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Good Governance and the Urban Question: On Managing the Contradictions of Neo-Liberalism

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The *World Report on the Urban Future* prepared for the World Conference in Berlin (Urban21) is an interesting example of the current global trend towards re-launching neo-liberalism, this time with a human face. The struggle to spread the neo-liberal economic project on a global scale has experienced several major setbacks in recent years – whether in the form of unexpected crises (e.g., East Asia), unexpected social costs with serious political repercussions (e.g., growing economic polarization and social exclusion rather than the long anticipated 'trickle-down' effects of liberated market forces), and new forms of resistance on a global scale (e.g., the Multilateral Agreement on Investments, Seattle). As yet these setbacks have not led to a major reversal of the neo-liberal project but they have prompted many of its key protagonists to undertake a general re-evaluation of its strategies and tactics. Among the most interesting aspects of this reappraisal are an increasing concern with presentation of the neo-liberal project, with how best to co-ordinate actions to promote and consolidate it on different scales, with its social and environmental costs and their adverse political repercussions, and with identifying and pursuing flanking measures that would help to re-embed the recently liberated market forces into a well-functioning market society. In this sense, the discourse, arguments, and policy measures that are developed in *The World Report* can be interpreted as an expression of a general strategic shift or, at least, a general



shift in the political climate within which neo-liberalism is being pursued. They illustrate the recently perceived need to re-embed neo-liberalism in society, to make it more acceptable socially and politically, and to ensure that it is environmentally sustainable – whilst making the minimal necessary concessions to the forces that oppose the programme, protagonists, and driving forces of neo-liberalism in the current wave of capitalist restructuring. This is not to argue that the authors of *The World Report* or its professional, academic, and lay consultants are themselves agents of neo-liberalism either in its initial 'red in tooth and claw' version or its current 'Third Way' variant. But they are operating within a specific economic and political conjuncture dominated by neo-liberalism – a conjuncture that they appear to take for granted – and their policy recommendations apparently aim to make the continuing neo-liberal transformation acceptable and sustainable rather than to question or challenge it.

This sort of adjustment, moderation, or humanization of liberalism is not new. Over fifty years ago, for example, Karl Polanyi noted how the disembedding of liberal market forces from traditional social bonds in the nineteenth century had created problems in the areas of land (or, more generally, nature), labour-power, and money. Polanyi argued that each of these apparently technical 'factors of production' is actually a 'fictitious commodity' whose long-term reproduction could not be guaranteed through market forces and whose destruction bzw. destabilization through market forces threatens the very survival of capitalism itself. He also noted that, as each underwent crises due to the dominance of laissez-faire capitalism, a wide range of social forces fought back individually and together in the attempt to re-embed and re-regulate the market. The eventual compromise solution was a *market economy* embedded in and sustained by a *market society*. In short, capitalism survived – but in a more regulated form. Neo-liberalism is following much the same trajectory. During the 1980s and 1990s its protagonists in an emerging transnational class alliance first disembedded postwar capitalism from its prevailing matrix of social and political regulation – whether in the form of the quasi-social democratic framework of the Keynesian Welfare National States associated with Atlantic Fordism, from the developmental national security states associated with East Asian capitalisms, and from the clientelist bzw. populist political regimes and/or military dictatorships associated with developing economies in Latin America, Africa, and South Asia. They then began to rediscover the limits of the market as a steering mechanism and as a basis for social cohesion. And, more recently, they have been trying to re-embed capitalism in a new, re-scaled form of market society with a new institutional architecture. The *World Report* is an interesting expression of this attempt in the field of urban governance.

The Global Neo-Liberal Project

Before developing my critique of the *World Report*, let me relate it to the global neo-liberal project. This has two interrelated sets of features. The first concerns the pursuit of a new accumulation strategy based on privatization, liberalization, de-regulation, the introduction of market proxies and benchmarking into the public sector, tax cuts, and internationalization bzw. globalization. The second concerns the search for new forms of social regulation to create a multi-tiered market society that complements the globalizing market economy. Several commentators have described this emerging form of regulation in terms of the national competition state (*nationaler Wettbewerbsstaat*). But this captures only some of the changes that are occurring. My own preferred description for the emerging mode of regulation in North America, Europe, and Australasia is the Schumpeterian Workfare Post-national Regime. This has four key features that distinguish it from its Keynesian Welfare National State predecessor in the spaces of Atlantic Fordism. First, it seeks to promote international competitiveness and socio-technical innovation through supply-side policies in relatively open economies. Thus, with the symbolic dethronement of John Maynard Keynes, today's emblematic economist is Joseph Schumpeter, the theorist of innovation, enterprise, and long waves of technological change. The economic policy emphasis now falls on innovation and competitiveness rather than full employment and planning. Second, social policy is being subordinated to economic policy so that labour markets become more flexible and downward pressure is placed on a social wage that is now considered as a cost of production rather than a means of redistribution and social cohesion. The Thatcher-Reagan neo-liberal strategy is only one possible form of workfare; others are less disciplinary and exclusionary. In all cases, however, the emphasis is on getting people from welfare into work and on creating enterprising subjects rather than relying on unsustainable welfare expenditures and the



