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How should we write about London?

Hamlet without the prince: whatever happened to **capital** in *Working Capital*?
Review Article

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Nick Buck, Ian Gordon, Peter Hall, Mike Harloe and Mark Kleinman (with Belinda Brown, Karen O'Reilly, Gareth Potts, Laura Smethurst and Jo Sparkes) 2002 *Working Capital: life and labour in contemporary London*, London, Routledge, 0 415 27931 3 (cloth) and 0 415 27932 1 (paper), pp xvi+408

Like London itself, or indeed like capitalism, this book is something you can love and hate. Exploring this ambivalence and turning it to good account is the aim of this article.

This is in so many ways a wonderful book, solidly grounded in the empirical realities of London, searching as geographers' books do, for patterns, interactions and grounded accounts of what has been happening. It builds a complex narrative about a complex city, always on the alert for exceptions and variations which undermine cruder, simpler, accounts. Indeed this could be described as the book's primary quest, sometimes finger-wagging and sometimes gleeful—for the unsettling realities which puncture the received orthodoxy. I am on my third (paid-for) copy, it informs all my teaching on London (and beyond) and it is devoured by students.

Beyond that it has changed the way informed people think about London in crucial ways – though not yet the policy makers and I return to this at the end.

The book's central message is summed up in its conclusions:

> The largest general conclusion of this book is that things are not always as simple as they seem: many of the comfortable generalizations about London—that it is the most globalized city on earth, that in consequence it is one of the world's most economically competitive cities, that as a result it is a deeply polarized city with a growing underclass, that a collapsing social fabric threatens the entire future of the city—prove to be quite massive oversimplifications, or even to be plain wrong. (pp 354-5)

But that statement comes just after a quotation, opening chapter 11, from Hamlet, Act 3 Scene 1:

> And thus the native hue of resolution
> Is sicklied o'er with the pale cast of thought,
> And enterprises of great pith and moment
> With this regard their currents turn awry,
> And loose the name of action. (p 354)

The book is packed with pith and moment but, for this reader at least, the name of action is too muted.

The authors make variable amounts of use of the contemporary terminology of public policy: 'competitiveness', 'cohesion', 'exclusion', 'governance' and 'social capital' which formed the basis of the funding stream from the UK's Economic and Social Research Council upon which the research was based. The authors formulate their research questions, and summarise their findings, around these terms, with a good deal of critical deconstruction:

> ...within the blanket term 'social cohesion', we distinguish aspects of inequality, connectedness and order; under the umbrella of 'competitiveness' we likewise distinguish different kinds of markets—for products, inward investment, desirable residents and governmental favours. (p356)

So far so good. It is a rich, nuanced and tricky story. Why does it leave me feeling not only enriched but also dissatisfied? In many ways it is my fault: I could and should have got together with others to do a different book. But I do consider that some of the potentialities of this work could and should have been realised and it is not, therefore, unreasonable to carp.

The core of the criticism is that we get to the end of the book without really meeting the primary motive force which has driven the changes described, and that surely has been capital and the imperative of capital accumulation as the force driving much of the creativity and growth of London. Capital is of course just another concept, open to crude, trivializing, usage just like any other. To be a useful concept in urban analysis it has to be deconstructed and re-worked—just as much as any of the other terms used here. And there is a major challenge in doing this deconstruction of 'capital'. The class structure of our society is no longer defined simply according to whether the individual is an owner of capital or a non-owner (or perhaps an owner of land and real estate). That tripartite division of society gave birth to modern social science despite being, no doubt, a bit of an over-simplification when Ricardo and Marx were writing. But it served brilliantly to generate a powerful understanding of what would now be called the 'drivers of change' and it was pressed into service again (though with scant attention to landownership) in the analysis of Fordist accumulation during the mid-20th century in the hands of the regulation school and others. Right at the end of *Working Capital*, in Chapter 11 'The Name of Action: ideas, commitment and the agenda for cities', we do find some discussion of these issues. The authors have done their duty by discussing 'competitiveness', 'cohesion' and the rest for 350 pages so now they can relax and use other languages. Here the term 'capital' is more in evidence but used as though it were a narrowly economic concept, not to be accorded undue weight because factors seen as 'social', 'cultural' or 'political' might therefore not have their place. This suggests a very non-Marxist view of Marxist analysis which, at its best, seeks to be a unifying social science.

