

Globalisation and World City Governance:
Internationalisation, Urban Politics and Policy-Making in
London and Frankfurt am Main, 1986-96.

Thesis submitted in accordance with the requirements of the University of
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Abstract

Political scientists have only recently begun to consider – both theoretically and empirically – the consequences of globalisation for politics and policy-making in world cities. This thesis provides a distinctive and original contribution to this emerging literature, via a comparative analysis of the impact of globalisation on the governance of Europe's two principal international financial centres, London and Frankfurt, from 1986-96. The theoretical approach, presented in part one of the thesis, is derived from a critique of neo-Marxist notions of state rescaling, augmented by key concepts drawn from middle-range governance theory. It is proposed that models of inter-governmental relations, path dependency, urban regimes and transnational urbanism, in particular, offer a basis for constructing a workable research agenda for the comparative study of world city governance. To operationalise this approach, the thesis draws upon comparative statistical analysis of recent economic and social change in London and Frankfurt, analysis of policy documents, official records and media coverage of political debates, as well as interviews with key policy-makers in both cities.

The empirical research is presented in parts two and three of the thesis. Part two establishes the context within which the governance of London and Frankfurt operated after 1986. It considers the evidence relating to the socio-economic outcomes of world city formation, assesses how globalisation is mediated by national and sub-national scales, and charts the historical dynamics of world city formation through a multi-level analysis of political and economic decision-making. Part 3 focuses specifically on the period 1986-96, providing a general narrative account of political change in London and Frankfurt, as well as detailed case studies of planning, economic development, social and environmental policies. The research demonstrates the growing importance of globalisation debates to policy-making in the two cities, particularly with regard to territorial competition. It also points to the growing significance of urban entrepreneurialism in London and Frankfurt, increased private sector mobilisation and the prioritisation of economic development objectives. However, such convergent tendencies provide insufficient evidence to support theories of urban regimes and state rescaling. They are frequently outweighed by evidence of sharply divergent trends in the governance of the two cities, which can only be explained with reference to fundamental differences in the inter-governmental contexts in which the two cities operate. At the same time, it is shown that some political activity in London and Frankfurt transcends conventional inter-governmental relations, reflecting an emerging internationalisation of local politics, and underpinning the value of the concept of transnational urbanism for the study of world city governance.

Für Maya

Mein Schatz, diese Arbeit ist der Grund weswegen der Papa monatelang am Computer gesessen hat, obwohl er viel lieber mit Dir gespielt hätte! Falls Du das hier irgendwann einmal lesen solltest, hoffe ich Du bist der Meinung, dass es sich gelohnt hat.

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List of Abbreviations

AG	<i>Aktiengesellschaft</i> (public limited company)
ALA	Association of London Authorities
ALG	Association of London Government
AMKA	<i>Amt für Multikulturelle Angelegenheiten</i> (Office for Multicultural Affairs)
BOA	British Olympic Association
CBI	Confederation of British Industry
CEDF	Croydon Economic Development Forum
CDU	Christian Democratic Union (Conservative Party)
CFC	Chlorofluorocarbon
CO ₂	Carbon Dioxide
CPG	Croydon Professional Group
DAE	Dynamic Asian Economy
DGXVI	Directorate-General 16 (Regional Policies) of the European Commission
DM	Deutsche Mark
DoE	Department of the Environment
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECU	European Currency Unit
EEC	European Economic Community
EMI	European Monetary Institute
ERDF	European Regional Development Fund
ESDP	European Spatial Development Perspective
ESF	European Social Fund
EU	European Union
EUROCITIES	Network of European Cities funded by the European Union
FDI	Foreign Direct Investment
FDP	Free Democratic Party (Liberal)
FOREX	Foreign Exchange
FRG	Federal Republic of Germany
G8	Group of the eight major industrial nations (Japan, Russia, UK, France, Italy, Germany, USA, and Canada).
GaWC	Globalisation and World Cities Study Group and Network
GDP	Gross Domestic Product
GDR	German Democratic Republic
GLA	Greater London Authority
GLC	Greater London Council
GLEB	Greater London Enterprise Board
GmbH	<i>Gesellschaft mit beschränkter Haftung</i> (private limited company)
GOL	Government Office for London
GVA	Gross Value Added

HQ	Headquarters
HLU	<i>Hilfe zum Lebensunterhalt</i> (housing benefit)
HMSO	Her Majesty's Stationery Office
IDeA	Improvement and Development Agency
IHK	<i>Industrie- und Handelskammer</i> (Chamber of Commerce)
ILM	Intermediate Labour Market
IMF	International Monetary Fund
JLAP	Joint London Advisory Panel
LA21	Local Agenda 21
LAMS	London Area Mobility Scheme
LBA	London Boroughs Association
LBGC	London Borough Grants Committee
LCCI	London Chamber of Commerce and Industry
LDDC	London Docklands Development Corporation
LGA	Local Government Association
LPAC	London Planning Advisory Committee
LRC	London Research Centre
MAI	Multilateral Agreement on Investment
MNE	Multinational Enterprise
NGO	Non-governmental Organisation
NIDL	New International Division of Labour
OECD	Organisation for Economic Cooperation and Development
OMA	Outer Metropolitan Area
QUANGO	Quasi-Autonomous Non-Governmental Organisation
ROSE	Rest of the South East
SDR	Special Drawing Rights
SPD	Social Democratic Party of Germany
SRB	Single Regeneration Budget
TEC	Training and Enterprise Council
TNC	Transnational Corporation
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UPP	Urban Pilot Programme
UVF	<i>Umlandverband Frankfurt</i> (Frankfurt City-Regional Association)
WIFRM	<i>Wirtschaftsinitiative Frankfurt/Rhein-Main</i> (Frankfurt Rhine-Main Economic Development Initiative)
WTO	World Trade Organisation

Preface and Acknowledgements

Like most doctoral students, perhaps much more so, the origins, development and completion of this research are inseparable from my recent life history. The ideas that shaped this project first took hold while I lived in London between 1988 and 1996, becoming fascinating first by the boom, and then the bust, of the London office market during that period. These ideas were formed into a concrete research agenda while I was resident in Mainz, on the outskirts of the Frankfurt/Rhine-Main region, during the late 1990s, during which time I acquired a passable enough knowledge of German to undertake a comparative research study. The writing up was finally completed in Liverpool, arguably the city constituting the most dramatic example of world city decline, enabling me to achieve considerable critical distance from the subject matter.

I have acquired many debts of gratitude along the way. I am hugely grateful to my supervisor, Andrew Geddes, who provided academic guidance, encouragement and support in exactly the right measures to help me complete this thesis. There were quite probably times when he must have given up on me, but he never let it show. I would also like to thank Hugh Atkinson, my initial supervisor at London South Bank University, for his support and interest during the early phases of this project, and for regularly reminding me of the importance of finishing it. With regard to the latter, I owe a significant debt to Gerard Delanty for recommending the period of study leave that finally enabled me to devote a substantial period of time to writing-up my research and to those colleagues in the Department of Sociology, Social Policy and Social Work Studies at the University of Liverpool that covered for me while I was absent. I am also grateful to Dave Shaw, the Head of the University's Department of Civic Design for providing me with a place to hide from my colleagues during that period. Dave O'Brien helped things along by transcribing interview tapes and assisting with the formatting of the bibliography. I am also grateful to all those, far too many to mention by name, who gave up their time to be interviewed or who took the trouble to track down documents or data sources I requested from them.

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It goes without saying that responsibility for any errors or failings rests entirely with me. This applies particularly to translations from German sources, all of which are my own, unless otherwise indicated.

Chapter 1

The Governance of World Cities: Issues for Comparative Research

1.1 Introduction

The central question addressed by this study is: how did the apparent acceleration of globalisation from the mid-1980s impact upon the politics and governance of London and Frankfurt as 'world cities'? As such, this thesis offers a comparative analysis of urban politics and policy-making in Europe's two principal financial centres, framed within the context of the dynamics of broader international change.

In recent years, 'globalisation' has effectively become shorthand for a complex set of economic, political and social changes occurring at the international level. Although the concept of globalisation is often not articulated as fully as it should be, it is evident from the now vast literature on the subject that it embraces a series of overlapping developments in technology, finance, trade, business organisation and strategy, culture, migration and also in governance and public-policy-making. The potentially far-reaching implications of these changes have established globalisation as a central concept in all the social sciences, defining new focal points for research and scholarship. This shift is nowhere more evident than in the study of the contemporary city, where the task of making connections between globalisation and new patterns of urban change and conflict has consumed considerable attention, effectively amounting to 'a major paradigm shift in urban studies' (King, 1990a, p. 3). At the centre of this new programme of research, following the pioneering work of John Friedmann (Friedmann and Wolff, 1982; Friedmann, 1986), has been a concern with the so-called 'world cities'.¹ According to Friedmann's (1986) 'world city hypothesis' an elite group of cities can be seen to have emerged world-wide that

¹ Despite some initial attempts to retain a conceptual distinction between them, the terms 'world city' and 'global city' are now used more or less interchangeably in the literature. There are, however, important differences in the origins of the two concepts (see chapter 2 for further discussion). For reasons that will become clear, I have opted to use the term 'world city' other than when discussing accounts that regard the 'global city' as a distinct analytical category.

function as the organising nodes or 'command and control centres' of a new global economic order. World cities are therefore seen to constitute the key business and financial centres in the world economy, as indicated by the number of trans-national corporations with headquarters in these cities, by the volume of trading on their respective stock exchanges and by the associated presence of major international financial institutions. In two decades of world city research, both London and Frankfurt have been consistently ranked among this metropolitan elite (Cohen, 1981; Friedman, 1986; Taylor and Hoyler, 2000), with some attention paid to the economic linkages between the two cities, particularly within the context of European economic integration (Beaverstock, Hoyler, Pain and Taylor, 2001).

The rationale for this study is derived directly from the observed shortcomings in the existing literature, and the thesis seeks to make both a conceptual and empirical contribution to the current body of knowledge on world cities. In particular, five key concerns have informed the design of the project since its inception. First, given the increasingly contested character of globalisation, the study is premised on the view that it is necessary to 'revisit' many of the assumptions that much of the literature on world cities has regarded as axiomatic. Second, in the context of this wider critique, the thesis focuses specifically on the relationship between the sub-national state and world city formation. The question of the state was widely ignored by early research on world cities and, despite a recent growth of theoretical accounts in this area, there remains a dearth of empirical studies considering the role of the state in world city formation. Third, the comparative nature of the research is designed to enable a more systematic analysis of the role of the state, at all levels, in mediating globalisation dynamics and its scope to promote, restrain and regulate world city formation. This focus on the role of the state as a mediating agent led, in turn, to the decision to compare two cities operating as key international financial centres in the common context of economic globalisation and European integration, but characterised by sharply contrasting political and constitutional arrangements.

Fourth, the research is premised on the view that globalisation needs to be interpreted more widely than a set of changes in the international economy and that forms of state activity and public policy-making have also 'globalised' to a significant degree. Leading examples include the increased policy competencies of the European Union,

the agreement of international treaties to tackle emerging global environmental problems and the growth of transnational local authority policy networks in areas such as social exclusion and environmental policy. While such processes are by no means unique to world cities, they have become an integral part of the process through which political actors in world cities engage with globalisation dynamics. Fifth, the study focuses on a specific time period, 1986-96, that has been carefully chosen on the grounds that it includes a number of key staging points in the recent acceleration of globalisation, while also being 'historical' enough to facilitate critical reflection on the observable relationships between world city formation and world city politics.

The research strategy adopted for this study involved a combination of quantitative and qualitative methods (a full discussion of the research strategy, methods and sources is contained in appendix 1). The quantitative element of the research was used principally to ascertain key trends and to establish the policy context, while the latter were used to explore the dynamics of politics and policy-making in depth, including detailed case studies of planning, economic, social and environmental policies. Thus, the primary research began with a largely quantitative approach, with considerable use being made of a range of statistical sources to establish key economic and social trends in the two cities over the period concerned. The available data were also used to analyse the extent to which there is evidence that globalisation has affected the respective urban economies since the early 1980s. The research then moved towards a more qualitative set of methods and sources. During this phase three main forms of sequential research activity were undertaken:

- Comprehensive searches of the print media (quality daily newspapers) available on CD-Rom, used to chart the main contours of political debate and policy change in the two cities, to identify key policy-makers and to gather background information on both general policy developments and the case studies of specific policy areas.
- Analysis of official records, policy documents and applied research reports, paying particular attention to assessing the extent to which concepts of globalisation and world cities had become integral to policy analysis and debate, as well as to the chosen case study areas.

- A total of 26 interviews with policy-makers (14 in Frankfurt, 12 in London - for a full-list, see appendix 2), with the interviews being used to add detail to the general narratives of governance and policy change, facilitate interpretation of many of the key events identified and provide interpretative detail on the policy case studies.

The research design also took account of the differences in scale and governance arrangements in the two cities. Thus, in the case of Frankfurt, the principal research focus was on the City of Frankfurt and the elected city-regional body, the *Umlandverband Frankfurt*, with more limited attention given to the role of the federal state of Hessen. In the case of London, the scale of the city and the complexity of its governance arrangements required a different approach. Here, analysis of London-wide policy frameworks and institutional arrangements was supplemented by fieldwork in three distinctive areas of London with different forms of connection to the global economy: the City of London (the financial centre), the London Docklands (the principal focus of redevelopment during the 1980s and 1990s) and the London Borough of Croydon (the primary ‘suburban’ office centre).

Arising from this rationale and the research undertaken, the thesis makes a fourfold contribution to the existing body of work on world cities. Specifically, the original contribution made by this thesis is that it:

- Offers a critique and development of existing theoretical accounts that seeks to achieve greater synthesis between bodies of literature, draws on multi-disciplinary perspectives and derives a framework for research into world city governance that is amenable to empirical testing.
- Engages with cutting edge theory on state rescaling via an original critique of this literature and thereby explores fundamental conceptual issues such as structure versus agency in world city governance.
- Re-asserts the value of the comparative study of world cities as a means of ‘testing’ and verifying theoretical approaches and, in undertaking a comparative analysis of world city politics in London and Frankfurt, makes a distinctive and original contribution to world cities research.

- Widens and deepens the empirical base of world cities research more generally, particularly in relation to the study of political processes, where empirical work continues to be rare. Numerous aspects of the empirical analysis undertaken for this study, such as the analysis of the influence of financial and property interests on planning policy in the City of London, or the role of the Frankfurt Green Party in promoting new forms of transnational policy-making, are not paralleled in existing published work.

The remainder of this introductory chapter is structured as follows. It begins by further elaborating the rationale for the study via a brief, initial discussion of the existing literature, which is developed in much greater detail in chapters 2 and 3. Following this, the chapter develops the case for comparative world cities research and discusses in more detail the specific reasoning for both the comparative study of London and Frankfurt and the decision to focus on the period from 1986-96. Thereafter, the chapter outlines the research questions that constituted the focus for the research, provides a summation of the central thesis and ends with an overview of the structure and content of the remainder of the study.

1.2 Globalisation, urban change and world city politics

Notwithstanding significant differences in theoretical accounts of globalisation and economic change, there is widespread agreement regarding the key outcomes of structural change for contemporary urban economies (Wilks-Heeg et al, 2003). First, virtually every major urban centre in the OECD has suffered a steep decline in employment in labour-intensive primary and secondary sectors, particularly manufacturing, with such job loss especially concentrated in those cities and regions that spearheaded the industrial revolution (Amin, 1994; Le Galès, 2002). Second, a growing share of economic product and employment in services has increasingly compensated for this loss of traditional manufacturing employment, although the cities that have gained the most from the growth of services are rarely those that suffered most heavily from the decline of manufacturing (world cities such as London and Frankfurt are exceptional in this regard). Within the service sector, banking, insurance and other financial services have consistently been identified as the main engines of urban employment growth, with cultural and creative industries also

receiving an increasing degree of attention (Amin, 1994; Begg, 2002). The implications of structural economic change, therefore, have not only been profound, they have also been highly uneven. Cities that grew and prospered as centres of manufacturing during the industrial revolution – such as Manchester, Detroit and Dortmund - have generally experienced the most negative transition, resulting in large-scale economic collapse and job loss (Brenner, 2000b). Conversely, those cities that have been able to adapt to or attract high-tech production methods have emerged as ‘new industrial districts’, with examples including Cambridge and Stuttgart (Simmie et al, 2002). Most significantly in the context of this study, a small number of world cities have emerged as the most important concentrations of financial and business services and the favoured locations for the headquarter functions of major multi-national corporations. Thus, from the early 1980s world cities became the focal point of research arising from the growing awareness of international economic change among urban sociologists and economic geographers. In this context, Friedmann and Wolff’s (1982) proposed agenda for world cities research, and Friedmann’s (1986) development of this agenda to construct ‘the world city hypothesis’, were to exert an enormous influence in urban studies.

Despite the influence of the world city hypothesis, this study argues that the existing literature exhibits three significant shortcomings as a basis for the study of world city politics. First, the world cities literature has been underpinned by notions of globalisation that have been shown to exhibit a number of key conceptual and empirical weaknesses (Short et al, 1996; Hirst and Thompson, 1996; Scholte, 2000). Chief among these weaknesses, discussed in depth in the first two chapters of this thesis, are: the fundamental lack of agreement about how globalisation should be defined (Robertson and Khondker, 1998; Keil, 1998b; Marcuse and van Kempen, 2000); the tendency to approach an inherently multi-faceted process from narrow disciplinary perspectives (Amin and Thrift, 1994); the failure to demonstrate a qualitative difference between globalisation and world city formation as new phenomena and longer-run patterns of internationalisation (King, 1990a; Hirst and Thompson, 1996; Scholte, 1997b); the tendency to overlook the role of the state, at all spatial scales, in promoting globalisation and world city formation, in favour of a simplistic ‘passive’ interpretation of state actors (Keil and Lieser, 1992; Brenner, 1997); and the paucity of empirical analysis of globalisation dynamics, including a

basic lack of data produced to support or contest the globalisation/world city thesis (Hirst and Thompson, 1996, Short et al, 1996). Conceptual deficiencies are perhaps understandable given the profoundly complex and multi-faceted nature of the changes held to be taking place. Moreover, it would be absurd for a single study such as this to claim to address them. However, the empirical failings evident in much of the literature are far less forgivable, especially as they highlight a tendency for theorists of globalisation to engage more readily in semantics and word play than they do in critical analysis of the causes, extent and implications of global change.

Second, in light of the world city hypothesis, urban research has tended to assign undisputed primacy to economic forces as the external drivers of urban change. Such an approach has severe limitations if the object of analysis is the local politics of world city formation. There is clear evidence that city governments have become increasingly bound-up with actors and processes operating at the international level not only as a result of economic change, but also via the growth of multi-level international policy-making. Yet, while these trends are of considerable relevance to the study of local and urban politics, the relatively recent tendency for local policy-making to become concerned with issues connected to the international economy and international decision-making is, as yet, poorly understood. Globalisation presents problems for most existing theories of the local state, which have tended to conceive of local policy-making in terms of vertical systems of central-local relations within the nation-state. Indeed, the growing internationalisation of many policy areas was long ignored (Atkinson and Coleman, 1994) and it is only recently that political scientists have begun to develop concepts such as multi-level governance that offer a means of theorising the relationship between sub-national, national and international state actors.

Third, very few detailed case studies have been undertaken of the way in which city policy-makers have interpreted the changing international context, what policy options have been discussed, and why particular policy choices have been made. Instead, based often on little more than a cursory glance at local policy initiatives, it has frequently been assumed that globalisation is bringing about a convergence of urban politics around an agenda of place-marketing and business-led city-boosterism and urban renewal. Very few studies seek to test the extent of this assumed

convergence, and those that have often unearth a far higher degree of divergence than allowed for by leading theoretical accounts (Chevrant-Breton, 1997; Harding, 2004). Moreover, this expectation of convergence among world cities has generally been based on the consideration of a small number of metropolitan centres. Indeed, it is a powerful indicator of the extraordinary influence of the world city hypothesis that it has triggered an overwhelming bias in urban studies towards the study of a handful of very large cities, at the expense of consideration of the far greater number of medium-sized urban settlements (Bagnasco and Le Galès, 2000). It is in this context that the case for comparative studies of metropolitan governance needs to be made.

1.3 Comparing world cities: rationale, conceptual and methodological issues

While comparative studies of world cities were relatively common in the first half of the 1990s, very few have been published in the period since 1995 (Sassen, 1991; Fainstein, Gordon and Harloe, 1992; Fainstein, 1994). Instead, the tendency has been to respond to the accusation of ethno-centricity in world cities research (c.f. King, 1990a; Yeoh, 1999) via a proliferation of single city case studies. As a result, the world city concept has now been applied to an astonishing diversity of cities, including Brussels (Kestelhoot, 2000; Elmhorn, 2001), Sydney (Baum, 1997; Connell, 2000), Toronto (Courchene, 2001), Hong Kong (Findlay et al, 1996), Singapore (Chua, 1998; Baum, 1999; Savage, 1999; van Grunsven, 2000) and Rio de Janeiro (Ribeiro and Telles, 2000), although the tendency to restrict attention to very large cities remains. Moreover, while some of these case studies have been presented in edited volumes with a limited degree of comparison made between them (Scott, 2001; Marcuse and van Kempen, 2000), in the main such accounts have contributed little more to the world cities literature than a progressive lengthening of the list of potential world cities. Only to a limited extent have such case studies reflected critically on the world cities hypothesis, as opposed to merely using it as a ready-made framework for presenting a case study of an individual city.²

² Marcuse and van Kempen (2000) consciously use the notion of 'globalizing cities' rather than 'global cities' in their collection, making a number of cogent criticisms of the global cities literature.

It is also evident that this shift in emphasis from comparative studies of the primary world cities to the far less systematic comparison of a multitude of the world's large cities has hindered progress in attempts to ascertain to what extent urban processes have diverged or converged as a result of globalisation. In the early literature there was a widespread contention that significant convergence had taken place among top-tier world cities. Following this conventional wisdom, Clark (1996, p.139) suggests that in cases such as London and New York 'world cities have more in common with each other than they have with urban centres in their own countries or with cities of similar size elsewhere'. While the fallacies of this simplistic convergence thesis have been widely discussed, the reverse tendency is evident in much of the more recent literature, where the application of the world city concept to such a diverse range of cities has inevitably frustrated any attempt to draw out meaningful common trends. As such, the predominant forms of world city research either tend to suggest that world cities are essentially all the same ('universalising comparison') or all unique ('individualising comparison') (c.f. Brenner, 2001).

Consequently, it is important to both re-state and re-visit the case for comparative studies of world cities and of world city politics. To a considerable degree the rationale for comparative analysis is left implicit in much social scientific research. This tendency is particularly evident within political science, where comparative analysis can be argued to constitute the core method, though it is rarely described as such (Peters, 1998). Given the general lack of scope for experimental approaches in political science, 'the real world of comparative government is ...the laboratory for political scientists to determine what works and what does not' (Peters, 1998, p.3). In view of this necessity of drawing data from the real world, comparative studies enable political scientists to reach more generalisable conclusions by eliminating case-specific factors that cloud the process of identifying casual factors and forcing the researcher to focus on 'root causes' of change (Peters, 1998; Zahariadis, 2000).