entrenchment of a culture of dependency. Third, the importance of the national scale of policy-making and implementation has diminished as local, regional, and supranational levels of government and social partnership have gained new powers. It is in this sense that the new regime can be described as post-national. There is widespread concern to find creative 'post-national' solutions to current economic, political, social, and environmental problems rather than relying primarily on national institutions and networks. And, fourth, there is increasing reliance on partnership, networks, consultation, negotiation and other forms of reflexive self-organization rather than on the combination of anarchic market forces and top-down planning associated with the postwar 'mixed economy' or on the old tripartite corporatist arrangements based on a producers' alliance between big business, big labour, and the national state.

Neo-Liberalism

1. Liberalization – promote free competition
2. De-regulation – reduce role of law and state
3. Privatization – sell off public sector
4. Market proxies in residual public sector
5. Internationalization – free inward and outward flows
6. Lower direct taxes – increase consumer choice

Neo-statism

1. Government as agenda-setter rather planner
2. Guidance of national economic strategy
3. Auditing performance of private and public sectors
4. Public-Private partnerships under state guidance
5. Neo-mercantilist protection of core economy
6. Expanding role for new collective resources

Neo-corporatism

1. Re-balance competition and cooperation
2. De-centralized 'regulated self-regulation'
3. Widen range of private, public, and other 'stakeholders'
4. Expand role of public-private partnerships
5. Protect core economic sectors in open economy
6. High taxation to finance social investment

Neo-communitarianism

1. De-Liberalization – limit free competition
2. Empowerment – enhance role of third sector
3. Socialization – expand the social economy
4. Emphasis on social use-value and social cohesion
5. Fair trade not Free trade, Think Global, Act Local
6. Redirect taxes – citizens' wage, carers' allowances

Figure 1. Strategies to Promote or Adjust to Global Neo-Liberalism



It is important to note here that, while these changes are widespread, if not universal, they can also take several possible forms (see figure 1). These are typically combined to produce quite different overall patterns that reflect different national or regional traditions as well as different combinations of forces. Even the *World Report* itself clearly distinguishes different sets of strategies to support and complement the neo-liberal project in different regions and/or types of cities. Thus its proposals for the informal, weakly regulated, and vulnerable hypergrowth cities of the developing world combine neo-liberalism with a strong emphasis on mobilising popular energies, the informal or social economy, and communitarian values. In contrast, for the mature but declining cities of the Atlantic Fordist regions, the primary emphasis falls on neo-liberalism. For the dynamic cities of East Asia the recipe appears to be a mix of neo-liberalism with public-private partnerships intended to make the infrastructure and policy environment more favourable to international as well as local capital. What goes unchallenged is the wisdom of the 'accumulated knowledge' that market forces provide the best means to satisfy human wants and desires and that, provided they are steered in the right direction through good governance, they can also solve the most pressing problems facing humankind in the new century.

All four of the new features of the Schumpeterian Workfare Postnational Regime are quite clearly present, if typically unexamined, in the *World Report*. First, cities are clearly regarded as engines of economic growth, as the key centres of economic, political, and social innovation, and as key actors in promoting and consolidating international competitiveness. Moreover, with the move from the industrial to the post-industrial era, the rise of the knowledge-driven economy, and the increasing importance of the information society with its requirements for lifelong learning, cities are seen as even more important drivers for innovation and competitiveness than previously. Admittedly, the authors distinguish different types of cities – based on informal hypergrowth, based on dynamic innovation and learning, or else the declining cities of an outmoded Fordist model of growth – and recommend different responses for each. But these represent different adaptations to the same set of challenges.

