

## The Urbanization of Capital

The language of any question has the awkward habit of containing the elements of its own response. For this reason I have always attached particular importance to Marx's comment that "frequently the only possible answer is a critique of the question and the only possible solution is to negate the question" (*Grundrisse*, 127). The eternal skepticism of Marxian scientific endeavor resides precisely in that methodological prescription.

The question I began with, more than a decade ago now, was roughly this: can we derive a theoretical and historical understanding of the urban process under capitalism out of a study of the supposed laws of motion of a capitalist mode of production? I quickly became convinced that the answer was yes, provided those laws could be specified more rigorously in terms of temporal and spatial dynamics. But was this the right question? A decade of thinking and writing on the subject points to a reformulation. I now ask, how does capital become urbanized, and what are the consequences of that urbanization? The answer to that question has, I submit, profound implications for understanding the future of capitalism as well as the prospects for transition to some alternative mode of production.

But let me begin with some remarks on how we might conceptualize urbanization in the context of a predominantly capitalist mode of production.

### I. THE PRODUCTION OF URBANIZATION UNDER A CAPITALIST MODE OF PRODUCTION

The use values necessary to the reproduction of social life under capitalism are basically produced as commodities within a circulation process of capital that has the augmentation of exchange values as its primary goal. The standard form of this circulation process can be symbolized as follows:

$$M \rightarrow C \begin{cases} LP \\ MP \end{cases} \dots P \dots C' \rightarrow M + \Delta m \rightarrow \text{etc.}$$

where  $M$  stands for money;  $C$  and  $C'$  for commodities;  $MP$  for all kinds of means of production, including machinery, energy inputs, raw materials, and partially finished products;  $LP$  for labor power;  $P$  for production; and  $\Delta m$  for profit. This was the system that Marx scrutinized so thoroughly in order to establish its inherent laws of motion. He showed, among other things, that capitalism had to be both expansionary and technologically dynamic; that profit depended on the exploitation of living labor power in production; and that this defined the central class relation and line of class struggle between buyers (capitalists) and sellers (workers) of labor power as a commodity. He also showed that the necessary expansion ("accumulation for accumulation's sake, production for production's sake") often conflicted with the impulsion to revolutionize the productive forces under such a system of class relations. The system is therefore unstable, degenerating into periodic crises of overaccumulation, a condition in which surpluses of capital and labor power exist unused side by side. Overaccumulation leads to devaluation and destruction of both capital and labor power unless some way can be found profitably to absorb them (cf. Harvey 1982).

The study of urbanization under such a mode of production requires much closer attention to spatial and temporal dynamics than Marx was prepared to give (though, Marx was quite aware of these aspects of the process). We can begin on the path toward some kind of integration by scrutinizing the different moments of money, commodities, labor power (and its reproduction), and production within the circulation of capital and the transitions (metamorphoses, Marx called them) between one moment and the other. We immediately see that each moment has a different capacity for geographical mobility and that the transitions inevitably entail some kind of spatial movement.

Let us look more closely at the point of commodity exchange ( $M \rightarrow C$  and  $C' \rightarrow M + \Delta m$ ). The intervention of money in exchange, Marx comments, permits the separation of purchases and sales in space and time. But how much separation? The analysis of the circulation of capital cannot really proceed without some kind of answer to that question. The spatial and temporal horizons of exchange are evidently socially determined. Investments in new systems of transport and communications reduce spatial barriers and roll back the possible geographical boundaries of exchange relations. Revolutions in the credit system relax and roll back temporal constraints, making long-term investments both possible and compatible with other production systems of radically different turnover times (between, for example, the production of power stations, corn, and short-order meals). Nevertheless, the buying and selling of commodities (including the purchase of machinery and other intermediate goods) entails the loss of time and money in overcoming spatial separation. This means that commodity markets become articulated

into distinctive geographical trading patterns in which the efficiency of coordinations in space and time is a vital consideration.

The details of this are horrendously complex. Though the movement of commodities is constrained by the cost and time of transportation, credit money now moves as fast and with as few spatial constraints as information. Furthermore, each commodity has a different potentiality for movement (given its weight, perishability, and value), while time and cost introduce two dimensions often very different from physical distance. The social and geographical division of labor is in part an adaptation to these possibilities as well as an outcome of the general sociotechnical conditions prevailing in production. But the general point remains: when looked at from the standpoint of exchange, the circulation of capital is a geographical movement in time. I shall later seek to show that the geographical structures of commodity markets are more than mere reflections of capital circulation and function as real determinants of capitalism's dynamic.

(The buying and selling of labor power deserves special scrutiny. Unlike other commodities, labor power has to go home every night and reproduce itself before coming back to work the next morning. The limit on the working day implies some sort of limit on daily travel time. Daily labor markets are therefore confined within a given commuting range. The geographical boundaries are flexible; they depend on the length of the working day within the workplace, the time and cost of commuting (given the modes and techniques of mass movement), and the social conditions considered acceptable for the reproduction of labor power (usually a cultural achievement of class struggle). A *prima facie* case exists, therefore, for considering the urban process in terms of the form and functioning of geographically integrated labor markets within which daily substitutions of labor power against job opportunities are in principle possible. The history of the urbanization of capital is at least in part a history of its evolving labor market geography.

The labor market is perpetually in the course of modification. Vast capital investments are directed to achieve relatively minor increases in the range of daily commuting possibilities. In-migration and population growth augment the supply of labor power but also entail considerable and sometimes vast capital investments for housing, food, and care. Investment in skills is a long-drawn-out process and also often absorbs large quantities of resources. The aspirations and demands of the laborers, particularly when enhanced by labor scarcity or organized class struggle, affect the quantities and qualities of labor supply in very particular ways, thus affecting the prospects for both accumulation and sociotechnical change in production. The result is considerable differentiation between geographically distinct labor markets. That, too, is what much of capitalist urbanization reflects.

Consider, now, the moment of production. With the singular but important exception of transport and communications, labor processes are pinned down to a particular place for the length of the working period (the time taken to produce the finished commodity). But even the short-order cook who has a very short working period may make use of fixed capital equipment that has an economic lifetime of several years. And some of that fixed capital cannot be moved without being destroyed. Production cannot change location in the middle of a working period without destroying some of the capital engaged, while the relative immobility and economic lifetime of the fixed capital used also severely constrain geographical mobility. The ability to move also depends, however, upon the sociotechnical conditions of production. The general Marxist approach is to see the evolution of those sociotechnical conditions of production as an outcome of intercapitalist competition and class struggle supplemented by spillover needs and effects from one sector of industry to another. But here I shall have to introduce a fundamental modification of the general Marxian account. I insist that intercapitalist competition and class struggle spark spatial competition for command of favorable locations and that the choice of sociotechnical mix is in part a response to the particularities of geographical situation. Viewing things this way helps us get a better handle on relations between the social and spatial divisions of labor in society.

We see immediately, for example, that the sociotechnical forms of the labor process are not independent of the geographical possibilities within structured labor and commodity markets and vice versa. The splitting of production into many specializations permits much greater sensitivity to geographical variation, thus allowing capitalists to exploit the differentials and accumulate capital faster than before. Detail functions can also be split up over space under the planned control of the corporation. This applies not only to the separation of design, planning, production, and marketing functions but also to the elements of a complex production system which can be produced in many different locations throughout the world before assembly into the final product. Such geographical separations have major impacts upon trading patterns and become feasible only to the degree that integrated production schedules can be organized efficiently over space. The general result is an evident tension between the virtues of geographical concentration to minimize spatial separation (the assembly of detail functions within the factory or the agglomeration of many firms within one urban center) and geographical dispersal, which has the virtue of providing opportunities for further accumulation by exploiting particular geographical advantages (natural or created). How that tension is resolved has important implications for the shape and form of the urban system. But the latter, insofar as it is shaped to facilitate tight temporal coordinations of flows in space, affects the way in

which the tension is played out. The benefits to be had from conjoining the social with the geographical division of labor can then be parlayed into accelerating accumulation.

Production is typically separated from consumption under capitalism by market exchange. This has enormous implications for urbanization and urban structure. Work spaces and times separate out from consumption spaces and times in ways unknown in an artisan or peasant culture. The moment of consumption, like that of production, stands to be further fragmented. Vacation, leisure, and entertainment places separate from spaces of daily reproduction, and even the latter fragment into the lunch counter near the office, the kitchen, the neighborhood drugstore or bar. The spatial division of consumption is as important to the urban process as is the spatial division of labor – the qualities of New York, Paris, and Rome as well as the internal organization of these and other cities could not be understood without consideration of such phenomena. This is, however, a theme that remains underexplored in Marxian theory, in part because of the tendency to focus exclusively on production because it is the hegemonic moment in the circulation of capital.

Consumption also has to be looked at from another standpoint. The circulation of capital when viewed in aggregate presupposes the continuous expansion of effective demand in order to realize in the marketplace the value created through production. Where, then, does the effective demand come from? (cf. Harvey 1982, chap. 3). There are three broad sources: workers purchase wage goods (depending upon their achieved standard of living), the bourgeoisie purchases necessities and luxuries, and capitalists purchase investment goods (machinery and plant) and intermediate products. Each one of these markets has its own particular qualities and geographical sensitivities. The spatial division of labor puts a premium on continuous flow so that tight temporal and spatial coordinations and cost-minimization are mandatory pressures. Final consumption, particularly of luxuries for the bourgeoisie, is much less sensitive on these scores, though in the case of the wage laborers much depends upon customary living standards (the real wage) and the cost matrix within which the social reproduction of labor power takes place. However, we must also bear in mind that final consumption entails the use of a certain amount of fixed capital equipment. To the degree that this is fixed and of long life (housing, for example), so the "mode of consumption" tends to become fixed quantitatively, qualitatively, and geographically. The spatial division of consumption entails relatively permanent structurings of social and physical spaces both within and between urban centers.

Consider, finally, the moment of money itself. Money takes many forms, from the tangible commodity gold to the vague imprecision of an open line of

credit. Money also has the peculiar quality of concentrating in time and space a form of universal power that is an expression of the world market in historical time. Money represents the greatest concentration of social power in the midst of the greatest possible dispersal. It can be used to overcome the geographical limitations of commodity and labor markets and fashion ever-greater dispersal of the spatial division of labor and of consumption. It can also transcend all other limits of geographical concentration and allow the assembly of massive social power in a few hands in a few places. It can be deployed over long time-horizons (as state debt, stocks and shares, mortgages, and so forth) or pulled together at particular moments for particular purposes. As a higher form of social power, it can dominate not only ownership of other means of production but also space and time as sources of social power (see *Consciousness and the Urban Experience*, chap. 1). The holding and command of money confers tremendous social power. But under capitalism that power is contingent upon the continuous use of money as capital.

Money, finance, and credit form a hierarchically organized central nervous system regulating and controlling the circulation of capital as a whole and expressing a class interest, albeit through private action (see Harvey 1982, chaps. 9 and 10). Financial markets separate out from commodity and labor markets and acquire a certain autonomy vis-à-vis production. Urban centers can then become centers of coordination, decision-making, and control, usually within a hierarchically organized geographical structure.