The outcome of comparative enquiry should therefore be the enhanced explanatory and predictive scope of theories (Zahariadis, 2000). While individual case studies, such as the world city studies cited above, potentially offer an equally legitimate means of testing and revising theories, such objectives are all too rarely integrated into research design (Peters, 1998). Moreover, there is a strong case for augmenting

comparative analysis with consideration of developments over time, thereby enabling the testing of 'laws' in the past as well as the present, availing further data sources to the researcher and giving rise to additional research questions that might otherwise be hidden (Peters, 1998). In line with this view, the specific rationale for comparing world cities is made powerfully by King (1990a) in the concluding paragraphs of his influential study of the historical origins of London as a world city. He makes the case for world cities research that is not only comparative but also historically grounded suggesting that:

The case for research beyond national boundaries is as strong, if not stronger, than for looking at phenomena within them. The understanding of one world city requires the understanding in a comparative context, of others, but also the understanding of itself within a long-term historical perspective (p.155).

Studies that heeded King's call for comparative research in the early 1990s almost without exception sought to compare cities operating at the same tiers of the global urban hierarchy. Fainstein and Harloe (1992, p.1) justify this approach on the grounds that 'in order to understand how particular places interact with global forces, we need to compare those that occupy similar niches'. Hence, the rationale for a comparative study of London and New York was that it is a means of holding 'economic roles as constant as possible so as to determine their importance relative to other variables in producing social outcomes, and to investigate the sources of difference in national traditions and public policy' (pp.1-2). Significantly, this rationale for defining the economic roles of the cities as a 'constant' assumes that both cities have become top-tier world cities as a result of the way in which commonalities in their inherited economic roles and structures interact with external global economic forces. Thus, Fainstein and Harloe suggest that the emergence of London and New York as first-tier world cities reflects the way in which both have acquired new command and control functions that arise from and consolidate their existing dominance in their respective national economies (e.g. as major concentrations of population, centres for culture and the media, magnets for tourism and immigration and nodal points in air and sea transportation networks).

Yet, it is equally possible to turn this logic on its head: comparing cities that occupy different niches in the international economic order can reveal just as much, if not more, about the way in which they interact with global forces. One problem with the rationale put forward by Fainstein and Harloe is that it neglects the role of political forces in shaping world city formation and in influencing the movement of individual cities up and down the urban hierarchy. The focus on two top-tier world cities offers a fairly static perspective on the world cities hierarchy and implicitly assumes that world city rankings occur as a result of given economic processes. Such an approach would seem to negate the enormous efforts that city governments have made in the past two decades to protect and enhance their relative standing as world cities. A comparison of world cities operating at different tiers of the hierarchy therefore enables a clearer focus on the dynamics of competition between world cities and on the role of politics in influencing a city's standing in this hierarchy. As Felsenstein et al (2002b, p.4-5) argue, if the focus of social research is on processes then 'highlighting the differences in static attributes across .. locations, would seem to miss the point'. Likewise, by comparing cities that have contrasting degrees of connection to the global order, there is greater potential to seek to disentangle the relative influence of globalisation on city politics: the null hypothesis would be that the impact of globalisation on urban politics in a first-tier world city will be greater than that found in a second-tier world city.

The first part of the case for comparing London and Frankfurt therefore rests on their differential standing in relation to a common set of changes taking place at the international level. The study period chosen, 1986-96, is one in which globalisation intensified dramatically, as a result of the liberalisation of trade and financial flows, the widespread introduction of computer technology and the growth of the Internet, and the increased emphasis on international policy-making (see figure 1.1). Moreover, unlike world cities outside the European continent, London and Frankfurt were both affected in similar ways by the acceleration of European integration between 1986 and 1996, a period which embraced the agreement of the Single European Act, the completion of the Internal Market and the signing of the Maastricht Treaty with its commitment to establishing a single currency and a European central bank (see figure 1.1). This European dimension is important for a number of reasons, including the location of the two cities within the so-called 'blue banana', the primary growth

region of Europe (see chapter 2); the competition between the two cities to become the financial centre of an integrating Europe as the location of the European Central Bank (see chapter 8); and the growth of European policies with a direct bearing on cities and city regions. In addition, the period was also characterised by growing concern among policy-makers in world cities regarding the need to balance efforts to remain competitive in the global economy with the need to tackle growing social polarisation and quality of life issues such as environmental damage (Knox and Taylor, 1995). It is therefore significant that, at this time, the EU reached more directly into local government affairs (Goldsmith, 1993), particularly in the areas of social policy and regional development. During the same period, the Agenda 21 policy initiative was also launched via the UN, through which it was agreed to implement a global environmental agreement through the mechanism of local government (Atkinson and Wilks-Heeg, 2000).

Figure 1.1 The acceleration of globalisation: some key events, 1986-96

<i>Year</i>	<i>Event</i>
1986	<ul style="list-style-type: none"> • ‘The Big Bang’: liberalisation of the London Stock Exchange and introduction of computerised trading • Signing of the Single European Act • GATT Uruguay Round negotiations commence
1987	<ul style="list-style-type: none"> • Discovery of hole in the ozone layer above Antarctica prompts greater global environmental awareness
1988	<ul style="list-style-type: none"> • First fibre-optic cables (North Atlantic and North Pacific) • Akio Marita, Chairman of Sony, outlines plans to make Sony ‘a truly global company’
1989	<ul style="list-style-type: none"> • First international ISDN links (between UK-France and USA-Japan) • Fall of the Berlin Wall signals end of the ‘Cold War’ and the transition of the USSR and East European states to market economies
1990	<ul style="list-style-type: none"> • Production of first internet web browser – the World Wide Web
1992	<ul style="list-style-type: none"> • Target date for completion of the Single European Market • Signing of Maastricht Treaty
1992	<ul style="list-style-type: none"> • Rio Earth Summit
1994	<ul style="list-style-type: none"> • Implementation of North American Free Trade Agreement (NAFTA) • Completion of GATT Uruguay round, resulting in further liberalisation of international trade
1995	<ul style="list-style-type: none"> • World Trade Organisation established

The second part of the case for comparing London and Frankfurt is that, while the two cities operated in a similar international policy context in the period 1986-96, they

also exhibit significant variation in relation to their size, institutional structures and wider roles within their respective national contexts (see figure 1.2). These differences are reminiscent of Soja's (1991, p.21) observation that, at first glance, comparing Los Angeles and Amsterdam 'seems as impossible as comparing oranges and potatoes'. Yet, such contrasts are arguably of considerable value in that they also facilitate greater reflection on the issue of how globalisation is mediated by specific, divergent local contexts. Given the focus of the thesis, the contrasting forms of governance are particularly significant. During the period concerned London had no city-wide government, following the abolition of the GLC in 1986, and was characterised by a combination of institutional fragmentation and extensive direct central government control in some policy areas. By contrast, Frankfurt operated as a local authority within the German federal state of Hessen, with an additional interim tier provided by an elected city-regional authority, the *Umlandverband Frankfurt*. These contrasts highlight important differences in the extent and forms of local democratic accountability and control in the two cities, with London also exhibiting the significant anomaly of its core financial district (the City of London) being governed by a Corporation elected principally by local businesses.³ The distinctiveness of these institutional arrangements enables meaningful comparisons to be made of their respective significance in shaping policy-making in response to world city formation. Similarly, Frankfurt's less significant role in German national affairs and the system of Federal government in Germany provides a contrasting scenario to the policy-making process in London, whose capital city role clearly means that its politics assumes an additional character. The approach taken here thus conforms closely to what Brenner (2001) describes as 'variation-finding comparison' in world cities research, i.e. one underpinned by a concern to 'examine variations between and within specific urban places' (Abu-Lughod, 1999, p.400).

³ The business franchise entitles sole traders and partnerships, but not limited companies, to votes providing they have City premises with a gross rateable value of more than £10 (Power, 2001). Businesses are able to vote in each City ward in which they have qualifying premises. Given the exclusion of limited companies, accountancy and law practices dominate the franchise (Kelly, 1992). In 1999/2000, there were 20,352 voters on the City of London's electoral roll, of which 15,010 (74 per cent) were business voters, and the remainder local residents (Power, 2001). The City of London Corporation's political structures include a significant role for Aldermen, elected for life. As a result, the City of London has frequently been described as 'the last rotten borough' (Kelly, 1992; Power, 2001). The business franchise is currently being reformed and will be extended to all businesses with City premises, including overseas firms.

Figure 1.2 London and Frankfurt, some key comparisons, 1986-96

	<i>Greater London</i>	<i>Frankfurt</i>
Population (1990)	7 million	646,000
Structure of local governance	<ul style="list-style-type: none"> - 32 Boroughs (directly elected by residents) and City of London Corporation (primarily elected by local businesses) principal service providers. - Numerous special purpose bodies (unelected) and joint-committees of Boroughs co-ordinate London-wide policy. - Some specific functions provided by single-purpose agencies, e.g. London Docklands Development Corporation, Training and Enterprise Councils (accountable to central government). - Operates in context of a unitary state, with extensive central government role in some policy areas. 	<ul style="list-style-type: none"> - City of Frankfurt (directly elected by local residents) main service provider. - Umlandverband Frankfurt (directly elected by local residents) co-ordinates policy and delivers services for Greater Frankfurt area. - Some specific functions provided by single-purpose, public corporations, e.g. Frankfurt Airport AG, Frankfurter Messe GmbH, Rhine-Main Transport Authority (accountable to local and/or Land government). - Operates in context of a federal system of government (federal state of Hessen).
National roles	<ul style="list-style-type: none"> - Capital city, seat of government. - Location of central bank (Bank of England). - Central hub for air travel. - Major national centre for media and culture. - Principal UK tourist destination. - Dominant national urban centre, accounting for 17% of UK GDP (London TEC Council, 1996). 	<ul style="list-style-type: none"> - Location of central bank (Bundesbank). - One of two main national hubs for air travel. - One of several principal urban centres in Germany, accounting for 7% of the country's GDP (Felsenstein et al, 2002b).

1.4 Research questions

To the extent that it has addressed questions of governance, the world cities literature has primarily posed two questions. First, do globalisation and world city formation enhance or erode the significance of local politics? Second, has globalisation prompted convergent or divergent policy responses between world cities? While these

questions have also been important in shaping the research conducted for this thesis, they are seen as generic themes, cross-cutting the six principal questions that constitute the focus of enquiry, as follows:

- 1 How is globalisation mediated by the specific national, regional and local contexts in which world cities operate?
- 2 To what extent do historical developments and legacies condition the options available to policy-makers and the choices they make? I.e. are local political responses to globalisation 'path-dependent'?
- 3 To what extent have competing interpretations of globalisation and world city formation featured in political and policy debates in London and Frankfurt since the mid-1980s?
- 4 How have competing interpretations of globalisation and world city formation influenced the priorities of urban policy-makers?
- 5 Has globalisation triggered the emergence of new forms of urban and metropolitan governance, as implied by theories of urban regimes, state rescaling and transnational urbanism?
- 6 What are the implications of changing policy priorities and new forms of governance for political mobilisation and power-relations in world city politics?

The thesis

The central thesis of this study may be summarised in five parts. First, it is proposed that globalisation must be understood as a multi-faceted process, which induces a range of economic, social, environmental and political effects and that produces diverse outcomes between and within world cities. This study provides wide-ranging evidence to suggest that the urban imprint of globalisation depends critically upon how global processes are mediated by existing national, regional and local regulatory structures, by the character of local political discourse and by the prevailing spatial structure of the city in question. As a result, while London and Frankfurt have been subjected to similar globalising forces, the very different local, regional and national contexts in which the two cities operate has meant that the outcomes of these processes show as much evidence of divergence as they do of convergence. These

tendencies towards divergence are further underpinned by the evidence of long-run processes of world city formation, which establish clear patterns of path dependency in world city politics.

Second, since globalisation is experienced differently across urban space and interpreted in diverse ways by those involved in policy debates, globalisation triggers a variety of distinctive forms of political mobilisation across a range of policy areas. Globalisation and world city debates became increasingly central to both cities during the study period, prompting the emergence of complex forms of governance, connecting world city politics in a variety of ways to actors, agencies and agendas operating beyond the boundaries of the nation state. However, because of the distinctive local contexts of London and Frankfurt, there are again significant differences in the character of key political debates and systems of governance that have emerged in the two cities as a result of globalisation dynamics.

Third, despite the variety of effects and policy-making forms produced by globalisation, the powerful structural forces unleashed by globalisation have served to drive policy-making in world cities towards a prioritisation of economic development and a widespread acceptance of its social and environmental consequences. This prioritisation of policy objectives is reflected in the functional separation and hierarchical ordering of the various networks that connect local politics with global forces, with coalitions dedicated to the promotion of world city growth becoming a significant feature of the policy process. However, such coalitions do not represent urban regimes in the sense of permanent, omnipresent and omnipotent political forces; their membership, internal cohesion, and hence power, vary over time and they are often constrained in their geographical reach. Moreover, the formation of urban regimes is constrained by a problem of collective action. Efforts to promote economic development through measures such as city marketing and improved transport and telecommunications infrastructure are essentially concerned with the provision of quasi-public goods, thus encouraging both private sector actors and suburban local authorities to seek to 'free-ride' on the activities of local authorities covering the metropolitan core. In an attempt to overcome this collective action problem, leading protagonists make constant recourse to a globalisation discourse that stresses the

threat posed by other cities and regions in the context of growing territorial competition.

Fourth, this over-exaggeration inherent to the predominant globalisation discourse in world city politics inevitably provokes strong counter-reactions among those groups affected negatively by a prioritisation of economic development. As a result, alternative discourses can make significant headway in the policy process at particular moments in time and in particular geographical spaces. Thus, while London and Frankfurt appear, in the main, to have followed similar, growth-centred policies, there are numerous examples of policy change in both cities where social or environmental aspects have been elevated to a more central position. Notably, there is evidence that alternative political discourses have been bolstered by a number of local-global linkages that have become a key feature of policy connected with social exclusion and environmental sustainability.

Fifth, taken as a whole, these changes appear to confirm a growth, as opposed to a much-postulated decline, in the importance of local politics under globalisation. Far from indicating the decline of city government, globalisation is serving to reinvent it, furnishing cities with global connections that are articulated via a variety of emergent forms of multi-level and transnational governance. Not only have global issues gained unprecedented significance in the local governance of world cities, but the 'local' politics of world cities acts as an increasingly important driver of global change. As a result, both London and Frankfurt demonstrate a degree of detachment from their respective national policy-making contexts. While this detachment can admittedly only be observed in specific policy areas and must be balanced against the continued importance of national contexts for both cities, it appears to confirm the notion that new scales and modes of regulation are beginning to emerge around world cities in the post-Fordist era.

1.5 Structure and organisation

The thesis is presented in three sections. Part one comprises two chapters that review the literature on globalisation, world cities and on governance. The first of these, chapter 2, offers a critical assessment of the literature on globalisation, concentrating

on accounts of economic globalisation and the related work that has emerged as a result of Friedmann and Wolff's 'world city hypothesis'. Drawing on empirical data as well as existing theoretical critiques, a number of salient problems are identified in existing accounts of globalisation and it is suggested that these have important implications for the study of world cities. At the same time, however, it is noted that the origins of world city research in a 'pre-globalisation' world systems paradigm have spared it much of the intellectual sloppiness found in a great deal of the wider literature on globalisation. Chapter 3 turns to examine the treatment of the role of the state in accounts of globalisation and world city formation. This chapter reviews the debates surrounding globalisation and the state and notes that these have only recently begun to influence the literature on world city formation. It attempts to synthesise several theoretical perspectives that have developed in relative isolation from one other, on the basis of which a proposed analytical framework is put forward that establishes the context for the remainder of the thesis. This framework includes a number of interim hypotheses, which are used to organise and reflect upon the empirical research presented in subsequent chapters.

Part two of the thesis is concerned specifically with the economic, social and political aspects of world city formation in London and Frankfurt. Chapter 4 considers the respective roles of London and Frankfurt as world cities, and examines the evidence relating to the impact of globalisation on socio-economic structures in London and Frankfurt. This chapter establishes that London and Frankfurt constitute the two leading financial centres in Europe, although London is easily dominant and also exhibits more global articulations. The analysis of socio-economic change is structured around the influential hypotheses put forward by Sassen (1991) and draws on both secondary and empirical sources to assess the extent to which available evidence for London and Frankfurt supports Sassen's propositions. Chapter 5 takes a long-run historical view of world city formation in London and Frankfurt, rooted in a multi-level analysis of political economic decision-making. It demonstrates that, following very long-run patterns of growth and decline as financial centres, European, national and local policy change has played a crucial role in the process of world city formation in London and Frankfurt. This chapter also examines the changing relationship between city/metropolitan governance and economic development in London and Frankfurt in the post-war period, highlighting significant differences

arising from the contrasting systems of inter-governmental relations in which the two cities operate. The discussion in both of these chapters provides the context against which developments in governance in the two cities, such as shifts in policy priorities or the introduction of new institutional arrangements, are subsequently assessed.

Part three comprises four chapters providing an in-depth analysis of politics and governance in London and Frankfurt from 1986-96. Chapter 6 provides a general narrative of governance and policy change in London and Frankfurt during this period, highlighting not only the hugely divergent nature of governance arrangements in the two cities, but also the growing significance of emerging world city discourses, particularly in relation to attempts to overcome the collective action problem inherent to attempts to engage in territorial competition. Following this overall contextual analysis of the two cities, the following three chapters present detailed case studies of the relationship between globalisation and urban metropolitan governance in particular policy areas. These case studies are intended to draw out the contrasts and inter-relationships between competing priorities in world city governance, particularly the issue of balancing economic, social and environmental objectives. Chapter 7 charts the relationship between world city formation and urban planning policy in both cities, including detailed analysis of the politics of planning in the two cities' respective banking districts. Chapter 8 focuses on economic development and city-marketing, and highlights important conflicts and tensions that emerged in the politics of local economic policy in London and Frankfurt during the study period. Chapter 9 turns to consider two policy areas concerned with the regulation of the world city – social policy and environmental policy – and considers the evidence relating to the emergence of new forms of transnational urbanism in these policy areas. Taken as a whole, the policy case studies point to diverse forms of the internationalisation of local politics, to different forms of global-local relationships in each and reinforce the conclusion that world city formation involves the functional separation of policy networks as a result of the priority given to economic development. Finally, chapter 10 draws together the findings of the thesis as a whole and reflects on the extent to which the hypotheses presented in chapter 3 are sustained by the empirical evidence.

Chapter 2

Globalisation, the International Economy and the Role of World Cities

2.1 Introduction

This chapter offers a critical review of the literatures on globalisation and world city formation. Given the scale of the respective literatures, it should be stated at the outset that there are two things the chapter does not attempt to do. First, it does not attempt a fully comprehensive review of the literature on globalisation. Such a task would be formidable merely on grounds of quantity: more than 300 books on globalisation were published in the period 1998-2001 alone. Second, it does not seek to offer a straightforward definition of globalisation. It is widely recognised that the concept of globalisation has become so highly contested that it is no longer possible to agree upon a workable definition. Instead, the aim of this chapter is to provide an overview of the main fault lines in the globalisation literature, to consider the relationship between theories of globalisation and world city formation and to discuss the implications of more recent, critical accounts of globalisation for world/global city research. Central to the approach adopted here is an attempt to ‘unpack’ the key individual elements of *economic* globalisation, which are all too often conflated to portray globalisation as a unitary ‘force’. The chapter critically assesses the evidence relating to each of these elements, drawing on the work of key protagonists in globalisation debates as well as on a range of empirical data. On the basis of this analysis, it reflects on the implications for world city research.

Reviewing globalisation debates is an important exercise because scholarship on world cities and globalisation has come to exhibit a close, and often symbiotic, relationship, particularly since the publication of Sassen’s (1991) book ‘The Global City’. As Smith (2001) argues, the global cities literature must be interpreted as part of a wider discourse on globalisation that has become increasingly contested in recent years. Consequently, the recent emergence of a range of critical studies on globalisation highlights the need to review the conceptual foundations of research into

world/global cities, a task that Smith (2001) only achieves in outline. Through an expansion and augmentation of Smith's critique of the globalisation/global cities discourse, this chapter argues for a reformulation of global cities research in line with Smith's notion of 'transnational urbanism'. At the same time, it is also evident that the emphasis Sassen places on the local manifestation and grounding of globalisation dynamics in global cities has been a key influence on wider conceptual debates about globalisation, resulting in a growing theoretical emphasis on the role of space, place and scale in the globalisation literature. Indeed, the development of Sassen's work has offered considerable scope for a more critical take on globalisation that has significant implications for the consideration of the role of politics in world city formation.

The chapter is divided into three main sections. The first section begins with an overview of the key debates that have developed in the literature on globalisation over the past two decades and outlines some key evidence available to support the various dimensions of economic globalisation that have been highlighted in the literature. Following this a number of important criticisms of the globalisation thesis are highlighted under three principal headings – 'the limits to globalisation', 'the uneven geography of globalisation' and 'long-run internationalisation'. In the second section, consideration turns to the world cities literature. The origins and development of the world city literature are charted and the conceptual distinction between world and global cities is re-asserted. Particular attention is given to charting the influence of Sassen's *The Global City*, which arose from, and helped shape, early accounts of economic globalisation. The third section draws together a range of criticisms of the globalisation/global cities thesis. These criticisms work through a number of implications of the earlier critique of globalisation for the study of world cities, including the need to recognise how localities limit and structure globalisation, the implications of the uneven geography of globalisation for world city formation in the European context, and the significance of long-run historical trends in shaping global city emergence. In addition, a number of further weaknesses in the world/global cities literature are also highlighted, including the exaggerated emphasis on abstract economic forces, the lack of attention to human agency and the failure to recognise the role of political decision-making in world city formation.

2.2 'Unpacking' the literature on globalisation

What is Globalisation?

Box 2.1: Globalisation is ...

'the growth of economic activity spanning politically defined national and regional boundaries,' (Oman, 1994, p. 33).

'the opening of national space to the free flow of goods, capital and ideas', (Blouet, 2001, p.7)

'about the changing costs of economic interactions across distance and the effects of these changes on the geographical distribution of economic activity' (Crofts and Veneables, 2001, p. 2)

'the intensification of worldwide social relations in such a way that local happenings are shaped by events occurring many miles away and vice versa' (Giddens, 1991, p. 64).