Second, in line with the familiar neo-liberal critique, welfare states are seen as costly, overburdened, inefficient, incapable of eliminating poverty, overly oriented to cash entitlements rather than empowerment, and so on. The report argues that, where it already exists, the welfare state should be dismantled in favour of policies that emphasise moving people from welfare into work, that link social and labour market policy, and that provide incentives to learn and/or prepare for a new job. Likewise, where they have not yet developed, welfare states should be firmly discouraged. Instead, arrangements should be instituted to encourage family, neighbourhood, informal, or market-based and market-sustaining solutions to the problems of social reproduction. States should not attempt to provide monopoly services but should contract them out or, at least, introduce internal competition. In hypergrowth cities, for example, this translates into a call to revalorise the informal economy b/w. the social economy and neighbourhood support mechanisms as a means of tackling social exclusion. In more dynamic or mature cities, it recommends other projects to produce "active and productive citizens" who will not burden the state or demand entitlements without accepting corresponding responsibilities. Thus education and informal self-help are the key to survival and sustainability and, in principle, education should be made available to all. Cities should develop their stock of indigenous 'human capital' and their local labour markets in order to promote local well-being as well as international competitiveness.

Third, the *World Report* clearly recognizes the emerging crisis of the national scale of economic, political, and social organization, the increased importance of the global level (especially in the form of a still emerging 'single global urban network' that cross-cuts national borders), and the resurgence of the local and regional levels. Its response is to promote the principles of subsidiarity and solidarity. Problems should be resolved at the lowest level possible but with capacity-building and financial support from the national administration. This requires integrated action between various levels of government with an appropriate allocation of responsibilities and resources. Unsurprisingly, it envisages a key role for cities in managing the interface between the local economy and global flows, between the potentially conflicting demands of local sustainability and local well-being and those of international



competitiveness, between the challenges of social exclusion and global polarization and the continuing demands for liberalisation, deregulation, privatisation, and so on.

And, fourth, there is a strong emphasis on partnership and networks rather than top-down national government. Thus, in addition to subsidiarity and solidarity across different scales of economic, political, and social organization, the report also calls for *partnership between the public and private sectors* and *between government and civil society*. Public-private partnerships should nonetheless work with the grain of market forces – not against it. In addition, partnerships should involve not only actors from the private economic sector but also NGOs, religious groups, community action groups or networks among individuals. Promoting partnerships requires a retreat of the state (especially at national level) so that it can do well what it alone can do. This reflects the paradox that, whereas a limited state can be a strong state, an interventionist state risks becoming powerless. There is still an important role for the state in both regards, however: this is to steer partnerships and moderate them in the interests of 'the maximum welfare of all the people'. This is reflected in the *World Report's* call for 'good governance, seen as an integrated effort on the part of local government, civil society and the private sector'.

Naturalizing Neo-Liberalism

I hope to have shown that the *World Report* is congruent with the emerging neo-liberal world order. Yet nowhere does it explicitly advocate the global neo-liberal project – or challenge it. Instead it implicitly endorses it through the ways in which it describes recent economic and political changes, ascribes responsibility for them, and prescribes solutions for the problems they create. In this sense the report is a deeply ideological document. In this regard it is worth quoting Norman Fairclough, a Professor of Language in Social Life at Lancaster University, who writes that:

Ideology is most effective when its workings are least visible And invisibility is achieved when ideologies are brought to discourse not as explicit elements of the text, but as the background assumptions which on the one hand lead the text producer to 'textualise' the world in a particular way, and on the other hand lead the interpreter to interpret the text in a particular way (Fairclough 1989: 85).

In this sense, the *World Report* contributes to the 'New World Order' by sharing in a 'new word order'. For it is involved in promoting new ways of representing the world, new discourses, new subjectivities. The language its authors employ tends to naturalize the global neo-liberal project. The changes associated with this project, which have been promoted through concerted economic and political action on a world scale and in which international agencies, national states, and business leaders are heavily involved, are variously represented as natural, spontaneous, inevitable, technological, and demographic. The document takes technological change and globalization as given, de-personalizes them, fetishizes market forces, and makes no reference to the economic, political, and social forces that drive these processes forward. Moreover, the very same processes that cause the problems identified in the report will also solve them – technological change will provide solutions to emerging problems, democratization will occur, population growth will decline, economic growth will continue, the informal sector will expand to deal with social problems. No-one could infer from the report that technological change and globalization are deeply politicized processes and the object of struggles within the dominant classes, within states, and in civil society. Instead it presumes an equality of position in relation to these changes: *they* are objective and inevitable, *we* must adapt to them. Thus, whereas globalization, technological change, and competition are depersonalized, human agency enters in through the need for survival and sustainability. It is above all local communities, women, and workers who must adapt to these impersonal forces. They must be flexible, empower themselves, take control of their pensions by self-funding them, undertake lifelong learning, put democratic pressure on urban administrations to support their informal initiatives, etc.. Likewise, cities can become competitive, take control of their economic destinies, develop their local markets, especially the localized labour markets, their local infrastructure and their stock of housing, develop good governance, and become attractive places for working and living. Moreover, on the rare occasions where blame is attributed for economic and social problems, it tends to be



localized. Thus urban poverty is not so much the product of capitalism as of ineffective local administration – which a judicious combination of mobilization from below and capacity-building from above can put right.

