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Marketization, Public Services and the City:

The Potential for Polanyian Counter Movements

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ABSTRACT

Marketization of urban service delivery gained renewed intensity in the crisis. Mobilizing Polanyi's concept of the double movement, we analyze how marketization of public services both creates and constrains the potential for urban counter movements in the USA and Europe. We identify three main urban responses: "hollowing out" where cities engage in service cut backs, "riding the wave" where cities attempt to harness the market, and "push backs" where citizen movements oppose marketization. Although the city is constrained by marketization at national and international levels, we find evidence of push back and, in it, the potential for public service alternatives.

1. INTRODUCTION

Fiscal austerity measures pursued by governments in much of the developed world in the attempt to exit the ongoing financial and economic crises have been accompanied by deep, sudden and protracted public expenditure cuts. These cutbacks have been justified in policy debates at the national and international levels, which fundamentally question the role of the state in service provision and simultaneously promote alternative methods of injecting market forces into service delivery. This marketization of public services during the ongoing crisis is not new; rather, it constitutes the latest phase of a longer-term drive to privatize urban service delivery which started in the late 1970s.

Polanyi (1944) argued it is utopic to expect a market economy can be unilaterally imposed upon society, since the market economy itself is socially embedded, requiring continued public intervention. His “double movement” predicted that attempts to extend the market economy would be countered by forces aimed at social protection (1944 p. 138). We operationalize the double movement thesis to analyze the marketization of urban service delivery and explore how cities across the USA and the European Union (EU) are responding in the context of the crisis.

The challenges of marketization are felt especially acutely at the city scale – as this is the arena where people live. In the EU, cities are the key hub from which most citizens access essential services even though they may be social entitlements guaranteed by the state. In the USA, most social citizenship rights are devolved to the state and local level and secured primarily through engagement with market work (Katz, 2001). This gives cities more responsibility and autonomy to provide social safety net services but this has become more difficult in the recent era due to recession, high unemployment and local fiscal crisis (Lobao and Adua, 2011; Glasmeier and Lee-Chuvula, 2011). While privatization and competition are generally promoted by international organizations and implemented by national or regional governments, cities feel the results of these policies directly on the quality of life of local residents. And it is at the local level that policy-makers and citizens see the impacts of policy choices and have the power to respond.

We find city responses fall into three main patterns. First, the renewed logic of marketizing service delivery has furthered market penetration of the state and helped justify public service cut-backs in the ongoing crisis. This contributes to further “hollowing out” of public services which, especially across Southern Europe (most notably Italy, Greece and Spain), is leading to an unsustainable strain on social cohesion. Second, we chronicle efforts at both the city and citizen levels to push back, Polanyi counter movement style. Despite the crisis, the city has preserved some space to “ride the wave”, or even, push back. Some cities are using marketization to find new ways of providing services. Many initiatives are at the local level and offer some promise for a revitalization of a progressive municipalism even in an era of austerity (Clavel, 2010). In the EU, cities often have been forced to do so by citizen pressure, whereas in the USA, city leaders often have sought to do so despite citizen acquiesce. These differences reflect differing cultural conceptions of social rights, public services and the state in the USA and the EU (Shortall and Warner, 2010). Third, we examine instances of citizen response to the crisis and their efforts to articulate a counter-discourse to ongoing marketization of public services. In the USA but, particularly, across the EU periphery, we see citizen movements pushing back, using a counter-discourse to challenge marketization. Witness the outpouring of Occupy Movements across Madrid, Barcelona, Seattle and New York City in 2011 and 2012 (Hou, 2010).

Even within city leadership structures we find a Polanyian counter movement where cities attempt to secure social protection in the context of increased marketization of public services. Fraser (2010) has expanded on Polanyi to articulate an “emancipation moment” where new forms of cross sector collaborations (state, market and society) interact to push back against market encroachment and state oppression. This opens up new lines of action that both challenge and promote active citizenship. Sassen (2005) argues that citizens have the power of presence on the streets, and Purcell (2008) shows how this creates a space for more assertive citizenship at the local level. This is the promise that Fainstein (2010) sees in her calls for the “just city”. These push back movements from the city and citizens create an opening for progressive action even in an era of retrenchment and austerity. Urban scholars look to the city region as a locus of policy and economic reform despite the challenges of neoliberal discourse (Lobao and Adua, 2011; Jessop, 2002; LeGales, 1998). But what are the limits imposed by the national and international level policy discourse, and what is the power of cities to challenge or craft more progressive alternatives? That is the focus of our discussion.

