orthodox strands of Marxism, fail to address difference as a constitutive part of neoliberal restructuring. While these types of analyses do an excellent job of shedding light on the patterns that can be identified across cases, fleshing out the structures and mechanisms at work in producing a neoliberal city or geographical context, contingencies are left unaddressed. This leaves the analyses prone to effortless critique, particularly ones calling for an understanding of neoliberalism more attuned to the various forms that it takes across time and space (rather positing neoliberalism with a capital N).

On the other hand, research focusing on contingency has arguably offered equally problematic analyses, positing a conceptualization of cities as seemingly unconnected or unrelated to processes occurring on higher scales. These analyses, grounded in poststructuralism, have tended to stress difference and uniqueness as a constitutive aspect of contemporary processes of city-making. Failing to address systemic mechanisms has not been accidental, however – it is an intentional analytical wariness of “universals made in the North and masquerading as stylized facts, policy paradigms or conceptual abstractions” (Peck 2015: 166). Much like the structuralist analyses discussed above, however, these analyses quickly become problematic. Patterns across cases *do* exist and, unless we choose to entirely disengage from capitalist analysis, they *must* exist; that is, “to conceptualize phenomena as capitalist is also to recognize that there is an aspect of things which may be systematically so designated” (Massey 1995: 302).

While the two analytical approaches outlined above occupy two opposing poles on a broad ontological spectrum, I argue that the approach I have adopted in my thesis is equally able to respond to and/or deepen existing approaches that have already sought to capture both systemic and contingent aspects of capitalist diversity. Through its understanding of historically-specific modes of regulation and regimes of accumulation – as well as more recent theorizations on the



institutional hierarchy and complementarity – the French Régulation approach is well-attuned to the overarching problematique of this thesis. And yet, I have shown that a multiscale understanding of institutional forms, as well as a temporalization of institutional change, is able to deepen our understanding of both systemic and contingent aspects of neoliberal restructuring. It has also allowed us to focus on particular scales, such as the urban, in an effort to shed light on its unique – yet interrelated – role relative to the broader regime of accumulation.

With respect to the Variegated Neoliberalization approach, I argue that a focus on institutions – and the patterns that they form – allows us to deepen our understanding of systemic aspects of neoliberalization, i.e. of the precise features of the “market-oriented regulatory restructuring” that have characterized neoliberal restructuring (Brenner, Peck & Theodore 2010: 190). Furthermore, it allows us to flesh out the context-specific contingencies of restructuring, particularly with respect to the moment that the authors refer to as the ‘uneven development of neoliberalization.’ By shedding light on the different Fordist structures present in each context, it becomes possible to lend clarity to the strategic vulnerabilities inherent in different Keynesian systems (ibid.: 211), how these vulnerabilities differed amongst each other, and how they rendered structures differently ‘receptive’ to neoliberal restructuring. In addition, shedding light on agency allows us to understand more closely why different neoliberal strategies were selected in different contexts, by whom, as well as to distinguish between the motivation of agents on different scales. The approach proposed in this thesis therefore allows us to portray initial neoliberal restructuring as a complex, historically- and geographically-specific process articulated by a motley crew of agents embedded in different scalar and institutional logics.

At the same time, the approach I have proposed seems to open up a variety of new questions. While I analyze the period of ‘initial neoliberal restructuring,’ there have been further rounds of neoliberal restructuring in the period that has followed, sparking new cycles of transformation that have in certain cases altered the institutional and scalar logic of the neoliberal regime of accumulation itself. Most notably, the rise of ‘authoritarian neoliberalism’ in certain geographical contexts has generated its own systemic traits, as well as contingencies, and deserves to be explored in its own right. A number of articles (Jenss 2019; Tansel 2019) have spearheaded this research avenue through valuable multiscale analyses that focus on urban transformations, and these should serve to inspire further theoretical work on the topic. And yet other efforts to counter neoliberal transformations through social movements and other forms of contestation have failed. These processes, which result in interaction and yet reproduce existing institutional features, would merit attention in their own right. Understanding these different facets of neoliberal restructuring is crucial and must serve as a prerequisite for constructing effective counter-hegemonic strategies and, ultimately, alternative, anti-neoliberal futures.



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## About the Author

Aleksandra Piletić is a critical political economist from Serbia specialized in neoliberalism, varieties of capitalism and urban transformations. She holds a dual Master's degree in Public Policy from the Institute of Social Studies (ISS), Erasmus University Rotterdam and the Institut Barcelona d'Estudis Internacionals. During this time, she was an Erasmus Mundus Fellow and received a distinction and best thesis award in her specialization for her paper titled "Emergence, Evolution and Entrenchment of Neoliberal Processes: New York City and London from the 1970s to the Present." She also holds a Bachelor's degree in Philosophy, as well as a minor in Mathematics, with Honors from American University in Washington, DC. She attended high school at Crawford College Pretoria in South Africa, where she matriculated with 7 distinctions. She has several years of experience working in international organizations and NGOs in Belgrade, Serbia.