Over the past 15 years globalisation has emerged as perhaps the most central, as well as the most controversial, concept in the social sciences. Although associated primarily with the view that far-reaching changes are taking place in the operation of the international economy, accounts of globalisation have progressively been broadened, so that they now embrace a wide range of political, social and cultural trends operating at the international level. As a result, the globalisation thesis has spawned a vast number of new research agendas ranging from studies of corporate branding strategies among multi-national corporations (Klein, 2000) to the role of Hollywood in promoting global culture (Barnet and Cavanagh, 1994). In the words of one observer: 'globalization has become the new mantra for our times' (Kelly, 1999, p.379). Yet, an important consequence of the generic appeal of the notion of globalisation is that there has been no consistent application of the concept. At best, it could be said that the literature contains multifarious definitions of globalisation, though it may be more accurate to say that much of it makes no attempt at definition whatsoever, relying instead on implicit or rhetorical use of the term (Dicken, 1998; Dore, 2001). At worst, the term 'globalisation' has become so nebulous that it is in danger of losing any conceptual value it once had. As Robertson and Khondker suggest 'there is now so much loose and negative talk of 'globalization' that serious scholars ... face the increasingly difficult task of maintaining their intellectual seriousness' (cited in Keil, 1998b, p.618).

Where attempts at definition are made, they frequently reflect the particular research interests and/or disciplinary orientation of the author (see box 2.1 for contrasting definitions). This tendency is not only in part responsible for the proliferation of multiple interpretations of the meaning of 'globalisation', it also tends to do little more than offer what Amin and Thrift (1994, p.1) refer to as 'emblematic (and enigmatic) indices of global change' rather than 'a finished theory of globalisation'. As Kelly (1999, p.380) suggests, the complex, multi-faceted nature of globalisation points to the need for greater 'disciplinary transgression' than is typical of most accounts. Notable attempts have been made to reach beyond disciplinary boundaries and offer a more comprehensive, multi-disciplinary definition of globalisation. Thus, numerous authors have sought to identify the salient economic, social, political and cultural dimensions of globalisation (Held, 2000; Ruigrok and von Tulder, 1995; Gertler, 1997; Dore, 2001). While such characterisations address the shortcomings of the more mono-dimensional definitions outlined above, there is only partial agreement between them regarding the central features of globalisation. Figure 2.1 compares four such definitions. It can be seen that while there are several common features to these definitions (particularly the stress on the interaction between economic and political processes) significant differences of emphasis remain, not least in the terminology used (e.g. 'flows' versus 'transactions' and 'regulatory capacity' versus 'infrastructure'). Unsurprisingly, the reasons for the persistence of such profound differences can be located in the inherently contested nature of globalisation and, even among proponents of the globalisation thesis, fundamental disagreement about the prime movers of global change.

Figure 2.1 The elements of globalisation

	<i>Ruigrok and von Tulder (1995)</i>	<i>Held (2000)</i>	<i>Dore (2001)</i>	<i>Gertler (1997)</i>
ECONOMY	Globalisation of finance capital Globalisation of competition and firms	Intensification of flows (trade, technology, finance, information, culture)	Growth in proportion of economic transactions that are cross-border Integration of world markets and narrowing of price differentials	Increased mobility of both fixed and financial capital Emergence of multi-regional firms
TECHNOLOGY	Globalisation of technology			Growing significance of space-transcending technologies
SOCIAL CHANGE		Stretched social relations (e.g. migrant flows and personal relationships)	Growth of political, cultural and social cross-border transactions	
THE STATE	Globalisation of regulatory capacity (e.g. the European Union) Political unification of the world	Emergence of global infrastructure (World Trade Organisation, World Cities)	Growing awareness of shared global problems and emergence of organisations with a global remit to respond to them	Undermining of governmental regulatory control
CULTURE		Increasing inter-penetration (especially US culture)	Elimination of national differences and increasing homogenisation of culture	Erosion of the distinctive character of regions and nation-states

Globalisation as a contested process

It is not only definitions that are contested in the literature on globalisation. Three major fault-lines run through the literature. The first is epistemological and is concerned primarily with the issue of what empirical evidence reveals about the extent and significance of the globalisation phenomenon. The second is conceptual and relates to the issue of whether globalisation should be interpreted primarily as a quantitative or a qualitative change in socio-economic relations. The third is essentially normative and centres on the desirability of globalisation and its likely economic, social, political and cultural consequences. Sharply divergent views have arisen as a result of these overlapping debates. Indeed, it would be difficult for the literature on the subject to be more polarised. The globalisation thesis has been heralded by some as representing a paradigm shift in the social sciences (Giddens, 1991; King, 1990a) and has often been associated with astonishingly bold claims, including ‘the end of geography’ (O’Brien, 1992) and the ‘end of the nation-state’ (Ohmae, 1995). At the same time, other accounts of globalisation have disputed its underlying importance, questioning its central tenets on a variety of important grounds (Hirst and Thompson, 1996; Hirst, 1997). Likewise, more popular accounts have tended either to portray globalisation as a beneficial development that will increase the overall level of wealth and development globally (Ohmae, 1990) or as a process that is accelerating a range of economic, social and environmental problems, particularly in the developing countries (Goldsmith and Mander, 2001).

Following Held (2000) the main protagonists in the debates on globalisation that have grown up across these fault-lines may be assigned to three main groupings. The first group, the *globalists*, comprises authors that have advocated the central importance of globalisation to understanding contemporary economic, social, cultural and political change. Such accounts regard globalisation as a reality and one that is increasingly subsuming national economic, social and cultural relations. However, within this group there are profound differences in the value judgements made about globalisation dynamics. On the one hand, *positive globalists* regard globalisation as a benign and almost universally beneficial process that will result in worldwide economic expansion and ultimately help improve the standard of living and quality of

life for all. This view is most widely associated with Ohmae (1990, 1995), who suggests that a 'borderless world' is emerging that spells the end of nation-states as the basis of political organisation. In essence, positive globalists take a neo-liberal stance and regard state regulation as the main barrier to reaping the benefits that will arise from the full global mobility of capital. Conversely, *negative globalists* tend to highlight many of the same economic trends but use them as the basis of a critique, pointing to what they see as the undesirable consequences of globalisation. For instance, negative globalists also highlight the decline of nation state power in the face of globalisation, but generally regard such developments as a threat to democratic accountability and progressive social and environmental politics (Klein, 2000; Goldsmith and Mander, 2001). In such accounts, globalisation is seen, *inter alia*, to be concentrating power in the hands of a small number of transnational corporations, accentuating the polarisation of wealth between the global north and the global south, undermining local cultures and accelerating environmental destruction. In raising these concerns, the accounts of negative globalists are generally informed by neo-Marxist or environmentalist perspectives.

The second group of authors can be termed *traditionalists*. This more sceptical literature began to emerge in the early 1990s. Its criticisms of the globalist perspective have been broad-ranging but have centred on four main concerns. First, many authors have questioned the extent to which economic relations have become genuinely global. For instance, analyses of flows of trade, inward investment and finance capital suggest that the world economy is overwhelmingly dominated by three large trading blocks – North America, Europe and Japan (Hirst and Thompson, 1996). Consequently, traditionalists suggest there is limited evidence of global economic integration and prefer instead to use term such as 'internationalisation'. Second, a number of historical accounts of the global economy have highlighted significant parallels with earlier periods of history, leading many commentators to dispute the notion of globalisation as a specifically contemporary phenomenon (Robertson, 1992; Schwartz, 2000). Third, traditionalists have expressed doubts about the true extent of the threat to the state posed by globalisation. Here, traditionalists emphasise the role that nation states continue to play in regulating economic activity (Weiss, 1998, 2003). Fourth, traditionalists have argued - on the basis of the apparent contradiction between globalist accounts and the empirical reality of global economic change - that

the central feature of globalisation is its deployment as a discourse by political and economic interests seeking to justify generally neo-liberal policy prescriptions (Hay and Marsh, 1998).

Finally, the third group consists of those advocating what Held terms a *transformationalist* perspective. Transformationalist accounts accept at least some of the criticisms put forward by the traditionalists, but argue that a discernible shift in the organisation of economic, social, cultural and political activity is nonetheless apparent. The transformationalist viewpoint, which effectively encompasses a range of positions on the continuum between globalists and traditionalists, has increasingly come to hold sway among academic accounts of globalisation. For instance, while transformationalists accept that the nation state is still of considerable economic and political importance, they also take the view that the impact of the globalisation on the state cannot easily be dismissed. They point, for example, at the growing power of transnational corporations (TNCs) and their ability to influence the decision-making processes of nation-states. Thus, Dicken (1998) suggests that TNCs constitute the primary shapers of globalisation but stresses that the extent to which their activities are bringing about global economic transformation is determined by their interaction with nation states. Increasingly, transformationalists have disputed the notion of a zero-sum relationship between globalisation and state power. Instead, a view has emerged that the state plays an active role in promoting globalisation and that state power is reconfigured or 're-scaled' as a result of its engagement with TNCs and other global economic actors (Brenner, 1998, 1999, 2000b).

Globalisation as an economic process

The extent to which globalisation is a contested concept may be further illustrated through consideration of contrasting accounts of globalisation as a specifically economic process. In doing so, I am not seeking to re-centre globalisation around narrowly economic concerns, but rather recognising the *de facto* centrality of economic trends to the globalisation debate, particularly in relation to world city formation (the limitations of such narrow economic interpretations of globalisation are discussed in more depth later in this chapter as well as in chapter 3). Indeed, the notion of a profound, underlying economic shift was, and generally remains, the

fundamental basis for the very existence of globalisation. Thus, globalists point to numerous economic trends or indicators that suggest a fundamental shift in the organisation of economic activity during the later part of the twentieth century. Table 2.1 summarises data presented by Preeg (1998) to support the notion of a global transformation since the mid-1980s. These statistics provide a snapshot of key trends pointed to by proponents of the globalisation thesis: the increased rate of growth of international trade, the growing significance of foreign direct investment (FDI), the dramatic rise in international currency dealing and the increased global connectivity provided for by telecommunications flows. The notion of a clear discontinuity, representing the ‘emergence’ of globalisation at a particular point in time, is also a common feature of globalist accounts.

Table 2.1 Economic globalization: indicators of discontinuity since the mid-1980s

	<i>Before mid-1980s</i>	<i>After mid-1980s</i>
Ratio of growth in merchandise trade to global output	1.2:1 – 1.6:1 (1950-84)	2.9:1 (1984-97)
FDI as a percentage of global GDP	0.4-0.6 (1970-85)	0.9-1.2 (1990-96)
Foreign exchange transactions, daily (US\$)	10-20 billion (1973) 60 billion (1983)	700 billion (1990) 1.3 trillion (1995)
International telephone calls to and from the USA	500 million minutes (1975) 3 billion minutes (1980) 6 billion minutes (1985)	12 billion minutes (1990) 28 billion minutes (1996)

Source: Preeg (1998), p.18.

The nature of Preeg’s indicators underline the fact that accounts of economic globalisation have identified a wide range of interlocking developments that are seen to have prompted the emergence of a global economic order. Despite the myriad of definitions in circulation, a number of common developments are identified throughout the literature on economic globalisation, with particular stress laid on 6 main trends:

- the rapid growth and development of space shrinking technologies – particularly jet travel and information technologies;
- the growing importance and integration of international financial markets;
- the growth of international trade;
- the growing size and significance of transnational corporations;
- increased flows of foreign direct investment; and
- a shift in manufacturing and production from western economies to newly industrialising countries in Asia and Latin America.

The extraordinary range of competing interpretations of (economic) globalisation put forward by globalists, traditionalists and transformationalists largely revolves around disagreements about the relative and absolute significance of these trends. Traditionalist accounts that are sceptical about the very notion of globalisation centre on the absolute importance of the trends outlined above. Traditionalists have played a particularly important role in subjecting the globalisation thesis to closer empirical scrutiny, focusing their inquiries on the hard evidence available to test the propositions put forward by the globalists. However, even among proponents of the globalisation thesis, there are fundamental disagreements about the relative significance of the trends listed above, particularly in their interpretations of those which should be seen as the prime movers driving global economic change. Central to these theoretical disputes is the question of the relationship between globalisation and place. In some accounts, globalisation is interpreted as the process of economic flows becoming increasingly ‘de-territorialised’ as capital decouples itself from particular localities and nation-states. In others, the process is interpreted as one of capital being ‘re-territorialised’, reflecting the critical role of place-bound factors in shaping competitive advantage in a global economy and the need to centralise the control of global economic flows in particular places.

Such contrasts can be seen in two of the most influential accounts of globalisation: Castells’ concept of the informational age and the notion of the New International Division of Labour (NIDL). Castells (1989, 1996) provides the dominant account of globalisation as de-territorialisation. He regards the emergence of new technology as the principal driver of global change and argues that rapid developments in

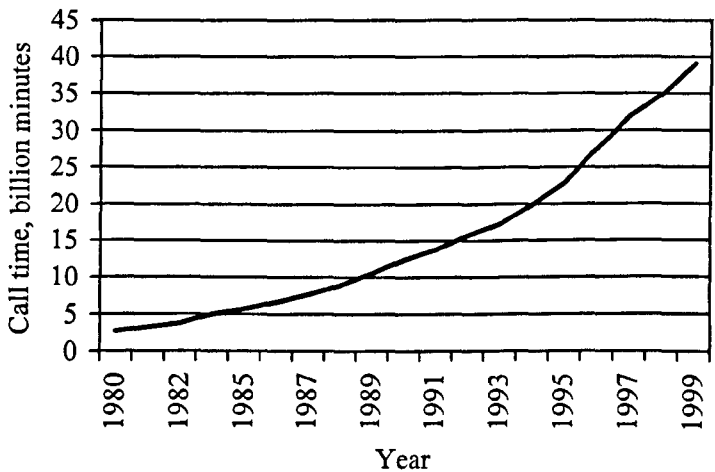
telecommunications infrastructure, in particular, have ushered in an 'information age', in which traditional, hierarchical forms of organisation have broken down in favour of network arrangements. Thus, the globalisation of capital, labour and ideas comes to constitute a 'space of flows' increasingly detached from hierarchical structures such as states. An entirely different interpretation of the same trends is offered by authors working within the tradition of world systems theory, who tend to characterise the changes referred to above as the emergence of a New International Division of Labour (NIDL) (c.f. Fröbel et al, 1980). The NIDL thesis posits that globalisation is characterised by a specific geographical re-ordering of economic functions on a global scale, a process that is driven primarily by the activities of transnational corporations (TNCs). Thus, the NIDL involves TNCs relocating manufacturing activity from the core (the developed countries) to the periphery and semi-periphery (the developing and newly industrialising countries), and thereby accounts for a significant proportion of foreign direct investment. In turn, this relocation of production activity is underpinned by the role of new technologies in enabling 'real-time' communication between TNC headquarters and overseas production plants.

Similarly, there are competing views about whether these trends interlock in such a way that they have given rise to a new economic order that may legitimately be described as 'globalisation', or whether they merely constitute a set of related trends that point to little more than continued 'internationalisation'. This latter distinction is of crucial importance and is returned to later in the chapter. Analysing the individual facets of the global economy therefore constitutes an essential first stage in assessing the strengths and weaknesses of the globalisation thesis. In the first instance, this may be done by analysing further quantitative trends in relation to the 6 elements of economic globalisation referred to above.

(i) *The growth of international communications* can be illustrated by a number of indicators. Figure 2.2 charts the growth of international telephone calls made from and to the United States between 1980 and 1999. During this period, total international call time rose from 2.7 billion to 39.1 billion minutes per annum. However, it is arguably in the field of computer technology that the recent growth of international communications has been most dramatic. The introduction of the IBM personal computer in 1982, followed by the first version of Microsoft Windows a year

later were instrumental to the rapid take-up of computer technology in virtually all economic sectors. From the mid-1980s, international communication using computer technology began to grow significantly, initially in fields such as finance, higher education and scientific and military research. By the mid-1990s, the development and growth of the Internet using the World Wide Web served to vastly enhance this capacity for international computer communications. Table 2.2 demonstrates the exponential growth of the Internet, widely interpreted as both an indicator, and a driver, of increased global informational flows, as measured by the number of Internet hosts worldwide (i.e. computers connected to the Internet). The table shows that the number of hosts grew from a mere 213 in 1982 to almost 30 million by 1998. In the period 1992-98 alone, the number of hosts increased by an average of more than 4 million each year.

Figure 2.2 International telephone calls to and from USA, 1980-99



Source: Blake and Lande (2001).

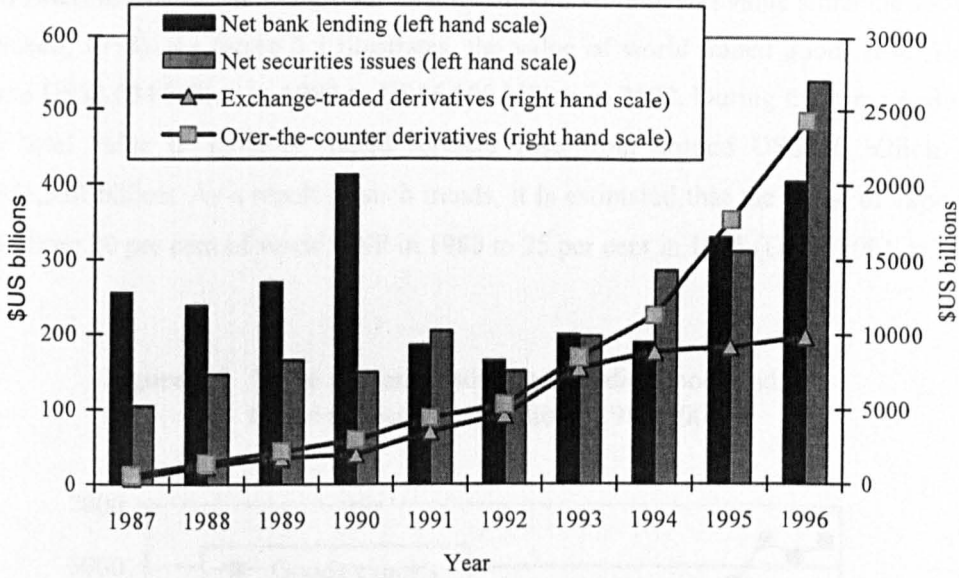
Table 2.2 Growth in number of internet hosts, worldwide, 1982-98

Year	No. of hosts
1982	213
1984	1,024
1986	5,089
1988	56,000
1990	313,000
1992	1,136,000
1994	3,864,000
1996	9,472,000
1998	29,670,000

Source: Coffman and Odlyzko (1998).

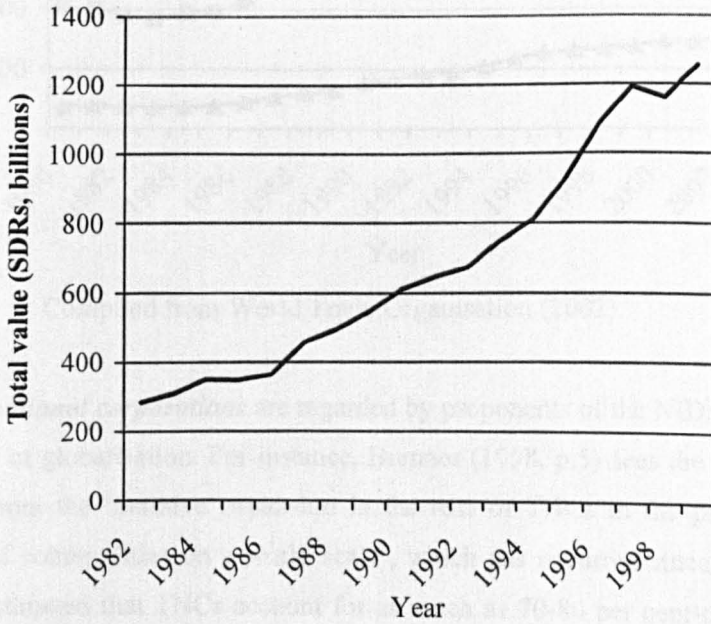
(ii) *The growing importance of international financial markets* represents perhaps the most dramatic change in the world economy since the 1970s. It has been driven by three key factors. First, the breakdown of the Bretton Woods agreement in 1973 created strong imbalances between currencies, which were added to by the huge balance of payment surpluses achieved by the OPEC countries following the oil price rise of 1973. This led to a sharp rise in trading in foreign currencies and to the growth of a vast Eurodollar market based in London. Second, rapid developments in information technology, particularly the growth in international computer networks, enabled 'around the clock' global trading in futures, stock and commodity markets. Third, the deregulation of financial services and financial trading in the 1980s prompted greater international competition in all aspects of banking and finance, leading large international banks to establish offices in all the major financial centres. Figures 2.3 and 2.4 illustrate some of the key outcomes of these changes. Figure 2.3 shows that international trading in securities grew from \$105 billion in 1987 to \$540 billion in 1996, with the value of trade in over-the-counter derivatives rising from \$600 billion and \$24,292 billion over the same period. Likewise, the value of foreign exchange rose from 284 billion SDRs in 1982, to 12,568 billion SDRs in 1989 (see figure 2.4).

Figure 2.3 Activity in international financial markets



Source: Bank for International Settlements (1997), p. 118.

Figure 2.4 Total value of foreign exchange trading, 1982-99, SDRs (billions)*

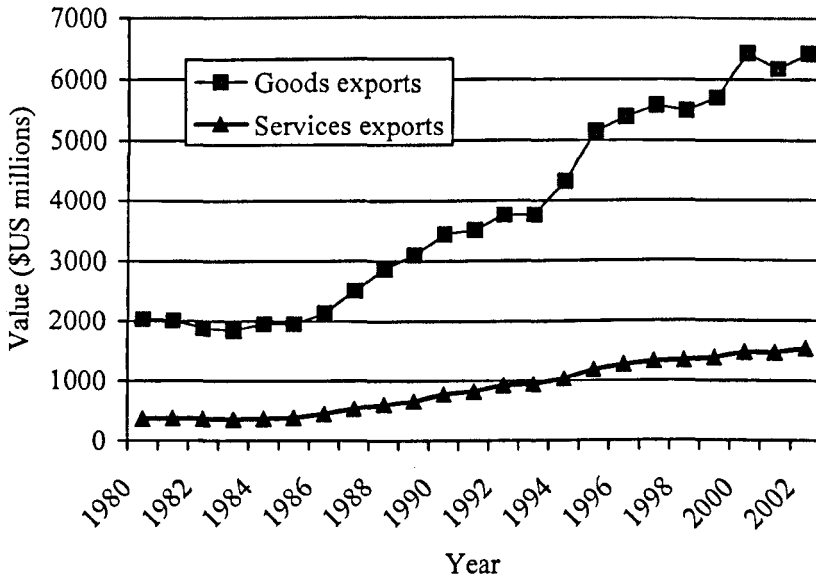


*SDRs (special Drawing Rights) are an artificial currency unit, whose value is based on a basket of currencies, used by the IMF for internal accounting purposes.

Source: Compiled from IMF (2000), pp. 68-69.

