Urban Development, Re-regulation and the State

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This article focuses on the changing role of the state in capitalist societies in the face of the profound economic and political restructuring that has occurred in the last two or three decades. I shall make the point that despite much of the rhetoric about globalisation and de-regulation, especially from the right, the role of the state has remained important precisely in that restructuring process. As I indicate, therefore, I find the term re-regulation more satisfactory than de-regulation, as it connotes a change in the emphasis of state activity rather than a simple reduction of it. I refer, in particular, to the state’s role in urban development because it is here that in many ways the tensions, conflicts and dilemmas are most dramatically played out. And it is in the sphere of urban development that new paradigms of state activity are often most clearly established.

While the forces and logic of globalisation are powerful, it is a serious mistake to suppose that they are therefore beyond the control or influence of governments. Governments have made, and continue to make, decisions which shape the nature of global restructuring, which strengthen the process and condition its local impact. There is, indeed, a complex relationship between market processes and governmental action. This is nowhere more clear than in the sphere of urban development. Despite free-market rhetoric, governments throughout the world have shown their willingness to intervene in restructuring urban spatial configurations in an effort to attract investment and create economic growth. David Harvey maintains that various cities in different countries, governed by parties professing varying ideologies, have adopted an entrepreneurial stance towards urban growth and economic development. In general, the options considered by entrepreneurial governments have been limited to four categories:

1. The ‘creation or exploitation of particular advantages for the production of goods and services’.
2. Positioning the urban region as a centre of consumption: casinos, sports facilities, waterfront developments, gentrification, leisure and shopping precincts, an emphasis on urban design and public art are all possible strategies designed to make the city ‘appear as an innovative, exciting, creative and safe place to live or to visit, to play and consume in’.
3. Positioning the city as a centre for key control and command functions in high finance, information processing and government.

4. Competing for government contracts.

Mike Berry and Margo Huxley argue that Victorian Government entrepreneurialism has largely consisted of the second and third of these options, although I would suggest that both the Cain Labor and the present Liberal Governments have also shown a propensity to create (in the case of the Kennett Government’s multi-media strategy) or exploit (in the case of the Labor Government’s ‘competitive strengths’ policies) advantages of the kind identified in option one.

In the case of options two and three, the role of government has been crucial but problematic. The collapse of the Fordist regime of production in the early 1970s in the face of profit squeeze and declining productivity led to considerable switching of capital into real estate markets. During the 1980s in particular, State Governments actively encouraged this switching as a means of stimulating growth to replace or supplement declining traditional industry sectors. In Victoria, the State Government intervened to facilitate development in the following ways:

1. Sale of crown land and/or provision of public infrastructure; site amalgamation (eg. Melbourne Central; Southbank; more recently, Docklands and Casino).
2. Special, site-specific legislation (eg. the Rialto, Melbourne Central, Como Project, Bayside Project; more recently, Docklands and Casino).
3. Fast-track planning (notoriously, the Casino).
4. Provision, directly or indirectly of financial guarantees (eg. Melbourne Central, Southbank).

Overarching these specific interventions has been a fundamental restructuring of planning regulation and a radical enhancement of planning’s position in the structure of the state. This is a major tenet of my work: from the early 1970s, as long-term economic difficulties impinged upon the State’s growth, the State Government has increasingly looked to urban planning as a means of stimulating and creating investment and economic activity; accordingly, planning has taken on a more significant position in the state hierarchy, a development that has been encouraged by governments of different ideological persuasions. Importantly, however, as the history of Melbourne over the last two decades demonstrates, the increasing status of planning as an activity of government has not led to an augmentation of its democratic accountability or potential. In fact the opposite appears to be the case: the more important the role of planning has become and the greater the stakes involved in its implementation, the less governments are willing to tolerate the input and scrutiny of the general population. This is not unique to the planning functions of government. As the role of the state has increasingly been redefined as provider of the optimum conditions for capital accumulation, we can, I think, chart an inverse relationship between the level of democratic accountability and the degree to which the functions of government reflect, replicate or promote market relationships.
The central issue in all of this is the role of the state. I have argued that, despite the growth of the global economy—indeed, in many ways connected to this growth—the role of government remains important, especially in the urban development process. To be sure, the role of government has not remained unchanged in the face of globalisation and economic restructuring. Increasing international and regional competition between cities, for instance, has bred a form of entrepreneurial governance as cities and regions try to maximise their advantages and attract investment. Governments have been far from passive in this competition. But it remains important to consider what forces and structures condition the responses and shape the role of the state.