Let me summarize. An inspection of the different moments and transitions within the circulation of capital indicates a geographical grounding of that process through the patterning of labor and commodity markets, of the spatial division of production and consumption (under sociotechnical conditions that are in part an adaptation to geographical variations), and of hierarchically organized systems of financial coordination. Capital flow presupposes tight temporal and spatial coordinations in the midst of increasing separation and fragmentation. It is impossible to imagine such a material process without the production of some kind of urbanization as a "rational landscape" within which the accumulation of capital can proceed. Capital accumulation and the production of urbanization go hand in hand.

This perspective deserves modification on two counts. Profit depends upon realizing the surplus value created in production within a certain time. The turnover time of capital (the time taken to get back the initial outlay plus a profit) is a very important magnitude — hence derives the old adage "time is money." Competition produces strong pressures to accelerate turnover time. That same pressure has a spatial manifestation. Since movement across space takes time and money, competition forces capitalism toward the elimination of spatial barriers and "the annihilation of space by time". Building a

capacity for increased efficiency of coordination in space and time is one of the hallmarks of capitalist urbanization. Considerations derived from a study of the circulation of capital dictate, then, that the urban matrix and the "rational landscape" for accumulation be subject to continuous transformation. In this sense also, capital accumulation, technological innovation and capitalist urbanization have to go together.

## II. CITIES, SURPLUSES, AND THE URBAN ORIGINS OF CAPITALISM

The connection between city formation and the production, appropriation, and concentration of an economic surplus has long been noted (see Harvey 1973, 216–26). The circulation of capital also presupposes the prior existence of surpluses of both capital and labor power. But closer inspection of its dynamic shows that capital circulation, once set in motion, produces capital surpluses (in the form of profit) coupled with relative labor surpluses produced through labor-saving revolutions in the sociotechnical conditions of production. Much of the history of capitalism can be written around this theme of the production and absorption of capital and labor surpluses. Strong phases of balanced and seemingly self-sustained growth occur when capitalism produces exactly those surpluses it needs in order to continue on its expansionary path. But the tendency toward overaccumulation poses the problem of how to absorb or dispose of the surpluses without the devaluation or destruction of both capital and labor power. This tension between the need to produce and to absorb surpluses of both capital and labor power lies at the root of capitalism's dynamic. It also provides a powerful link to the history of capitalist urbanization. I shall, in what follows, make that link the pivot of much of my analysis.

In the early stages of capitalism, the surpluses were largely produced by processes external to the direct circulation of capital. The violent expropriation of the means of production through primitive accumulation or more subtle maneuvers of appropriation put capital surpluses in the hands of the few while the many were forced to become wage laborers in order to live. Capital exists potentially in many forms, however, so it was the various moves of appropriation of money, goods, productive assets (land, built environments, means of communication, and so forth), and rights to labor power and the conversion of all of these into commodities with exchange value that really counted. The appropriation, mobilization, and geographical concentration of these surpluses of capital and labor power in commodity form was a vital moment in capitalism's history in which urbanization played a key role (cf. Braudel 1984). The urban concentration of wealth by merchants (looting the world of both money and commodities through unfairly or badly

structured exchange); the transformation of landed property into a commodity for the production of urban-based wealth through direct monetization or subversion by usurers; and the direct extraction of surpluses from the countryside through money rents, state taxation, and other mechanisms of redistribution (such as that organized through the church) were some of the means whereby surplus capital was mobilized and geographically concentrated in a few hands. The use of these surpluses to build physical infrastructures, communication systems, and market centers formed a potential basis for capital circulation at the same time as the assembly of commodity use values (including wage laborers) in the urban centers created the prior conditions under which the circulation of capital could be more easily launched.

Urbanization, together with money rent, usurers' interest, merchants' profit, and state taxation, had to appear on the historical stage before the standard form of circulation of capital through production could begin (cf. *Capital* 1:165). The historical sequence was exactly the reverse, therefore, of the analytical and logical sequence we would now use to analyze the relations of production and distribution and of long-term investment in physical and social infrastructures in their urban context. A built environment potentially supportive of capitalist production, consumption, and exchange had to be created before capitalism won direct control over immediate production and consumption. Social infrastructures for the control of civil society, most particularly with respect to labor markets, also had to be put in place before capital accumulation through production could freely develop. The political power and authority of the state had to be deployed in ways favorable to primitive accumulation and the mobilization of capital and labor surpluses before the material base existed for capitalist domination of the state or even for the formation of some urban-based class alliance in which capitalists had an important role. The rise of urban centers with a ruling class acquisitive of wealth and specie, mercantilist in philosophy, and possessed of superior authority and military power was, Braudel (1984) shows, a crucial moment in the rise of capitalism. The maturation of capitalism rested on a process of gradual and sometimes revolutionary role reversal in which political processes; class alliances; the categories of rent, interest, merchants' profit, and taxation, and the assets of physical and social infrastructures were converted from interdependent though interlinked preconditions and determinants of political-economic processes into pure servants of capital accumulation. The role of the urban process, as well as the mechanisms of its development, shifted dramatically with this role reversal.

Primitive accumulation and other processes of appropriation do not guarantee, however, that the surpluses can be assembled in time and space in exactly the right proportions for strong capital accumulation to proceed. In

eighteenth-century Britain, for example, the strong capital surpluses more than matched the surpluses of labor power. Wages rose, and much of the surplus was absorbed in consumption projects. In contrast, much of contemporary Africa, Asia, and Latin America is faced with a situation in which immense quantities of labor power have to be dispossessed to release very little capital, creating massive and chronic surpluses of labor power in a context of serious capital shortage. Situations can arise and even persist, therefore, in which surpluses of one sort cannot be absorbed because surpluses of another sort are not present in the requisite quantities and qualities. Under contemporary conditions, this means that either capital or labor power is devalued, but not both. To the degree that the dominant power relations favor capital and that the qualities of the latter can quickly adapt to shortages of labor power through technological innovation, so the likely persistent (as opposed to occasional) condition will be that of capital shortage and labor power surpluses. This is, for example, the hallmark of much of contemporary Third World urbanization.

The urban assembly of such surpluses does not guarantee, however, that they will be used capitalistically. We here encounter a historical problem of considerable political, social, and economic complexity. The most successful of the urban centers from the standpoint of assembling the surpluses often used their political power in ways inimical to the direct flowering of capital accumulation through production. The latter, after all, meant a major transformation of class power and structure and cutting loose any controls over technological innovations that might threaten, as they nearly always do, the value of any existing base of assets. In addition, the purpose of appropriation of surpluses was the building of wealth as a basis for conspicuous consumption, and it was not immediately apparent to those who held that wealth that the best way to preserve it was to use it as capital. The more powerful urban-based class alliances often used their class and monopolistic power to organize against the capitalism they helped spawn.

Unfortunately for the city states, the very methods employed in the assembly of much surpluses tended in the end to undermine their powers of monopolistic control over money, space, and commodity flow. Trade and commerce meant monetization, and that always has a dissolving effect upon the coherence of community (*Grundrisse*, 224–25; *Consciousness and the Urban Experience*, chap. 1). Anyone who holds money is perpetually tempted to use it for personal gain outside of the controlling powers of some urban-based class alliance. Trade also entailed the formation of other trading centers that could ultimately become rivals. And to the degree that new products and military technology were important facets of a city's power, so innovation became a vital force that no urban-based class alliance could afford to stifle if it was to prosper and survive. Competition between urban centers became

a major check on internal monopoly controls and tended to create conditions of instability out of which the circulation of capital through production could more easily gain a foothold.

The separation of laborers from control over their means of production (through physical or legalized violence in some instances and out of attraction to the opportunities of urban life in others) and their conversion into wage laborers forms the other half of the conditions necessary to the rise of capital as a hegemonic mode of production and circulation. But again, there was no guarantee that displaced laborers would become wage laborers. The processes of displacement and socialization into the proletariat were anything but idyllic (Pollard 1965). The habituation of the worker to wage labor, the inculcation of a work discipline and all that went with it, and the formation of freely functioning labor markets were not, and still are not, easy matters. The workers themselves often sought and acquired corporatist powers that checked the liberty of labor and in so doing learned to support mercantilist and monopolistic practices on the part of their rulers. The urban-based guilds and the corporatist organization of labor also formed a powerful barrier to free capital accumulation (this remained a serious problem in France, for example, throughout the whole of the nineteenth century as the case of Second-Empire Paris clearly demonstrates – see *Consciousness and the Urban Experience*, chap. 3). The labor process tended to stagnate into monopolistic mosaics of craft control at the same time as labor markets froze into rigid configurations.

But again, there were processes at work that undermined guild, artisan, and craft controls. Immigration of displaced rural labor into urban centers meant that the pressure of labor surpluses was never absent. Competition between urban centers for new products and new technologies meant pressure (sometimes organized by the ruling class and therefore a major point of class struggle) to open up the labor process to new possibilities. And the wage laborers themselves, particularly if they aspired, as many did, to become small masters and entrepreneurs, could often undermine the corporatist logic. The original qualities of labor power and labor's powers of organization in the different industries nevertheless had deep impacts upon the prospects for using surplus wealth as capital in production. Hardly surprisingly, the pace of accumulation and technological innovation varied greatly from one urban center to another. Without the force of interurban competition, the pace of capitalist penetration into production would certainly have been much slower and may even have been blocked altogether.

For these sorts of reasons it proved easier for capitalist industrialization to emerge in entirely new urban centers in which the politics of monopoly control and the tactics of mercantilism were less firmly entrenched. In some instances the capitalist penetration of agriculture, coupled with technological innovation in the countryside, proved the cutting edge of capitalist develop-

ment. The circumstances that gave free rein to the circulation and accumulation of capital through production, that allowed labor markets to function freely and new technologies and forms of labor organization to be deployed without restraint, were evidently diverse even if rather restricted (Merrington 1975; Holton 1984). The urban centers had, nevertheless, crucial advantages in relation to accumulation. The vast assembly of assets in the built environment, though oriented primarily to trade, consumption, and political-military dominance, could be converted almost costlessly into assets for capital accumulation – the consumption fund could be transformed into fixed capital in the built environment simply by changing patterns of use. The transport and communications systems built to facilitate appropriation, trade, consumption, and military control could likewise be used by capitalist producers. Countries like Britain and France in the eighteenth century that had vast assets of this sort were, therefore, in a far better situation for capitalist development than many contemporary Third World countries whose asset base is extremely limited. Furthermore, the sociopolitical institutions, private property rights, and systems of command of money (banking and treasuries) could also be mobilized behind the geopolitics of capital accumulation as command centers for the circulation of capital. The breakthrough into a predominantly capitalist mode of production and circulation was not, therefore, a purely urban or a purely rural event. But without the urban accumulation of surpluses of both capital and labor power, one of the crucial necessary conditions for the rise of capitalism would not have been fulfilled.

The transition to a capitalist mode of production was signaled by a shift from the production of capital and labor surpluses by processes external to the circulation of capital to an internalization of surplus production within the circulation of capital itself. That shift was also signaled, I have argued, by a role reversal in which rent, interest, merchants' profit, state powers and functions, and the production of built environments became servants of capital accumulation and subservient to its dominant logic.