(iii) *International trade* has grown steadily in both volume and value since the 1950s (Dicken, 1998). As figure 2.5 illustrates, the value of world traded goods rose from some US\$2,034 billion in 1980 to US\$6,500 billion in 2002. During the same period, the total value of globally traded services rose from around US\$370 billion to US\$1,530 billion. As a result of such trends, it is estimated that the value of exports rose from 20 per cent of world GNP in 1980 to 25 per cent in 1995 (Dore, 2001, p.1).

Figure 2.5 Value of world trade, merchandise goods and traded services, \$US billions, 1980-2002



Source: Compiled from World Trade Organisation (2002).

(iv) *Transnational corporations* are regarded by proponents of the NIDL thesis as the key drivers of globalisation. For instance, Brenner (1998, p.5) sees the NIDL arising primarily from the 'massive expansion in the role of TNCs in the production and exchange of commodities on a world scale', which has occurred since the 1960s. It has been estimated that TNCs account for as much as 70-80 per cent of world trade (Feagin and Smith, 1987, p.3; Held and McGrew, 2000), 20 per cent of world production (Held and McGrew, 2000) and 7 per cent of world GDP (Dore, 2001, p.2). In addition, it has been estimated that as much as one-third of all world trade may be

intra-firm, i.e. trade taking place *within* TNCs (Dicken, 1998). Table 2.3 lists the world's ten largest TNCs, ranked by foreign assets, in 1999. These 10 TNCs, comprised overwhelmingly of motor vehicle manufacturers and oil and petroleum concerns, had a combined total of 2.5 million employees and, collectively, their total sales revenue was in excess of US\$1,000 billion per annum. As a result, TNCs have increasingly been compared to major national economies, particularly by negative globalists keen to highlight the growing concentration of economic power in a relatively small number of major corporations. As table 2.4 demonstrates, the sales revenues generated by the 400,000 employees of General Motors in 1999 fell just short of the GDP of Turkey, a country with a population of almost 70 million. Measured in this way, a number of TNCs are larger than the smaller national economies of Western Europe. Thus, the sales revenue of General Motors is larger than the GDP of Denmark, both Ford and Exxon generated revenues greater than the GDP of Norway, while Wal-Mart's turnover is in excess of the GDP of both Greece and Finland.

Table 2.3 The world's 10 largest TNCs, ranked by foreign assets, 1999

<i>Rank</i>	<i>Corporation</i>	<i>Country</i>	<i>Foreign Assets (US\$ billion)</i>	<i>Total Sales (US\$ billion)</i>	<i>Total Employment</i>
1	General Electric	United States	141.1	111.6	310,000
2	Exxon Mobil Corporation	United States	99.4	160.9	107,000
3	Royal Dutch/Shell	Netherlands/ UK	68.7	105.4	99,310
4	General Motors	United States	68.5	176.6	398,000
5	Ford Motor Company	United States	**	162.6	364,550
6	Toyota Motor Corporation	Japan	56.3	119.7	214,631
7	Daimler Chrysler AG	Germany	55.7	151.0	466,938
8	Total Fina SA	France	**	39.6	74,437
9	IBM	United States	44.7	87.6	307,401
10	BP	UK	39.3	83.5	80,400

** Missing data

Source: UNCTAD (2001), p. 6.

Table 2.4 Sales revenues of largest TNCs compared to GDP of selected OECD countries, 1999

<i>Corporation/Country</i>	<i>Sales Revenue/ GDP (US\$ billion)</i>
Turkey	184.9
<i>General Motors</i>	176.6
Denmark	174.0
<i>Ford Motor Company</i>	162.6
<i>Exxon Mobil Corporation</i>	160.9
Norway	153.5
<i>Daimler Chrysler AG</i>	151.0
<i>Wal-Mart</i>	137.6
Finland	128.4
Greece	125.6
<i>Toyota Motor Corporation</i>	119.7
Portugal	112.3
<i>General Electric</i>	111.6
Ireland	94.9

Sources: UNCTAD (2001), p.6; OECD (2002), p.279.

(v) *Increased flows of foreign direct investment* (FDI) are closely linked to the growth of TNCs and FDI flows have therefore grown steadily since the Second World War, accelerating significantly since 1985. Thus, while global FDI flows more than doubled from \$24 billion to \$60 billion from 1973-85, they increased tenfold from \$60 billion to \$645 billion from 1985-98 (World Trade Organisation, 1999). As a result, FDI flows rose from 1 per cent of global GDP in 1980 to 2.3 per cent in 1996 (UNCTAD, 1998), while total FDI stocks rose from 5 to 11.7 per cent of global product over the same period (World Trade Organisation, 1999). FDI flows accelerated dramatically in the late 1990s, growing by an annual average of 23 per cent from 1986-90, 21 per cent from 1991-95 and 41 per cent from 1996-99 (UNCTAD, 2001). As a result of these high rates of annual growth, total global FDI stocks had reached almost \$1,300 billion in 2000, compared to just \$202 billion ten years previously (UNCTAD, 2001).

Table 2.5 Global foreign direct investment, inflows and outflows, 1982-2000, US\$ billion at current prices*

	1982	1990	2000
FDI Inflows	57	202	1271
FDI Outflows	37	235	1150

* Although global FDI outflows and inflows should be equal to one another, they differ in practice due to differences in methodology and coverage (UNCTAD,1998).

Source: UNCTAD (2001), p. 2.

(vi) *The shift of production to newly industrialising countries* is widely held to have resulted in the rapid industrialisation of China and other Asian economies. The scale of growth in manufacturing output in the Asian Tiger and Chinese economies is shown in table 2.6. From 1980-90 manufacturing output grew by an annual average of between 6.6 and 12.1 per cent in each of these countries. Despite the Asian economic crisis of the late 1990s, manufacturing output averaged even higher rates of growth from 1990-2000, with the exception of South Korea. GDP growth rates for the Asian Tigers showed similar trends, with China's GDP growing at an average of 13.4 per cent from 1990-2000. As table 2.6 shows, the growth in both the value of GDP and total manufacturing output in China and the Asian Tiger economies has easily outstripped the EU and OECD averages since the early 1980s.

Table 2.6 Growth rates in the Asian tiger economies and China, 1980-90 and 1990-2000

Country	GDP: Average annual growth (%), 1980- 90	GDP: Average annual growth (%), 1990- 2000	Manufacturing output: Average annual growth (%), 1980- 90	Manufacturing output: average annual growth (%), 1990-2000
Malaysia	5.3	7.0	9.3	9.8
South Korea	8.9	5.7	12.1	7.5
Thailand	7.6	4.7	9.5	6.7
Indonesia	6.1	4.7	12.6	7.6
Singapore	6.7	7.8	6.6	7.1
China	11.1	13.4	10.1	10.3
OECD	3.3	2.5	...	2.5
EU	2.4	1.8	...	0.8

Sources: World Bank (2000), p.184; World Bank (2001), p.196; IMF (2002), pp.204-6; World Bank (2004), p.184.

Criticisms of the (economic) globalisation thesis

Despite the apparent weight of the evidence provided by advocates of the globalisation thesis, traditionalists and, to a lesser extent, transformationalists, have criticised this evidence on three main grounds. First, it has been argued that the extent of globalisation has been systematically over-emphasised. While the trends outlined above are not necessarily questioned, traditionalists point to other sources of evidence to argue that the international economy is less integrated than is commonly supposed. Such accounts suggest that there are important *limits to globalisation*, leading traditionalists to use the term 'internationalisation' rather than 'globalisation' to describe current trends. Second, a number of authors note that, despite the growing overall level of international economic activity, the trends commonly pointed to as evidence of 'globalisation' are highly uneven in global terms. Economic and informational flows occur primarily between the advanced industrial nations, with much of the planet effectively cut off from both the international and informational economies. This evidence is used to point to the *uneven geography of globalisation*, in which the world economy is overwhelmingly dominated by the advanced industrial nations. Third, a number of recent accounts have argued that many of the features of globalisation discussed above were equally in evidence in the period 1870-1914. Indeed, on some indicators, the economy may have been more internationalised in 1914 than it was in 1994 (Hirst and Thompson, 1996). Given this evidence of *long-run internationalisation*, traditionalists express caution about assuming that globalisation represents a sudden, contemporary shift in economic relations that is without historical precedent.

(i) *The limits to globalisation* - traditionalist accounts argue that trends in international economic activity have been frequently misinterpreted and their influence on domestic economies persistently overestimated. Krugman (1996) points out that analyses of globalisation tend to focus on sectors most subject to international competition and that, once a wider view of the economy is taken, in particular with reference to services, it appears that the majority of economic activity is not especially subject to global competition. However, even if we restrict our analysis to manufacturing, there are strong grounds on which to dispute the globalisation thesis.

Further analysis of FDI flows raises important questions about the extent to which manufacturing production has been transferred from a de-industrialising global North to low-wage economies in the global South. The phenomenal growth of global FDI in recent decades is beyond doubt, but it is equally clear that FDI flows are primarily accounted for by TNCs headquartered in the OECD shifting operations between developed economies (see table 2.8). In addition, while there are a number of high-profile cases of TNCs moving production facilities to developing countries, there is inadequate evidence to suggest that such investment is generally responsible for large-scale job loss in the developed world. Rowthorn and Ramaswamy (1999) calculate that increased international trade between North and South explains less than 20 per cent of the decline in manufacturing employment in the OECD economies. Moreover, where North-South trade has prompted job loss in the OECD, it is mainly as an indirect impact, acting as an incentive to increase productivity through the introduction of new technologies. These findings therefore confirm Krugman's (1996) view that manufacturing job loss in advanced industrial nations is best explained by technological change, rather than by the export of manufacturing jobs to developing countries. Moreover, Rowthorn and Ramaswamy (1999) suggest that de-industrialisation has largely resulted from the internal dynamics of advanced economies, such as the declining investment in manufacturing relative to services, rather than from external competition.

The proportion of EU imports originating from the Asian Tiger and Chinese economies provides further evidence of the relatively modest impact of the latter countries' growth on the advanced economies. Table 2.7 shows that imports from the 'Dynamic Asian Economies' and China do account for a growing share of European Union GDP, rising from 0.6 per cent in 1982 to 2 per cent in 2000. However, this proportion is still dwarfed by the value of imports from OECD countries, which rose from 18.1 to 22.9 per cent over the same period. Again, such figures would appear to suggest that the extent of the shift of global production has been exaggerated. Despite its size, recent rates of economic growth and much vaunted industrialisation, China accounted for only 2.9 per cent of the volume of manufactured goods exports in 1995, rising to 3.9 per cent in 2000. Over the same period, the USA's share rose from 11.5 to 12.3 per cent (Angang, 2003, p.6).

Table 2.7 Imports by source as share of European Union GDP, current prices, 1962-2000

<i>Year/Source</i>	<i>OECD</i>	<i>DAEs/China</i>	<i>Other non-OECD*</i>
1962	12.5%	0.3%	2.9%
1982	18.1%	0.6%	2.9%
2000	22.9%	2.0%	2.6%

*Excluding OPEC

Source: Trades Union Congress (2002), p. 12.

These findings support the view that industrial capital is far less mobile than is commonly assumed in the globalisation literature, and that its movement is importantly constrained by ‘sunk costs’ in particular localities, as well as a dependence upon particular labour market conditions, local regulatory practices and agglomeration economies, such as supply chains (Kelly, 1999). Furthermore, the need to reassess the extent of migration of production facilities to developing countries is, in part, a reflection of the exaggerated significance accorded to the notion of TNCs as genuinely global operations. Dicken (1998, p. 193) notes, ‘there are very few, if any, truly “global” corporations’, pointing out that all TNCs have an identifiable home base. Moreover, most TNCs remain firmly embedded in the local and national contexts of their headquarter location, with the majority of their assets and employees based in the same country. To underpin this view, Dicken ranks the world’s 100 largest TNCs by an ‘index of transnationality’, made up of the respective proportion of foreign sales, foreign assets and foreign employment. He finds that only 42 of these 100 TNCs have an index of more than 50 (i.e. the majority of their activity is overseas). Notably, of the 13 TNCs with an index of over 75, none originated from the United States. Instead, the TNCs that head this ranking typically originate from small national economies such as Switzerland, Sweden, Belgium and the Netherlands. Thus, Dicken (p.194) concludes that ‘Ford is still essentially an American company, ICI a British company, Siemens a German company’. These findings are underpinned by similar analysis carried out by Ruigrok and von Tulder (1995) which suggests that, of the largest 100 international companies, only 40 generate at least half of their sales abroad, while just 20 have over half of their production facilities abroad. In addition, the same authors go on to show that if key strategic roles are taken into consideration, virtually all 100 companies are firmly rooted in their respective national contexts:

only a tiny majority of these firms have non-nationals on their senior executive boards, while functions such as research and development remain firmly under domestic control.

(ii)The uneven geography of globalisation - although FDI flows have increased significantly in recent decades, they remain a relatively small proportion of total investment globally and are distributed highly unevenly (Hirst and Thompson, 1996). UNCTAD (2001) reports that 95 per cent of global FDI is shared between just 30 countries while Hirst and Thompson (1996) find that 75 per cent of FDI remains within the Triad. Indeed, table 2.8 shows an even greater degree of concentration: in 2000, Western Europe and the United States together accounted for 72 per cent of FDI inflows and 83 per cent of FDI outflows. By contrast, Latin American, the Caribbean and Africa received only 7.4 per cent of global FDI between them. The extreme unevenness of global FDI flows is nowhere seen more starkly than in the case of the African continent – which accounted for just 0.6 per cent of inflows and a meagre 0.06% of outflows in 2000. The only developing economies to figure significantly in relation to FDI flows are those of South, East and South East Asia, which received a tenth of global FDI flows in 2000 and were responsible for 7.2 per cent of outflows. However, 76 per cent of FDI in this region was accounted for by China alone. China’s share of FDI is, moreover, a reflection of the importance of the former British colony of Hong Kong – to which \$64 billion of FDI flowed in 2000, 45 per cent of total for the entire Asian continent (UNCTAD, 2001).

Table 2.8 Distribution of foreign direct investment by region, 2000

	<i>Inflows</i>	<i>Outflows</i>
Western Europe	49.8%	71.3%
United States	22.1%	12.1%
South, East and South-East Asia	10.8%	7.2%
Central and Eastern Europe	2.0%	0.3%
Japan	0.6%	2.8%
Latin America and the Caribbean	6.8%	1.2%
Africa	0.6%	0.06%
Other	7.3%	5.5%

Source: Compiled from UNCTAD (2001), p.3.

Table 2.9 Share of world merchandise trade, by region, 1990 & 2000

	<i>Exports</i>		<i>Imports</i>	
	1990	2000	1990	2000
North America	14.4	16.5	15.4	21.4
Latin America	5.4	5.6	5.9	5.8
Western Europe	40.1	39.0	44.6	38.9
CE Europe/CIS	7.7	4.2	7.4	3.6
Africa	6.0	2.3	4.7	1.9
Middle East	10.5	4.0	5.0	2.6
Asia	15.9	28.4	17.0	24.8
Un-attributed	7.7	4.2	0.0	1.0
TOTAL	100.0	100.0	100.0	100.0

Source: Compiled from World Trade Organisation (2002).

Similarly, despite the increased volume and value of trade across national boundaries, international trade remains highly concentrated within the Triad. Estimates of the proportion of global trade contained within the developed market economies vary from between 60 per cent (Dicken, 1998) and 70 per cent (Hutton, 1995b). Data produced by the World Trade Organisation (2002) confirm this pattern: North America, Western Europe and Japan collectively accounted for 58 per cent of all world exports and 66 per cent of world imports in 2000 (see table 2.9). Moreover, as table 2.9 shows, the world's most developed regions maintained or increased their share of world exports and imports between 1990 and 2000, while Africa in particular became increasingly disconnected from world trade flows. The sharp increase in Asia's share of world trade, particularly exports, reflects the growth of industrial production discussed above, but it is evident that it has not occurred at the direct expense of exports originating from Western Europe or North America. Such evidence would appear to confirm Smith's (2001) view that much activity labelled as 'globalisation' should more accurately be described as 'transnational' in its orientation. Similarly, Low (1997) argues that there is limited evidence of a 'global scale' being constructed. Rather than economic flows becoming disembedded as part of a global 'space of flows', long-established networks of flows, rooted in national and local economies, are being restructured and extended.

(iii) Long-run internationalisation: is globalisation 'new'? The question of how globalisation should be distinguished from internationalisation becomes particularly

pertinent if a more historical perspective is taken. Many of the contemporary developments taken to be indicative of globalisation were equally prevalent features of the international economy from 1870-1914. Four key parallels are especially evident. First, the volume of international trade grew at about 3.5 per cent per annum from 1870-1914 reaching a peak of 17 per cent of world GDP in 1914 (Hirst and Thompson, 1999, p.22). Following the decline in international trade in the 1920s and 1930s, it was not until 1980 that global trade as a proportion of total economic activity returned to its 1914 levels (Schwartz, 2000, p.3). Even after the continued growth of international trade since 1980, countries such as the UK, Japan and the Netherlands were less open to the international economy in 1995 than they were in 1913 (Hirst and Thompson, 1999). Second, there are similar trends in relation to foreign direct investment, which rose from around £420 million in the mid-1850s to approximately £4,750 million in 1900. By 1914 the figure had increased to £9,500 million and Howell (1998) estimates that in 1913 the export of international capital constituted almost 6 per cent of the GDP of the G7 economies. From 1913 onwards, international capital flows fell sharply, only re-entering a period of sustained growth after 1970.

Third, it is also evident that foreign direct investment in the period 1870-1913 was largely undertaken by companies that effectively constituted the forerunners of modern-day TNCs. Dunning (1983) suggests that by 1914 some \$14 billion had been invested in overseas plants or enterprises and that several developing economies 'were dominated either by affiliates of MNEs (multi-national enterprises) or by foreign enterprises' (cited in King, 1990a, p.18). Large British concerns, in particular, pioneered the approach of 'production abroad for local markets' (Hirst and Thompson, 1999, p. 20) that has subsequently become characteristic of transnational enterprises. Finally, once due account is accorded to the role of late nineteenth century developments in transport and communications in underpinning this burgeoning international economy, such as the growth of steamship travel and the invention of the telegraph, there are strong grounds for deeming the period from 1870-1914 as the 'take-off phase of globalisation' (c.f. Robertson, 1992). Such findings suggest good reason to be sceptical about the notion of globalisation constituting a 'new and distinct phenomenon' (Hirst and Thompson, 1996). Indeed, the parallels between the late 20th and late 19th centuries are such that it is has been

argued that 'the modern world economy....is becoming much more like the world economy that existed in the late nineteenth century' (Schwartz, 2000, p.2).

Globalisation, internationalisation or transnationalism?

In light of the above, it has been proposed that there is a need to distinguish between concepts of internationalisation, transnationalism and the more far-reaching concept of globalisation (Hirst and Thompson, 1996; Hutton, 1995b; Scholte, 1997a, 1997b; Smith, 2001). As Scholte (1997a, p.14) notes, if globalisation and internationalisation are used interchangeably 'then to talk of globalisation is redundant' since international affairs have been debated for decades, if not centuries. In a slightly different vein, Smith (2001) proposes a distinction between globalisation and transnationalism, with the former implying a decentred global economy and 'the space of flows', whereas the latter stresses that socio-economic processes remain anchored in nation-states, while also increasingly transcending them. Critics of the globalisation thesis have also advocated that 'triadisation' would be a more accurate distinction in view of the domination of the three principal trading blocks of North America, Western Europe and Japan (Hirst and Thompson, 1996).

Such distinctions are of crucial importance. As Scholte (1997b) suggests, many accounts of economic globalisation portray it largely in terms of increased cross-border movement. Typically such accounts emphasise the sorts of trends discussed above – the growth in the aggregate movement of goods, capital and information across national boundaries. Scholte argues that if globalisation is understood in these terms, then it is conceptually no different to internationalisation, particularly in light of the similar trends evident during the late nineteenth century. As a result, Scholte suggests that globalisation should be used to refer to two specific forms of global transaction that go beyond internationalisation. The first of these, Scholte argues, is the growth of open-border transactions, involving the emergence of truly global companies, trade and finance operating in an increasingly borderless world. The second is the emergence of trans-border transactions, through which economic relations transcend spatial barriers such as distance and national borders. This implies not just a greater quantity of international economic flows, but that such relations have a different quality, bringing about 'a fundamental transformation of geography'

(Scholte, 1997b, p.434). Although Scholte does not make the inference himself, restricting globalisation to such forms of activity accords particular significance to the emergence of world cities as the principal locations of transnational companies, international financial markets and the central orchestrators of the changing geography of global capital flows. It is to this issue of the role of world cities in a globalising economy that I now turn.

2.3 The development of world cities research

Despite some historical antecedents, it was during the early 1980s that the world city emerged as a theoretical perspective on urban change.¹ Following on from Friedmann and Wolff's lead, world cities have variously been defined as 'nodal points to co-ordinate and control ... global economic activity' (Sassen-Koob, 1984, p.10); 'the location of the institutional heights of worldwide resource allocation' (Ross and Trachte, 1983, p.393); and 'the catterpins holding the capitalist world economic system together' (Feagin, 1985, p.1230). In making these claims, there is a general consensus among world city researchers that such cities are characterised by a number of specific functions stemming from their role as key nodes in a new global economic order. These 'world city functions' are, unsurprisingly, closely linked to the key elements of economic globalisation discussed in the first half of this chapter. Thus, world cities are generally seen to be:

- (i) The chief locations for the headquarters of transnational corporations (TNCs) and major national corporations;
- (ii) The leading global centres for companies providing specialist producer services, such as advertising, legal services and management consultancy, particularly to TNCs;
- (iii) The principal international financial services centres, particularly in investment banking and insurance;

¹ It has frequently been noted that use of the term 'world cities' to describe those cities with major concentrations of international economic activity originated with Patrick Geddes (1915) and did not re-appear in writings on cities until half a century later, as the title of Peter Hall's (1965) comparative study of major metropolitan regions 'at the apex of the global urban hierarchy'. However, Friedmann and Wolff (1982) represented the first systematic attempt to theorise the significance of world cities.

- (iv) The sites of the primary international markets for commodities, futures, foreign exchange, equities and bonds;
- (v) The most advanced centres in relation to telecommunications and information processing capabilities;
- (vi) The principal hubs for international air travel;
- (vii) The major source of, and destinations for, foreign direct investment;
- (viii) The major global centres for head offices of professional associations, international governmental and non-governmental organisations, as well as for research and higher education.