In the *Communist Manifesto*, Marx claimed that the state was little more than the executive committee of the whole bourgeoisie, that, in effect, it reflected and represented the interests of the capitalist ruling class. This view has persisted in varying forms ever since. From these Marxist perspectives the state functions essentially to facilitate the capital accumulation process, setting the institutional, legal and regulatory framework of the capitalist system and using its coercive powers to ensure the system’s continued legitimacy. In this view the state is fundamentally structurally constrained by economic relationships; indeed, the characteristics of the state reflect and are shaped by the relations of production. There have been many critiques of the Marxist perspective of the state. Its structuralist emphasis is flawed, it is argued, because it does not allow for the significant variation in types of states that patently do exist in the capitalist world, from the free-market and minimum-interventionist state of the United States to the social democratic welfare states of northern Europe. In addition, structuralism tends to portray capital as a rather homogeneous, monolithic force. There is no acknowledgment of the variation of capitalist interests or recognition that at times these varied interests may come into conflict: for instance, land speculators may drive up the price of land and make it more expensive for industrialists to set up factories. The structuralist view also tends to minimise the extent to which human agency is involved in the process of state formation and maintenance. ‘By working only at the level of the mode of production’, Ira Katznelson points out:

> and by making the *a priori* assumption that the state in capitalism is necessarily class-biased in all its activities, [structuralists] make a strategic politics about space and cities impossible. The only choices are the status quo or revolutionary practice.  

In fact it is the left itself, in the face of the new-right attack on so-called ‘big government’, that has belied the structuralist critique by leaping to the defence of the state as a protector, at least in some capacity, of non-capitalist interests. Much left political activism in the last two decades has been dedicated to the defence and preservation of state activities, functions and regulatory practices such as the award system, or utility and housing-provision, that at least have as part of their justification the protection of social necessities from the ravages of the free-market. The implication, then, is that the state has the potential to perform some functions in a way that does not necessarily reflect the interests of the capitalist class. Adding further weight to this is the fact that the new-right
assault on the state that gained its impetus from the collapse of the long post-war boom is predicated on the assertion that the actions of `big government' were hampering capital accumulation, in particular that the redistributive activities of governments were unsustainable. Thus from the new-right perspective the state was all too capable of acting independently of capitalist interests: the new-right's programme has therefore been focussed not so much on reduction of the scope for state involvement, although this certainly has been a clear ideological rallying cry, but on reassertion of capitalist interests in the process of governance. This is exactly the point that Manuel Castells makes. There has been, he maintains, 'a substantial change in the pattern of state intervention, with the emphasis shifted from political legitimation and social redistribution to political domination and capital accumulation'.

The new forms of state intervention are much more directly focused on capital accumulation, and give priority to domination over legitimation in the relationship between state and society, in response to the emergency situation in which the system found itself in the 1970s. However, in contradiction of the ideological self-representation of the restructuring process by its main protagonists, what we are witnessing is not the withdrawal of the state from the economic scene, but the emergence of a new form of intervention, whereby new means and new areas are penetrated by the state, while others are deregulated and transferred to the market.

The point that needs to be made here is that, as Castells' words imply, the state's role is not fixed and immutable but is shaped in a conflictual process between political actors—who are in turn conditioned by class, race, gender and sexuality—in particular historical circumstances.