Consider, for example, the manner of production and use of the physical and social landscape necessary to capital accumulation. The story of how that landscape is produced and used is central to my theorization of the urban process. I focus upon it because it is the product of a process – or a set of processes, for we here confront matters of great intricacy and complexity – that gives definite shape and form to a capitalist urbanization process that would otherwise appear far more flexible and fluid than is in fact the case. The transition from a historical condition in which that landscape is produced by forces outside the logic of accumulation to one in which it is integrated within that logic is signaled when the circulation of capital produces the necessary surpluses and the sufficient conditions for the shaping of physical



and social space within its confines. And that occurs when overaccumulation begins to grab hold of immediate production and consumption – when, in short, crises become clear manifestations of the internal contradictions of capitalism rather than being reasonably attributable to external circumstances of natural calamity (such as harvest failures) or social breakdown (wars of aggrandizement or internal civil and political strife). Though hints of that occurred before, 1848 was perhaps the first indisputable and unambiguous manifestation of that kind of crisis within the capitalist world.

The production of the physical and social landscape of capitalism was thereafter increasingly caught up in the search for solutions to the over-accumulation problem through the absorption of capital and labor surpluses by some mix of temporal and geographical displacement of surplus capital into the production of physical and social infrastructures (the “secondary” and “tertiary” circuits depicted in fig. 3). I have dwelt at length in *The Urbanization of Capital*: see also Harvey 1982, 1985) on the potentialities and limitations of that process. Suffice it to remark that the problems of overaccumulation and devaluation are thereby imparted to the physical and social landscape so that its whole historical evolution dances to their tune. For that to happen, however, a whole set of preconditions has to be realized, including, of course, that most essential precondition of all, the command of immediate production and consumption by the industrial capitalist. It is then, to that issue and its requisite form of urbanization that we now turn.

### III. THE CAPITALIST PRODUCTION OF SURPLUSES AND THE INDUSTRIAL FORM OF URBANIZATION

The rise of the industrial city signaled the penetration of capital circulation into the heart of immediate production and consumption. The shift from the appropriation of surpluses through trade, monopoly, and military control to the production of surpluses through command over labor processes in production was slowly wrought. Not all sectors were immediately captured, of course (agriculture remained notoriously recalcitrant, finally succumbing in the advanced capitalist countries only after World War II and then often unevenly). But for those sectors subsumed, there was a dramatic transformation in the organization of the sociotechnical conditions of production and in the functioning of labor and commodity markets.

This meant that the whole basis of urbanization had to change. The preindustrial city had to be disciplined, weaned away as it were from its mercantilist proclivities, its monopolistic practices, and its assertion of the primacy of place over a capitalist organization of space in which relative rather than absolute locations had to dominate. The incorporation of the city state

within the broader configurations of nation states – a tension that Braudel (1984) makes much of – was one important step in the direction that allowed the freer functioning of labor, commodity, and credit markets as well as the freer flow of capital and labor power between sectors and regions. Industrial capitalists, seeking out new resource bases and new sociotechnical conditions of production within entirely new urban areas outside the monopoly controls so prevalent in preexisting urban centers, could do so only in a context where a relatively strong nation state had secured the political and institutional basis for private property and that sort of control over the means of production which allowed the exploitation of labor power. Where industrial capitalism was grafted on to older structures (as in Paris and London), it assumed qualities quite different from those of the burgeoning capitalist industrialism of a Manchester or a Birmingham. There are, indeed, those who attribute the relative stagnation of capitalism in France to the inability to break with preexisting patterns of urbanization and the political power of prevailing urban-based class alliances (St. Etienne was the only new major city opened up in the nineteenth century). The story in Britain, Germany, and the United States was very different – new industrial centers opened up all over the place under the watchful institutional and legal eye of strong state power.

The industrial city was a new centerpiece of accumulation. The production of surpluses through the direct exploitation of living labor in production was its trademark. This meant the geographical concentration of labor power and productive force (epitomized in the factory system) and open access to the world market, which, in turn, meant the consolidation of universal money and credit. It meant, in short, the firm implantation of all those features of geographical and temporal organization of the circulation of capital that I began by describing. The geographical patterning of labor and commodity markets, of spatial and social divisions of production and consumption, and of differentiated sociotechnical mixes within the labor process became much more pronounced within the urban landscape. Intercapitalist competition and class struggle pushed the whole dynamic of urbanization toward the production of rational physical and social landscapes for capital accumulation. The search for profitable trade-offs between command over and creation of advantageous locations, coupled with adaptations in the sociotechnical conditions of production, became a much more visible moving force within the urban process.

The capacity of any urban-based class alliance to wield monopoly control, either internally or on the world stage, diminished. This is not to say that certain of the more important industrial centers – like Manchester in the nineteenth century and Detroit in the twentieth – did not assemble sufficient power to mimic for a while the behavior of urban-based class alliances in preceding eras. But such delusions of geopolitical grandeur soon foundered on

capitalist space relative

the dynamics of growth and geographical expansion, technological change and product innovation, class struggle, international competition within a shifting frame of relative space shaped by revolutions in transport and communications, and the growing disruptions of crises of overaccumulation. Although the industrial city was a centerpiece of accumulation and surplus production, it has to be seen as a distinctive place within the spaces of the international division of labor, a mere element within a more and more generalized capitalist system of uneven geographical development.

But urban organization was vital to the working out of such a process. Though individual cities (like individual firms) exercised less and less control over aggregate processes and outcomes, their individual performance in the context of interurban competition set the tone, pace, and direction of historical-geographical development. The industrial city became, in short, a concrete means toward the definition of abstract labor on the world market (see Harvey 1982, 422–26). Value on the world market then became the standard against which every industrial center's performance was judged. The conception of the industrial city as a competitive unit within the uneven geographical development of global capitalism made more and more sense under such conditions.

Denied the grandeur of geopolitical posturing (a role increasingly reserved for nation states or capital cities like Paris), the tasks of urban politics within the industrial city had to shift toward more mundane concerns. The problems of organization and control, of management of physical and social infrastructures, were radically different from anything that had gone before, while the context of class alliance formation changed because class structures were redefined. Class warfare between capital and labor and the drive to reproduce that basic class relation of domination became the pivot of urban politics. The formation of physical and social infrastructures adequate to support the reproduction of both capital and labor power while serving as efficient frameworks for the organization of production, consumption, and exchange surged to the forefront of political and managerial concerns. Such problems had to be approached with an eye to efficiency and economy because that was the way to assure growth, accumulation, innovation, and efficiency in interurban competition. Public investments also had to be organized on an increasing scale and on a more and more long-term basis and in such a way as to compensate for individual capitalists' underproducing collective infrastructures.

It was precisely around such themes that Joseph Chamberlain built such a powerful class alliance in Birmingham in the 1860s, comprising representatives of industry, commerce, and the professions, with a great deal of solid working-class support. The emergence of a distinctive civic tradition in Leeds, Manchester, and Birmingham during the nineteenth century – a

process ultimately paralleled in many a new industrial city – was part of a search to define a new urban politics appropriate to new circumstances. Older cities, like Haussmann's Paris (see *Consciousness and the Urban Experience*, chap. 3), had to acquire the same virtues of efficiently organized capitalist modernity by a far more tortuous route. The bases for class-alliance formation and confrontation were very different and the objectives equally so. But the common problems faced (from debt-financing infrastructural investments to finding ways to rationalize urban space as a whole) and the common techniques employed (engineering skills merging into rational urban planning) also induced a certain tactical convergence toward a distinctively capitalist kind of urban managerialism.

Industrial capitalism also wrought far-reaching transformations of all aspects of civil society. Traditional social relations of work were altered or destroyed and new social structures forged against the background of freely functioning labor markets and powerful currents of technological change. Integrating immigrants and absorbing the shocks of technological change posed key questions of socioeconomic policy and political management. The role of women changed in both labor markets as well as in the household, and the family had to adapt and reconstitute itself to the buying and selling of labor power as a way of life. At the same time, social reproduction processes had to incorporate mechanisms directed toward the production of labor supply with the right qualities and in the right quantities. Attention had to be paid to such questions at a time when the bonds of civil society threatened to break asunder under the strain of the alienations of class conflict, the anomie of individualistic labor markets, and the sheer rage at the new regimes of domination. It took real political talent and much subtle maneuvering to keep the urban pot from boiling over under the best of conditions, and the new bourgeoisie had to find new ways to keep the revolutionary turmoil under control. Bourgeois surveillance of the family and interventions in the cultural, political, and social milieu of the working classes began in earnest. Above all, the ruling-class alliance had to find ways to invent a new tradition of community that could counter or absorb the antagonisms of class. This it did in part by accepting responsibility for various facets of social reproduction of the working class (health, education, welfare, and even housing provision) and mobilizing sometimes brutal and sometimes subtle means of social cooptation and control – police, limited democratization, control of ideology via the churches or through the newly emerging organs of mass communication, and the manipulation of space as a form of social power. And the working class, as part of its own tactic of survival, also sought a new definition of community for itself. With its help, industrial capitalism in fact forged, with amazing rapidity, new traditions of urban community out of conditions of social disintegration and class conflict.

Counter hegemonic culture. device



So strong did the popular attachments become that they formed a major barrier to further urban transformations within the short space of a generation.

But that sense of urban community, along with the "structured coherence" of the sociotechnical conditions of production and consumption and of labor supply in relation to industrial capitalism's needs, could never become a stable configuration. The dynamics of accumulation and overaccumulation, of technological change and product innovation, of shifting international competition in a rapidly changing structure of relative space (transformed through revolutions in transport and communications), kept even the best-managed and the most efficiently organized industrial city under a perpetual cloud of economic uncertainty. The mobilities of capital and labor power could not be controlled — this was, after all, the essence of free-market capitalism — nor could the context of wage or profit opportunities elsewhere. Each and every participant in or supporter of some urban-based class alliance faced the temptation of abandoning or undermining it for individual gain.

It was within this space of relative uncertainty and insecurity that a relatively autonomous urban politics made its mark. A charismatic leadership (sometimes collective and sometimes individual) could build its reputation on successful strategies for progress and survival in an uncertain and highly competitive world. Strategies could vary from ruthless creative destruction of anything that stood in the way of capitalist rationality, modernity, and progress to attempts to insulate against or even break out from under the coercive laws of competition through movements toward municipal socialism. But the latter could always be checked by two reserve powers. The discipline of competition and of "abstract labor" on the world market could not for long be held at bay without lapsing into an isolationism that could destroy much that had been achieved. Political experience taught the bourgeoisie another lesson that could be used to check the undue radicalism of any urban-based political movement: superior control over space provided a powerful weapon in class struggle. The Parisian revolutions of 1848 and 1871 were put down by a bourgeoisie that could mobilize its forces across space. Control over the telegraph and flows of information proved crucial in disrupting the rapidly spreading strike of 1877 in the industrial centers of the United States. Those who built a sense of community across space found themselves with a distinct advantage over those who mobilized the principle of community in place. Politically, this meant increasing ruling-class reliance upon national and, ultimately, international power sources and the gradual reduction of the sphere of relative autonomy of urban-based class alliances. It was no accident, therefore, that the nation state took on new roles and powers during that period of the late nineteenth century when diverse movements

toward municipal socialism and machine politics with a working-class or immigrant orientation gathered momentum. The more the bourgeoisie lost control over urban centers, the more it asserted the dominant role of the nation state. It reinforced the authority of the spaces it could control over the places it could not. This was the political lesson that the bourgeoisie learned from the rise of the industrial city as a powerhouse of accumulation and a crucible of class struggle.