The volume and range of academic research on world cities that has been triggered by Friedmann's work stand as a powerful testament to its significance in contemporary urban studies (see, *inter alia*, Smith and Feagin, 1987; King, 1990a; Sassen 1991, 1994; Fainstein, Gordon and Harloe, 1992; Brenner, 1998). Indeed, it is possible to identify two overarching themes in Friedmann's initial work on world cities that have continued to serve as the key organising themes in the world cities literature. These may be summarised as i) the causes of world city formation and ii) the consequences of world city formation (see figure 2.6 for an overview). Both themes have led scholars to identify a number of world city characteristics that have constituted the basis for much comparative analysis. Those authors concerned with the causes of world city formation have identified what might be termed 'primary' world city characteristics, i.e. those arising directly from the world city functions listed above. At the same time, accounts focussing on the various consequences of world city formation also identify a number of world city characteristics, though these are best labelled as 'secondary' since they are mainly interpreted as indirect outcomes of globalisation dynamics. There has been a strong tendency in the literature to suggest that such characteristics point to a process of convergence among world/global cities.

Figure 2.6 Primary and secondary world city characteristics

	<i>World city Characteristics</i>	<i>Key studies</i>
'Primary' (i.e. causes of world city formation)	Growing concentration of TNC headquarters.	Smith & Feagin, 1987; Lyons and Salmon, 1995
	Growing numbers of international banking and insurance offices.	Budd & Whimster, 1992
	Growth of (international) trading on commodity and financial markets.	Sassen, 1991; Budd & Whimster, 1992
	Growth & development of airports as key international hubs.	Keeling, 1995; Smith & Timberlake, 2001
	Large-scale investment in advanced telecommunications infrastructure.	Castells, 1989; Graham and Marvin, 1996
	Large flows of inward and outward foreign direct investment.	Sassen, 1991
'Secondary' (i.e. consequences of world city formation)	De-industrialisation and decline of manufacturing employment.	Sassen, 1991; Graham & Spence, 1995
	Decentralisation of routine office jobs.	Sassen, 1991
	Large-scale development of high quality, advanced office space.	King, 1990a; Fainstein, 1994
	Growth of employment in financial and producer services.	Sassen, 1991
	Emergence of a highly paid elite service class.	Beaverstock, 1991, 1994, 1996; Noller & Ronneberger, 1995
	Development of luxury residential accommodation and acceleration of residential gentrification.	Carpenter and Lees, 1995
	Growth of low-paid, low-skill occupations.	Sassen, 1991
	Increased immigration and greater ethnic diversity.	King, 1996; Friedmann & Lehrer, 1997
	Greater occupational, income and social polarisation.	Sassen, 1991; Fainstein, Gordon and Harloe, 1992
	Increased social tension.	King, 1990a; Marcuse & van Kempen, 2000

The causes of world city formation: globalisation and the re-ordering of urban hierarchies

This first theme concerns the definition of world city functions and the identification of the causes of world city growth, such as the exponential growth of international financial markets and the changing corporate strategies of transnational corporations. This focus has given rise to a number of accounts of the specific role of world cities in the global economy (Sassen, 1991, 1994) and has also led to detailed studies of particular world cities, with a strong bias towards London, New York and Tokyo (Sassen, 1991; Fainstein, Gordon and Harloe, 1992; King, 1990a). While virtually all such accounts of world/global city formation locate the causes of this process in developments in the global economy, disputes surrounding economic globalisation are inevitably reflected in the world/global cities literature. In addition, as Sun (2001) reminds us, the origins of the 'world city' and 'global city' concepts reflect distinctive theoretical antecedents. Friedmann and Wolff's original conception of the world city was developed before the term 'globalisation' had emerged as a key concept in the social sciences and was put forward as a development of world systems theory (Wallerstein, 1974, 1979, 1980, 1983, 1989). Thus, in Friedmann and Wolff's original formation, world cities were largely interpreted as 'basing points' for international capital within the context of the NIDL. Accordingly, transnational corporations were defined as the key actors driving the process of world city formation, and seen as a basis for constructing 'a linked set of markets and production units' (Friedmann and Wolff, 1982, p.311-2). Conversely, the term 'global city' originated in the work of Saskia Sassen (1991) and was rooted in a then emerging globalisation paradigm that attached particular significance to developments in international finance and to the emergence of new technologies. As Smith (2001) notes, Sassen was explicit about shifting the focus away from transnational corporations as *actors* and towards the *structures* of production. This important conceptual distinction has largely been lost in the avalanche of world/global city studies that have been published since the early 1990s, with the two terms increasingly being used interchangeably.

One consequence of Sassen's subtle re-working of Friedmann and Wolff's world city hypothesis was that globalisation and global city formation quickly came to be perceived as two sides of the same coin. Sassen (1991) was one of the first authors to

emphasise the need for globalisation dynamics to be grounded, arguing this gives rise to the emergence of 'global cities' as strategic places in the international economy. She argues that the concentration of higher-order corporate activity found in world cities is the direct result of 'the specific forms assumed by globalization over the last decade' (Sassen, 1994, p.19). The breakdown of the Bretton Woods agreement in the early 1970s is seen to have triggered a fundamental reorganisation of productive and financial capital on a global scale (Sassen, 1991, 1994). In Sassen's interpretation, this process of globalisation is characterised by two simultaneous, countervailing dynamics. On the one hand, globalisation involves the dispersal and decentralisation of both manufacturing production and financial services activity. On the other, the management of these dispersed forms of global activity creates a need to concentrate the central command functions of both productive and financial capital in particular places.

Thus, according to Sassen, globalisation points to the emergence of a new international economic order that is 'both spatially dispersed, yet globally integrated' (Sassen, 1991, p.3) and that has 'created particular organisational requirements' (Sassen, 1994, p.19). In particular, it is the need to plan and manage complex global operations from central points that leads to the emergence of global cities as 'strategic places in the global economy' and 'crucial nodes for the international coordination of firms, markets and even whole economies' (Sassen, 1994, p.29). There are seen to be several reasons why global cities emerge as the nodal points in the new global economy. First, co-ordination activity depends increasingly on advanced telecommunications technology that is most highly developed in global cities. Second, the process of concentrating 'global control capability' depends upon the availability of, and fuels demand for, a vast range of specialist skills and knowledge that cannot all be provided 'in-house'. As a result, the tendency towards the concentration of major corporations in global cities also creates a vast demand for the services of 'specialized firms providing legal, accounting, financial, public relations, management consulting, and other such services' (Sassen, 1991, pp.11-12). These 'producer services' are of critical importance to Sassen's conception of the global city, which underpins wider evidence that agglomeration effects are central to the centralisation of advanced service functions in global cities (Clark, 1996).

A further element of the world city hypothesis is that, in addition to acting as the central nodes for global capital, world cities are themselves hierarchically ordered, serving distinctive markets and regions. Consequently, the analysis of world city functions has also spawned an ongoing debate about the most appropriate way to rank world cities according to their relative position in the global urban hierarchy (e.g. Friedmann, 1986; Short et al, 1996; Godfrey and Zhou, 1999). An astonishing diversity of methodologies is deployed in such rankings (see box 2.2). The central role accorded to TNCs as the drivers of world/global city formation has meant that the number of TNC headquarters in a city has become a stock indicator, and is sometimes used as the sole criterion (Smith and Feagin, 1987; Godfrey and Zhou, 1999). However, other studies such as Friedmann (1986) use as many as seven indicators. In more recent years, an alternative 'relational' approach to world cities research has also emerged, that examines the operation of world cities as a network rather than a strict hierarchy (Beaverstock, Smith and Taylor, 2000; Felsenstein et al, 2002a). This approach, which suggests that urban hierarchies are breaking down, as opposed to being re-ordered, in the face of globalisation, is explored in more detail in chapter 4.

The consequences of world city formation: globalisation and urban change

The second central theme in the literature concerns the implications of the process of world city formation for local economic, social and political processes, in other words, the consequence of world city growth. While the likely implications of world city formation for 'internal' social and economic processes were highlighted by Friedmann and Wolff (1982) and Friedmann (1986), it was again the work of Saskia Sassen (1991) that contained the first, detailed exposition of the urban consequences of globalisation. In particular, Sassen (1991) puts forward two highly influential, linked hypotheses regarding both economic restructuring and social polarisation in world/global cities that have formed the basis for much subsequent research and analysis. These hypotheses may be summarised as follows.

- (i) The dispersal of manufacturing activity associated with globalisation has prompted large-scale de-industrialisation in cities in advanced capitalist economies. At the same time, the concentration of advanced service functions in global cities has dramatically enhanced the salience of

financial and producer services to their local economies and accelerated the decline of their respective manufacturing sectors.

(ii) These processes of economic restructuring associated with world city growth are argued to have profound implications for the social order of cities, reflected primarily in occupational and social polarisation. Sassen suggests that there are numerous factors driving the process of occupational polarisation, which are, in turn, reflected in growing income differentials, as well as in the increased residential segregation of social groups across urban space:

- The shift from manufacturing to advanced services simultaneously involves the loss of generally unionised and relatively well-paid jobs and the growth of a highly paid service class elite.
- The growth of employment in advanced services promotes occupational polarisation within itself, with jobs created not only for this new elite, but also in low-paid, routine clerical roles and unskilled functions such as office cleaning.
- The emergence of a sizeable professional elite fuels demand for consumer services ranging from restaurants to leisure facilities and specialist shops, that generates additional growth in relatively low-paid work.
- World city formation tends to trigger increased flows of international migration to global cities, resulting in a steady supply of labour to fill such low-wage employment opportunities and sustaining the growth of informal economic activity.

Sassen's hypotheses regarding economic and social restructuring have inspired a vast number of subsequent studies. A number of accounts have used Sassen's framework to highlight the impact of economic restructuring on the built environment of world cities, with particular reference to office development (King, 1990a; Fainstein, 1994; Pryke, 1991, 1994). Similarly, Sassen's social polarisation thesis launched a series of studies examining the relationship between economic change, labour markets and social polarisation in the world city context (Sassen, 1991; Fainstein, Gordon and Harloe, 1992; Hamnett, 1994; Simmie, 1994b; Marcuse and van Kempen, 2000). At the same time, however, Sassen's proposals have been subject to extensive criticism

and debate, including a number of direct challenges to her theses regarding economic restructuring (Graham and Spence, 1997; Buck et al, 2002) and social polarisation (Hamnett, 1994, 1996a, 1996b). These debates are reviewed in more detail in chapter 4 with specific reference to developments in London and Frankfurt.

Box 2.2 Leading examples of world/global city rankings

1) Friedman, 1986 (composite of seven indicators)¹

Core Countries		Semi-periphery countries	
Primary	Secondary	Primary	Secondary
London	Brussels	São Paulo	Johannesburg
Paris	Milan	Singapore	Buenos Aires
Rotterdam	Vienna		Rio de Janeiro
Frankfurt	Madrid		Caracas
Zurich	Toronto		Mexico City
New York	Miami		Hong Kong
Chicago	Houston		Taipei
Los Angeles	San Francisco		Manila
Tokyo	Sydney		Bangkok
			Seoul

¹ Indicators: significance of financial centres, number of TNC headquarters, presence of international institutions, growth of business services sector, size of manufacturing sector, significance as transportation nodes, population size.

2) Cohen, 1981 (Indicators –TNC headquarters and international banking)

First rank – New York, Tokyo, London.

Second rank – Osaka, Rhine-Ruhr, Chicago, Paris, Frankfurt, Zurich.

3) Smith and Feagin, 1987 (Indicator: Cities with more than 10 TNC headquarters)

- | | | |
|---------------------|---------------------|-----------------|
| 1) New York (59) | 2) London (37) | 3) Tokyo (34) |
| 4) Paris (26) | 5) Chicago (18) | 6) Essen (18) |
| 7) Osaka (15) | 8) Los Angeles (14) | 9) Houston (11) |
| 10) Pittsburgh (10) | 12) Hamburg (10) | |

4) Godfrey and Zhou, 1999 (Indicator: location of headquarters and first level subsidiaries of world's largest 500 corporations)

- | | | |
|-------------------|----------------------|--------------------|
| 1) New York (69) | 2) Tokyo (66) | 3) London (50) |
| 4) Hong Kong (40) | 5) Singapore (35) | 6) Milan (30) |
| 7) Paris (29) | 8=) Mexico City (28) | 8=) Madrid (28) |
| 10) Seoul (26) | 11=) Sao Paulo (25) | 11=) Zurich (25) |
| 13) Osaka (24) | 14) Beijing (23) | 15=) Sydney (22) |
| 15=) Chicago (22) | 15=) Frankfurt (22) | 15=) Brussels (22) |

2.4 Critical reflections on the world/global city literature

Despite the extensive nature of the literature, it remains possible to identify a number of weaknesses and lacunae in existing accounts of world cities. First, a key problem has been the tendency for research to assign undisputed primacy to economic forces as the drivers of social and economic change. While Friedmann (1986) and Friedmann and Wolff (1982) propose multi-dimensional agendas for world city research, that include reference to the social and political implications of world city formation, their frame of reference is essentially derived from a Marxian framework that assumes the primacy of base over superstructure. As Smith (2001, p.58) notes 'the global cities thesis centrally depends on the assumption that global economic restructuring precedes and determines urban spatial and sociocultural restructuring'. The subsequent bifurcation of the world cities literature discussed above is thus derived directly from this narrow assumption that economics constitutes the 'prime mover' of social and political change in a capitalist order. Until the mid-1990s, the world city literature was overwhelmingly dominated by accounts that interpreted world city formation as the outcome of the requirements of global capital or that charted the impact of economic changes at the global level on the local circumstances of world cities. As such, causal relationships were seen as operating in a single direction, assuming the primacy of the economic over the political. Such an approach also supposed that world cities exhibited increasingly convergent patterns of development, yet a succession of empirical studies have pointed to enormous differences in the way that cities relate to global change.

Second, as a direct consequence of the above, there has been a re-assertion of the significance of the local in the globalisation and world cities literatures (Keil and Lieser, 1992; Smith, 2001). It has been argued that the dominance of economic assumptions has produced a powerful tendency for writing on world cities to adopt a top-down interpretation of world city formation (Keil, 1998b). As a result, it has been argued that the world city hypothesis ascribes too much significance to global forces, thereby neglecting key local dynamics. This bias is seen most clearly in the factors that are identified as driving global city growth discussed briefly above. Essentially, changes at the global level are held to result directly in change at the local level, arising from the requirements of global capital to localise key strategic functions.

Thus, local processes are defined increasingly in terms of the functioning of the global economic system, evidencing a powerful tendency to privilege the global over the local and to ascribe the latter with virtually no autonomous significance. As a result, Ward (1995) argues that one of the key weaknesses in work on world cities is the lack of attention it pays to the uniqueness of the cities under examination, particularly in relation to the specifically local processes that continue to differentiate them. Similarly, Beauregard (1995) points to a bias in the literature towards the examination of the outward articulation of world cities - particularly in relation to world city hierarchies and the relationship between world cities and the global economy - at the expense of accounts which examine how internal processes in world cities interact with globalisation dynamics. Viewing world city dynamics from a local level, however, makes clear that places mediate globalisation in different ways depending on their particular social, cultural and political contexts. As Knox (1996, p. 126) argues 'globalisation is variously embraced, resisted, subverted, and exploited as it makes contact with specific cultures and settings'.

Third, this tendency to assume the primacy of the global over the local is closely related to a characteristic blind spot among world city scholars regarding the role of politics and the state (Smith, 2001). To the extent that they were discussed at all in the world cities literature before the mid-1990s, political processes were largely conceived of in a highly passive sense (Ward, 1995). It was generally suggested that local politics in the world city context were being re-configured by powerful globalising forces, reflecting the decline of the state at all levels (Keil, 1995a). This interpretation was in many ways a reflection of the wider fact that political scientists were initially slow to engage not only with the world cities literature but also more generally with debates surrounding globalisation and the state. This tendency has been partially corrected in more recent world city research that has begun to re-balance the world city debate by focusing attention on the multi-scalar dynamics of globalisation and stressing the significance of local and national politics in world city formation (Keil, 1995a, 1998b; Brenner, 1998, 1999, 2000a). While it is evident that much of this work is in its infancy and lacks sufficient empirical grounding, its re-assertion of the importance of political institutions and governance is of particular importance to political science, and to the central contentions of this thesis.

Fourth, both of these sets of concerns underline the extent to which the world/global city hypothesis has been underpinned by a narrowly functionalist approach that allows little room for the role of human agency (Smith 2001). This has occurred, in part, because much writing on world/global cities fails to recognise the contested nature of the underlying globalisation thesis. Such tendencies are particularly evident in Sassen's reformulation of the world city hypothesis. As was noted above, Sassen deliberately focuses on production processes rather than on the role of TNCs, governments or international organisations. As Smith (2001, p.56) suggests, Sassen's work thereby 'explicitly rejects the actor, powerful or otherwise, as a unit of analysis'. Yet, as Keil (1998b, p.620) argues, globalisation and global city formation do not simply 'gain shape above and seemingly outside of national, regional and urban scales and flow into the empty receptacles of local places'. Instead, globalisation is forged in particular places and is crucially determined by decision-making processes at multiple spatial scales. The role of agency is therefore of crucial significance in understanding the dynamics of world cities.

Fifth, because of its powerful contemporary bias, the literature on world cities has generally been founded on a view that the key processes promoting globalisation emerged from the mid-1970s onwards and that the process of world city formation has taken place in the specific context of this emergence of *new* forms of capitalist organisation over the same period. Yet, given the parallels between contemporary globalisation dynamics and the emergence of a global economy in the 19th century, the dearth of historical accounts of world cities is surprising. It is certainly true that there are also critical differences between the forms taken by the global economy in these two periods. In particular, the growth of the international economy from 1870-1914 was primarily driven by the British colonial mode of production and, to a lesser extent, by the process of state formation and imperial expansion elsewhere in Western Europe. Nonetheless, the tendency towards a lack of historicisation in the world cities literature (Smith, 2001) is a significant failing since previous periods of internationalisation clearly constitute a key factor shaping the global urban hierarchy of the late twentieth century (see King, 1976, 1990a, 1990b). As King (1990b) notes, many of today's world cities were also the metropolitan capitals of the European colonial empires (London, Paris, Brussels) or played a key role as zonal or regional centres within those empires (Sydney, Toronto, New York, Hong Kong, Buenos

Aires, Manila). Similarly, Le Galès (2002) demonstrates that the significance of a number of medium-sized European cities in the contemporary global economy is the product of their long-run importance as international trading centres.

Finally, while the world/global cities literature has tended to accept the dominance of the triad in the world economy (for instance by placing New York, London and Tokyo at the pinnacle of the world cities hierarchy), it has given little recognition to the implications of the uneven geography of the global economy or to the importance of economic and political developments within each of these three trading blocks. In particular, the role of European integration has been largely overlooked, despite its independent importance in shaping the impact of globalisation on European cities and in producing a specifically European urban hierarchy (Cheshire, 1990; Meijer, 1993; Shacker, 1994; Wilks-Heeg et al, 2003). As a result of these dynamics, London is connected to, and in competition with, other cities within Europe in a way that New York and Tokyo are not. In addition, the global weight of the European economy is such that it has enabled a number of relatively small European cities to exert disproportionate global influence, chief among them Amsterdam, Zürich and Frankfurt. Given these observations, it is important to consider in more depth the specifically European dimensions of urban change in Europe.

A European urban system? European integration and urban change

The progressive removal of barriers to trade, to inter-firm competition and to the movement of the mobile factors of production (capital and labour), culminating in the introduction of the Single European Market in 1992, are all recognised to have had profound effects on the continent's internal economic geography. Allied developments, including the European Commission's promotion of supply-side interventions such as privatisation and market deregulation and, most recently, the introduction of the Single European Currency (the Euro) in 2002, have underpinned these trends. As a result, European integration has not only intensified inter-firm competition for European market share between indigenous companies, but has also prompted large-scale inward investment by American and Japanese corporations keen to secure a foothold in the now vast European market. At the same time, European integration is also seen to have unleashed greater *territorial competition* within the

EU and, in particular, competition between its cities (Amin and Thrift, 1994; Cheshire and Gordon, 1996; Bagnasco and Le Galès, 2000).

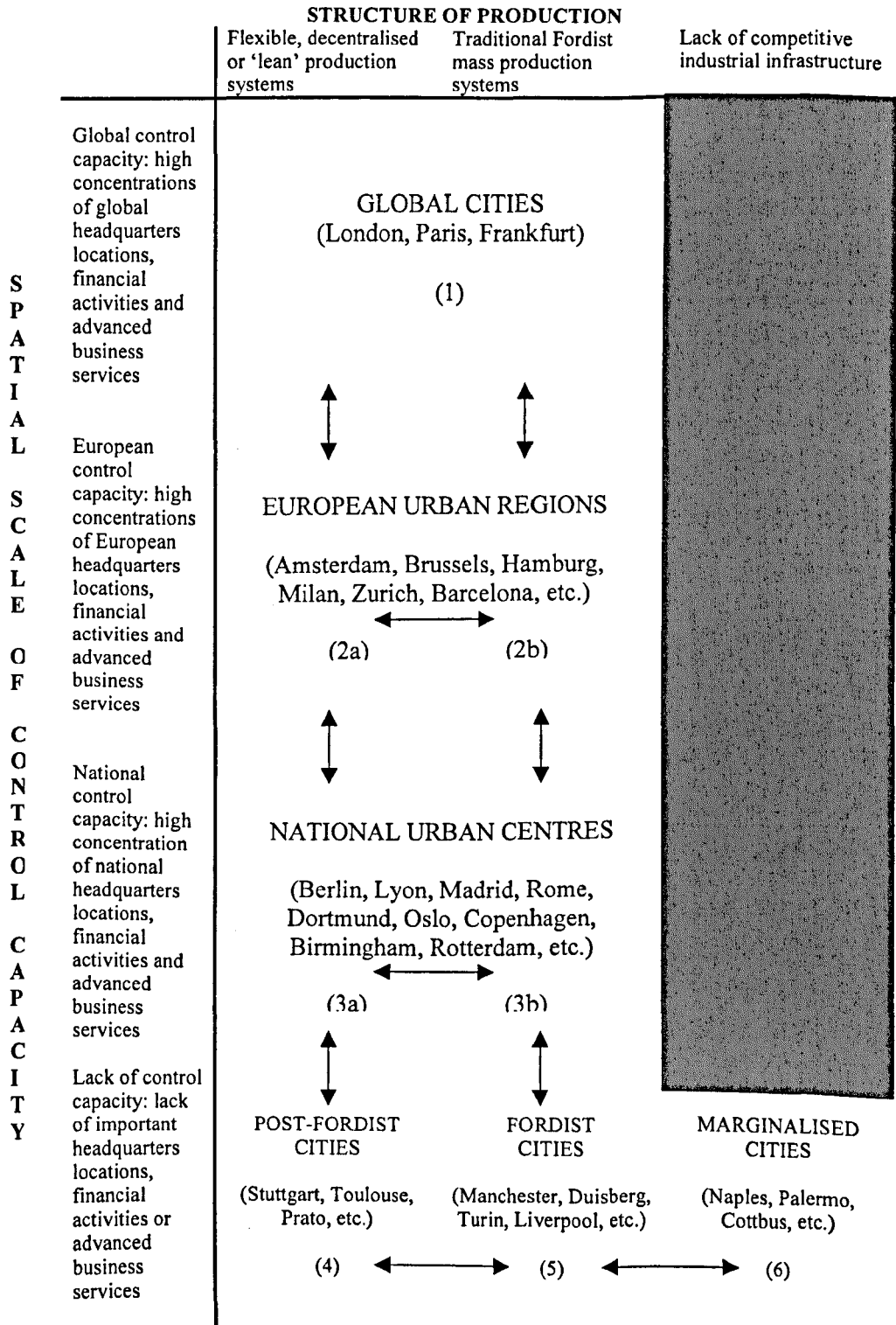
As a result, a number of studies over the past 10-15 years have sought to analyse the changing role and status of Europe's cities (Cheshire et al, 1986; Cheshire, 1990, 1999; Lever, 1999; Brunet, 1989; Dematteis, 2000; Brenner, 2000b). It is widely suggested in this literature that the structural economic change associated with European integration and subsequent territorial competition has contributed to a significant re-ordering of European metropolitan hierarchies. Brenner (2000b) suggests that the changing European urban hierarchy can be captured using the typology presented in figure 2.7. Using the shift from Fordist to flexible specialisation systems and the varying degrees to which cities exercise 'control capacity' (for instance, as financial centres or key locations for corporate headquarters) in the European economy as the two principal dimensions of structural economic change, the typology sketches out a six tier European urban hierarchy. At the pinnacle of this hierarchy are the 'global cities' of London, Paris and Frankfurt, followed by a number of 'European urban regions', including Amsterdam, Milan and Barcelona. At the bottom of the hierarchy we find those cities most marginalized in the contemporary European economy – the likes of Naples and Cottbus – and, just above these, those cities that have struggled particularly with the transition from Fordist production processes – such as Duisberg and Manchester. Sandwiched between these key sets of winners and losers are those cities that have emerged as national urban centres and those that have proved more successful in negotiating the shift to post-Fordist forms of production.