Nevertheless, it remains the case that there are significant and important constraints upon the nature of the state under capitalism. I am reluctant to dispense with the structuralist approach altogether since it indicates what some of these constraints might be. Here I will explore these constraints and the nature of the state by setting out my conception of what role the state performs.

I have so far rejected the view that the state under capitalism is simply a manifestation of capitalist interests. Instead, it appears that in some circumstances the state may act independently of, if not in contradiction to, capitalist interests. However, rather than seeing it as either acting in ways that further capitalist interests or support non-capitalist interests, it is more accurate to suggest that the state attempts to mediate between capitalist and non-capitalist interests, between private, profit-oriented actions and social, collective needs, between exchange and use value. The state, from this perspective, is capable of adopting a semi-autonomous role and of 'acting in its own right as an interested party in the whole political economy'. However, the state is fundamentally constrained in this mediating role by the fact that it cannot continue to function effectively without adequate revenue sources—primarily taxes—which it must obtain by ensuring the continued health of the capital accumulation process. Thus the state's own existence is inextricably bound up with the prosperity of capital.
Nevertheless, the state must ensure that it maintains some sort of distance between its direct interests and those of capital. There are a number of reasons why this is so, but chief among them are the fact that conflict between different sectors of capital and between individual capitalists is possible and that capitalism, as Marx pointed out, is prone to crisis and contradiction. In essence the state must maintain a sense of relative autonomy to save individual capitalists from themselves, temper the unpredictability of the free market and thereby ensure the continuation of the system of accumulation as a whole: this was the kind of role that the state played in the years after WWII when Keynesian techniques were employed in the hope that crises like the Great Depression could be avoided in future.

The state undertakes other activities to ensure the continuation of the system of accumulation. It plays an important role in legitimising the system and in extracting acquiescence or commitment to it from the broad mass of the population, through the use of force if necessary, but, more commonly, by providing some measure of protection from the full ravages of the free market in the form of labour market regulation, minimum wage legislation, democratic participation and so on. Further, the state is involved in the provision of what Castells calls collective consumption goods, such as health care, housing, education and so on, which are essential to the reproduction of the labour force. The state, in this sense, attempts to mollify working class discontent by providing some minimum standards of comfort, by preventing over-exploitation and by giving the working class a stake in the system itself. But ensuring the physical reproduction of workers is only a necessary condition for the reproduction of a labour force; it is not a sufficient one. In addition, the state must ensure the reproduction of, in Lefebvre’s words, ‘the preconditions of the capital relation’. In short, ‘it is necessary to reproduce the social relations of production’, by achieving the internalisation of the dominant relations of production in all people: the relationships of capitalism must be considered normal and this entails the ‘occupation of the whole social space by capitalism’. Given these important functions of the state, recent trends in governance which aim to impose ‘market discipline’ on the activities of government and to, in some respects, reduce the involvement of government in economic and social processes may actually expose the working class to the unfettered free market and thereby reduce the efficacy of the state’s legitimation efforts. Although marketisation of collective consumption provision has been aimed at depoliticising such provision, the unequal outcomes fostered by market processes may end up exacerbating social conflict. Further, the redefinition of the state’s activities to reduce its involvement in economic regulation has been paralleled by an increasing focus on areas which are prone to greater conflict and controversy: welfare provision, social control (law and order), urban management.

For the state to perform its mediation, legitimisation and management roles effectively, in other words for it to sustain a level of semi-autonomy, it must possess the means to do so. These means include institutional and regulatory structures, the government bureaucracy, forces of social control such as the police and spatial practices such as technocratic planning which obscures the inherently political and social nature of planning, rendering the problematic and
loaded issue of resource distribution in space artificially neutral, substituting efficiency for equity.