The industrial city was, therefore, an unstable configuration, both economically and politically, by virtue of the contradictory forces that produced it. On the one hand it sought and sometimes achieved a rational internal ordering to facilitate space-time coordinations in production, in flows of goods and people, and in necessary consumption coupled with the ordered construction of social spaces for the reproduction of labor power and well-managed patterns of social provision, built-environment production, and urban political management. From this standpoint it appeared as a relatively efficient corporation geared for competition on the stage of world capitalism. On the other hand, the industrial city was beset with the social anarchy generated by crises of overaccumulation, technological change, unemployment and de-skilling, immigration, and all manner of factional rivalries and divisions both within and between social classes. Interurban competition to some degree exacerbated the difficulties, since it increased the pressures toward product innovation and technological change. The industrial city had to consolidate its function as an innovation center if it was to survive. But innovation brought disruption and also lay at the root of the overaccumulation problem. The industrial city, as a powerhouse of accumulation and innovation, had to be the prime vehicle for the production of overaccumulation.

How were the prodigious surpluses of capital, and to a lesser extent of labor power, to be absorbed without devaluation and destruction? The periodic crises of industrial capitalism indicated no easy answer to that question. Surpluses could be and were in part absorbed by deepening productive forces (including those of labor power) within the industrial city through an increasing flow of investments into long-term physical and social infrastructures. They were also absorbed through geographical expansion. The search for a "spatial fix" for the overaccumulation problem spawned industrial development in far-off lands and the increasing linkage of urban industrialism into a system of urban places through movements of money, capital, commodities, productive capacity, and labor power. That way the threat of overaccumulation could be staved off, sometimes at the cost of primitive accumulation from precapitalist societies or forcible implantation of capitalist industrialization on societies (like the United States) that had sought a radically different path to social progress. The industrial city had

to be, therefore, an imperialist city. And if it wanted to retain its hegemonic competitive position within a proliferating world market, it had to be prepared to conjoin political and military imperialism with an economic imperialism that rested on technological superiority and innovation coupled with superior organization of production, capital markets, and trade within the social and geographical divisions of labor. Joseph Chamberlain even made such themes central to the ideology of the class alliance (including many workers) that he kept together in Birmingham in the troubled depression years of the 1880s and 1890s.

But interurban competition, spiraling technological innovation and overaccumulation, and geographical expansionism constituted an unstable mix. Indeed, this was the kind of underlying pressure that produced national geopolitical rivalries and two world wars, the second of which inflicted enormous and uneven geographical destruction on urban assets — a neat but hideously violent resolution to capitalism's overaccumulation problem. Was there any way to avoid such a paralyzingly destructive resolution of capitalism's internal contradictions?

#### IV. THE ABSORPTION OF SURPLUSES:

##### FROM FORDISM TO THE KEYNESIAN CITY

*Capitalism just from supply side to demand side*

Underconsumption seemed to be, and in a sense was, the reverse side of the coin to overaccumulation. If that was so, then why could not the contradictions of capitalism be resolved by closer attention to the expansion of consumption, particularly on the part of the working masses of the population who were, in any case, not only economically needy but politically aggressive? The search for a solution of that sort underlay a shift in focus from production to distribution and consumption. Capitalism shifted gears, as it were, from a "supply-side" to a "demand-side" urbanization. Let us consider the elements of that transition.

The rise of the corporation from the ashes of the family firm, coupled with major reorganizations of labor processes in many industries, liberated many aspects of production from reliance upon access to particular natural or urban assets. Industry became increasingly footloose, not above the calculus of local advantages of labor supply or social and physical infrastructures, but more able to exploit their uneven availability within the urban system. This did not automatically produce geographical decentralization of production under unified corporate control. Precisely because much of the impetus toward the formation of large corporations, trusts, and cartels came from the need to curb excessive competition, the emphasis lay on the joys of monopoly rather than the rigors of competition. And monopoly powers could be used

geopolitically, either to further concentrate production geographically or to protect geographical concentrations already achieved. The distortion of relative space imposed by the United States steel companies through their "Pittsburgh plus" system of steel pricing was one example of many sustained attempts to use monopoly power to protect a particular urban region against external competition. It took many years, and in some cases deep financial trauma, for large corporations to learn how to internalize competition (between, for example, regional branch plants) and use their power to command space and manipulate geographical dispersal to their own advantage. In this they were always limited, of course, by the need to assure internal economies of scale and continuous flow in production while sustaining reasonable proximity to networks of subcontractors and adequate labor supplies.

Relieved of the burden of excessive competition in production, the large corporations became much more sensitive to the control of labor power and markets as the basis for a constant and secure flow of revenues and profits (Gramsci 1971). Their attachment to large-scale production also led them to direct their attention to mass rather than privileged and custom markets. And the mass market lay within the working class. This was the basis for Fordism. Increased productivity in the workplace was compensated by higher wages that would allow the workers to buy back a larger share of the commodities they helped produce. Ford himself was quite explicit about that strategy when he inaugurated the eight-hour, five-dollar work day at his auto plant in 1914. But to the degree that workers are never in a position to buy back the whole of the output they create, so the large corporations were forced into strategies of geographical dispersal in order to ensure market control on an expanding basis. And it was not long before the advantages of decentralization of component production as well as of final assembly became apparent. But these adjustments were slowly wrought, depending to a considerable degree upon the changing space relations created by new systems of transport and communications.

The more corporations used their powers of dispersal, however, the less urban regions competed with each other on the basis of their industrial mix and the more they were forced to compete in terms of the attractions they had to offer to corporate investment as labor and commodity markets and as bundles of physical and social assets that corporations could exploit to their own advantage. The corporations became less and less place-bound and more and more representative of the universality of abstract labor on the world market. Innovation likewise tended to shift its breeding ground from the interstices of the urban matrix into government and corporate research labs, though new product innovation still retained some of its more traditional urban bases.

The growing power of the credit system added its weight to these shifts. The centralization of credit power was nothing new – the Barings and the Rothschilds early learned that superior information and capacity to deploy money power over space gave them the power to discipline even nation states throughout much of the nineteenth century. But they had largely confined their operations to government debt and selected large-scale projects, like railroads, leaving commercial and industrial credit and consumer loans (if they existed at all) to other, more fragmentary sources. The manifestation of crises in the nineteenth century as credit and commercial crises – 1847–48 being a particularly spectacular example – prompted major changes in capital and credit markets. The stock market and the reorganization of banking changed the whole context of credit and finance by the end of the nineteenth century. The rise of finance capital (see Harvey 1982, chap. 10) had all manner of implications. It facilitated the easier movement of money capital from one sector of production or geographical region to another and so allowed the much finer tuning of the relations between the social and geographical divisions of labor. It made the debt-financed production of urban infrastructures that much easier, as well as facilitating the production of long-term investments that reduced spatial barriers and helped further annihilate space with time. It therefore meant a smoother and accelerating flow of capital into the deepening and geographical widening of urban infrastructures at the very moment when increasingly footloose corporations were looking to tap into the particular advantages to be derived from those sorts of investments. The effect, however, was to tie the production of urban infrastructures more tightly into the overall logic of capital flow, primarily through movements in the demand and supply of money capital as reflected in the interest rate. The “urban construction cycle” therefore became much more emphatic, as did the rhythmic movement of uneven urban development in geographic space.

But the credit system also seemed to pack another punch, one that could virtually annihilate the overaccumulation problem at one blow. The proper allocation of credit to production and consumption held out the prospect of balancing both within the constraints of continuous profit realization. The flow of money and credit into production had simply to be matched by the flow of money and credit to support consumption in order that self-sustained growth continue in perpetuity. There were, of course, many problems to be resolved. Balanced growth could not be achieved through any pattern of production and consumption if accumulation was to be achieved and profits realized. The proper balance between productive consumption (investments that enhanced the capacity of the productive forces) and final consumption (investments and flows that enhanced the living standards of the bourgeoisie as well as of the working class) had to be struck. But the credit system

nevertheless seemed to have the potential power to do what individual corporations seeking a Fordist compromise set out to do but could not because of their limited power to affect distribution. To the degree that the credit system became oriented to these tasks it became the major vehicle for the transformation to demand-side as opposed to supply-side urbanization.

But there were two interrelated problems. First, financial markets, like money itself, embody immense powers of centralization in the midst of the greatest possible dispersal of powers of appropriation. This permits the concentration of key decision-making functions for global capitalism in a few hands (like J. P. Morgan) in a few urban centers (like New York and London). This poses the threat of private perversion of this immense centralized social power for personal gain or the use of monopoly power for narrow geopolitical ends. It also tends to consolidate the hierarchical geographical ordering of financial centers into a system of authority and control that is as much self-serving as it is facilitative of balanced accumulation. Worse still, and this brings us to the second objection, the formation of “fictitious capital” (all forms of debt) has somehow to be regulated if it is not to spiral out of control into orgies of speculation and unchecked debt creation (see Harvey 1982, chaps. 9 and 10). How, for example, was the debt on urban infrastructures to be paid off if the latter did not enhance surplus value production? And if such investments were productive, would not that merely exacerbate the overaccumulation problem? Periodic financial crises indicated that overaccumulation could all too easily be translated into an overaccumulation of debt claims on nonearning assets.

It is against this background that we have to understand the increasing pressure toward state intervention in macro-economic policy. It was, of course, to the nation state that the bourgeoisie turned, in part because this was the space they could most easily control but also because the nation state was the institutional frame within which fiscal and monetary politics were traditionally formulated. It was the switch into Keynesian strategies of fiscal and monetary management that consolidated the turn to demand-side urbanization. The trauma of 1929–45 provided the catalyst. When the depression hit in the United States, Ford, true to his colors, saw it as an underconsumption problem and tried to raise wages. Forced within six months by the logic of the market to back down, Fordism failed and had to convert itself (often reluctantly) into state-managed Keynesianism and New Deal institutional reforms and politics. For more than a generation, capitalist urbanization (particularly in the United States) was shaped after the added trauma of World War II into a state-organized response to what were interpreted as the chronic underconsumption problems of the 1930s.

The implications for the urbanization of capital were profound. The Keynesian city was shaped as a consumption artifact and its social, economic,

and political life organized around the theme of state-backed, debt-financed consumption. The focus of urban politics shifted away from alliances of classes confronting class issues toward more diffuse coalitions of interests around themes of consumption, distribution, and the production and control of space. The "urban crisis" of the 1960s bore all the marks of that transition. The shift also provoked a serious tension between cities as "workshops" for the production of surplus value and cities as centers of consumption and realization of that surplus value. There was a tension between the circulation of capital and the circulation of revenues, between the spatial division of labor and the spatial division of consumption, between cities and suburbs, and so forth. Keynesian policies radically changed, in fact, the manner and style of temporal (debt-financed) and spatial displacement of the overaccumulation problem. Let us see how.