The *World Report* contains no analysis of capitalism and its agents. The dynamic of the knowledge-driven economy (or, as Castells describes it, *informational capitalism*) is described in objective, factual terms. There is only one reference to 'the present economic system' (undefined) and this admits that it is massively suboptimal and inefficient – but does not pause to ask why. The only economic actors identified in the report are local urban networks of small-scale producers and service, small firms, private companies, and (clearly benign) 'world-class companies'. The only capital identified is human capital. The only social actors are: people around the world with shared or common aspirations; the weak, the old, and the young; the rich and the poor; women; families; informal neighbourhood support networks; and members of civil society. The only political actors mentioned are urban leaders, citizens, and city administrations. There is no reference at all to the economic, political, or ideological roles of multinational companies, transnational banks, strategic alliances among giant companies, the military-industrial complex, an emerging transnational class, the World Economic Forum, or the overall dynamic of capitalism as opposed to market forces. There is no reference to popular movements, new social movements, grass roots struggles, trade unions, or, even, political parties – good governance is, apparently, above party politics. Nor is there any reference to the crucial roles of the IMF, the World Bank, the OECD, the WTO, or other international economic agencies or to the crucial roles of the USA and its allies in promoting globalization or redesigning political and social institutions to underwrite and complement neo-liberalism. Presumably these must be left to operate above the national level (at which ultimate responsibility for social justice and redistribution is apparently to be located) and to define (technocratically) the framework within which cities pursue sustainable development. Pollution and environmental destruction appear to be facts of nature rather than products of specific sets of social relations. The empowerment of women appears to be a key mechanism of social transformation but patriarchy figures nowhere as a mechanism of domination or oppression – and neither states nor firms, neither political nor business leaders, appear to have vested interests in sustaining patriarchy.

In short, we have here a text with a simulated egalitarianism (that of a 'we', a collectivity of individuals, families, and communities that are all equally confronted with objective, inevitable changes and challenges) and which lacks any explicit reference to power and authority, exploitation and domination. It is hardly surprising, then, that these challenges can apparently be resolved in ways that will reconcile international competitiveness with local autonomy, economic growth with sustainability, market forces with quality of life, the needs of the highly skilled with the economic development of the entire city, and so on. This harmonization of contradictions and antagonisms is to be achieved through a rallying of the good and the great, the movers and shakers, the rich and the poor, shanty dwellers and property capital, men and women, to the banner of 'good governance'. And that they will so rally is, it seems, assured through the 'accumulated knowledge and experience' from which the virtues of multidimensional sustainable development have also been recognized.

On Governance and Governance Failure

Given its unstated acceptance of the global neo-liberal project, it is hardly surprising that the *World Report* also shares its agenda of promoting 'good governance' as a third way solution to market failure and state failure. In the eyes of the international agencies that promote the 'good governance' agenda, this is essentially a technocratic fix that relies on the harmonizing powers of dialogue within appropriately structured and organized forums. It assumes the absence of contradictions, antagonisms, and conflicts that cannot be resolved through deliberation and it relies on good will to override bad faith. Provided that a new institutional architecture can be agreed for governing the market and civil society and those engaged in networking and negotiating within this new institutional architecture are committed to its success, good governance and sustainable development should soon be realized. Such prescriptions conveniently ignore two issues: first, that no institutional architecture is neutral across social forces so that institutional design is necessarily a highly political process; and, second, that governance is just as prone to failure as the market or the state. Advocates of



'good governance' appear to believe that it is only markets and states that fail and that governance is somehow bound to succeed. Yet even the *World Report* concedes that 'the major transition – from traditional, centralized, rule-book administration to good, responsive, flexible, decentralized governance – will not happen overnight. The huge recent efforts, and the limited successes so far, show how difficult the process will be. Meanwhile, the need for independent local policies, tailored to the demands of the local situation and the local citizenry, continues to grow'. Does this indicate merely a lack of good will or are there more fundamental obstacles to the 'good governance' agenda? One would never be able to tell from the report itself.

Further Reading

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