Part of the problem is that, now, things are clearly more confusing since so many of us (certainly a majority) play multiple roles in this system of class relations, internalizing and juggling within ourselves the material interests, emotional reactions and (no doubt) the voting behaviours of all three classical social roles. The great majority of us are earning salaries, which makes us workers in the money economy. A (slightly different) majority of us are landed property owners already (or in an aspirational future), whether as owners of a caravan at Canvey Island, a modest house or flat or a multiplicity of properties (used or rented out) in locations across the country, the continent or the world. On top of that, another majority of us (again not entirely coincident with the other two) are in some sense owners of capital—at the modest end the working capital, tools and equipment of the self-employed and of small and medium enterprises (SMEs) but for more of us through our pension funds and savings. In this last capacity we can think of ourselves as having a strong personal interest in the profitability of business and in a high rate of exploitation in the sectors where we have ownership or (via international and inter-sectoral flows of value) in the economy as a whole.

All of this is simple and, in a way, obvious but it clearly helps to drive our material behaviour as well as (seemingly) feeding the confusion of consciousness which has so weakened traditional class-based political parties. It is further complicated by the intersection of inequalities attributable to economic exploitation with those enforced along gender, ethnic and cultural lines. Yet another layer of complexity is caused by the geographical interactions in all this, and here we are indebted to Doreen Massey for reminding us so powerfully of how much London's "success" depends upon the relations it (and the companies it hosts) have with other places – whether with provincial parts of the UK as a source of skilled young people or with the oil fields and people of Nigeria as a source of oil profits.[1]

How would this perspective have helped with an analysis of London at the turn of the millennium?

Well, first of all, it casts a very different light on the geography of the 'competitiveness' discourse. This is normally conducted as though it were an Oscar or Olympic ceremony, with prizes given to those who appear to have 'done well' in an (implicitly) fair(ish) contest. High gross domestic product (GDP) or GDP per capita indicates success. There are many reasons why GDP is a poor measure but they are not my main concern here. The fact that so much of the world's social product is declared in London (as corporate profits, as interest, as salaries and as rents) is taken to be our admirable achievement. This masks our dependence on the exploitation of other places (remote and less remote) both for streams of value and—through migration of skilled people—of 'human capital'.

This is a line of argument best developed by Massey, both in published and forthcoming work[2] and her work, among others'[3] includes a reminder of the crucial role of London institutions in devising and disseminating the neo-liberal rules and instruments which have become hegemonic in the world over the last 30 years. *Working Capital* does frequently refer to the investment flows and migration flows converging on London but on the whole these are treated as indicators of success rather than as being in any way problematic.

The second sphere in which a more radical ('old fashioned') concept of capital accumulation is required is for the analysis of London's internal processes. It enables us to interpret the evidence powerfully on the book's main themes and it would require us to extend the study into what is surely its main missing area: the land and property markets and the whole production of the built environment.

How would more attention to the process of capital accumulation make a difference? Rather than argue in the abstract, I illustrate the assertion through a number of distinct, though related, points.

The neo-liberal world in which we are living (the particular London one, for there are many others) means that it is essentially as individuals that we confront capital[4] rather than in groups. For wage earners in the private sector this increasingly means individual bargaining about wages and conditions. As households we separately confront mortgage lenders, landlords or social housing providers, with fewer people annually being Council tenants. The broad sweep of privatisations and contracting-out has both switched large numbers of workers from being public to being private employees and switched us all from being passengers (on the railway), players (at the sports centre), subscribers (to the former telephone service) to being 'customers' for almost everything, with all the changes in relationships and power which that change carries. *Working Capital* refers to some of these changes, commenting on some of the shifts in very thoughtful ways but not, in my view, pulling together the implications of the sea-change adequately.

One result of this failing is that the treatments of incomes and of housing and employment do not adequately intersect. There is an excellent treatment of inequalities in earnings (Chapter 4) but a rather cursory discussion of household incomes and the impact of social benefits on standards of living. One of the key findings is that the 1990s saw some reduction in inequalities at the bottom end of the income distribution but a widening in the upper part. The reduction, however, did not cancel out the overall increase in inequality over the longer period 1979-99 – an increase largely similar to the national divergence in incomes. A major factor in this inequality was the widening gap between those in employment and those unemployed or outside the labour market (p 156). What would have been very valuable here is a discussion of the great conundrum: how is it that London can maintain such large and essential sectors of low-wage employment (retailing, catering, transport, care work and so on) in conditions where the costs of housing make it so hard for the low paid to reproduce themselves. The answer must lie with a compound hypothesis that (i) employers can still draw on workers living in the residue of social housing or living with their parents, (ii) housing benefits and family income supplements are an effective government subsidy to low-wage sectors and (iii) successive waves of migration tap us in to reserve armies of labour around the world and (iv) overlapping with that explanation, there is a ready supply of 'over-qualified' people keen to live in London and to do low-paid jobs as a way to finance that. Some of these factors are considered in the book—especially the last one, the subject of a powerful section on labour market adjustment and 'bumping down' in Chapter 6—but the role of state benefits is largely ignored and the threads linking rents with wages and benefits are not well enough drawn together.