Unlimited temporal displacement could be achieved to the degree that state-backed credit allowed the unlimited creation of fictitious capital. Keynes had meant deficit financing as a short-run managerial device, but permanent and growing deficits were built up as the business cycle was kept under control and the urban construction cycle that had been so powerfully present before 1939 was all but eliminated. Overaccumulated capital and labor power were switched into the production of physical and social infrastructures; and if such investments helped produce more surpluses, then another round of switching could take place. The prospect arose, for urban regions as well as for nations, of a permanent upward spiral of economic growth, provided, of course, the targets of debt-financing were well chosen. Investments in transportation, education, housing, and health care appeared particularly appropriate from the standpoint of improving labor qualities, buying labor peace, and accelerating the turnover time of capital in both production and consumption. But the process rested on unlimited debt creation no matter how it was worked out. By the 1970s, the United States was weighed down by what even *Business Week* conceded was a "mountain" of public, private, and corporate debt, much of it wrapped up in urban infrastructures. The accumulation of debt claims posed a problem. The attempt to monetize them away produced strong surges of inflation, thus demonstrating that the threat of devaluation of commodities and other assets could be converted into the devaluation of money (cf. Harvey 1982, chap. 10). But any counterattack against inflation could only put a great deal of urbanized capital at risk. The collapse of the property market worldwide in 1973 (and the collapse of banking and financial institutions heavily caught up in property finance) and the New York fiscal crisis of 1974-75 were opening gambits in a whole new mode of the urban process based on non-Keynesian approaches.

The temporal displacement of overaccumulation through debt-financed

infrastructure formation was accompanied by strong processes of spatial reorganization of the urban system. Long reduced to a commodity, a pure form of fictitious capital, land speculation had also been a potent force making for urban sprawl and rapid transitions in spatial organization, particularly in the United States. The means of further dispersal – the automobile – had also been on hand since the 1920s. But it took the rising economic power of individuals to appropriate space for their own exclusive purposes through debt-financed homeownership and debt-financed access to transport services (auto purchases as well as highways), to create the "suburban solution" to the underconsumption problem (Walker 1976, 1981). Though suburbanization had a long history, it marked post-war urbanization to an extraordinary degree. It meant the mobilization of effective demand through the total restructuring of space so as to make the consumption of the products of the auto, oil, rubber, and construction industries a necessity rather than a luxury. For nearly a generation after 1945, suburbanization was part of a package of moves (the global expansion of world trade, the reconstruction of the war-torn urban systems of Western Europe and Japan, and a more or less permanent arms race being the other key elements) to insulate capitalism against the threat of crises of underconsumption. It is now hard to imagine that postwar capitalism could have survived, or to imagine what it would have now been like, without suburbanization and proliferating urban development.

The whole process rested, however, on continuous and radical restructurings of the space-time matrices that frame economic decisions as well as social and political life. The revolution in space relations overwhelmed the punctiform settlement patterns of industrial capitalism and replaced them with "space-covering" and "space-packing" patterns of labor and commodity markets merging into pure megalopolitan sprawl. The urban-rural distinction was swamped with respect to production in the advanced capitalist societies, only to be reproduced as an important consumption option. Geographical dispersal and space-packing had its limits, however. The more investments crystallized into fixed spatial configurations, the less likely it became that space could be further modified without being devalued. This was not a new problem. The reshaping of the industrial city to fit Keynesian requirements imposed economic costs and sparked social resistance, often on the part of working-class communities that had forged their identity from the industrial experience. Greater attachment to that sense of community (and a reluctance to treat land as pure fictitious capital) slowed the pace of suburbanization in Europe, perhaps slowing overall growth as a result. But even in the United States, the erosion and occasional destruction of the preexisting bases of community in older areas became widely seen as the negative side of the golden currency of suburbanization. As the processes of spatial transformation

gathered pace, so those problems became more widespread, affecting middle and even upper-income communities with much more power to resist.

The Keynesian city put much greater emphasis upon the spatial division of consumption relative to the spatial division of labor. Demand-side urbanization depended on the mass mobilization of the spirit of consumer sovereignty. Surpluses were, in effect, widely though unevenly distributed, and the choice of how to spend them was increasingly left to the individual. The sovereignty, though fetishistic (in Marx's sense), was not illusory and had important implications (see *Consciousness and the Urban Experience*, chap. 5). Since there are no natural breaks on the continuum of money power, all kinds of artificial distinctions could be introduced. New kinds of communities could be constructed, packaged, and sold in a society where who you were depended less and less on class position and more and more on how you spent money in the market. Living spaces were made to represent status, position, and prestige. Social competition with respect to life-style and command over social space and its significations became an important aspect of access to life chances. Fierce struggles over distribution, consumption rights, and control over social space ensued. Once largely confined to the upper layers of the bourgeoisie, such struggles now became part of urban life for the mass of the population. It was largely through such struggles and the competition they engendered that demand-led urbanization was organized to capitalistic ends.

Urban politics had to change its spots. The success of the Keynesian project depended upon the creation of a powerful alliance of class forces comprising government, corporate capital, financial interests, and all those interested in land development. Such an alliance had to find ways to direct and channel a broadening base of consumer sovereignty and increasing social competition over consumption and redistribution. It had to shape and respond to the quest for new life-styles and access to life chances so as to create patterns of temporal and spatial growth conducive to sustained and reasonably stable capital accumulation. But the basis of popular legitimacy (at both the local and national levels) had to rest on performance with respect to distribution and satisfaction of consumer wants and needs. While there were phases of concordance of these two aims, there were also serious points of tension.

The attempt to use the urban process as a vehicle of redistribution ran up against the realities of class structure, income differentials, and minority deprivation. The strong processes of spatial reorganization of consumer landscapes left behind growing pockets of abandonment and deprivation, for the most part concentrated in inner cities. It was almost as if creative destruction split into the physical and social destruction of the inner cities and the creation of the suburbs. But all was not necessarily well at the other end of the social scale. As consumers, even upper echelons of the bourgeoisie could demand protection against developers and others who wanted to shape

space for growth and profit. Peculiar kinds of "consumer socialism," built around the power of the local government to check growth-machine politics, could take root even in affluent areas (such as Santa Monica). Consumer sovereignty, if taken seriously, presupposes a certain popular empowerment to shape the qualities of urban life and construct collective spaces in an image of community quite different from that embodied in the circulation of capital. The production of space tended to run up against sensitivity to place. The boundary between consumerist innovation promoted by capitalism and attempts to construct community in the image of real self-fulfillment became exceedingly fuzzy.

It was in exactly such a context that the inner-city uprisings of the 1960s (and some of the later urban unrest in Europe) coupled with no-growth and environmentalist movements on the fringes checked the accelerating trajectory of urban transformation typical of the Keynesian city. The urban social movements of the 1960s focused strongly on distribution and consumption issues, and urban politics had to adjust from a pure growth machine track to redistributive issues. The circulation of revenues had to be managed so as to ensure economic and political inclusion of a spatially isolated under-class and a socially just distribution of benefits within the urban system. The city was increasingly interpreted as a redistributive system. Questions of jobs and employment and of the city as an environment for production, though never excluded from consideration, were viewed as minor elements in a complex matrix of forces at work within the urban process. Rivalry over the circulation of revenues and redistributions tended, however, to exacerbate intercommunity tensions and geopolitical conflicts (between, for example, cities and suburbs). And there was nothing about such a strategy that necessarily assured smooth sailing for the circulation of capital either.

Three problems were central to the temporal and spatial displacement of overaccumulation through demand-side urbanization. First, temporal displacement led to increased indebtedness and strong inflationary pressures. A return to classic forms of devaluation would, however, have put vast urban investments at risk and would have destroyed well-established patterns of redistribution, thus making such a policy reversal harder and harder to confront as time went by. Second, investment in suburban sprawl and the "space-covering" style of urbanization entailed the fixation of fragmented spaces within which the drive toward local empowerment and community formation created barriers to the further pursuit of the suburban solution and the spatial fix. The process of spatial displacement either slowed or was forced to ever more intense levels of creative destruction and contentious devaluation. Third, demand-led urbanization (with all of its concerns for individualism, consumer sovereignty, life-style and status, and social competition for command over space) pushed the focus of concern away from the direct circulation of capital toward the circulation of revenues. It emphasized the



production of preconditions for the spatial division of consumption rather than of production. This shift was as dangerous as it was provocative. It assumed an automatic and appropriate supply-side response to match the debt-financed growth of effective demand. The tension between cities as "workshops" for production and as centers for consumption was not easy to contain. Investment in the physical and social infrastructures for consumption, coupled with the politics of redistribution, does not necessarily create a favorable climate for capitalist production. And since corporations now possessed increased powers of geographical mobility, and since finance capital had by now become extraordinarily mobile, cities became much more vulnerable to job loss, capital flight, and corporate disinvestment. This was to be the dilemma of the 1970s, though evidence of it could be seen much earlier.

This account of demand-side urbanization and its inner tensions is, admittedly, highly simplified and rather biased toward the American case. It is also rather superficial to the degree that it does not pay sufficient attention to the necessary unity of production and consumption within the logic of the production and realization of surplus value. That question was never far from the surface of concerns in the midst of industrial urbanization. Engels had certainly noted it in his examination of Manchester in 1844, in his celebrated description of the different residential zones of consumption that reflected class relations in production. Urban proletariats had long formed significant captive markets to which capitalists catered, and the question of the importance of local effective demand as the basis of a vigorous export trade had long been broached. And then there were those cities, like Paris or London, that traditionally functioned as centers of conspicuous consumption, and where the volume and type of effective demand were critical in setting the tone and pace of local industrial activity.

The Keynesian city was not blind to questions of production either. But there was a shift of emphasis which was of sufficient proportions to warrant depiction as a major transformation of the urban process. Though the Great Depression was much more than a crisis of underconsumption, the fact that it appeared as such and that the capitalist class responded to it as such laid the groundwork for a totally new patterning of the urban process. Nor does it matter that urbanization as a whole cannot survive without some consideration of cities as workshops for production if the whole response to underconsumption problems is to strive to create a "post-industrial city" in which industrial development has no role. The production of the Keynesian city was a real response to the surface appearance of underconsumption as the root of capitalism's problems. That real response to a surface appearance created, of course, as many problems as it solved.

Demand-side urbanization produced a very different-looking city of low-density sprawl, distinctive spaces of consumption (ranging from produced

rural bliss to intense in-town living separated by what increasingly appeared as the no man's land of the suburb), and strange significations of life-style and social status etched into a landscape of unrelieved consumerism. Production increasingly meant the production of space and of long-term investments behind which stood powerful growth coalitions that managed the new-style urbanization of capital in ways symbiotic with their own interests. They needed new instrumentalities in the realms of finance capital and the state and strong powers of persuasion and ideological control to ensure that consumer sovereignty was sovereign in the right way, that it produced "rational consumption" in relation to accumulation through the expansion of certain key industrial sectors (autos, household equipment, oil, and so forth). The Keynesian city increasingly appeared, then, as a post-industrial city, as a consumption artifact nourished by service provision, information processing, and the support of command functions in government and finance.

The politics also changed. The class relations of production were partially masked by artificial marks of consumption while struggles over distributive shares and the control of social space generated a troublesome factionalism that had the fortunate side-effect of permitting the ruling-class alliance to divide and rule with relative ease. The basis of political legitimacy shifted from managing class relations toward distributive justice and a not necessarily compatible concern to satisfy consumer desire and sovereignty. Fights over the control of social space (some progressive and other reactionary) and the increasing cleavage between city and suburb produced new lines of geopolitical tension. The urban crises of the 1960s were built out of exactly such ingredients as these. There were fights over consumption (individual and collective) and distribution as well as struggles over command of social space and what it contained. And the whole style of thinking about urbanization followed suit. The literature of that era on the delivery of health care, education, transportation and welfare, and on the rational organization of space for accumulation as well as on the resolution of intercommunity conflict, reflected a style of urbanization in which questions of production and fundamental class relations were held in abeyance, a constant backdrop to a foreground of quite different political and economic concerns.