The restructuring of the European urban hierarchy also appears to exhibit a distinctive geographical pattern, with the process of European integration displaying centripetal tendencies (c.f. Brenner, 2000b). Thus, inter-metropolitan competition has tended to favour a group of 'winners' clustered in the European 'core' and generated a number of clear 'losers' in the European periphery. Portrayed as the 'blue banana' (Brunet, 1989) or 'Europe's vital axis' (Dunford and Perrons, 1994), the European metropolitan core is seen to stretch in an arc from south-east of England through the Benelux countries, Germany, Switzerland and into northern Italy. This axis, which incorporates, *inter-alia*, London, Amsterdam, Brussels, Frankfurt, Stuttgart, Geneva,

Zurich and Milan, constitutes a 'vast urban corridor, whose components are tightly interlinked through advanced communications and transportation infrastructures' (Brenner, 2000b, p.57). These features constitute key locational advantages for cities along this axis, which also boast significant concentrations of highly-skilled workers, leaving them well placed to attract further high-order activities (Dunford and Perrons, 1994). By contrast, the remaining EU territory – constituting the Atlantic coast, the southern Mediterranean and Greece and eastern Germany – forms 'an outer layer of relatively underdeveloped zones and peripheries' (Brenner, 2000b, p.58). Notably, the EU largely accepts the definitions of core and periphery sketched out above. This is most clearly demonstrated in the European Spatial Development Perspective (ESDP), which refers to a 'zone of global economic integration' made up of 'a pentagon defined by the metropolises of London, Paris, Milan, Munich and Hamburg' (ESDP, 1999, para. 68).

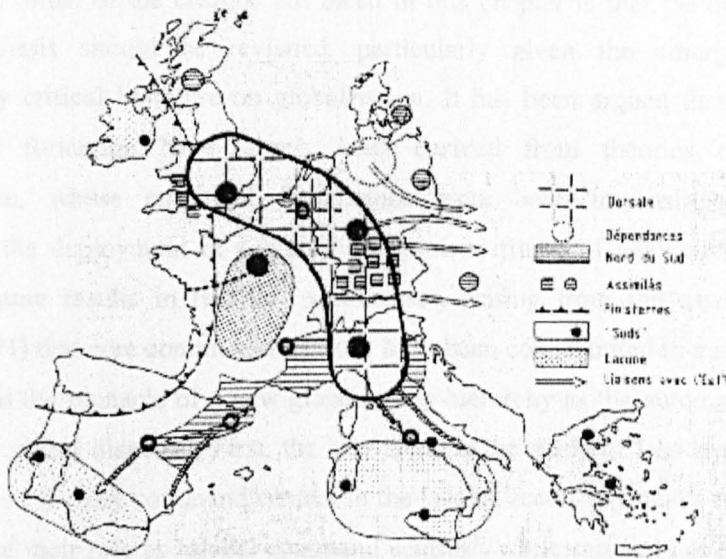
It is debateable as to whether the emergence of a European metropolitan core is as closely bound up with the process of European economic integration as claimed. Taylor and Hoyler (2000) demonstrate that there is remarkable continuity between the 'blue banana' and the European spine of cities identified in the work of Stein Rokkan (1970) as being of long-run historical importance. Similarly, Bagnasco and Le Galès, (2000, p.10) argue that long-run historical evidence suggests '...the hierarchy of European cities has taken centuries to come about'. Moreover, concepts such as the 'blue banana' have frequently been driven more by particular geo-political interests than by detailed empirical analysis (Kunzmann and Wegener, 1991; Brenner, 2000b), reflecting a 'desire to belong to the perceived European core area' (Taylor and Hoyler, 2000, p. 179). Alternative depictions of European metropolitan geography, many continuing the fruit metaphor, such as the 'bunch of grapes' (Kunzmann, and Wegener, 1991) and the 'bowl of fruit salad' (Goddard, 1995), suggest a more decentralised pattern of metropolitan growth in Europe.

Figure 2.7 The changing European urban hierarchy



Source: Brenner (2000b), p.61.

Figure 2.8 The 'Blue Banana'



Source: Brunet (1989).

Nonetheless, it is difficult to deny the importance of the central spine of cities within Europe. Taylor and Hoyler's (2000) ranking of 53 European cities as centres for advanced producer services places all four of Europe's 'alpha' world cities (London, Paris, Frankfurt and Milan) and two of its four 'beta' world cities (Zurich and Brussels) on this central axis. Likewise, Jönsson et al's (2000) analysis of urban accessibility in Europe (based on how many of Europe's inhabitants can reach each of its major cities for a one-day visit) demonstrates a remarkable concentration of key transport and communication hubs along the central spine of cities. A key requirement for comparative studies of European world cities is therefore to position them in relation to a specifically European process of economic and political restructuring. Indeed, for cities and regions in Europe it is arguably the process of European integration, rather than 'globalisation', that has constituted the primary source of structural economic change.

2.5 Conclusion

The central thrust of the critique advanced in this chapter is that the original world city hypothesis should be revisited, particularly given the emergence of an increasingly critical literature on globalisation. It has been argued that accounts of world city formation have largely been derived from theories of economic globalisation, whose empirical foundations have been increasingly contested. Moreover, the deployment of a highly economistic frame of analysis in the world cities literature results in two key weaknesses, arising from the assumption (c.f. Sassen, 1991) that core command functions have been concentrated in a small number of centres at the pinnacle of a new global urban hierarchy as the automatic corollary of capital's global dispersal. First, the bias towards the study of London, Tokyo and New York, as the key command centres in the 'global' economy, tends to exaggerate the extent of their role as 'global command centres', while seriously overlooking the dynamics of world city formation in the European context, within which transnational flows are far more developed than they are at the 'global' scale. Second, the literature on globalisation and world cities has accorded economic globalisation with primary causal influence over political, social and cultural change. In particular, there is an evident tendency towards relatively simplistic, structuralist assumptions regarding the implications of global economic change for localities and for the state. In the main, neither places nor political systems were assumed in the early literature on globalisation and world cities to have any real capacity to resist or subvert the powerful, external forces represented by globalisation.

However, since the mid-1990s, human geographers and political scientists have developed an increasingly forceful critique of such assumptions, through an analysis of the scalar dynamics of globalisation and a reassertion and re-assessment of the role of the state within this process. These debates have been characterised by growing dialogue between the two disciplines, providing fertile ground for the development of more sophisticated, multi-theoretical approaches to world city formation. This analysis has important implications for the way in which world city formation should be understood, as well as for the manner in which the resultant dynamics of world city politics should be approached. It is to these contemporary debates surrounding globalisation, the state and world city politics that I now turn.

Chapter 3

Globalisation, the State and the Re-ordering of Urban Governance

3.1 Introduction

The belated entrance of political scientists to the globalisation debate from the mid-1990s was instrumental in challenging the view that there is effectively a zero-sum relationship between economic globalisation and the state, i.e. that increased globalisation of economic activity implies a decline in the power of the state at all levels (Cerny, 1997; Mann, 1997; Weiss, 1998). However, beyond this initial corrective to the simplistic conception of the state in economic readings of globalisation, little attempt was made among political scientists to assess the implications of global economic change for existing theories of the state. This tendency was echoed in the world cities literature, where political scientists were, by virtue of their absence, as culpable as economists for the under-theorisation of the role of urban politics in world city formation, reflecting a long-standing neglect of the significance of the local state in political science (Keil, 1998b). Instead, for most of the 1990s, political scientists generally deliberated the changing nature of local politics and policy-making in isolation from the wider debates in the social sciences regarding global economic change. This literature increasingly posited a transition from traditional, hierarchical forms of state *government*, to new forms of *governance*, in which political power becomes more diffused and dispersed through the emergence of more complex network structures (Jessop, 1995). Accordingly, the term 'governance' increasingly came to be deployed by political scientists as a conceptual construct, aimed at capturing the changing nature of the policy process in the contemporary state.¹

¹ This tendency was evident in both the study of sub-national politics and policy-making (increasingly denoted by terms such as 'local governance' and 'urban and regional governance') and the analysis of inter-governmental relations and policy networks (where the term 'multi-level governance' came to the fore) (Marks, 1993; Painter and Goodwin, 1995; Rhodes, 1997; Benz, 1998).

However, the Achilles heel of the literature on governance has been its lack of theoretical orientation. Governance cannot, in itself, be claimed to constitute a theory (Jessop, 1998; Stoker, 1998), yet attempts to ground it in wider theoretical accounts have also been lacking.² Crucially, it has been through parallel conceptual developments in human geography that the factors driving this restructuring of state power and its connections to globalisation dynamics have been theorised. During the 1990s, human geographers developed theoretical perspectives on globalisation that focussed on the re-ordering of economic and political power relations across multiple spatial scales. Within this context, the role of the sub-national state was re-considered, with human geographers producing a number of influential new theoretical perspectives on urban and regional governance in the context of structural economic change (Duncan and Goodwin, 1988; Harvey, 1989; Painter and Goodwin, 1995, 2000; MacLeod and Goodwin, 1999; Peck and Tickell, 1995). In particular, geographical accounts of shifting scalar relations made growing use of the notion of a transition to governance, seeing it as a central element of a broader process of the spatial re-ordering of the state and a new political economy of territory under globalisation. Subsequently, it has been the engagement of political scientists with these key debates in human geography that has prompted the emergence of a radical theoretical re-interpretation of the role of the state and urban politics in world city formation (Keil, 1998b; Brenner, 1999, 2000b). Elsewhere, the growing engagement between core concepts in geography and political science has been the inspiration for innovative scholarship on 'Organising European Space' (Jönsson et al, 2000) and the dynamics of territorial competition within Europe (Gordon, 1995; Cheshire and Gordon, 1996, 1998).

This chapter engages critically with this complex, evolving literature. The analysis is presented in five main sections. The first section summarises the predominant theoretical accounts of the state under conditions of globalisation, paying particular attention to two contrasting schools of thought: the 'globalising logic' and 'globalising neo-liberalism' perspectives (c.f. Harding, 2004). This discussion draws out a number of key themes, principally regulation theory, geographical scale, state

² Indeed, the tendency has been for the literature on governance to become increasingly disjointed and eclectic (Jessop, 1998), displaying associations with normative and conceptual notions as diverse as 'the minimal state' and 'socio-cybernetic systems' (Rhodes, 1997).

restructuring and globalisation discourse that are central to the remainder of the chapter. These themes are developed further in the second section, via an initial assessment of how such perspectives have given rise to new theoretical approaches to world cities, with particular attention devoted to theories of state re-scaling in world city formation. The third section engages in a wide-ranging critique of these emerging theoretical approaches. Drawing on British and German accounts of governance, it concludes that theories of state rescaling gloss over the enormous variations in, and independent influence of, inter-governmental relations and world city politics. Arising from this critique, section four assesses the scope for these deficiencies to be addressed via a reconsideration of the insights arising from meso-level theories of inter-governmental relations and urban politics derived from neo-pluralist readings of the state. This entails critical consideration of three principal approaches: multi-level governance/policy networks, path dependency/historical institutionalism, and urban regimes/growth coalitions, all of which are argued to offer valuable tools for operationalising comparative empirical research. The fifth section seeks to extend such middle-range theories by highlighting a number of ways in which the local state has come to engage with international policy issues and drawing further on Smith's (2001) notion of 'transnational urbanism'. On the basis of this synthesis of approaches, the chapter ends with a number of specific hypotheses regarding the politics and governance of world cities that constitute the basis for the analysis presented in the remainder of the thesis.

3.2 Globalisation and the state

Analysis of the role of the state under conditions of globalisation has passed through a number of overlapping phases since the early 1990s. In the first phase, the literature was dominated by accounts that interpreted globalisation as either signalling the decline of the nation-state per se (c.f. positive globalists such as Ohmae, 1990, 1995) or as critically undermining the possibility for progressive, in particular social democratic, national policy regimes (c.f. negative globalists such as Wilks, 1996). A second phase was characterised by the emergence of more sceptical, traditionalist perspectives that, in direct response to the arguments of both positive and negative globalists, asserted the continued centrality of the state (Hirst and Thompson, 1996; Weiss, 1998) and the ongoing possibility of progressive nation-state policies (Geyer et

al, 2000). In the third, and current phase, the emphasis is much more clearly on developing a transformationalist perspective that recognises the active role of states in shaping globalisation, but also argues that globalisation dynamics are prompting a reconfiguration of the state (Kelly, 1999; Dicken et al, 1997; Brenner, 1998, 1999, 2000b). Though the precise nature of these changes, and their underlying causes remain contested, these accounts have been instrumental in moving the debate beyond the relatively simplistic assumption that the nation-state and global capital are locked into a zero-sum game. Instead of focussing on 'less state versus more state', growing attention has been devoted to analysing the way in which the state is taking on new forms and adopting new functions (Kelly, 1999; Moran, 2003).

There is little need to rehearse the globalist v. traditionalist debates alluded to above in any detail. In particular, the argument that globalisation heralds the general demise of the nation-state has been so comprehensively dispatched that it is scarcely necessary to dwell on it at all (see Mann, 1997; Weiss, 1998, 2003). Clearly, some generic features of post-war national economic policy, such as Keynesian demand management or state ownership and regulation of industry, have been critically undermined by the internationalisation of economic activity (Wilks, 1996). However, nation-states remain central to the management and regulation of economic relations within their respective territories. The manner in which globalisation affects the capacity of nation-states evidently depends on their relative size, as well as their political and economic status within the emerging global order (Kelly, 1999). In the case of the G8 economies, nation-states are pivotal in the management and regulation of the global economic order, a role underpinned by their concomitant political and military power (Smith, 2001). Thus, rather than constituting passive 'victims' of globalisation, nation-states are best conceived of as active agents in variously promoting, restricting and resisting globalisation. In particular, the significance of nation-states as key actors driving economic globalisation cannot be underestimated. For instance, it was individual nation-states as members of the OECD that pushed in 1995-8 for a Multilateral Agreement on Investment (MAI), designed to further liberalise international investment flows, a proposal dropped only after intense lobbying of national government by NGOs (Kelly, 1999; McGrew, 2000).

While the task of 'putting the state back in' to analyses of globalisation was an important correction to the over-zealous prognoses of Ohmae (1990, 1995) and other positive globalists, attempts to prolong the 'demise of the nation-state' versus 're-assertion of the nation-state' debate have become increasingly pointless (Kelly, 1999). Instead, Kelly (1999, p. 395) advocates focussing on emergent forms of state organisation and governance as central elements of 'actually existing globalization'. In line with this approach, a sizeable literature has emerged that puts forward the view that globalisation has reconfigured the state, altering what it does and how it seeks to do it, rather than sent it into irreversible decline (Brenner, 1998; Weiss, 2003; Moran, 2003). Much of this discussion of the changing role of the state has centred on new forms of state activity, whose stated *raison d'être* is to secure competitive advantage in the context of globalisation. Thus, measures designed to attract inward investment, create more flexible labour markets, improve skills levels through education and training and enhance investment in research and development have all become increasingly evident features of local, regional and national governance. Moreover, concerns with competitiveness have increasingly become a feature of international organisations. For instance, competitiveness has emerged as a central plank of European Union policy initiatives since the publication of the European Commission's (1993) White Paper on Growth, Competitiveness and Employment.³

To some observers, policy measures designed to boost competitiveness have transformed the nature of the state. Cerny (1990) suggests that such changes represent a transition from welfare state to 'competition state', through which the promotion of economic growth under conditions of internationalisation is the key policy priority. Jessop (1994) posits an equivalent metamorphosis of the state, involving the displacement of the 'Keynesian Welfare State' by the 'Schumpeterian Workfare State', characterised by a scaling down of welfare commitments and the abandonment of Keynesian demand-management in favour of supply-side intervention to promote competitiveness. Common to both accounts is the view that the state is being transformed as a response to structural economic change associated with

³ These concerns have since been reinforced by the EU's adoption of the Lisbon Strategy, agreed at the Lisbon Summit of March 2000, which aims to establish the EU as the 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' (cited in HM Treasury, 2004, p.1).

globalisation. However, there are also important differences of emphasis in their respective interpretations that are indicative of a broader division in the literature between 'globalising logic' and 'globalising neo-liberalism' perspectives on the state (c.f. Harding, 2004). Central to Jessop's account is the notion of a geographical reconfiguration of state intervention that is representative of the 'globalising logic' school. According to this view, the strengthening of sub-national government, particularly in economic development functions, constitutes a 'rational' response to the economic challenges arising from globalisation. By contrast, Cerny focuses mainly on the role of the nation-state and suggests that globalisation discourses play a more significant role than actual structural change in the emergence of the 'competition state'. This perspective is closely allied to the perspective Harding labels 'globalising neo-liberalism', in view of its tendency to see globalisation debates as little more than a 'smokescreen' to justify state restructuring along neo-liberal lines.

'Globalising logic': regulation theory

At the heart of Jessop's work is the notion of a 'hollowing-out' of the state, involving the transfer of central state capacities upwards (to trans-national bodies such as the EU) and downwards (to new and existing local and regional institutions). This argument has much in common with a number of other theoretical perspectives that point to a re-ordering of the functions of the state at different spatial scales, particularly the resurgence of the local and regional state.⁴ However, Jessop's account is distinctive in that it is derived from neo-Marxist regulation theory. As such, the 'hollowing out' of the state is interpreted as part of an attempt to establish a new mode of regulation in a post-Fordist era.

⁴ A number of accounts have pointed to the growing role of local and regional states under conditions of globalisation, with this generally interpreted as occurring at the direct expense of the nation-state. In addition to the 'hollowing-out' thesis, key examples include theories of 'flexible accumulation' (Amin, 1994), 'the new regionalism' (Storper, 1997; Amin, 1999) and a variety of prognoses that have been made regarding the growing significance of cities and regions in the context of European integration (Keating, 1997; Le Galès and Lequesne, 1998; Le Galès, 2002).

Regulation theory is characterised by enormous internal differentiation, comprising at least seven principal strands and a host of associated theoretical positions (see Jessop, 1990; Amin, 1994). Nonetheless, it remains possible to identify recurrent themes in regulation theory that have established it as a generally coherent and highly influential approach to the study of state responses to globalisation. Regulationists present a revisionist account of Marx, arguing that capitalism has shown the ability to adapt, change and therefore survive, in the face of its inherent tendency towards contradiction and crisis. To this end, regulationists identify distinctive periods of capitalist development described as 'regimes of accumulation'. In turn, these distinctive regimes of accumulation foster particular political and social arrangements that regulate the system's internal contradictions and the conflicts they generate. These 'modes of regulation' do not constitute permanent arrangements, since they are themselves prone to periodic crisis and re-configuration. Thus, although susceptible to crisis, capitalism's capacity for reinvention, in the form of a transition from one regime of accumulation to another, ensures the system's survival.

Within regulation theory, central importance is accorded to the contemporary transition from a 'Fordist' to a 'post-Fordist' regime of accumulation. Fordism is portrayed as a 'virtuous cycle of mass production and mass consumption' (Jessop, 1990), based on productivity growth, real wage increases and a burgeoning consumer culture, that became characteristic of western economies from the 1930s to the mid-1970s. In addition, the Fordist regime of accumulation is argued to have been underpinned by the Keynesian Welfare State as a distinctive mode of regulation supporting the virtuous cycle of mass production and mass consumption. On the production side, a range of social policy measures were introduced to ensure the availability of a sufficiently healthy and skilled labour force. At the same time, on the consumption side, Keynesian macro-economic policies and the provision of welfare benefits helped to maintain the overall level of consumer demand. The nature of post-Fordism, which is seen to be emerging from the crisis of the Fordist regime of accumulation, is less clearly defined. There is widespread consensus that transition from the Fordist to the post-Fordist era has resulted in a significant degree of economic and social dislocation. Beyond this, post-Fordism is widely held to count among its chief characteristics: the growth of more flexible production methods based on new technologies, a diversification of economic activity, the increased importance

of the service sector and the emergence of more segmented consumption patterns. If the nature of the post-Fordist regime of accumulation remains contested, there is even greater dispute about how it may or may not be being regulated. Jessop's notion of the Schumpeterian Workfare State as an emerging post-Fordist mode of regulation has formed the basis for subsequent research, though few authors, including Jessop himself, would claim it represents a complete theorisation of post-Fordist political economy. Indeed, some observers have suggested that the crisis of Fordism has done little more than lead governments into a desperate search for the policy mechanisms with which to manage the new economic order: the search for a 'post-Fordist fix' (Peck and Tickell, 1994).