The fact that the capitalist state has some degree of semi-autonomy means, as already indicated, that it can engage in particular actions which are independent of, even contradictory to, the interests of capital or certain sectors of capital. Although it is important to remember that these actions, individually or in aggregate, must not threaten the continued viability of the capital accumulation process or the system as a whole. The semi-autonomy thesis, therefore, allows for a strong sense of politics and agency. Rather than a fixed, abstract structure, the state is:

shaped and contested by interested state officials, and by citizens who act in and through a variety of alternative possible identities and institutions: those of class, ethnicity, gender, territory, and locality; and through political parties, social movements, ad hoc groups, bureaucratic agencies and interest associations. 14

It is possible for non-capital interests to exert influence over state activities and functions and to thereby shape the broader structure of society. Indeed, Charles Tilly argues that the growth of workers' rights in the nineteenth century was dependent on the consolidation of state power over economic, political and social processes. 15 In turn, the state's ability and willingness to enforce workers' rights against capital helped to secure the loyalty of the working classes, strengthening the state's position and dissipating revolutionary sentiment. The organised working class has, as a result, especially after WWII, been prepared to push its interests through the institutions of the capitalist state, through trade union bodies and social democratic political parties: the triumph, in other words, of Fabianism over revolution. And there can be little doubt that, at least until relatively recently, this strategy has been fairly successful in raising the general standard of living for the working classes of the western capitalist nations.

Tilly further argues, however, that economic globalisation threatens the ability of the state to exercise control over stocks and flows of capital, commodities, technology, information, cultural practices and so on, thus undermining its 'capacity to pursue effective social policies, including the enforcement of workers' rights'. 16 This is an important point. It indicates that, although the state may be capable of exercising a degree of autonomy from capital interests, the extent to which it can do so and implement policies which do not suit the interests of capital is dependent upon the fluctuations of the class struggle (by which I mean the broader conflict between capital and non-capital interests, not only in the traditional sphere of production, but also in the sphere of consumption). Thus if we consider the history of capitalism since World War II, it is apparent that the expansion of state power that marked this period until the mid to late 1970s was matched by a growth in the strength of organised labour and greater than ever involvement of organised labour in the institutions of governance. The class struggle at this time was characterised by a much fairer balance of power for a number of reasons. First and foremost, the growth of economic activity in the decades following the War meant a strong and stable demand for labour: this always increases the power of labour and its ability to
extract greater recompense. Second, the War had necessitated a massive expansion of state intervention in the economy and the benefits of state planning and involvement were widely appreciated as a result. Third, a strong state and a strong working class feed each other, as Tilly suggests; it is much less the case that a strong state and powerful capital can comfortably co-exist.

It must come as no surprise, therefore, that in attempting to reassert its power over labour, capital has, since the 1970s, been determined to also reassert its dominance over the state. The collapse of the post-war boom and continuing restructuring of the global economy have helped, no doubt, to redress the balance of power in favour of capital, but the persisting assault on the state by capital must be seen as a significant part of this project.

The argument that the state’s autonomy is subject to the fluctuations of the class struggle helps to explain the oft-noted and more often regretted fact that social democratic governments frequently make policy decisions which are contrary to the interests of the working class. This is because it is possible for putatively social democratic governments to hold power during periods when capital holds the upper hand in the broader class struggle. This was clearly the case at State and Federal Government levels in much of Australia during the 1980s. For example, the Cain Labor Government’s worthy commitment to employment growth made it sacrifice some of its redistributive and democratic urban development principles in its efforts to attract investment through real estate development.

The great symbol of this troubled compromise was the office boom of the late 80s which can hardly be viewed as an instance of redistributory triumph. It was only in such a context that the founder of the Collins Street Defence Movement (CSDM), an organisation dedicated to preventing the despoliation of much of Melbourne’s most valued nineteenth-century architectural heritage during the 1970s (the CSDM was founded in September 1976), could, during his later career as Minister for Planning and Development, trumpet the number of cranes on the skyline as an indicator of metropolitan progress.