#### V. BALANCING SURPLUS PRODUCTION AND ABSORPTION: THE STRUGGLE FOR URBAN SURVIVAL IN THE POST-KEYNESIAN TRANSITION

The collapse of the Keynesian program changed all that. Each of the pinions of the postwar strategy for avoiding the dangers of underconsumption eroded during the late 1960s. The revival of world trade through international capital flow led to a proliferation of the overaccumulation problem. Compe-

tion from Western Europe and Japan sharpened as the capacity to absorb further investments profitably fell. Inflationary financing appeared to resolve the difficulty by provoking a wave of international lending that was to lie at the root of the subsequent monetary difficulties (the instability of the dollar as a reserve currency) and the international debt crisis of the 1980s. The same policies generated a spiraling flow of surplus capital and labor power mainly into the production of urban built environments (property investment, office construction, housing development) and to a lesser degree into expansions of the social wage (education and welfare). But when monetary policy was tightened in response to spiraling inflation in 1973, the boom of fictitious capital formation came to an abrupt end, the cost of borrowing rose, property markets collapsed, and local governments found themselves on the brink of, or in New York's case plunged into, the traumas of fiscal crisis (no mean affair when we consider that New York City's budget and borrowing were far greater than those of most nation states). Capital flows into the creation of physical and social infrastructures (the secondary and tertiary circuits of fig. 3) slowed at the same time as recession and fiercer competition put the efficiency and productivity of such investments firmly on the agenda. That there had been and were serious problems of overaccumulation of assets in the built environment and of obligations in the field of social expenditures became apparent for all to see. Much of the investment was producing a very low rate of return, if any at all. The problem was to try to rescue or trim as much of that investment as possible without massive devaluations of physical assets and destruction of services offered. The pressure to rationalize the urban process and render it more efficient and cost-effective was immense.

The running out of steam of demand-side urbanization was powerfully intermingled, therefore, with the grumbling economic problems of the 1970s and 1980s. And to the degree that urbanization had become part of the problem, so it had to be part of the solution. The result was a fundamental transformation of the urban process after 1973. It was, of course, a shift in emphasis rather than a total revolution (in spite of what supply-siders and neoconservatives proclaimed on both sides of the Atlantic). It had to transform the urban legacy of preceding eras and was strictly limited by the quantities, qualities, and configurations of those raw materials. It occurred in fits and starts, dancing uncertainly to the seemingly arbitrary shifts in monetary and fiscal policy and the strong surges of international and interurban competition within the social and spatial divisions of labor. It also had to move tentatively in the face of uncertain powers of popular resistance. And it was not clear how, exactly, the urbanization of capital should adapt to problems that were anything but underconsumption problems. The problems of stagflation could be resolved only through a closer equilibrium between the

production of surpluses and their real as opposed to fictitious absorption. The question of the proper organization of production came back center stage after a generation or more of building an urban process around the theme of demand-led growth. How could urban regions blessed largely with a demand-side heritage adapt to a supply-side world?

Four different possibilities, none of them mutually exclusive and none of them costless or free of serious political and economic pitfalls, seemed possible. I consider each in turn. For the sake of clarity, I shall consider them from the standpoint of urban regions as competitive economic and geopolitical units within a capitalist geography of seesawing uneven development (Smith 1984).

### ① *Competition within the Spatial Division of Labor*

Urban regions can seek individually to improve their competitive positions with respect to the international division of labor. The aggregate effect is not necessarily beneficial. The transformation of the conditions of concrete labor within an urban region will, if replicated elsewhere, alter the meaning of abstract labor on the world market and so change the context in which different kinds of concrete labor are possible. Heightened competition between urban regions, like heightened competition between firms, does not necessarily lead capitalism back to some comfortable equilibrium but can spark movements that push the system farther away from it. Nevertheless, those urban regions that achieve a superior competitive position survive, at least in the short run, better than those that do not. There are, however, different paths to that end, the most important distinction being between raising the rate of exploitation of labor power (absolute surplus value) or seeking out superior technologies and organization (relative surplus value). I consider each in turn.

A shift to superior technology and organization helps particular industries within an urban region survive in the face of sharpening competition. But such a shift can just as easily eliminate jobs as create them. Growth of output and investment and decline in jobs is a familiar enough pattern (Massey and Meegan 1982). The search for superior organization can sometimes dictate radical changes in the scale of enterprise (thereby affecting the ability of firms to insert themselves into the matrix of urban possibilities, if only because of the different land needs). But it also carries over to considerations of the cost and efficiency of physical and social infrastructures. The ruling-class alliance within the urban region then has to pay much closer attention to the fine details of urban organization of cities as workshops for the production of relative surplus value. There are a number of ways it can go about that. Improved physical infrastructures and close attention to the productive forces

embedded in the land (water, sewage, and so forth) improve the capacity to generate relative surplus value. But then so too do those investments in social infrastructures – education, science, and technology – that improve the urban climate as a center of innovation. Or costs to industry may be artificially reduced by subsidies. But that means redistributions of the social wage (absolute surplus value).

Sharpening interurban competition (of which there are abundant signs) poses problems. Continuous leapfrogging of technologies and organizational forms (including those provided through public investment) promotes ever fiercer competition to capture investment and jobs from highly mobile corporate capital. This has destabilizing effects and tends to accelerate the devaluation of assets and infrastructures associated with older technological mixes. Besides, accelerating technological change at the expense of growth (of output or employment) undermines the whole logic of accumulation and leads straight into the mire of global crises. Preoccupation with creating a “favorable business climate,” as well as corporate handouts and other forms of subsidy to industry, can also spark popular resistance, particularly if it affects, as it usually does, the social wage. Urban politics is then in danger of reverting to class struggle rather than to more fragmented squabbles over distribution.

There are a number of checks to such immediate transitions. To begin with, the control of technology lies more within the corporation than within the innovative proclivities of the urban mix (though product innovation still retains some of its older urban base). Technology transfers between urban regions are, therefore, broadly a matter of corporate decisions. In this respect the social dominates over the spatial aspect of the division of labor. That sort of restraint, however, does not apply to infrastructure provision. Here we find the state acting as an entrepreneur (Goodman 1979) offering bait to corporate capital. And the latter is sensitive to the qualities and quantities of labor power and social infrastructures as well as to the physical resources developed within an urban region.

Raising the rate of exploitation of labor power forms another path to survival in the face of international competition in production. The classical Marxian account depicts this as a concerted attack upon labor's standard of living and an attempt to lower real wages through increased unemployment, job insecurity, the diminution of the social wage (particularly welfare provision), and the mobilization of a cheap industrial reserve army (immigrants, women, minorities, and so on). It also means an attack upon working-class institutions (such as trade unions) and the utility of skills and qualifications in employment. But this means an attack upon what may well be an important constituency of an urban-based class alliance. While we can see many an urban region moving down such a path – and in some cases urban

administration has become the cutting edge for disciplining labor by wage cuts and rollbacks – there are other options that are less confrontational. The rate of exploitation is always relative, after all, to the qualities of labor power. The unique package of qualities that each urban labor market can offer, supported by selected infrastructures, can be alluring bait for mobile corporate capital. Interurban competition over quantities, qualities, and costs of labor power is, therefore, rather more nuanced than the simple version of the Marxian model would suggest. And the nuances permit a ruling-class alliance much greater flexibility to divide and rule a work force. Besides, the mobility of labor power between urban regions provides further checks to the repressive tactics through which absolute surplus value might otherwise be gained. Nevertheless, interurban competition on the labor market has a disciplining effect upon the labor force in times of faltering accumulation. The threat of job loss and of corporate flight and disinvestment, the clear need to exercise budgetary restraint in a competitive environment, point to a changing thrust of urban politics away from equity and social justice and toward efficiency, innovation, and rising real rates of exploitation.

### *Competition within the Spatial Division of Consumption*

Urban regions can, as a second option, seek individually to improve their competitive position with respect to the spatial division of consumption. There is more to this than the redistributions achieved through tourism, important and extensive though these may be. For more than a generation, demand-side urbanization had focused heavily on life-style, the construction of community, and the organization of social space in terms of the signs and symbols of prestige, status, and power. It had also produced an ever-broadening basis for participation in such consumerism. While recession, unemployment, and the high cost of credit rendered that participation moot for important layers of the population, the game continued for the rest. Competition for their consumer dollars became more frenetic, while they, in turn, had the opportunity to become much more discriminating. The mass consumption of the 1960s was transformed into the less mass-based but more discriminating consumption of the 1970s and 1980s. Interurban competition for that consumption dollar can be fierce and costly. Investments that make for a “good living environment” and that enhance the so-called qualities of life do not come cheap. Investments seeking to establish new patterns of the spatial division of consumption are notoriously risky. Nevertheless, urban regions that successfully undertake them stand to appropriate surpluses from the circulation of revenues. And strong coalitions can be forged behind such strategies. Landlords and property owners, developers and financiers, and

urban governments desperate to enhance their tax base can be joined by workers equally desperate for jobs in promoting new amusement options (of which Disney World is but a prototype), new consumer playgrounds (like Baltimore's Inner Harbor or London's docklands scheme), sports stadia and convention centers, marinas and hotels, exotic eating places and cultural facilities, and the like. The construction of totally new living environments (gentrification, retirement communities, integrated "villages in the city") fits into such a program.

But much more than physical investment is involved. The city has to appear as innovative, exciting, and creative in the realms of life-style, high culture, and fashion. Investment in support of cultural activities as well as in a wide range of urban services connects to this drive to capture surpluses from the circulation of revenues. The risks are considerable, but the pay-offs are correspondingly high. Fierce competition in this arena leads toward geopolitical struggles in the realm of cultural imperialism. The survival of cities like New York, Los Angeles, London, Paris, and Rome depends in large degree on their relative positions within this international competition for cultural hegemony and for a cut from the global circulation of revenues.

Interurban competition with respect to the spatial division of consumption has important effects. It highlights the contrast between cities as workshops for production and technological innovation and cities as centers for conspicuous consumption and cultural innovation. Serious conflicts can arise between the infrastructures necessary for these quite different functions. It also has profound implications for employment structures, emphasizing so-called services rather than blue-collar skills. And it calls for the formation of a particular kind of urban-based class alliance in which public-private co-operation in support of conspicuous consumption and cultural innovation has to play a vital role. Out of that comes a tendency, exacerbated by interurban competition, for the public subsidy of consumption by the rich at the expense of local support of the social wage of the poor. The polarizing effects of that are hard to keep in check. The argument that the only way to preserve jobs for an increasingly impoverished under class is to create consumer palaces for the rich with public subsidy has at some point to wear thin. So, too, does the ideology of a post-industrial city as the solution for capitalism's contradictions. That ideology has, however another base aside from the justification for pursuing urban survival through spatial competition for consumption. To this broader issue we now turn.