The notion of the 'hollowing out' of the state in a globalising, post-Fordist era has, however, been adopted readily by authors working both within and without the regulationist perspective. In particular, regulationist accounts have been central to the emergence of analyses of the changing political economy of scale under globalisation that move beyond the simplistic 'weakening state' hypothesis. Thus, rather than the assumption that globalisation implies the ascendancy of a single (i.e. global) scale, it is argued that globalisation is characterised by dynamic interaction between multiple spatial scales (Dicken et al, 1997). As Kelly (1999, p.381) notes 'to speak of local, regional, national or even global processes is meaningless – social relations are in fact played out across scales rather than confined within them'. Instead, a more sophisticated interpretation has emerged that interprets the state as a more generic form of governance, rather than a specifically national entity, and which recognises that while some state functions may indeed be threatened by globalisation, others are facilitated by it (Kelly, 1999). Thus, as Smith (2001, p.3) notes, instead of the prevailing tendency to view globalisation and nation-states as 'mutually exclusive', a multi-scalar interpretation instead sees the relationship as 'mutually constitutive'. In this interpretation, nation-states are indeed being 'hollowed' out by globalisation, but this process occurs as part of the key role played by nation-states as 'protagonists of globalisation' (Keil, 1998b, p. 617). As Keil suggests, globalisation makes states, just as states make globalisation, with profound implications for the changing nature of the state:

Many of the traditional forms of nation-states are now displaced into lower- or upper-level state institutions which either did not exist previously or were fundamentally altered in the process. Globalization makes states, but different kinds from the ones we have been used to (Keil, 1998b, p.617).

As has already been implied, regulation theory and related accounts structured in 'globalising logic' have overwhelmingly concentrated on the significance of sub-national responses to globalisation (Amin, 1994). Within such accounts, particular attention has been devoted to the redefinition of cities' functional roles arising from wider patterns of structural economic change and the subsequent emergence of economic development as a key issue on all metropolitan policy agendas (Keating, 1991; Newman and Thornley, 1996). In view of these trends, many authors have proposed that a paradigmatic shift has taken place in urban governance that corresponds closely to the Fordist/post-Fordist divide debated above, frequently described as a transition from urban managerialism to urban entrepreneurialism (c.f. Harvey, 1989).

Urban managerialism evokes an era of urban governance that evolved in the context of post-war economic expansion and the growth of the welfare state. It is held that the key roles of city and metropolitan authorities in this period were to guide and regulate the location of economic activity through the planning system and to directly provide a range of services, such as education, housing and public transportation. In other words, urban managerialism was essentially concerned with issues of collective consumption (c.f. Castells, 1977). By contrast, it is argued that the period of economic restructuring and welfare state retrenchment since the late 1970s has ushered in a new form of urban politics. Faced with large-scale job loss, city authorities have increasingly sought to develop more pro-active forms of spatial planning, in which business expansion and inward investment are directly promoted, rather than responded to reactively. These efforts have been augmented by a range of other activities, such as city-marketing campaigns, bidding for major international sporting or cultural events and investment in prestige projects designed to increase the attractiveness of the city to international investors and tourists. This focus on entrepreneurial activities concerned with economic development is argued to have grown at the expense of attention to more managerial issues of social welfare.

Consequently, the shift from managerialist to entrepreneurial politics may be discerned from institutional and organisational reforms, such as abolition of the Greater London Council, and the emergence of semi-autonomous, single purpose agencies or public/private partnerships charged with economic development, such as the London Docklands Development Corporation (Wilks-Heeg et al, 2003).

'Globalising neo-liberalism': discourse theory

The 'globalising neo-liberalism' perspective starts from the perspective that the implications of globalisation have been exaggerated, particularly in claims regarding the demise of the nation-state and the hyper-mobility of international capital (see chapter 2). It is argued that, such is the degree of discrepancy between the claims associated with popular accounts of globalisation and observable empirical trends, that it has become increasingly important to distinguish between the analytical and ideological variants of 'globalisation', with the latter associated principally with neo-liberal policy prescriptions (Keil, 1998b). It is therefore proposed that globalisation should be understood primarily as a discourse propagated and deployed by specific, powerful economic and political actors within the context of wider political struggles.

This emphasis on viewing globalisation as a normative 'idea', rather than a description of socio-economic and political change, is suggested to have a number of important implications. First and foremost, the prevalent tone of globalisation discourse among national politicians, corporate actors and international organisations has widely been interpreted as an attempt to present particular, neo-liberal viewpoints as inescapable realities. As Kelly (1999, p.384) notes 'in political terms... globalisation discourse is widely deployed to imply the inevitability of certain events and the necessity of particular policy options in the name of global competitiveness'. Similarly, Smith (2001) points to an emerging 'global neo-liberal regime', made up of the leading representatives of the G8 nations, in concert with transnational corporations, finance capital, the IMF, the World Trade Organisation and the World Bank, around a specifically neo-liberal 'grand narrative of economic globalization'. Smith argues that this neo-liberal discourse, through which such actors advocate inevitable adjustment to globalisation, constitutes an active attempt to displace a previously dominant discourse of development, based around modernisation theory.

Second, as Keil (1998b) notes, dominant neo-liberal interpretations not only tend to present political adjustment to globalisation as an inevitable necessity, but also as an unquestionably beneficial process that will result in higher levels of growth, promote development and tackle global socio-economic inequalities. As the quotations from box 3.1 illustrate, the manner in which globalisation is routinely presented by organisations such as the IMF, appears to suggest that globalisation is a positive-sum game for all those deciding to take part by engaging in neo-liberal economic reforms. Third, it is argued that, despite its exaggeration of the actual extent and implication of globalisation, the power of neo-liberal globalisation discourse is such that it comes to shape the reality of globalisation in its own right. Indeed, Cerny (1997) goes as far as to suggest that so profound is the influence of this specifically ideological interpretation of globalisation that attempts to measure the 'true' extent of globalisation are rendered effectively meaningless. As such, the primary importance of globalisation is as an 'increasingly hegemonic discourse' whereby 'the spread of the discourse itself alters the *a priori* ideas and perceptions which people have of the empirical phenomena which they encounter; in so doing, it engenders strategies and tactics which in turn may restructure the game itself' (Cerny, 1997, p. 256).

The notion of globalisation as discourse cannot claim to represent a complete theory of globalisation and, consequently, many authors seek to borrow elements of this approach from a critical distance. While sympathetic to the attempt to 'deconstruct' the relationship between globalisation and neo-liberal discourse, Kelly (1999) notes two central problems in many accounts that attempt to associate globalisation directly with neo-liberalism. First, he suggests that there is often something of a paradox in evidence among such critics, who appear to 'want to deny the realities of globalization while at the same time lambaste its effects' (p.383). Globalisation cannot simply be dismissed as a myth, invented and disseminated by neo-liberal ideologues. If globalisation discourses did not reflect material processes to some degree, their impact would be inconsequential. Instead, Kelly argues, the material and ideological processes involved in globalisation should be seen as closely entwined, with globalisation discourses forming part of the attempt to accelerate or resist material developments. Second, while there is evidently a close relationship between globalisation and neo-liberalism, there are evident dangers in accounts that seek to

conflate them. Clearly, globalisation discourses are frequently used to legitimise neo-liberal policy change, but this does not mean that globalisation and neo-liberalism constitute the same thing. In particular, there are numerous alternative and progressive political projects that seek to advance their case via globalisation, such as global civil society movements. Likewise, the global scale has long constituted a central focus for environmental discourses (see also Held et al, 1999).

Box 3.1 Globalisation as neo-liberal discourse

‘Directors agreed that globalization had contributed enormously to global prosperity. Countries aligning themselves with the forces of globalization by embracing reforms, liberalizing markets and pursuing sound macro-economic policies had generally fared well. Directors stressed that the challenge to governments was not how to resist the forces of globalization, but rather how to enable their economies to benefit from these forces’ (IMF, 1997, p.24).

‘The liberalization of trade in goods ...has been one of the greatest contributions to economic growth and the relief of poverty in mankind’s history .. there is little doubt that those countries which choose deeper involvement in the multi-lateral trading system through liberalization benefited greatly from doing so’ (World Trade Organisation, 2001, p.3).

‘International finance knows no borders...we cannot stop globalization, we need to adjust to it...Globalization is imposing a healthy discipline that will result in healthier economies in the long run’ (Jean Chrétien, Prime Minister of Canada, cited in Kelly, 1999, p.383).

‘I can sum up my message today in a few words: Globalization works. And it isn’t going away’ (Mike Moore, Director General of the WTO, speech to the US Chamber of Commerce, 25th February 2002 – Moore (2002)).

3.3 World cities and the state

It was noted in chapter 2 that consideration of the role of urban politics and the state has been a notable blind spot for world-city researchers. Indeed, it was not until the

publication of an influential collection of papers in the mid-1990s that the overwhelming tendency for accounts of global cities to downplay the significance of local politics was even highlighted (Knox and Taylor, 1995).⁵ Ward (1995) locates the reasons for this lack of attention to the role of the state in the bias within the literature towards narrowly economic analyses of global cities that largely exclude the possibility of according causal significance to local politics in wider global city dynamics. Instead, most world city research assumed that a decisive shift of power had taken place in which urban political decision-makers became essentially impotent in the face of global capital. World city formation thus came to represent a 'grand narrative of global capital steam-rolling and swallowing local political elites and pushing powerless local people around' (Smith, 2001, p.71). Within this narrative, urban change was seen as a one-way process, reflecting the assumed ascendancy of the global over the local (Keil, 1995a, 1998b).

...in the face of powerful transnational corporations, it is believed, local policy formulation becomes an appendix to global intra-firm strategies rather than an active field of struggle and negotiation in a localised context (Keil, 1995a, p. 282).

In more recent years, however, issues of politics and governance have been reflected more substantially in the literature on world cities, as this initial critique has been augmented by accounts that have sought to place urban politics and the state at the centre of world city debates (Low, 1997; Keil, 1998b; Brenner, 1998, 1999, 2000b; Smith, 2001). This emerging 're-theorisation' of the politics of world cities has been instrumental in underlining the key role of political institutions and processes in global city formation. While there are important differences of emphasis, the key features of this literature are fourfold.

⁵ Amongst the contributors to this volume, Ward (1995, p.299), notes a collective failure among world city researchers to recognise the variety of ways in which global forces are shaped through their interplay with local and regional actors, suggesting that 'most of all, we have given insufficient attention to the political-administrative structures through which such cities are governed'. Likewise, Keil (1995a, p.282) argues that, despite its growing conceptual sophistication 'the literature on world city formulation has given comparatively little attention to local political processes'.

First, it offers a forceful critique of the global-local dichotomy in the world cities literature, proposing that world city formation is a product of the complex interaction between actors and structures operating at multiple spatial scales (Smith, 2001). Second, arising from this critique, the literature makes the case for a multi-scalar analysis of world city politics, focussing on the processes of state restructuring referred to above (Brenner, 1999, 2000b) and/or the re-casting of urban politics as a complex mix of local, national and trans-national connections (Low, 1997; Keil, 1998b; Smith, 2001). Third, a number of authors have also drawn upon critical accounts of globalisation discourse to illustrate how a particular 'idea' of world city formation has become an integral part of the political process, particularly the manner in which it is deployed by key political and economic actors (Keil, 1998b; Machimura, 1998; Smith, 2001)

The starting point for contemporary analysis of world city politics, then, is the attempt to break down the global-local dualism detected in the literature (Brenner, 1998; Smith, 2001). It is argued that global and local scales have been placed in a simplistic binary opposition that portrays them 'as mutually exclusive and inherently antagonistic explanations for urban development which pit local cultures against globalizing economic transformations' (Smith, 2001, p. 2). In many ways, the initial forays of political scientists into world city debates sustained this dualism. One outcome of the attempt to re-assert the importance of the local level and, in particular, to demonstrate the continuing relevance of politics at that scale, was that the tendency to equate the global with the economic was simply paralleled by an equally strong tendency to associate the political almost exclusively with the local. The persistence of this global-local dualism, argues Smith (2001), not only limits our understanding of the processes at work through its highly reductionist assumptions, it also exaggerates the power of capital, which is seen to operate on a global scale. Furthermore, as Smith (2001) argues, researchers seeking to re-assert the significance of the local have tended to take a tightly bounded view of local politics, focussing on how actors 'inside' the global city interact with agents operating 'outside' its boundaries. This approach, as Smith (p. 60) notes, 'lacks an appreciation of the role of social, political and economic networks in criss-crossing the boundaries between spatial "insides" and "outsides"'.

These concerns to transcend simplistic binary and hierarchical interpretations of scale have, in turn, given rise to the second key characteristic of the emerging literature on world city politics. Thus, as the global-local dichotomy has been collapsed, distinctive multi-scalar interpretations of the political economy of world cities have emerged. In the main, this has involved authors continuing to adopt the local (primarily urban) scale as an initial point of reference (for a contrasting approach to this 'bottom-up' interpretation of the political economy of scale see the discussion of Brenner, below). Rather than being a container for action, the local state is thus interpreted as 'a site for interaction between social forces operating across scales' (Kelly, 1999, p.381). Thus, Cox (1997) argues that the process of globalisation serves to expand the domain of 'local' politics, which comes to encompass actors external to the locality and produces outcomes that reach far beyond it. In this sense, scales cannot be interpreted as Russian Dolls, fitting neatly inside one another (Keil, 1998b). Instead, scales are seen as constituting inter-locking sites of social interaction, in a manner more akin to three-dimensional chess: 'a perpetual transformative sociospatial power struggle' (Swyngedouw, 1997, p. 141). In this context, it becomes impossible to view the local state as 'a closed system' or as 'simply a derivative of the nation-state' (Keil, 1998b, p.617). Thus in a similar vein to Cox, Keil argues that 'the local state has perforations at its interface with the dynamised, global civil society' (p.167).

The third strand in the literature has been the emphasis on the need to recognise the role of discourse in global city dynamics, reflecting the influence of wider globalisation debates discussed above. However, the insertion of discourse as an analytical element has also been prompted by the concern to re-cast the analytical focus of world city research at multiple spatial scales. As world cities are analysed from a perspective of state and territorial re-scaling, it becomes increasingly evident that global cities are not the inevitable outcome of the requirements of trans-national capital. Rather, as Smith (1998, p. 482) notes, the process of global city formation is 'a contested political project advanced by powerful social forces'. Machimura (1998) offers a persuasive account of how a distinctive globalisation discourse was central to the process of Tokyo emerging as one of the leading world cities during the 1980s, arguing that globalisation performs 'hidden functions' in world city politics. In particular, the world city discourse that emerged in Tokyo in the mid-1980s systematically overemphasised the effects of globalisation, placing a constant

emphasis on 'the necessity for change, whether it was real and practical or not' (Machimura, 1998, p.188). As Machimura suggests, the purpose of this conscious attempt to convey an inaccurate representation of globalisation was to mobilise actors in favour of a set of a particular set of policies, serving the interests of those with the greatest stake in Tokyo's transition to a world city. Hence, a central element of this strategy, pursued by national and local government in conjunction with major corporate actors, was the legitimisation of large-scale development projects aimed at promoting the global accumulation strategies of Japanese multinationals.

In order to draw together the themes discussed in this chapter so far, the remainder of this section provides a detailed consideration of the work of Neil Brenner (Brenner, 1997, 1998, 1999, 2000a, 2000b; Brenner and Theodore, 2002a, 2002b). There are two specific reasons for focussing in detail on Brenner's work at this point in my analysis. First, it constitutes the most detailed attempt to date to theorise state rescaling, and the emergence of post-Fordist, entrepreneurial forms of world city governance under conditions of globalisation. Indeed, Brenner's approach is remarkably catholic, drawing on a range of theoretical elements that straddle the distinction between the 'globalising logic' and 'globalising neo-liberalism' schools highlighted above. Second, Brenner's work is consciously offered as a contribution to the literature based on a high level of theoretical abstraction and is presented as a possible framework for cross-national empirical research, particularly within the West European context. Of particular significance to this thesis is the fact that Brenner's arguments have been informed throughout by a detailed consideration of the German case and, to a lesser extent, examples drawn from the British experience.

The influence of regulation theory on Brenner's work makes it consistent with many of the assumptions of 'globalising logic' outlined above. Thus, Brenner's conceptual framework is premised largely upon the regulationist notion that the crisis of the Fordist regime of capitalist accumulation has prompted a concomitant crisis of state economic management. This has, in turn, prompted a search for new governance arrangements and a radical rethinking of urban and regional policies. Brenner argues that the globalisation of European economic space and the parallel transformation of the European urban system have triggered a process of 'state-rescaling' in which the emergence of the entrepreneurial city plays a central role. Thus, in contrast to

accounts that argue that the state is being eroded by the power of global capital, Brenner posits that the state has instead been reorganised politically, institutionally and geographically as a response to globalisation. Consequently, Brenner (1997) argues that the state is becoming increasingly fragmented and differentiated, a process characterised particularly by the growing role of regions and cities in promoting economic development and the enhanced role of EU policy-making in relation to a range of key regulatory functions. However, in contrast to authors such as Keil (1998b) and Smith (2001), Brenner's plea for a multi-scalar approach to world city politics explicitly rejects the notion of the local or regional state as a legitimate starting point for analysis.

Brenner's case for multi-scalar analyses of the role of the state is thus premised upon a critique of 'methodological localism', in place of which he argues for a focus on the emergence of the 'glocal state'. The 'glocal state' is interpreted as the specific product of the process of state restructuring and its role in promoting associated patterns of territorial restructuring (Brenner, 1998, 1999, 2000a, 2000b). It embodies 'new constellations of territorial politics on ... urban, regional and national scales' (Brenner, 1998, p. 22). Brenner argues that, far from being eroded by globalisation, the state is engaged in a process of re-configuration that is central to the process of 're-territorialisation' in global city formulation. Global cities and global city-regions, in particular, constitute a key focus for new forms of state activity, because of their key role as engines of growth in a post-Fordist era (Brenner, 1998, 1999).

However, Brenner's work is also characterised by an insistence that state rescaling be viewed as the product of neo-liberal policy agendas being imposed at a range of spatial scales. Arising from his rejection of bottom-up accounts of policy change, Brenner interprets scalar shifts in governance as a 'centrally induced crisis-management strategy' (Brenner, 2000a, p.338). Specifically, he suggests that, under conditions of intensifying global competition, large corporations become increasingly dependent upon localised agglomeration economies. This has, in turn, prompted states to seek to compete in the global economy by mobilising 'place-specific economic assets' and promoting endogenous growth within major city-regions.

However, Brenner sees central states as playing the critical role in inducing new forms of sub-national governance in an attempt to respond to economic globalisation through a neo-liberal agenda of capitalising on 'place-specific economic assets within their territories' (Brenner, 2000b, p.5).

This insistence on the role of the central state has several important consequences. First, according to Brenner, the entrepreneurial city is not simply the product of local responses to globalisation dynamics but the logical, if not inevitable, state-led response to European economic restructuring. Second, whereas the Fordist state sought to minimise inter-regional disparities in economic development within the national territory, the post-Fordist state engages in a conscious, neo-liberal strategy of uneven spatial development (see Brenner 1997, 1999, 2000a). Third, this growing emphasis on sub-national units engaging in territorial competition, is seen to have been critically underpinned by a distinctive neo-liberal policy discourse, propagated by the central state, that presents adjustment to globalisation as the only viable course of action. Of particular importance to the politics of state re-scaling associated with global cities is the emergence of a discourse of competitiveness stressing the need for the construction of global city regions in response to intensifying inter-urban competition (Brenner, 2000a).

Subsequent review and critique of Brenner's proposed theoretical framework has identified a number of weaknesses. First, it has been argued that Brenner exaggerates the role of the central state in driving the process of state rescaling (Wilks-Heeg et al, 2003; Wilks-Heeg, 2004). While nation-states have played an important role in shaping the emergence of the entrepreneurial city, even the apparently paradigmatic case of the UK as a centralising, neo-liberal state restructuring project suggests that other levels of governance are at least equally significant (Wilks-Heeg et al, 2003). As Atkinson and Wilks-Heeg (2000) note, British local authorities initially developed economic development strategies as a direct challenge to, rather than a product of, the highly centralising, neo-liberal policies of the Thatcher governments in the 1980s. Moreover, the same authors catalogue that, in the case of 'entrepreneurial' cities such as Glasgow and Birmingham, major local development projects emerged as the result of British cities securing European structural funds, with national government often

being bypassed in the process.⁶ In other words, despite the avowed multi-scalar approach, Brenner's account is crucially lacking in its consideration of the politics of inter-governmental relations.

Second, critics have taken issue with Brenner's highly generic approach to state restructuring, which implies that convergent trends are evident throughout Western Europe. It is rightly argued that this approach ignores the importance of factors such as constitutional arrangement and regulatory regimes in mediating the effects of globalisation (Harding, 2004). Via a re-consideration of Brenner's interpretation of the German experience, Wilks-Heeg (2004) argues that Brenner's framework sidesteps crucial domestic political issues. In particular, the dual constraints on the central state's capacity to pursue neo-liberal policy agendas arising from a) the broadly Fordist principles enshrined in the country's Basic Law and b) the complex intermeshing of central and Länder functions in the German federal system are highlighted. While recent developments do point towards the rescaling of the German state, it would appear that the most powerful dynamic for such change has come from below, with the major cities constituting the most dynamic political actors within an otherwise 'grid-locked' German political system (Wilks-Heeg, 2004). Again, Brenner's lack of consideration of the role of inter-governmental relations within the process of state rescaling appears to be a critical flaw.

Third, these issues highlight the lack of consideration to questions of political agency in Brenner's work, which interprets state rescaling as a more or less inevitable response to globalisation. To the extent that agents can be identified in Brenner's analysis, they appear to be restricted to multinational capital and national governments, with both acting more or less as automatons in their project to stabilise post-Fordist economic crisis via a neo-liberal 'territorial fix'. In particular, it would appear that Brenner's concern to distance his approach from the 'methodological localism' of urban and regional studies leads him to accord little, if any, independent agency to actors operating at the local and regional scales (Wilks-Heeg, 2004).

⁶ These early 'successes' in securing European financial aid without significant central government input have become increasingly difficult for local authorities to emulate due to the progressive strengthening of the 'gatekeeper' role of central government departments in relation to the structural funds, for instance via the introduction of the Government Offices in the Regions (Rhodes, 1997).

In this sense, Brenner's approach contrasts sharply to other work that seeks to provide a corrective to more narrowly structuralist and functionalist views of world city politics via a re-assertion of the significance of political agency, particularly within the realm of a more 'transnational' urban politics (Keil, 1998b; Smith, 2001). In particular, such accounts have sought to develop a theoretical approach that is better able to understand the link between structural economic change and patterns of political mobilisation around the world city agenda. This concern has drawn authors towards influential, agency-centred theoretical currents in urban political science, particularly the literature on urban growth coalitions/regimes (Keil, 1998b).

Finally, it is far from evident that the structural forces favouring the emergence of the entrepreneurial city have enabled it to permeate all aspects of metropolitan governance, as Brenner's use of regulation theory would seem to suggest. Issues such as tackling social exclusion and promoting environmental sustainability remain high on many European policy agendas and are frequently invoked as challenges requiring a reconfiguration or rescaling of metropolitan governance and spatial planning (Barlow, 1997; Roberts et al, 1999). Despite its growing salience, competitiveness is not the only discourse in urban politics.