The contestability of the state is particularly evident in the realm of urban development and planning. Few other state functions have such immediate impact as urban planning. This is increasingly so, I argue, because of the growing emphasis on real estate development as a productive sector in its own right and because of the burgeoning global competition between cities as centres of consumption, spectacle, tourism and business and financial services. Analysis of the urban development and planning process in Melbourne demonstrates clearly the semi-autonomy thesis. Which planning policies are ultimately implemented is not determined by some abstract definition of the state as an institution for the progression of capital’s interests but by policies and strategies of the government which, in turn, are forged in the broad struggle between capital and non-capital interests. That is to say, it is not only conceivable that a government with redistributive policies could also use planning to implement them, but, as both recent and more distant history shows us, entirely possible.

However, history also reveals that capital is the prime shaper of the urban environment of the capitalist city. Yet even this fact does not make it accurate to say that urban planning can only be about making the capital accumulation process more efficient. To make such an argument is to deny the possibilities of
planning, to deny, ultimately, the politics of planning. My view, on the other hand, does not mean that capital and its opponents have always equal power to influence the planning process. But it is only by analysing the political nature of planning, how different interests exert pressure and build hegemonies, that we can fully understand how planning policies and decisions are made, how, in the bigger picture, the state functions.

What we need, it seems, is some way of grasping and managing the complexities of the relationship between social and economic actors—interest groups, community and business organisations, individuals—and the state, some means of reconciling the structural constraints that must accompany any economic system and the abilities of actors to shape and influence institutional structures. Anthony Giddens’s concept of structuration is useful here, particularly his idea that structure is an ‘absent totality’. He explains it in this way:

Structure presumes the idea of an absent totality. To understand a sentence which a speaker utters means knowing an enormous range of rules and strategies of a syntactical and semantic kind, which are not contained with the speech act, but are nevertheless necessary to either understand it or to produce it. This is quite different to the usual understanding of structure which sees it as ‘a set of relations of “presences”’ so that structure then appears as a constraint which is “external” to action. Adopting this formulation, the constituent elements of the ‘absent totality’ structuring the possibilities of the state are the ‘rules’ of the capital accumulation process and the principles of private property: the essentials, in other words, of capitalism.

This sense of an absent totality which structures the potential of the state and its relationships with social and economic actors must be acknowledged and an understanding of it combined with awareness of the agency possibilities for actors. Thus, as already mentioned, the state will be fundamentally constrained by its reliance on the continuing health of the capital accumulation process for revenue to support its redistributive and social welfare activities. But the degree of emphasis placed on such activities, the state’s readiness to intervene in the market to ensure greater equity and its willingness to extract greater or lesser amounts of revenue (tax) from the capital accumulation process depend, as I have indicated, on the fluctuations of the class struggle and the relative power of capital and non-capital interests in relation to the state.

It is important to note that the structural constraints on the state can lead to contradictions and conflict. For all governments, reliance on urban development (especially re-development in already urbanised areas) for whatever reasons, makes the state increasingly less able to resist the demands of development capital and increasingly more prone to objection and resistance from groups and individuals affected by development. In thus attempting to sustain the capital accumulation process and thereby its own revenue sources, the state is prone to undermine its legitimation role and, indeed, its own legitimacy. The resolution of this conflict has not been easy for governments and indeed has tended to favour capital at the expense of democratic accountability and involvement. The
symbol and apotheosis of this process is Melbourne’s Docklands where planning ‘flexibility’ and market principles are paramount.