This paper is divided into four sections. Firstly, we set out our approach, which examines marketization and the urban response through the prisms of policy reform and its associated discourse. Secondly, we critically and comparatively analyze the marketization of service provision and citizenship in the USA and the EU in sections two and three, respectively, showing how this helped limit city power to regulate its own activities. Fourthly, we analyze the urban response, from the city and its citizens. Finding evidence of a counter movement, we tease out why this has taken different forms and intensities in the USA and the EU.

2. POLICY, DISCOURSE AND PUSH BACK

Our exploration of public service marketization and the potential for push back across cities in the USA and the EU is organized through a comparative analysis of policy reform and discourse used in both jurisdictions. Policy and its discourse are tightly interlinked because the words we use help set the parameters whereby policy can be imagined. It is particularly important to analyze the contours of policy reform as well as its discourse in order to set the scene for our analysis of the counter movement. From the city level, the counter movement comes in the form of alternative policy responses by cities (such as reversing outsourcing, or harnessing the market for service delivery in innovative ways) and a counter discourse often articulated by citizens. In our analysis of the counter movement we will capture how the city and citizens articulate their positions using as a reference point the mainstream policy and discourse used by larger national and international forces in a multi-level governance system (LeGales, 2002; Jessop, 2002).

As regards policy, we focus on privatization and competition, which became increasingly influential in the reform of service delivery from the 1970s. Rhodes (1994) argued these policies helped to "hollow out" the role of the state: this metaphor is useful since it suggests the core functions of the state were emptied, but an outer shell was left intact, giving an external coherence, legitimacy and purpose to the state's role in service delivery. Cities try to maintain this shell, though national and international level policies make this increasingly difficult. For the "hollowing out" metaphor to hold, the reduction of state functions should be reversible in the future, so that services and functions that had been previously privatized or eliminated can be transferred back to the public domain. Take the case of outsourcing, which was promoted at the national and international levels, first across the Anglo-Saxon world, then to most of the rest of the world (Hodge *et al*., 2010). Lack of cost savings (Bel *et al*., 2010), concerns with service quality and a lack of control have led localities to push back by insourcing previously outsourced services across cities in the USA (Warner and Hefetz, 2012; Hefetz and Warner, 2004 and 2007) and the EU (Hall *et al*., 2013). It is at the city level, where policymakers see the direct impact on citizens that the pushback originates.

For policy discourse, we examine how marketization has challenged the public content of policy, undermining the legitimacy of public values language (Dahl and Sos, 2012). While the legitimacy of public action may be challenged at the national and international levels, cities are caught between economic, social and political imperatives that force a higher degree of responsiveness to citizens than found at higher levels of governance, which are more shielded from direct democratic and popular opposition. The power of presence of citizens on the street evokes a city response which can be militaristic or seek accommodation and we have witnessed both in the wake of the Occupy and other popular movements, especially in Southern Europe (de la Llata, 2012; Hou, 2010).

We place the city at the centre of our analysis of public service marketization and the counter movement. Progressive municipalism which some cities pursued as a form of local protest and progressive alternative in the 1970s and 1980s (Clavel, 1986), gave way to embracing concepts such as regeneration and entrepreneurship (Jessop, 1998) as cities throughout the USA and the EU began to reinvent themselves as "tourist cities" or "cool cities" (Florida, 2002; Frug and Barron, 2008), a trend reflected both in policy labels as well as in architecture (Siemiatycki, 2013). In parallel, urban economic development policy shifted from a concern over growth centers and support for lagging regions (Brown and Warner, 1991) to a narrower focus on competitive cities (Porter, 1995) and the creative class (Florida, 2002). This marketized focus privileges private market investment logics and actors over broader community interests and is found in both USA and EU policy (Shortall and Warner, 2010).