### ③ *Competition for Command Functions*

Urban areas can, as a third possibility, compete for those key control and command functions in high finance and government that tend, by their very nature, to be highly centralized while embodying immense power over all

manner of activities and spaces. Cities can compete to become centers of finance capital, of information gathering and control, of government decision-making. Competition of this sort calls for a certain strategy of infrastructural provision. Efficiency and centrality within a worldwide network of transport and communications is vital, and that means heavy public investments in airports, rapid transit, communications systems, and the like. The provision of adequate office space and linkages depends upon a public-private coalition of property developers, financiers, and public interests capable of responding to and anticipating needs. Assembling a wide range of supporting services, particularly those that gather and process information rapidly, calls for other kinds of investments, while the specific skills requirements of such activities put a premium on urban centers with certain kinds of educational provision (business and law schools, computer training facilities, and so forth).

Competition in this realm is expensive and peculiarly tough because this is an arena characterized by monopoly power that is hard to break. The agglomeration of powerful functions in a city like New York naturally attracts other powerful functions to it. Yet, to be maximally effective command and control functions have to be hierarchically organized across space, thus imparting a powerful impulse toward hierarchical organization of the urban system as a whole (Cohen 1981). Shifts in relative spatial structures (particularly those wrought by new systems of communication) create abundant opportunities for shifts in the shape and form of the hierarchy, while new regional centers can emerge with shifts in the social and spatial divisions of labor and consumption. Indeed, command and control functions can be the cutting edge of regional readjustments and differential urban growth. And powerful advantages attach thereto. The very existence of monopolistic power permits the appropriation of surpluses produced elsewhere. And at times of economic difficulty, as Marx once observed, the financiers always tend to enrich themselves at the expense of the industrial interest simply because control over money and credit yields short-term control over the lifeblood of capitalism at a time of crisis. It is, therefore, no accident that interurban competition in the troubled years of the 1970s and 1980s focused heavily on the search to procure command and control functions at a time when there was rapid growth in such functions and multiple forces making for geographical readjustments (Friedmann and Wolff 1982).

The overall effect of such competition is to subsidize the location of command and control functions in the hope that the monopoly powers that reside therein will permit the subsidy to be recaptured through the appropriation of surplus value. That this does not necessarily help stabilize the capitalist system as a whole should be fairly self-evident. But it certainly offers a path toward individual urban survival in a world of heightened

interurban competition. The effect, however, is to make it appear as if the city of the future is going to be a city of pure command and control functions, an informational city, a post-industrial city in which services lie at the heart of the urban economy.

#### Competition for Redistribution

Fourth, in an intricately organized society such as ours, there are many channels for direct redistribution of economic power with respect to which urban regions can and do compete. The private systems of redistribution – through organizations like the church, trade unions, professional associations, charitable organizations, and the like – are by no means negligible. Most overt interurban competition is targeted, however, on redistributions to be had from higher-order levels of government. Such expenditures grew rapidly during the Keynesian era and are still massive, though very much under attack to the degree that they were viewed by the bourgeoisie as the main culprit in inflationary deficit financing. The channels for such redistributions are, however, numerous, varied, and often hidden in obscure provisions in the tax code or in some curious executive order. The amounts that flow through these channels depend upon politics, the economy, and executive judgments. A shift in flows from one channel to another can devastate the economy of one urban region while enhancing that of another. For example, the switch from policies designed to support the social wage in the United States to deficit-financed defense expenditures after 1980 (a kind of defense-side Keynesianism) brought economic prosperity to many urban regions caught up in the defense industry. Those urban regions – located in a great arc sweeping from Connecticut and Long Island through North Carolina, Texas, and California to the state of Washington – were by no means antagonistic to the continuation of that kind of political mix.

Redistributions depend in part upon the sophistication of ruling-class alliances in procuring funds to which they might have some claim (grants for highways, sewers, education, mass transit, and so forth). But they also depend upon raw geopolitical power in relation to higher-order politics (the importance, say, of delivering the urban vote) and the threat of social unrest and political-economic disruption. The tactics of interurban competition are as varied as the modes of redistribution. The political attack on redistributive politics during the 1970s and 1980s should not be taken to mean, however, that this is no longer a viable strategy for urban survival. The city still preserves vast redistributive privileges and functions, but the mode of competition has changed quite radically since the breakdown of the Keynesian compromise.

The four options we have considered are not mutually exclusive. Happy the

urban region that competes so well for the spatial division of consumption that it draws command and control functions whose high-paid personnel help capture tax redistributions for defense industries. Better still if there also exists a mix of highly skilled technocrats and a mass of recent immigrants willing to work at very low wages not only in services but also in basic production for an extensive local consumer market that forms the basis for a booming export trade. Los Angeles, for example, scored positively on all four options during the difficult years after 1973. Cities like Baltimore, Lille, and Liverpool, in contrast, scored low on most or all of them with the most dismal of results.

The coercive laws of interurban competition for the production, control, and realization of surplus value are compelling major shifts in the paths of the urbanization of capital. The forces brought to bear on urbanization are changing, but then so too is the meaning of the urban process for all aspects of economic, political, and social life. At such times of brutal and often seemingly incoherent transition, it is hard to assess that meaning, decode its complex messages, or even grasp intellectually and empirically how the variegated forces are meshing and with what consequences.

We have seen the grim headlines of capital flight, job loss, and corporate disinvestment in production against a background of rapid technological change, stuttering accumulation, a new international division of labor, a shaky international financial system, and crumbling worker power to prevent unemployment, wage cuts, and rollbacks of fringe benefits. The same headlines can be seen under the most diverse political circumstances: the United States, France, Britain, Sweden, Spain, Canada – the list is endless. Dissections of deindustrialization and programs for reindustrialization abound, as do speculations about the prospects for survival on the basis of so-called services and command functions.

The surface appearance of crisis, and therefore the focus of political and social concern, shifted dramatically between 1970 and 1980. Underconsumption no longer appeared as the central contradiction of capitalism, but stagflation did. The solutions to that looked quite different from those embedded in the broadly Keynesian response to the Great Depression. But behind the glamour of the high-tech industries, which are supposed to cure the problems of sagging productivity at the same time as they spawn a whole new round of product innovations, lies a reality of deep de-skilling and the routinization of boring and low-paid labor, much of it that of women. That reality was paralleled by many a journalistic exposé of the resurgence of sweatshop labor in New York, Los Angeles, London, and Paris – a different kind of solution that rested on a return to conditions of working (unregulated and tolerated) that many thought had long ago been abolished from a supposedly civilized and civilizing capitalist world. New systems of outwork, subcontracting, and home work (a wonderful way to save on direct fixed



capital investment and capitalize on women's captive labor) entered upon the scene, facilitated by sophisticated systems of communication and external control. Centralization of command functions could be matched by highly decentralized, even individualized production systems that make communication between workers difficult and so check collective consciousness and action. Behind the illusions of the post-industrial city lie the realities of a newly industrializing city. Hong Kong and Singapore are prototypes being forced back into the advanced capitalist world through interurban competition within the spatial division of labor.

We have also witnessed the headlines of glimmering hope in even the most dismal of urban regions for an urban renaissance pinned together out of some mix of office development, entertainment centers, shopping malls, and investment in new living environments and gentrification of the old. Some cities present such a glamorous and dynamic face to the world that it is hard to credit some of the realities that lie within. In New York City, that amazing center of immensely centralized economic power, cultural imperialism, conspicuous consumption, and dramatic gentrification (Soho, the Upper West Side, even into Harlem), one in four households now ekes out a living on incomes below the poverty level, and one out of every two children is raised under similar conditions. The supply of affordable housing for an increasingly impoverished population in Baltimore is worse now than in the 1960s. Yet Baltimore is touted as a national, even an international model of urban renaissance built upon tourism and increasingly conspicuous consumption. Curiously, the headlines of housing deprivation, hunger, lack of access to medical care and education, injustices of distribution, and discrimination based on race, gender, and place have lost the primacy they had in the supposed urban crisis of the 1960s, even though the conditions now are worse than they were then. If the question of distribution is placed upon the political agenda at all, it is in terms of restructuring material incentives to the enterprising and diminishing the power of labor in order to confront a sagging ability to produce rather than realize surplus value. From that follows the savage attack in some advanced capitalist countries (principally Britain and the United States) upon the welfare state. But interurban competition, by concentrating on subsidies to corporations and upper-income consumption, feeds that process of polarization at the local level in powerful ways. Capitalist urbanization thereby drops its seemingly human mask. We turn back to a style of capitalist urbanization that the Keynesian social planners struggled so gamely to reverse after World War II. The rich now grow richer and the poor grow poorer, not necessarily because anyone wills it that way (though there are plainly those in power who do), but because it is the natural outcome of the coercive laws of competition. And within the many

dimensions of the heightened competition, interurban competition has a powerful role to play.

## VI. THE URBANIZATION OF CAPITAL

Henri Lefebvre has long argued, somewhat in the wilderness it must be admitted, that the urban process has more importance in the dynamics of capitalism than most analysts are ever prepared to contemplate. The studies I have undertaken these last few years on the history and theory of the urbanization of capital bear witness to the cogency of Lefebvre's message. They do so on a number of counts.

Urbanization has always been about the mobilization, production, appropriation, and absorption of economic surpluses. To the degree that capitalism is but a special version of that, we can reasonably argue that the urban process has more universal meaning than the specific analysis of any particular mode of production. This is, of course, the track that much comparative urban study has taken. But urbanization is used under capitalism in very specific ways. The surpluses sought, set in motion and absorbed are surpluses of the product of labor (appropriated as capital and usually expressed as concentrated money power) and surpluses of the capacity to labor (expressed as labor power in commodity form). The class character of capitalism dictates a certain manner of appropriation and a split of the surplus into the antagonistic and sometimes mutually irreconcilable forms of capital and labor. When the antagonism cannot be accommodated, capitalism has to add powers of devaluation and destruction of both capital and labor surpluses to its lexicon of possibilities. Powerfully creative in many ways – particularly with respect to technology, organization, and the ability to transform material nature into social wealth – the bourgeoisie also has to face up to the uncomfortable fact that it is, as Berman (1982, 100) puts it, "the most destructive ruling class in world history." It is the master of creative destruction. The class character of capitalism radically modifies the manner and meaning of the mobilization, production, appropriation, and absorption of economic surpluses. The meaning of urbanization is likewise radically redefined.

It is always tempting when faced with categories of this sort to turn them into "historical stages" of capitalist development. I have taken such a path in this chapter to some degree by pointing to the mobilization of surpluses in the mercantile city, the production of surpluses in the industrial city, and the absorption of surpluses in the Keynesian city as pegs on which to hang an abbreviated account of the history of capitalist urbanization. In truth, matters are somewhat more complicated and nuanced. Though the emphasis may vary, appropriation, mobilization, production and absorption are ever separate

moments in an integrated process. How they hang together in space and time is what counts. A reconstruction of the temporal and spatial dynamics of capital circulation under the specific class relations of capitalism indicates the points of integration for a capitalist mode of production. But as we saw in the case of urbanization in the post-Keynesian era of transition, all kinds of mixes of strategies are possible, given the particular form of urban organization and economy in the context of its space relations.