It is also important to remember that in ensuring the continuation of capital accumulation the state is not confined to defensive measures. Indeed, the state is most effective and powerful when it seeks to align itself with the forces of capital accumulation to extend the principles of exchange over as much of the social system as possible. With the recent and present political domination of the state by capital, the commodification of social relationships and of space has been significantly heightened, a process in which the state itself is thoroughly implicated. Privatisation, ‘outsourcing’, user-pays charges and compulsory competitive tendering of local government services are some of the primary strategies by which the social relations of capitalist production are reproduced and extended (and of course in a very practical way, they are beneficial to capital which profits from new activities and new markets). Although advocates of these policies often present them as an important means of reducing the role of the state, they have in fact been used to differentially impact on different levels and kinds of state activity. The local state (i.e. local government) has certainly seen its role as a provider of services directly to the community substantially reduced in Victoria during the 1990s, but the power of the State Government over the affairs of municipalities has greatly increased. Similarly, while the State Government itself, under the pervasive influence of US public sector reformers, has preferred to ‘steer’ rather than ‘row’ (to set policy frameworks and ‘purchase’ services rather than provide them itself), the result has certainly been a reduction of the power of the rowers (public sector workers and their unions) but no diminution—in fact the opposite—of the steerers, the executive of government. It appears from this that, in crucial ways, the extension of the principles of exchange over all aspects of society not only benefits capital but may actually serve to strengthen certain elements of state power.

The State and Capital

Despite the state’s efforts to sustain the capital accumulation process, its relationship with capital itself is often uncomfortable. The rhetoric of capital and its political representatives is usually characterised by distrust of, if not outright opposition to, state activity, which is seen to be anathema to free enterprise and the efficient functioning of the market. The reality, of course, is much more complex. The truth is that state regulation and markets are inextricably connected in capitalist urbanisation and have been since the English Enclosure Laws.20

Further, as I argued at the beginning of this paper, broad processes of economic restructuring and economic decline have driven governments to pay particular attention to urban development as a means of stimulating investment and growth. Sometimes this has been portrayed in deregulationist rhetoric as a freeing up of the market, but again this does not recognise ‘an important truth in the nature of urban planning under capitalism: the state has increasingly become a positive, facilitative agent for the construction and reconstruction of the capitalist space economy’.21 While it is certainly the case that changing perceptions of the state’s regulatory role have led to the decline of state
involvement in some sectors of the economy, it appears that one area in which
government intervention remains crucial is in the urban development process.
This reality has led to a complex relationship between the state and capital which
cannot simply be characterised as one of opposition. So what is capital’s attitude
to state intervention and planning?

The answer to this question is historically contingent. The truth of the matter
is that capital’s attitude to planning varies according to circumstances: it is not
fixed by some immutable law of opposition. Capital is likely to accept
significant state intervention during times of crisis, as occurred during WWII.
Similarly, post-War Keynesian-style economic management involving
considerable expansion of the public sector was made possible, to a large extent,
by memories of the Great Depression. State intervention will also be welcomed
when there is a very clear benefit for business, as was the case with the large
urban renewal schemes instigated in the United States after 1949. There is plenty
of evidence to suggest that in the urban development process, many developers
welcome a clear planning structure which gives a measure of certainty for their
investment decisions. Indeed, Fainstein argues that the troubles that beset the
London Docklands development and contributed to the bankruptcy of the major
Canadian developer Olympia and York were largely attributable to the Thatcher
Government’s ‘obdurate ... endorsement of market mechanisms’ despite clear
evidence of the need for greater state leadership and control over the whole
process. 22

The answer to our question about capital’s attitude to state intervention and
planning also has to do with the state of the class struggle. Capital will object to
state intervention when it clearly favours labour or when it is perceived to hinder
the accumulation process: hence attacks by business on centralised wage fixing
and welfare provision.