Despite these trends, some scholars argue there is still a place for progressive politics at the local level (Fainstein, 2010; Clavel, 2010). Although the reality of fiscal stress leaves cities less room for maneuver, state rescaling may offer the prospect of differences in subnational political action – providing space for local governments to explore alternative paths (Mitchell, 2012; Lobao and Adua, 2011). Although less urban attention is focused on securing social reproduction or social safety net services today, cities are not deaf to citizen demands.

3. MARKETIZING PUBLIC SERVICES

3. 1. Uncovering the Historical Roots of this Policy Shift

Deep reform of service delivery began in the 1980s. Reagan's New Federalism in the USA and Thatcher's Privatization in the UK set the conceptual stage for accelerated reform, which included a shift from national to local responsibility for service delivery.

Privatization and competition were leading forces driving service delivery reform. In the EU, privatization involved the sale of public firms and outsourcing was used when sales were not feasible. Privatization was spearheaded in the EU by the UK, and extended to public utilities, prisons, schools, social housing and hospitals. However, even here, high profile privatization reversals occurred, such as the re-nationalization of London´s Railtrack in 2001 and the collapse of the London Underground PPP project (Hodge *et al*., 2010). Under Thatcher, privatization was accompanied by an attempt to introduce competition to break the monopoly of local government power. Competitive tendering in the UK was made compulsory from 1988 to 1998. However, Szymanski & Wilkins (1993) showed that the objective of breaking their monopoly failed since a large percentage of contracts were won by local government teams. The election of Tony Blair in 1997 signaled a shift back towards a more balanced position. Labour's ''best value'' framework implemented in 1999 recognized local governments needed to balance cost efficiency with other factors, including accountability and citizen engagement (Martin, 2002). Privatization in the rest of the EU boomed in the 1990s (Clifton *et al*., 2003). Whilst privatization in the EU was a prerogative of national governments, the introduction of competition was mandatory, according to the requirements of EU membership (Clifton *et al*., 2006).

The US story is a little different. Here, privatization generally took the form of outsourcing as there were few public enterprises to sell. Privatization was promoted by the Reagan Administration, but national policy has limited control over how local governments provide services. Thus competitive tendering, though actively encouraged in the USA, was never compulsory, as in the UK. But market ideology pervades US culture and city leaders embraced privatization and the New Public Management ideology of which it was a part. Despite strong ideological support for privatization, however, actual levels of city privatization remained relatively flat over the period

(Hefetz, Warner and Vigoda-Gadot, 2012). This has two explanations: contracting services was already commonplace in US cities prior to 1980, so scope for further experimentation was limited; and, city leaders were free to decide if outsourcing delivered the promised benefits (cost savings, customer satisfaction, etc.). When outsourcing failed to deliver the promised benefits, city leaders had the authority to reverse their decisions bringing previously outsourced activities back in house, a process that has increased over time (Hefetz and Warner, 2004 and 2007; Warner and Hefetz, 2012).

But local action is not the end of the story. National and international policy continued to play a role in the redefinition of services and the promotion of competition and privatization. This illustrates the critical importance of a multi-level governance analysis to understand the constraints within which cities operate. The European Commission plays a key role in all questions relating to anti-trust, cartels, competition and state aid where they affect European interests whilst, as WTO members, the USA and the EU are subject to its trading rules. It is the international layer of policy reform, which straightjackets cities, to which we now turn.

3. 2. Marketizing public services: International forces

The EU and the USA present important contextual differences in their historical approaches to public services. In the EU from the 1990s, new policy from Brussels brought about a convergence of Member States' prior traditions, and resulted in the strong marketization of public service. This brought EU public service policy in line with the more marketized US approach (Clifton *et al*., 2005).

The key change occurred in the 1990s, when the Commission replaced the single term "public services" with "Services of General Economic Interest" (SGEI) for market services and "Services of General Interest" (SGI) for public services. A wider range of services were now deemed fit for market exposure under SGEI - including utilities with public service obligations. Competition became the new default unless it could be proved this damaged service provision (Clifton and Díaz-Fuentes, 2010).

This brought EU policy much more in line with that in the US, where public services are characterized by greater market provision at the local level and universal service obligations are limited. Further convergence between EU and US policy was clinched at the international level through the General Agreement on Trade in Services (GATS).