In this context many of us experience our lives as being (at least in part) driven by the imperative for personal capital accumulation at an individual or household level: managing our work, our debts and our housing to get a toe-hold in owner-occupation, and then to ratchet-up our personal wealth through successive moves and acquisitions. This is not particularly new but has gained added force through the shrinking, or even failure, of established pension arrangements. Thus final salary pension schemes are on the decline, state pensions dwindle in value relative to earnings while long-term confidence in life insurance and private pensions has been undermined by mis-selling scandals and some actual failures. In these conditions the incentives to save through accumulating asset values in property, especially housing, are increased. Credit in plentiful supply helps us all to gear these 'investments' and now we have government stoking the demand side further through the new Real Estate Investment Trust regime and a variety of subsidies to open up owner-occupation to 'key workers'. Individual strategies are clearly also influenced by the way in which the housing market serves as a mechanism distributing differences in access to environmental quality and positional goods like the better schools[5]. *Working Capital* is highly informative on some of these spatialised differences across the region—in education, crime and life chances—but deals with the distribution mechanisms only in a partial way. It was a missed opportunity to explore the role of the city (and its markets and welfare regimes) in transferring wealth between generations, between tenure groups and social classes.

The combination of urban containment, population growth, falling household size, rising incomes for at least half of the population, the income elasticity of demand for housing and the free flow of credit gives us

- our chronic excess demand for housing space
- our worsening 'terms of trade' between rich and poor in the housing market
- and a major boost to the volatility of our housing prices.

Much of this is now more-or-less accepted but not yet linked adequately with the broader systems of employment (pay, security) and benefits of which it is all a part. We still do not really understand the reasons for the failure of the housing sector to expand supply and *Working Capital* could usefully have focused more attention on land policy and the scope for reforms. The accumulation strategies of housebuilding firms are surely crucial here[6].

One more remark about the volatility of the London economy needs to be made at this point: the probable influence of the notoriously volatile real-estate and housing markets (Chapter 4) on the total volatility of the economy(Chapter 3). The significance of the production of the built environment within the whole economy is not easy to see from statistics. It was best estimated by Jörn Janssen for West Germany 20 years ago[7]. He concluded that the whole process of production, maintenance, marketing, planning and management of the built environment, including materials and components, accounted for over a quarter of the entire national economy. With our shift of emphasis from an economy dominated by production to one dominated by rentier activity, it is unlikely that the proportion now is less, so I think we would probably find that our emphasis on property is a primary driver of employment volatility. Certainly London now has more volatile employment than other UK regions, after decades of being less volatile.

If the accumulation strategy of housing developers needs attention, so too does that of the non-residential development and investment sector. Here the UK excels, with easily the largest investment property market in Europe, within which central London offices constitute a major component by value. Writers in earlier decades have given us a rich literature on how the city (and its planning) have been driven by developers and their backers. Oliver Marriott's *The Property Boom* was a ripping good 1960s yarn[8]. Then the story was taken up much more analytically by Ambrose and Colenutt in the mid-70s[9] and important passages in Massey and Catalano[10]. Later we had Walter Stewart writing on Olympia and York in the 90s[11], Alasdair Ross Goobey on the wider boom and crash either side of 1991[12] and some work of my own at the turn of the millennium[13]. Here there is a dimension of the London story which is really entirely missing in *Working Capital*.

In particular we have an investment market in which central London offices have long changed hands at such high capital values that yields are low. This reflects the way in which investors are willing to pay a premium for blue-chip tenants and the sheer scale of the central London market which they believe reduces the risk of vacancy. As John Henneberry has shown at a regional scale[14], these investors will only invest in what they see as marginal locations if they can foresee much higher yields to compensate them for what they perceive as higher risks. This appears to true also at an intra-urban scale, within London, so we get this tremendous over-concentration in the centre, leading the London planners to a total defeatism about the scope for developing a more polycentric (Greater) London—a defeat which looks like being even more severe in the next London Plan—on the grounds that suburban employment centres do not attract developer interest[15]. Phenomena which flow from the imperatives of the supply side (in other words from the needs of capital, or from landed interests) continue to be treated in popular and planning discourse as though they were 'responses to consumer preferences' or to 'occupier demand'.