Nevertheless, state intervention need not always be negative or lead to the
‘curtailment of [capital’s] sphere of operations’, as M. Dear and A. J. Scott
maintain.23 Suffice to say now that capital welcomes state intervention that is
aimed at making the capital accumulation process more efficient and will
sometimes tolerate intervention that is for its own good, as it were, in the case of
crises that threaten the continued existence of the accumulation process itself.
The Fainstein’s contention that capital may only accept planning when it is
inherently conservative—that is, so long as it works for the maintenance of the
social and political structure rather than seeking to change it—would appear to
be accurate.24

In the urban environment, capital tends to resist planning interventions, such
as height limits and other built form controls, which potentially impinge on its
ability to extract maximum profit from a particular project. However, when
government policy is directly focussed on spatial configurations, that is on
altering the morphology of the city on a broad scale to facilitate the capital
accumulation process (when governments emphasise exchange over use value in
the construction of the built environment), capital is likely to be supportive.
Examples of this kind of state intervention which are enthusiastically backed by
capital are Melbourne’s City Link freeway project, the Docklands, and the
proposed ‘metropolitan transport corridor’ (read ‘ring road’) which is designed
to facilitate freight movements and to influence the location of transport

companies. Indeed, capital lobby groups such as the Committee for Melbourne actively encourage governments to undertake such projects.

The conclusion that capital welcomes state intervention that is geared towards expanding or maintaining accumulation has particular implications. The end of the long boom and the collapse in profit rates that occurred during the 1970s has seen a re-definition of the state’s role: rather than managing the accumulation process to prevent crises and to achieve a more equitable distribution of resources and income, the state’s primary role is conceived of as a facilitator of capital accumulation.

This shift in emphasis has had profound ramifications for urban planning. I think we can identify four distinct phases through which planning in Melbourne has passed since WWII. The first was concerned with setting up the apparatus of planning and was thoroughly influenced by the interventionist role of government during the war years. The second phase involved the completion of the first statutory plans for Melbourne, when planning was formalised and when the task of planning in a rapidly developing and expanding city was to control and channel growth. The third phase commenced, I think we can say, in the 1970s when governments and planners were forced by processes of global and local economic restructuring and recession to contemplate ways of stimulating economic growth and facilitate spatial restructuring. It was at this time that a more critical vision of planning was being developed under pressure from community involvement advocates and in reaction to the technocratic focus of the State’s planning authorities, but it was also a time of increasing government awareness of the importance of planning to the implementation of broader policies and strategies for economic growth. The fourth and current phase is what I call the retreat of planning into urban design, with a general distrust of broad-scale planning based in the neo-liberal critique of government and the general push towards ‘smaller government’. In this phase, the redistributive potential of planning has been pushed aside in an effort to harness planning as urban design to the place marketing project in an effort to attract capital and enhance the city’s image as an engine of wealth creation in the increasingly frenzied arena of regional and global inter-city competition. The emphasis now is on ‘performance’ rather than ‘control’, on aesthetics rather than social justice. The fourth phase retains the emphasis of the third on development facilitation but there is a much clearer emphasis on design principles to cover some of the worst excesses of earlier unbridled development and reflecting a rather post-modern emphasis on detail, locality and ‘quality of life’ issues.

The problem remains, however, that urban development under capitalism is prone to the same sorts of crises as the broader system of accumulation, as the periodic booms and busts of the commercial property market clearly demonstrate. Furthermore, urban development is not a simple market process involving merely the exchange of goods. When I buy a shirt this has relatively few ramifications for other people (except for those involved in its production). When I engage a developer to construct a large office block on a piece of land that I own, on the contrary, the potential impact on my neighbours and indeed on many other people who are not in close proximity is significant. When a large number of landowners are intent on developing their land in certain ways—often with the encouragement of planning authorities—the potential effect on the
The whole city may be huge. The truth is that urban development is a conflict-ridden, often confusing process because it involves a clash between (and within) private actions, rights and privileges and collective and social pressures and state intervention. The neo-liberal approach, which has gained particular currency among government and planning bureaucracies in recent years, aims to eradicate the second half of the equation, to remove collective and state ‘interference’ in market processes so that urban development can adopt a key role in the expansion of capital accumulation. Crucial to this approach is the idea of depoliticising the management of urban development (ie. planning), so that the market is the main means by which resources are distributed in space. The state’s role is to encourage this marketisation by regulatory reform, by active participation in the process itself (through taking equity in big projects, for example) and by taking facilitatory actions (such as providing disused publicly-owned land for redevelopment). However, because these changes are aimed at strengthening the dominance of exchange value at the expense of use value in the urban development process, conflict over development has remained strong.