The establishment of the World Trade Organization (WTO) heralded the extension of GATT trade rules, which had been designed for manufactured goods, into the services. GATS stated free trade was applicable to all service sectors except for those "which are supplied neither on a commercial basis, nor in competition with one or more service suppliers" (WTO, 1994 Part I Article 3A-C). Raza (2008) showed the perceived relationship each service has with the market was the factor that determined whether a service was subject to free trade rules.

From the US side the current GATS negotiations during the Doha Round represent the logical extension of the privileging of private investors over social rights first articulated in the North American Free Trade Agreement (NAFTA) in 1994. NAFTA moved beyond traditional trade liberalization by articulating provisions which elevated foreign investors to nation state status, removing domestic court jurisdiction over international trade cases, and redefining property (for foreign investors only) to offer compensation for "partial takings" due to state and local regulation (Gerbasi and Warner, 2007). GATS revisions currently under negotiation take these NAFTA provisions and broaden them to include traditional public services (such as water delivery and treatment, schools and prisons) unless on a short list of excluded sectors. While Doha is still being negotiated, experience from the NAFTA shows the critical importance of asymmetrical power between foreign investors and state and local governments. Private investors have sued Mexican municipalities over basic land use controls and building permits (and won), sued California over air and water quality standards (and lost) and are currently suing the Canadian Royal Post for subsidizing rural package delivery (Warner and Gerbasi, 2004).

Local government authority over public services is significantly constrained by these national and international trade rules (Warner, 2009). Both the NAFTA and GATS reinterpret basic local government regulations as "regulatory barriers to trade" subject to investor challenge under the "partial takings" clause (Gerbasi and Warner, 2007). Whilst NAFTA, the WTO and the European Commission are equipped to eliminate regulation as a trade barrier, they lack competences to implement new, social regulation. So, while these international bodies are actively promoting the market's expansion, they are weak when it comes to defending the state's regulatory role. It falls to local and national governments to design and uphold social regulation. But to what extent are they left with this power? It is this tension between local and national efforts to determine the proper role for the state in the provision of public services, and the international pressures to marketize services, which threatens the very capacity of cities to regulate and provide services. Conservative legal scholars argue that these investor clauses were designed precisely to limit government from regulating service providers – by requiring compensation for regulatory takings (Epstein, 1985). Estimates of current claims, just under NAFTA, range in the billions and, if resolved in favor of private investors, would bankrupt local governments in the USA (Kendall *et al*., 2000).

4. MARKETIZING CITIZENSHIP

Next we turn our attention to the marketization of citizenship. Katz (2001) argued the USA is now characterized by variegated citizenship rights due to decentralization, privatization and deregulation. In both the USA and the EU, the New Public Management movement was instrumental in conflating the traditional concept of citizenship with that of the consumer. A new category, the "citizen-consumer", would enjoy greater choice at a lower price once service provision monopolies were broken – either through contracting to private providers or through vouchers to consumers, or both (Pollitt and Bouckaert, 2011; Root, 2007).

Part of the neoliberal turn has been the emphasis given to consumer sovereignty through privatization and voucherization of services. Vouchers have been pushed for job training, child care and public schooling. Even in the Netherlands, despite its long tradition of vouchers for social services, recent policy has promoted for-profit providers at the expense of community level non-profits and government (Noailly and Visser, 2009). Job training is a crucial service for cities facing high unemployment and the voucher schemes promoted in both the USA and Germany have been designed in part to break the close contracting relationships between cities and providers (Hipp and Warner, 2010). Information asymmetries and preference alignment have led to problems with both quality and access for job seekers. Theorists have challenged the consumer sovereignty foundations of privatization and voucher systems (Lowery, 1998), and scholars have shown the negative side of these policies for child care and job training across the OECD (Warner and Gradus, 2011; Hipp and Warner, 2008). However, political pressure to individualize public services through vouchers continues unabated.