Working Capital has a powerful discussion of the chain of planning policy decisions over half a century which has led to London, at a regional scale, evolving such a strong poly-centric structure, but its approach to the structure within the M25 tends to be more passive. The success of Paris in promoting La Défense and Marne-la-Valée reflects in part the constraints imposed on central area growth and the provision of infrastructure by a pro-active state. In contrast we should also note the total defeat of Friedmann Kunst's 1990 plan for a newly-unified Berlin by the unwillingness or inability of the planning authorities to prevent the gadarene rush of private investors to Potsdammerplatz and of the state to the new government centres. We need a bit of planners' nerve and some academic leadership here.

One further integration of the narrative might also have flowed from a serious treatment of property development markets: the link between housing prices and our losses of employment in declining sectors and especially in some suburbs. It appears anecdotally to be the case that a very high proportion of sites which come up for development across large parts of London can now most profitably be used for the development of housing and this may have been the case for a decade or more. Not only does this nibble away at the amount of replacement non-residential development (provided the planners consent to the changes of use) but it also leads to the loss of perfectly good buildings and the activities they contained where there is an opportunity to convert to housing. Gas stations, shops, schools, pubs as well as manufacturing plants thus disappear to create the 'brownfield' sites on which to build housing. This is surely a hypothesis which should be explored as part of London's recent economic history.

Two final points

I am not a governance expert, but one of the intriguing and pathological features of London is the patchiness of the political organisation of business interests in our affairs, with real estate and some financial interests immensely well-organised, able between 1985 and 2000 to fill the policy vacuum between the GLC's abolition and the GLA's creation and to exercise an overwhelming influence on the planning of London in the new century. Other forms of capital are, on the whole, disorganised and un-represented—though the London Chamber of Commerce and Industry and the Confederation of British Industry would certainly claim to represent them. This has made it easy for policymakers to disregard the problems and potentialities not just of manufacturing but of all non-property businesses. Thus we are seeing the triumph of rentier interests in the power struggles we now call 'governance' and we are not really explaining it adequately.

The other 'governance' dimension which I miss from this book is any sense of struggle and here the radical in me is scanning the horizon hopefully for signs of resistance, or at least for the underlying tensions and contradictions which might generate dissent and change from below. Tensions are plentiful in the book, in the treatments of employment, the many facets of 'exclusion', the privatisation of social housing, gentrification, low pay and so on. What we do not find is much discussion of the degree to which dissent or resistance is expressed or of the associations, groupings and campaigns which periodically erupt in localities or (occasionally) at a London scale. Because these phenomena do not surface I consider that the notion of 'governance' is an under-developed one and we may do best to avoid it. Stability is an issue dealt with at some length in the book, as one of the components unpacked from the blur of 'cohesion' but the willingness of losers to sustain their losses is not treated as a potential source of instability

Finally I am standing back and looking at the London I know and not quite seeing it in this book: the trees are almost all there but the wood is different. I see London, fundamentally, as a very particular bit of the world system, sucking in flows of value from across the world, across Europe and across the nation (as income, as investment, as skilled people) and failing to reproduce itself internally. Its population is squeezed between the enormous burden of housing, travel and utilities costs (essentially rents) and wages—which, for the mass of the population are amazingly low. Many of the associated rent flows are either the complex transfers between tenures and between generations which take place in the housing market, or the rents sucked out of a commercial real estate stock increasingly configured to suit investors' perceptions of their needs, with little attention to the environmental, social or wider economic consequences. London may be the 'powerhouse of the UK economy' but it could also be its Achilles' heel through its negative effects on 'competiveness', 'cohesion' and stability.

One afterthought: how can intellectuals and the universities engage better with the planning and policy process in London? We are doing it badly right now. My perspective will not cut much ice with the neo-liberal orthodoxy but I don't think that the perspectives in *Working Capital* are having much detectable influence yet either.

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Massey, D, 2005 For Space, London

[2] See previous note together with a talk given at LSE on the London dimensions of *For Space* early in 2005, due to be published shortly.
[3] I have in mind the work of ATTAC.
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