So, if the marketisation of urban development has not had the effect of reducing conflict over the built environment, as its proponents surely hoped, has it been successful in making the urban development process any more efficient? The history of real estate development, particularly during the late 1980s commercial property boom, would suggest that the answer to this question must be no. The more that the urban development process is encouraged to function according to unrestrained market principles, the more it will reflect the inherent fluctuations of markets. Fainstein’s conclusion is that ‘promoting real estate development is not identical with fostering stable economic growth; and the opposition by the industry to regulation is not even in its own long-term interest’. The problem is exacerbated when government policies encourage the speculative nature of markets, as was the case with London Docklands and Melbourne’s office building boom of the late-1980s. Government policies which attempt to respect the dynamics of the private real estate market may in fact only exacerbate its inherent tendencies to speculation, chaos and inefficiency. Entrepreneurial governance replicates the failures of entrepreneurialism in general—unplanned, speculative, market-driven and therefore inequitable, since markets permit distribution decisions only on the basis of ability to pay.

When the state accepts that its role should be only about facilitating the capital accumulation process, the ramifications for social justice and equity are profound. The practice of American cities trying to outdo each other to prove to business that their redistributive policies are minimal—so that their tax take is also minimal—is spreading to Australia where Victoria’s image as a State that is, in the words of the Government, ‘open for business’, is undergirded by a powerful attack on workers’ rights and social spending on services like health and education.

There is one final important consideration in this discussion about capital’s attitude to state intervention and planning. The increasing emphasis on the state as a facilitator of capital accumulation above all else has substantially compromised its relationship with capital. Increasingly the state sees its interests as close, if not identical, to those of capital. This rapprochement has been
encouraged by the state’s need for capital accumulation to support its own existence (both financially and ideologically) at a time when the structures of accumulation have been under significant strain. In turn the restructuring of forms of governance to maximise the efficiency of the state’s contribution to accumulation has reinforced the marketisation of state functions. Much emphasis has been placed, in recent critiques of the new regime of public service delivery, on the impact of privatisation on levels of service, labour conditions and markets, equity and access and on public attitudes to service provision. Somewhat less interest has been shown in the way market principles and competition have wrought changes in the way the remaining functions of government are performed. The Victorian Premier’s view of himself as the Chief Executive Officer of one of Australia’s largest companies and of his Cabinet as its Board of Directors is indicative of the extent to which business philosophies have taken root in the discourse about public governance. Victoria is not only open for business, so it goes, its government functions as one.

What I have tried to show in this paper is that the state maintains a strong role in shaping processes of restructuring and re-regulation despite ‘small government’ rhetoric. As Victorian State Government urban policies reveal, increasingly the state sees its primary function as facilitating the capital accumulation process. The problem is, as recent disquiet over the impact of suburban development shows, that the impact of capital is most keenly felt in the living environment of the city and that many people are still prepared to resist the commodification of that environment. For how much longer can governments continue to manipulate urban spaces to the benefit of real estate developers without exciting significant discontent, especially when the promised benefits of development prove chimerical?

ENDNOTES

1 I use the lower case ‘state’ to refer to the social science concept and State with a capital ‘S’ to refer to an entity such as Victoria or New South Wales.
12 Ibid., p. 169.
13 Ibid., p. 170.
14 Katznelson, Marxism and the City, p. 133.
16 Ibid., p. 5.
19 Ibid.
25 Government of Victoria, Transporting Melbourne, Department of Infrastructure, Melbourne, 1996.
26 Fainstein, The City Builders, p. 75.