Marketizing citizenship is not just driven by government; it is also promoted by urban developers and citizens themselves. For example, most new housing construction in the USA now takes the form of private neighborhoods, which privatize traditional public services (recreation, roads, garbage collection and security) to the neighborhood and finance them through the maintenance fee attached to the home mortgage (Nelson, 2005). These gated communities and condominium associations are now an urban phenomena worldwide (Glasze *et al*., 2007). Because these private communities pay for their own services, local governments prefer this kind of development as it relaxes their fiscal obligations. These "private neighborhood governments" are based on commercial, not civil, law and thus are not subject to the broader free speech and due process protections citizens enjoy under public local government (McCabe and Tao, 2006). Whilst some scholars herald the economic efficiency and innovation these private voluntary schemes allow (Webster and Liu, 2003), others warn of the challenge to the city of building communities across neighborhoods that are both geographically and fiscally fragmented from the city as a whole (Warner, 2011a). With the housing foreclosure crisis, these "privatopias" are discovering they do not have sufficient scale to maintain their financial viability with private maintenance fees and many are now asking to be reintegrated into public city service networks (McKensie, 2011).

By conflating the citizen with the consumer, discourse effectively privileges market demand over participation in a polity. This "market citizenship" (Root, 2007) fundamentally alters the avenues for citizens to interact with government. It weakens direct citizen claims on the state, and simultaneously establishes citizen channels via the market mechanism. Theoretically, privatization and outsourcing could lead to greater choice, lower prices and higher consumer satisfaction. However, recent scholarship has shown consumers in the EU are not more satisfied with private services than their public counterparts (Bacchiocchi *et al.*, 2011): moreover, evidence is mounting that service marketization may be leading to a "two-track" Europe, where the so-called "vulnerable consumers" (the elderly and young, unemployed and less educated) are more likely to be dissatisfied with public services than their peers (Clifton *et al*., 2011). Whilst the marketization of citizenship facilitates the marketization of the state, it also opens the possibility for the state to intervene in the administration of markets as a quid pro quo for channeling state subsidies (Blanchard *et al*, 1998). Adding market mechanisms as new avenues for engagement for both cities and citizens broadens the possibilities for channeling and harnessing the market and creates the opening for a range of city responses as we outline in the section that follows.

5 CITY RESPONSES

We identify three alternative responses from cities in the face of crisis: a) "hollowing out", where the city reinforces and accelerates the marketization of citizenship by cutting back or vouchering services so that cities become in effect "vending machines" where, primarily, citizens with means have rights to services, b) "riding the wave", whereby cities take on an active role in market design and management in an attempt to raise revenue for public services and insert social objectives into market processes, and c) Polanyian counter movements where citizens directly challenge the marketization of public services by attempting to rearticulate public values and reinsert them into city practices.

5. 1. Hollowing out

US cities are in fiscal crisis. Declines in property tax revenues coupled with reductions in state aid destined for cities (since states are also in fiscal crisis), have forced cities to cut back. Service cutbacks, furloughs and increases in user fees were the most common responses to the fiscal crisis chronicled by the International City/County Management Association in its 2009 national survey of 2214 cities and counties across the USA (ICMA, 2009). Eighty six percent of respondents reported they were moderately to severely affected by the financial crisis with an average 8.25% shortfall in their 2010 budgets. The most common city responses included: deferred capital projects (60%), increased user fees (46%), frozen salaries (43%), eliminated positions (40%), and reduced services (35%). Cities sought to meet their balanced budget requirements without fundamentally restructuring services or their labor force in a process of cut back management (Scorsone and Pierhoples, 2010). Congressional deliberations opposing subsidies to state and local government in the American Resource and Recovery Act of 2009 were, in part, an effort to use the crisis to fundamentally restructure local government away from traditional public service obligations. The media has been especially strong with attacks on public sector wages and pensions as being too generous (Mitchell, 2012). Drops in pension values due to stock market losses led to dramatic escalations in pension contributions for local government, making it difficult to balance budgets without severe service cutbacks (Snell, 2011). At the state level, the crisis has been used to push through "pension reforms" that both individualize and reduce pensions, shifting from guaranteed benefit to guaranteed contribution schemes, even though economic analysis shows these approaches actually increase cost to government (Picur and Weiss, 2011). Over 500,000 local government workers have been laid off nationally (Pollack 2010). Persistent unemployment is mainly due to public sector layoffs (Glasmeier and Lee-Chuvula, 2011), as private sector employment actually rose in 2012.