While urbanization might reasonably be presented as an expression of all that, we have also to recognize that it is through urbanization that the surpluses are mobilized, produced, absorbed, and appropriated and that it is through urban decay and social degradation that the surpluses are devalued and destroyed. And like any means, urbanization has ways of determining ends and outcomes, of defining possibilities and constraints, and of modifying the prospects for capitalist development as well as for the transition to socialism. Capitalism has to urbanize in order to reproduce itself. But the urbanization of capital creates contradictions. The social and physical landscape of an urbanized capitalism is far more, therefore, than a mute testimony to the transforming powers of capitalist growth and technological change. Capitalist urbanization has its own distinctive logic and its own distinctive forms of contradiction.

The grounds for that can be established by a different path. There are, I submit, immense gains to be had from looking closely at the rich complexity and intricately woven textures of urban life as the crucible for much that is fundamental to human experience, consciousness formation, and political action. I take up such matters at much greater length in *Consciousness and the Urban Experience*, but I cannot let them pass without some commentary here. The study of urban life illuminates people in multiple roles – workers, bosses, homemakers, consumers, community residents, political activists, borrowers, lenders, and so forth. The roles do not necessarily harmonize. Individuals internalize all kinds of stresses and strains, and external signs of individual and collective conflict abound. But urbanization means a certain mode of human organization in space and time that can somehow embrace all of these conflicting forces, not necessarily so as to harmonize them, but to channel them into so many possibilities of both creative and destructive social transformation. There is plainly much more at stake here than mere class interest. Yet capitalist urbanization presupposes that the urban process can somehow be mobilized into configurations that contribute to the perpetuation of capitalism. How can that be? The short answer is quite simply that it is not necessarily so. The urban form of organization that capitalism implants does not necessarily adapt to every dictate of that mode of production any more than individual or collective consciousness boils down to simple and polarized class struggle.

Such dilemmas lurk in the various strategies for urban survival in the post-Keynesian transition. The search to produce surpluses in one place depends on the ability to realize and absorb them in another. The mobilization of surpluses via command functions presumes there is some production somewhere to command. The overall stability of capitalism depends on the coherence of such integrations. Yet urban-based class alliances (even when themselves coherently organized) do not form and strategize in relation to such global considerations of coordination. They compete to save their own asset base as best they can and to preserve their power of appropriation whatever way they can. To be sure, corporate and finance capital and, to a lesser degree, labor power are mobile across urban entities (thus rendering the urban-based class alliances permanently vulnerable). But this does not guarantee an urban evolution exactly geared to capitalism's requirements. It simply emphasizes the ever-present tension between the social and spatial divisions of production, consumption, and control.

Interurban competition is, then, one important determinant in capitalism's evolution and is fundamental, as I argued in Chapter 5, to its uneven geographical development. That competition could be viewed as potentially harmonious if Adam Smith was right that the hidden hand of the market invariably transforms individual selfishness, ambition, and short-sightedness into a global social outcome that benefits all. But Marx's devastating rebuttal of that thesis prevails here too. The more perfect the hidden hand of interurban competition, the more the inequality between capital and labor builds and the more unstable capitalism becomes. Heightened competition is a way into rather than out of capitalist crisis in the long run.

What, then, is the post-Keynesian transition a transition to? That is a question to which there is no automatic answer. The laws of motion of capitalism track the underlying contradictions that push capitalism to evolve, but they do not dictate the paths to take. Our historical geography is always ours to make. But the conditions under which we seek to make that historical geography are always highly structured and constrained. Viewed solely from the standpoint of interurban competition, for example – and I admit this is a drastic simplification that I shall not even try to justify – there is much to indicate spiraling temporal disequilibrium within a rapidly seesawing movement of uneven geographical development; sporadic place-specific devaluations coupled with even more sporadic bursts of place-specific accumulation. And there is more than a little evidence to support that. The Sun Belt cities in the United States that rode so high and secure on the energy boom after 1973 slip rapidly into depression with every drop in oil price – Houston, Dallas, and Denver, once boom towns, are now in deep trouble. High-tech centers like Silicon Valley turn rapidly sour, while New York City, which seemed on the point of total collapse in the early 1970s, suddenly adds

command-type functions and even low-wage manufacturing jobs oriented to the local market. These are the kinds of rapid shifts in fortune that we would expect to see under conditions of heightened interurban competition for the mobilization, production, appropriation, and absorption of surpluses.

But are there any broader indicators? The emphasis on command and consumption in the United States puts the focus on appropriation rather than on production, and in the long run that spells acute geopolitical danger as more and more cities become centers of mercantilist endeavor in a world of shrinking profitable production possibilities. This was the kind of volatile mix that, at the nation state level, led straight into those lopsided patterns of uneven geographical development characteristic of the age of high imperialism. And that was the kind of tension that lay at the root of two world wars. Yet, the search for profitable production possibilities under conditions of heightened competition between firms, urban regions, and nations points to rapid transitions in the sociotechnical and organizational conditions of production and consumption. And that portends disruption of whatever structured coherence has been achieved within an urban economy, substantial devaluation of many of the physical and social infrastructural assets built up there, and instability within any ruling-class alliance. It also means destruction of many traditional skills within the labor force, the devaluation of labor power, and disruption of powerful cultures of social reproduction. Bringing the Third World back home is not an easy follow-up to Keynesian-style urbanization. Ironically, moving too rapidly down that path also dramatizes the crisis tendencies of capitalism as underconsumption problems once more.

What, then, of the possibilities of transition to some alternative mode of production and consumption? At a time when the struggle for survival within capitalism dominates political and economic practice and consciousness, it becomes doubly hard to think about a radical break and the construction of a socialist alternative. Yet the present insecurities and instabilities, to say nothing of the threat of massive devaluation and destruction through internal reorganization, geopolitical confrontation, and political-economic breakdown, make the question more vital than ever.

The alternative cannot, however, be constructed out of some unreal socialist blueprint. It has to be painfully wrought through a transformation of society, including its distinctive forms of urbanization, as we know it. A study of the urbanization of capital indicates the possibilities and the necessary constraints that face struggle toward that goal. The historical geography of capitalism has shaped physical and social landscapes in profound ways. These landscapes now form the humanly created resources and productive forces and mirror the social relations out of which socialist configurations will have to be carved. The uneven geographical development of capitalism can at best be slowly modified and the maintenance of existing

spatial configurations – so essential to the reproduction of social life as we now know it – means the continued structuration and replication of spaces of domination and subservience, of advantage and disadvantage. How to break out of that without destroying social life is the quintessential question. The urbanization of capital imprisons us in myriad and powerful ways. Like any sculptor, we are necessarily limited by the nature of the raw material out of which we try to build new shapes and forms. And we have to recognize that the physical and social landscape of capitalism as structured through its distinctive form of urbanization contains all manner of hidden flaws, barriers, and prejudices inimical to the construction of any idealized socialism.

But capitalism is also destructive of all that, perpetually revolutionizing itself and always teetering on that knife-edge of preserving its own values and traditions and necessarily destroying them to open up fresh room for accumulation. What Henry James called "the reiterated sacrifice to pecuniary profit" makes the urbanization of capital a peculiarly open and dynamic affair. The urban is, consequently, as Lefebvre (1974) is fond of saying, "the place of the unexpected"; and out of that all manner of possibilities can flow. The problem is to understand the possibilities and create the political instrumentalities appropriate to their exploitation. The tactics of working-class struggle have to be as fluid and dynamic as capitalism itself. The shift, for example, toward a more corporatist style of urbanization in the United States in the period of the post-Keynesian transition opens a space into which movements toward municipal socialism can more readily be inserted to form the basis for broader political struggle. But for that opportunity to be seized requires a radical transition in American urban politics away from fragmented pluralism into a more class-conscious mode of politics. The barriers to that process, as I show in *Consciousness and the Urban Experience*, are profound indeed because they are deeply embedded in the structures of contemporary capitalism itself. The individualism of money, the consciousness of family and community, the chauvinism of state and local governments, compete with the experience of class relations on the job and create a cacophony of conflicting ideologies which all of us to some degree internalize.

But even presupposing that consciousness of class emerges supreme within the complex rivalries of urban social movements, there is another whole dimension to struggle that has to be confronted. It is noticeable, for example, that in those European countries in which municipal socialism has already won its laurels and where a more articulate class-based politics does indeed prevail, that the corporatist powers of the urban-based class alliance are whittled away and replaced by the powers of the nation state where the bourgeoisie can more easily retain its power. The allocation of powers between urban region, state, and multinational organs is itself an outcome of class struggle. The bourgeoisie will always seek to shift authority, powers,

and functions away from the spaces it cannot control into the spaces within which its hegemony prevails. The tension between city and state that Braudel (1984) makes so much of in his description of the rise of capitalism is still with us. It deserves more careful scrutiny as part and parcel of the processes of class struggle around the survival of capitalism and the production of socialism. Capitalism has survived not only through the production of space, as Lefebvre insists, but also through superior command over space – and that truth prevails as much within urban regions as over the global space of capitalist endeavor.

The urbanization of capital is but a part of the total complex of problems that confronts us in the search for an alternative to capitalism. But it is a vital part. An understanding of how capital becomes urbanized and the consequences of that urbanization is a necessary condition for the articulation of any theory of the transition to socialism. In the final paragraph of *Social Justice and the City* I wrote these lines:

A genuinely humanizing urbanism has yet to be brought into being. It remains for revolutionary theory to chart a path from an urbanism based in exploitation to an urbanism appropriate for the human species. And it remains for revolutionary practice to accomplish such a transformation.

That aim still stands. But I would now want to put it in a broader perspective. Any movement toward socialism that does not confront the urbanization of capital and its consequences is bound to fail. The construction of a distinctively socialist form of urbanization is as necessary to the transition to socialism as the rise of the capitalist city was to the sustenance of capitalism. Thinking through the paths to socialist urbanization is to chart the way to the socialist alternative itself. And that is what revolutionary practice has to accomplish.

## 2

## The Urban Process under Capitalism: A Framework for Analysis

My objective is to understand the urban process under capitalism. I confine myself to the capitalist forms of urbanization because I accept the idea that the "urban" has a specific meaning under the capitalist mode of production which cannot be carried over without a radical transformation of meaning (and of reality) into other social contexts.

Within the framework of capitalism, I hang my interpretation of the urban process on the twin themes of *accumulation* and *class struggle*. The two themes are integral to each other and have to be regarded as different sides of the same coin – different windows from which to view the totality of capitalist activity. The class character of capitalist society means the domination of labor by capital. Put more concretely, a class of capitalists is in command of the work process and organizes that process for the purposes of producing profit. The laborer, however, has command only over his or her labor power, which must be sold as a commodity on the market. The domination arises because the laborer must yield the capitalist a profit (surplus value) in return for a living wage. All of this is extremely simplistic, of course, and actual class relations (and relations between factions of classes) within an actual system of production (comprising production, services, necessary costs of circulation, distribution, exchange, etc.) are highly complex. The essential Marxian insight, however, is that profit arises out of the domination of labor by capital and that the capitalists as a class must, if they are to reproduce themselves, continuously expand the basis for profit. We thus arrive at a conception of a society founded on the principle of "accumulation for accumulation's sake, production for production's sake." The theory of accumulation which Marx constructs in *Capital* amounts to a careful enquiry into the dynamics of accumulation and an exploration of its contradictory character. This may sound rather economic as a framework for analysis, but we have to recall that accumulation is the means whereby the capitalist class reproduces both itself and its domination over labor. Accumulation cannot, therefore, be isolated from class struggle.