Cities first cut first discretionary programs such as recreation and library services. Police and fire, usually considered immune to cut backs, are now being targeted in the most fiscally stressed cities such as Camden, NJ, which laid off half its force in 2011. As cities fall into bankruptcy, state takeovers impose financial control boards, which bypass local democratic processes, the most recent example being Detroit in February 2013. To avoid this total loss of local control, cities seek other means to raise revenue and cut costs. This has led to creative approaches to refinancing debt, new public private partnerships for service delivery and increased marketization to individualize public service finance through increases in user fees.

Cutbacks in the EU have also been severe, though this is particularly true in cities located in the EU's periphery. One of the most comprehensive surveys of the impact of the crisis, which included responses from 131 EU cities, concluded "cities have often been the last to be consulted about major decisions" and yet are "on the frontline of the crisis" (URBACT, 2010 p. 3). Cities, facing sudden and sharp declines in tax receipts and cuts in budgets at the national and EU levels, have opted to abandon or postpone projects whilst a lack of co-financing has prohibited some cities from accessing EU funds, leaving them in a vicious circle. Some city leaders have acknowledged they can no longer guarantee social protection or social benefits in the longer-term (URBACT, 2010, p. 9). Eighty percent of cities acknowledged they had been severely affected by the crisis and those same cities cited high unemployment as the root problem. Unemployment, which negatively affects low-skilled, younger, female and migrant workers disproportionately, has a knock-on effect on family income and social cohesion. A subsequent survey conducted in fourteen EU countries confirmed what is palpable: cities remain in continued crisis as the number of households and small and medium-sized enterprises with difficulties accessing credit, general and youth unemployment, volume of unpaid loans, home repossessions, poverty, and business closures continue to rise (European Union, 2011).

Cities across the EU face severe cut backs in the name of austerity. The situation is perhaps most dramatic in the cynically named "PIIGS" (Portugal, Ireland, Italy, Greece and Spain). In particular, a series of bailouts by the "Troika" (the IMF, the European Central Bank and the European Commission) to Greece, Ireland, Portugal and Spain have been granted in exchange for tough austerity measures. Generally, these include extending privatization programs and deep cuts across all levels of public spending. In cities in Southern Europe, public amenities such as health clinics, social housing and libraries are being closed down, whilst controversial programs to privatize hospitals are planned for Madrid and Valencia. Home repossessions are also on the increase. "Economic suicide" – suicide as a result of losing a home or job - has increased in the EU, most sharply by 17% in Greece and 13% in Ireland between 2007 and 2009 (Stuckler *et al*., 2011). Across Spanish cities, cuts have been made to schools, hospitals and universities, new "co-pay" systems have been instituted, and free medical care for illegal immigrants has been withdrawn. Spanish scholars warn of an imminent "humanitarian problem" (Casino, 2012).

5. 2. "Riding the Wave"

Rather than acquiesce to market dominance, some cities are learning to ride the wave. We have already described how cities use privatization as a two edged sword. They contract out but give keen attention to the need to create markets for public services, build competition by allowing competitive bidding from in house teams, and carefully monitor to ensure service quality and cost savings (Johnston and Girth, 2012; Warner and Hefetz, 2008). They contract out to market and back in to public delivery creating a dynamic engagement with market over time. This reverse privatization process has been measured carefully in the USA using International City/County Management Association surveys from 1992 to 2007 (Warner and Hefetz, 2012; Hefetz and Warner, 2004 and 2007). Re-municipalization movements also have occurred across the EU (Chong, Saussier and Silverman, 2012; Hall *et al*., 2013). In France and Germany when the 25-30 year concessions came to an end in the water and energy sectors, cities opted to bring the service back in-house due to superior efficiencies and greater control (Hall, 2012). Re-muncipalization has also occurred in cities in the UK, Finland and Hungary (Hall, 2012). In US cities outsourcing reversals now equal new levels of contracting out (Warner and Hefetz, 2012). Faced with EU pressure to introduce competition, cities in Italy are engaging in "false" competition by creating publicly owned firms to which they contract (Bognetti and Robotti, 2007).

Cities are becoming market makers. Increasingly we are seeing cities join together in new forms of cooperative contracting – creating public markets with other local governments to gain scale and cost efficiencies (Holzer and Fry, 2011). Small municipalities in Spain use cooperation to gain scale and stronger negotiating power with private contractors (Bel and Mur, 2009). These public markets of local governments offer the possibility of "cooperative competition" that preserves public values and public engagement in the service delivery process (Warner, 2011b). Cooperation is now as common as contracting out to for-profit firms among local governments in the USA, and it offers greater efficiency and equity benefits (Hefetz *et al.,* 2012).

Mixed market solutions are also on the rise. Cities recognize they must play a critical market management role (Girth *et al*., 2012). One way to do that is through partial-privatization where the city maintains a stake either through mixed contracting, which is more common in the USA (Bel and Fageda, 2010; Warner and Hefetz, 2008), or through mixed public/private firms, which are more common in the EU (Warner and Bel, 2008; Bognetti and Robotti, 2007).

Cities are not simply acquiescing to market; they are using markets, as one of the few tools left, to continue to provide basic public services. The double movement anticipated market extension would be met by a counter movement inspired to reduce the damage done by the market to reproduction. In this light, we argue cities are engaged in a subtle Polanyian counter movement with regard to marketization today. Yes, they are embracing an entrepreneurial stance and pursuing market strategies, but they are doing this to achieve both economic and social ends. Cities in the US are using economic development logics to justify increased investments in child care –

thereby broadening economic development policy itself to include social reproduction concerns (Warner and Prentice, in press). There is a burgeoning of social enterprise approaches which attempt to harness the market toward social ends (Hanley, 2013). One example of cities inserting themselves in market administration is found in the increased use of private developer impact fees to pay for services as varied as road and water infrastructure, to parks, child care and libraries (Rukus and Warner, 2013), although even these tools are being challenged by neoliberal policy discourse (Gurran and Ruming, 2013). Business Improvement Districts (BIDs) – which invite local business investment to improve public services – are becoming more common across the USA and are on the increase in Germany, the UK, the Netherlands and Ireland (Schaller, 2013; Mitchell, 2008). While BIDs have been critiqued as privileging business over resident interests (Shaller and Modan, 2005), they also create an avenue for promoting investment in public services (Warner, 2011a). Cities are walking along the knife-edge using economic development tools and logics but trying to engage them to enhance investment in public services. Is this a counter movement or acquiescence? We argue it is a strategic effort on the part of constrained city leaders to try to provide basic services and social rights in a time of austerity. The entrepreneurial city is also attempting to be the just city.

5. 3. Citizen push backs

The crisis has provoked significant social action from citizens across cities, which has been more sustained in the EU than in the USA. The push back movement from the EU emerged principally from major cities in the periphery: Madrid, Barcelona, Athens, Rome, Dublin, Lisbon and beyond. Social responses are diverse and our discussion must be selective. The "15 May" movement broke out in 2011 across Spanish cities, most importantly, Madrid and Barcelona, initially leading to a "semi-legal" occupation of public spaces from 15 May to 12 June, when it was peacefully disbanded. Since then, occupations have been shorter but highly symbolic, such as repeated blockades of Parliament in Madrid to peacefully prevent politicians going home and marches and occupations during weekends. The 15 May movement offers a clear counter discourse to marketization, its main motto being "We are not commodities in the hands of bankers and politicians", whilst they practice "direct peoples' democracy", petitioning for "Real Democracy Now!" These movements are unified by their resistance to link up with any political parties or trade unions. Their whole-scale rejection of traditional politics and their being the "outraged" ("*indignados*") (de la Llata, 2012), was exacerbated recently by the uncovering of financial scandals among both major political parties at the expense of ending the crisis.

New, professionally-based protest movements have also sprung from cities. In Spain, because health policy is decentralized, Madrid and Valencia, governed by the conservative Popular Party, are implementing a program to privatize hospitals. In response, a popular movement formed of doctors, nurses and citizens took to the streets, becoming known as the "*marea blanca*" ("white tide", due to their uniforms). Again offering a counter discourse to service marketization, they claim "We are up for sale", "health is not for sale" while banners made of sheets display from hospital windows "We want to be patients, not clients". Meanwhile, as unemployment rises, peaking at 50 percent among Spanish youth, voluntary organizations are on the rise in cities, providing soup kitchens, emergency breakfasts, food banks and night shelters, across cities in Greece, Spain, and the UK.

In the USA, the Occupy Movement, with its focus on the "99 percent", was short-lived and counter balanced by the well-funded Tea Party, which enjoys strong urban and rural roots. The Tea Party is seizing the financial crisis as a moment to fundamentally limit government and social rights. The movement is dominated by economically displaced middle-aged white men who harbor great animosity toward the more diverse younger population and toward President Obama (Skocpol and Williamson, 2012). What both the Tea Party and the Occupy movements share is a profound mistrust of government and formal democratic processes because these prove vulnerable to capture by elite financial interests. In this scenario, a progressive citizen view has been drowned out. Instead, there is a passive citizen acquiescence to the loss of basic services and public service functions, justified by the metaphor of a household taking control of its debt and balancing the budget. This individualized view makes Keynesian policy prescriptions unimaginable to the average citizen.

Such prescriptions are within the imagination of city mayors and managers however, but they must proceed cautiously by appealing to citizen desires for fiscal restraint and by privileging economic development logics. A January 2013 meeting of the progressive Mayors Innovation Project in Washington DC borrowed the “triple bottom line” logic of sustainable business enterprise to justify attention to economic development, environmental protection and social equity in a common framework. Keenly aware of the need for a policy architecture to facilitate their work, they created the American Legislative and Issue Campaign Exchange (ALICE) - a progressive city-focused forum to share policy approaches and counteract the conservative American Legislative Exchange Council (ALEC) which has pushed neoliberal policies nationally.

6. CONCLUSIONS

Cities are on the frontline as the crisis has accelerated a renewed wave of market-oriented policy for service delivery. The marketization of policy is complex and multi-layered: while public services in the USA have long been subject to market-driven logics, in the EU, marketization has been more recent, with closer alignment to the USA emerging since the 1990s. Marketization is further reinforced at higher scales: the EU, the NAFTA, and the WTO.

Mobilizing Polanyi’s double movement thesis, we identified three major responses from cities: the hollowing out of urban service delivery; attempts to harness markets in the direction of providing services; and finally push back, particularly from social movements that spring from cities. Beyond this, we noted how, in the USA, push back was considerable at the city level, in the form of harnessing the market to deliver services, whilst citizen movements faded or became neutralized by counter-counter movements. In contrast, in the EU, it is the counter movements organized by citizens, particularly from cities in the periphery, which reassert claims to social rights.

In the EU, market-oriented policy during the crisis is driven by the “Troika”, led by Germany, which is pushing top-down, inflexible austerity measures, especially onto the periphery. Cities have some space to respond but strong citizen counter movements have emerged, particularly in conservatively-run cities where political elites have been perceived to adopt austerity measures for ideological reasons, such as Madrid and Barcelona. That citizen movements are sustained here may be explained in part by the EU’s long-term traditions of social democracy, public service and the policy salience of social inclusion.

In the USA, cities, due to their greater fiscal and service autonomy, have more space to push back than their EU peers. Cities have more experience in harnessing the market to their ends, since marketization has long dominated public service policy in the USA. New forms of urban service finance – the private neighborhood and BIDs – began in the USA and are now being exported to the EU. Because US citizens are reluctant to pay more taxes (and many states limit the authority of cities to raise them), city managers have both engaged markets through strategic market management and encouraged greater direct resident investment in city services through new means of co-production. Given the limited social citizenship rights in the US, the initial spark generated by social movements was quicker to die out. Whereas in the EU, the counter movement found its voice in disenchanted citizens' movements, expressed through clear anti-marketization discourse, in the USA, the response took the form of a creative synthesis, where city leaders maximized market leverage to provide basic services.

We see in these urban strategies the continued evolution of Polanyi's double movement at work. In the USA local government 'riding the wave' shows acquiesce to market but an attempt to harness it, which, ironically may further enhance marketization. Cities in the EU may respond to citizen resistance by harnessing the market, but that will lead to more marketization. So in the end marketization will continue to penetrate cities but the double movement offers creative opportunities for city response.

These responses challenge the IMF-style austerity prescriptions and present a wider range of solutions that both molds and challenges the current policy discourse and offers a potential way forward for public service delivery. While there are limits to the ability of city leadership to challenge policy frameworks articulated at the state and international levels, the important point is that urban responses provide a glimpse into an alternative narrative – from hollowing out to harnessing the market toward more public ends.

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