3.4 Returning to middle range theory: neo-pluralist and rational choice perspectives on urban and regional governance

The previous section highlighted two central deficiencies in Brenner's analysis of state rescaling and world city formation. First, it was suggested that his approach crucially lacks consideration of the dynamics of inter-governmental relations. While Brenner does place emphasis on the significance of conflict between tiers of state organisation, there is little or no recognition of the complex interdependencies associated with the operation of multi-level policy networks in the contemporary state. Second, it was argued that Brenner seriously downplays the role of political agency, particularly at the urban and regional scale. Again, Brenner gives consideration to political developments at the urban and regional scale, such as the emergence of regimes, but accords curiously little independent significance to such activity, largely interpreting it as a by-product of central state diktat. In order to address these weaknesses, this section explores how the meta-theory of state rescaling

may be rendered more flexible by engaging with key middle-range theories in political science that are more sensitive to cross-national and inter-urban variation.

Paradoxically, this analysis necessitates a return to the notions of governance highlighted in the introduction and criticised for their lack of theoretical clout, particularly in relation to the relationship between the state and globalisation. Notwithstanding the eclecticism noted in the introduction, most accounts of governance tend to coalesce around a common set of propositions. Consequently, Stoker (1998) suggests that the changes implied by 'governance' point to the increasingly complex nature of institutional relationships between governmental and non-governmental organisations. Governance is characterised by the emergence of autonomous self-governing networks of actors, in which the capacity to act depends on the scope to realise collective action among organisations exhibiting mutual power dependencies. These networks involve the blurring of boundaries and responsibilities for tackling social and economic issues. Within this context, the role of governmental bodies becomes one of steering and guiding, rather than simply commanding or imposing its authority. While the growing independence of such networks from formal systems of government is motivated by a wish to enhance the capacity to deliver effective policy measures, the rise of complex governance networks also raises a number of concerns. These include the proliferation of confused lines of accountability, the increased likelihood of unintended consequences and the risk of policy failure. Three distinctive, but arguably mutually compatible, such accounts of governance are discussed here as a means of taking forward the analysis of world city politics: intergovernmental relations/policy networks, path dependency and urban regimes.

Inter-governmental relations and policy networks

In the UK context, the most influential theoretical approach to the study of inter-governmental relations has been the power-dependence model, associated principally with the work of Rhodes (1981, 1988, 1997). The power-dependence model has evolved through several distinct phases as Rhodes' initial attempt to theorise central-local relations (Rhodes, 1981) has been augmented by concepts of policy networks and governance (Rhodes, 1988, 1997). Originally, Rhodes (1981) proposed a model

of intergovernmental relations that portrayed central and local actors as participants in a complex game in which they manoeuvre for advantage. In this game, the protagonists deploy whatever resources they have to hand in order to maximise their influence and minimise their dependence on the other players. Although dominant coalitions can form which are able to conditions the rules of the game, none of the participating organisations are in full possession of the constitutional, legal, organisational, financial, political and informational resources they require to achieve their goals. As a result, while individual levels of government may be hierarchically organised, their relationships to other tiers are characterised by inter-dependencies, and an exchange of resources is therefore the necessary outcome of this mutual dependency.

Rhodes subsequently sought to develop the model by differentiating between three discrete tiers of analysis - macro, meso and micro (Rhodes, 1988). He paid particular attention to analysing the nature of the meso-level, which he suggested was characterised by a vast array of policy networks. Depending on the policy area concerned, these networks vary from relatively tight-knit and influential policy communities found in sectors such as agriculture, through to the more open and less influential issue networks concerned with policies such as inner-city decline. Because of the fundamental importance of these overlapping policy networks in both policy-making and policy implementation, Rhodes portrays the British system of government as a 'differentiated polity'. The key consequence of the emergence of this complex meso-polity is that, even in a unitary state, the centre is far more constrained than is presumed by most accounts of central-local relations. In order to achieve its objectives, central government must therefore seek to work through and with existing policy networks, or face the risk of producing little more than a 'policy mess' (Rhodes, 1997). Such dangers are amply illustrated by the experience of the Conservative governments of the 1980s and 1990s, when attempts by the centre to impose policy change from above frequently resulted in unintended consequences and policy failure. Examples include the unanticipated political and administrative problems created by the decision to abolish the Greater London Council to the Poll Tax fiasco that played a central role in the downfall of Margaret Thatcher (Rhodes, 1997; Atkinson and Wilks-Heeg, 2000).

The power-dependence model finds clear parallels in German political science. In particular, the concepts of ‘co-operative federalism’ and ‘overlapping politics’ that dominate approaches to German inter-governmental relations both highlight the intertwining of national and regional decision-making processes. Students of German inter-governmental relations have stressed that as German federalism has evolved, it has become increasingly characterised by a complex sharing of policy responsibilities between central government and the Länder (Katzenstein, 1987; Jeffrey and Savegear, 1991; Jeffrey, 1999a). In addition, to the significant role accorded to the Länder in national policy-making by the Basic Law of 1949, closer working relations between the centre and the Länder were actively promoted from the late 1960s, giving rise to the notion of ‘co-operative federalism’ (Kunze, 1968; Kisker, 1971). Co-operative federalism was seen as a means of facilitating central government-Länder collaboration to promote policy effectiveness and greater equity between Länder. It has bound central government and the Länder into close inter-dependence and the sharing of responsibilities in three main ways (c.f. Hesse and Ellwein, 1997).

- The creation of *Gemeinschaftsaufgaben* (‘joint tasks’) has formally split responsibility on a 50:50 basis between the centre and the Länder in a number of policy areas.
- Joint committees of all 16 Länder have been established to agree national standards and co-ordinate common approaches in areas where the Länder have full policy responsibility, effectively ‘nationalised’ many aspects of Länder politics.
- The general growth of government activity has seen the Länder play an increasingly important role in implementing national policies, thereby enhancing formal and informal relations between the two tiers.

However, in more recent years, German federalism has been portrayed via the more negative label of *Politikverflechtung* or ‘overlapping politics’ (Hesse and Ellwein, 1997). *Politikverflechtung* implies that central and Länder politics have become more or less inseparable, thereby blurring lines of accountability and resulting in a growing democratic deficit, while also promoting a culture of procrastination in relation to major policy decisions (Scharpf et al, 1977; Späth, 1979; Katzenstein, 1987; Bulmer,

1991; Hesse and Ellwein, 1997). However, while the term *Politikverflechtung* is increasingly favoured by German political scientists, important disputes remain within the literature about its consequences for the balance of power between tiers of government. For instance, while some accounts regard the emergence of joint tasks such as economic development as the part of a progressive attempt by national governments to centralise power in the German state (Esser and Hirsch, 1994), others stress the limited scope for central steering and see continued scope for autonomous policy responses among the Länder (Benz, 1999a, 1999b).

Both the British power dependence model and the German concept of *Politikverflechtung* may be termed neo-pluralist theories of the state (c.f. Dunleavy and O'Leary, 1987). As such, they recognise that power is likely to be concentrated among certain groups but, by pointing to the way in which the differentiated structures of the state create mutual-dependencies, highlight the fact that such latent power cannot always be mobilised. The weaknesses of such neo-pluralist interpretations of intergovernmental relations centre on the pitfalls of attempting to construct a meso-level theory of the state. First, it has been suggested that such models pay insufficient attention to how the macro-level conditions the way in which institutional power is structured (Cochrane, 1993; Stoker, 1995a). As a result, there is a tendency to suggest that policy networks 'exist in a separate system of their own', more or less divorced from external pressures (Cochrane, 1993, p. 25). Second, it is possible that meso-level approaches will, by their very nature, automatically portray the state as a fragmented set of institutions and will tend to seriously under-estimate the role of the centre and its capacity for coherent, strategic intervention (Pickvance, 1991; Atkinson and Coleman, 1994). Third, it is proposed that the explanatory power of the policy network concept is extremely limited and that while notions such as 'policy community' and 'issue network' describe how policy is made differently in different sectors, 'the labels do not themselves explain the difference' (Dowding, 1995, p. 142).

Despite these criticisms, a succession of case studies of policy-making in Britain and Germany have supported the main tenets of power-dependence theory and highlighted the key role of policy networks in constraining central government (Atkinson and Wilks-Heeg, 2000; Wilks-Heeg, 2004). While the lack of attention to macro-structure

means that power-dependence models are best deployed within a broader, multi-theoretical approach to the state, the implications of power-dependence for accounts of state rescaling and urban politics cannot be overlooked. Most evidently, it is clear that neo-pluralist accounts of intergovernmental relations demonstrate that the centre is far more constrained than is recognised by Brenner's conception of state rescaling. More broadly, the existence of complex, overlapping networks linking national and sub-national units of government suggests that the 'hollowing-out' of the state is unlikely to follow a straightforward path. Indeed, the experience of devolved government under German federalism would seem to suggest that attempts to move functions upwards to supra-national authorities and downwards to sub-national authorities will only be liable to create new forms of meso-level governance. Finally, power-dependence models highlight the extent to which capacity continues to exist for autonomous action at the local and regional levels. Within the context of the complex, and at times chaotic, game of central-local relations, local authorities have demonstrated considerable scope to deploy a variety of forms of 'creative autonomy'. (Atkinson and Wilks-Heeg, 2000). In particular, the scope for large cities to mobilise place-specific assets to promote economic development suggests that the sphere of urban politics retains a greater capacity for the autonomous development of policies from the 'bottom-up' than is implied by most accounts of state restructuring (Wilks-Heeg, 2004).

Theories of power-dependency therefore appear to have considerable explanatory power as an adjunct to existing accounts of world city politics. However, in order to develop a fuller theoretical understanding of the relationship between globalisation and world city politics, it is necessary to cast the net wider. Two theoretical approaches appear to be of particular value in developing such a theoretical framework: path dependency and regime theory. The need to recognise the historical dynamics of the role of the state in world city formation has already been stressed. In this regard, theories of path dependency usefully augment the accounts of power-dependency discussed above. In addition, emphasis has been placed on the need to take full account of the significance of the local politics of world city formation. It is with regard to this capacity for autonomous action in promoting economic development that the connections between intergovernmental relations and regime theory are most clearly evident.

Path dependency

The emphasis in accounts of intergovernmental relations and policy networks on the constraints acting upon policy-makers, particularly those operating within the central state, finds important parallels in notions of path dependency. Theories of path dependency, and closely related theories of historic institutionalism, are largely derived from rational choice theory and have found growing application in political science in recent years (North, 1990; Steinmo et al, 1992; Krasner, 1994; Pierson, 2000a). Path dependency has found particular appeal where political scientists have sought to develop more dynamic explanatory models of political choice, particularly in a comparative context (Steinmo et al, 1992). As such, it will be argued that this approach provides potentially valuable insights into the relationship between structure and agency in world city politics.

In simple terms, proponents of path dependency and historical institutionalism in political science argue that 'history matters', i.e. contemporary political decisions and policy choices cannot be understood without tracing how they have evolved over time (North, 1990). Arguably the most influential approach has been provided by Pierson (2000a, 2000b, 2000c), who proposes that policy choices should essentially be seen as a chain of events characterised by cumulative causation. Two important implications arise from this conception of policy-making. First, small decisions or events occurring early in a series of choices, including 'accidents of history', can have disproportionately larger effects further along the chain. Second, policy choices tend to follow a specific trajectory from which it becomes increasingly difficult to deviate. Thus, moves in one direction tend to prompt further moves in the same direction, since the decision to follow a particular path, whether conscious or not, progressively restricts the choices available to policy-makers. As a result, a long-run equilibrium tends to be reached in which it becomes increasingly difficult, if not impossible, to engage in radical policy change, thus ensuring institutional reproduction. Such policy equilibria are sustained by a variety of possible mechanisms, including 'positive feedback', through which self-reinforcing choices create increasing returns to those actors leading decision-making process. In other contexts negative feedback

mechanisms may be dominant, through which vested interests resist reform in order to preserve the status quo.

Theories of path dependency have found increasing application in UK and German political science, particularly among authors seeking to explain the difficulties faced by governments in bringing about major reforms (Kemp, 2001; Deeg, 2002; Greener, 2002). However, it has been widely noted that path dependency appears to offer little to explain why policy change does occur (Andersen and Larsen, 2002). In some accounts, only major exogenous shocks, such as wars or revolution appear to offer a basis for policy-makers to switch to an alternative path. As a result, proponents of path dependency have been criticised for taking a highly structuralist perspective, in which the scope for agency is eradicated other than in periods of extreme external change (Hay and Wincott, 1998). The scope to explain circumstances in which policy change occurs without exogenous shocks taking place is therefore a crucial issue for theorists of path-dependency (Deeg, 2002). It is notable in this context that some policy decisions do not lead to long-run equilibria, but rather to short- or medium-term instability (Wilks-Heeg, 1996). In such circumstances, it seems plausible that 'path-breaking' can occur even in the absence of external shocks (Andersen and Larsen, 2002), since the mechanisms promoting institutional reproduction will either not exist or be highly ineffective. Thus, a number of accounts have pointed to the possibility of endogenous change within a policy-making system (Andersen and Larsen, 2002; Deeg, 2002).

There is clear potential for the application of theories of path dependency to the study of urban politics. For instance, implicit notions of path dependency inform Abu-Lughod's (1999) comparative account of world city formation in New York, Chicago and Los Angeles, which builds on King's (1990a) pioneering work on London. Like King, Abu-Lughod deploys a historical analysis, which is premised on the view that world city formation arises from the long-run interaction of local and global dynamics. Through her comparative approach, Abu-Lughod shows how world cities can emerge at different points in time, as a result of the cumulative effects of political and economic decision-making within particular places interacting with the prevailing international economic order. Moreover, notions of both path-dependency and path-breaking are potentially valuable tools for the analysis of the dynamics of urban

politics within the wider context of inter-governmental relations and policy networks. As was noted above, middle-range theories of inter-governmental relations (and also the literature on regimes, discussed below) point not only to complex interdependencies creating inertia and resisting change, but also to the possibility of local political actors generating and shaping change 'from below'. Thus, Sellers (2004) argues that notions of path-dependency should be an instrumental part of a multi-level approach to comparative urban politics, which seeks to examine how the national nests in the local and vice versa. In this view, urban political actors can make choices through which 'favourable local conditions (are) secured from below' (Sellers, 2004, p.16). Over time such local actions can generate increasing returns to a city in terms not only of increased private investment, but also greater governmental expenditure and wider forms of national political support. Such notions of the capacity for action in urban politics being mobilised from below, in the face of prevailing constraints, are also evident in the literature on urban regimes, to which I now turn.

Regime theory

Regime theory originated in North American political science during the 1980s, where authors revisiting the 'community power' debates of previous decades came to argue that 'urban regimes' or 'growth coalitions' had become the driving force in US urban politics (Fainstein and Fainstein, 1983; Elkin, 1987). In keeping with the traditional concerns of the US urban politics literature, regime theory concentrates particularly on the issue of power. However, in contrast to pluralists and elite theorists, authors such as Stone are less concerned with 'who governs' than with the issue of how these actors assemble the capacity to govern. In other words, regime theory is concerned with the notion of 'power to' rather than that of 'power over'. Thus, a key issue for regime theorists is the extent to which governmental and non-governmental actors are able to co-operate to achieve shared economic and social objectives. In particular, the central focus of regime theory is the claim that city governments and local businesses are drawn into close co-operation as a direct result of their mutual self-interest in the promotion of local economic development. Given the recent proliferation of public-private partnerships and other similar arrangements in European cities, there have been numerous attempts to apply regime theory to the

European context (Axford and Pinch, 1994; Levine, 1994; Stoker and Mossberger, 1994).

Regime theory shares a number of assumptions with theories of intergovernmental relations. In particular, it suggests that urban politics is characterised by diversity and complexity in which relations are conditioned by mutual dependencies rather than simple, hierarchical power relations. The local political system thus exhibits a fragmentation of control in which power is diffused into complex webs of relationships between governmental and non-governmental actors and where governmental response frequently results in policy spillover and unintended consequences. Nonetheless, it is suggested that mutual dependencies will tend to promote the emergence of strategic alliances between city authorities and local business interests aimed at promoting economic growth. City authorities, particularly those experiencing fiscal retrenchment, depend on development and growth to generate income, for instance through local business taxes. At the same time, there are powerful local, corporate actors whose commercial interests can only be furthered through local economic growth – such as landowners and property developers. Under these socio-economic conditions, there is a clear mutual interest in pursuing co-operation as a means of achieving shared objectives (Stone, 1989). However, regimes will not have a universal character – they will vary in character over time and across space, depending upon the members of the regime, the nature of the relationships between them and the level of resources that they respectively bring to the table. Stone puts forward a fourfold classification: maintenance regimes, development regimes, middle class progressive regimes and lower class opportunity expansion regimes. These four also represent a continuum of regimes with each becoming progressively more difficult and more expensive to maintain (Stone, 1993).

There is significant scope to deploy regime theory as a central analytical tool in the analysis of world city politics, with five insights being particularly significant. First, regime theory implies a transition in urban politics in which networks, rather than hierarchies or markets, are regarded as the most significant means of shaping local fortunes. In contrast to the more narrowly determinist accounts discussed above, regime theory suggests that politics continues to matter, although there is reduced scope to act autonomously. In order to govern effectively, local political actors 'must

blend their capacities with those of various non-governmental actors' (Stone, 1993, p. 6). Second, regime theory's emphasis on the necessity of forming public-private coalitions to generate the capacity to act, implicitly recognises that the way in which cities are governed is not necessarily a reflection of a popular mandate. In this sense, regimes imply a trade off between local democracy and policy effectiveness which is echoed by Stone's definition of a regime as 'an informal yet relatively stable group with access to institutional resources that enable it to have a sustained role in making decisions', (Stone, 1993, p. 4).

Third, while regime theorists are more concerned with the dynamics promoting coalition formation than the issue of who dominates those coalitions, it is recognised that regimes reflect significant inequalities of power. In particular, it is argued that business interests generally exercise 'systemic power' in the local political system since their decisions about investment and resource allocation have a fundamental influence on social welfare. However, local politicians and public officials are not simply rendered impotent in the face of such systemic power, as they possess significant resources of their own and are also charged with the role of protecting the wider public interest. As such, the role of city governments within regimes becomes 'more visible as a mobiliser and co-ordinator of resources' (Stone, 1986, p. 87). Fourth, since the formation of growth-orientated regimes is not regarded as an inevitable or universal feature of urban politics, regime theory allows for the influence of political agency. A key feature of regime theory, which distinguishes it from related concepts such as growth machines, is the suggestion that a variety of regime types can be formed, including those that are not specifically growth orientated (Stone, 1989; Stone, 1993). Regime theory thus allows for a focus on the role of local politics and can help explain differences between cities, or over time in the same city (Keil, 1998b). Fifth, it has been argued that globalisation further promotes the conditions in which such mutual dependencies become evident. In particular, capital mobility and inter-urban competition may promote regime-type arrangements, since both city authorities and (parochial) capital share a common interest in promoting the local conditions that will help attract inward investment and corporate re-location (Mayer, 1994; Harding, 1997).

As a middle-range theory stressing power dependency, regime theory has met with similar criticisms to those directed at accounts of intergovernmental relations. In particular, the focus of regime theory on devising and testing typologies of urban regimes had led to the accusation that it 'at best describes a model or a concept rather than a theory', (Dowding et al, 1999, p. 516). The theoretical limitations of regime theory are especially reflected in its tendency to downplay external processes of change (Stoker, 1995b) and the failure to place local regimes in their wider political and governmental context (Keating, 1991). Such concerns are less critical, however, if regime theory is used as part of a multi-theoretical account of urban politics. Of most significance to this study, however, is the fact that considerable doubts have been expressed about the transferability of the North American concept of regimes to the context of studying urban politics in Western Europe.

While regime theory has an immediate attraction as a potential approach to interpreting the significance of public-private partnerships in European cities, there are wider contrasts between North American and European city governance that render the regime approach problematic (Le Galès, 2000; Harding, 1997; Le Galès and Harding, 1998). First, whereas American cities depend critically on business taxes, thereby promoting dependency on local business growth, European cities largely receive their income from a combination of central government grants and taxes paid by local residents (Wilks-Heeg et al, 2003). Second, there is little evidence that European cities have shifted from social provision to economic development to the extent that regime theory would imply (Le Galès and Harding, 1998). Even in the British case, cities have retained many of their service delivery functions (Atkinson and Wilks-Heeg, 2000) and, elsewhere in Europe, cities have expanded their direct role in welfare provision as a result of state decentralisation programmes. In contrast to their US counterparts, then, European city-authorities remain overwhelmingly funded by taxpayers to provide collective services. Consequently, there are significant factors constraining the extent to which economic development is permitted to dominate urban governance. Thus, even though the majority of European cities now engage in economic development activity 'it could hardly be said to be the single, overriding priorities of those cities' (Le Galès and Harding, 1998, p.131).

Against this backdrop, attempts to apply regime and growth coalition theory to the study of European cities have met with mixed success. Based on extensive comparative research, Harding (1997) suggests that there are a number of key limitations to applying the regime/growth coalition model to European cities. First, it would appear that development coalitions have nothing like the same degree of salience in European cities as they do in the US context. Second, where coalitions have emerged, they are much less likely to involve private sector landowners, since land available for development in European cities is often owned by public authorities. Third, the public sector tends to play the lead role in European urban development projects, where the private sector appears to be far more risk-adverse than in the American context, with large-scale development projects in major European cities tending to involve national governments as a major player.

Figure 3.1 A typology of urban regimes in Britain

<i>Political Orientation</i>	<i>Governing Tasks</i>	<i>Governing Strategy</i>
Pro-growth market led	Facilitate development	Reduce government planning, regulation of business and taxes but provide necessary infrastructure
Government-led	Stimulate development	Provide public subsidies and other inducements to business investment
Growth management	Minimise the negative effects of growth on the quality of life	Use planning and other land-use powers to direct or limit growth
Social reform	Encourage a balance of neighbourhood and downtown development	Use exactions on private development and/or public resources
Caretaker	Routine service provision	Avoid issues of economic development

Source: DiGaetano and Klemanski (1993), p. 60.

Many of the above problems have been specifically highlighted in the UK context, where a series of studies have debated the relevance of regime theory to British urban politics (DiGaetano and Klemanski, 1993; Dowding et al, 1999; Harding, 1991, 1994; 2000; Newman and Thornley, 1997). As a result of these debates, a number of British case studies have sought to revise the regime concept, generally by seeking to redefine what is meant by a 'regime' in the UK content. Thus, in a study of six

London boroughs, Dowding et al (1999) outline their own eight-point characterisation of a regime, which focuses on issues such as the longevity of policy agendas, the existence of a clear political vision, success in mobilising external resources and the deployment of functional public-private partnerships. On the basis of these criteria, the authors find evidence of three boroughs operating as distinctive regimes, while the remainder are characterised as 'failed regimes'. Consequently, Dowding et al (p.541) suggest that the regime concept cannot be applied universally, warning that 'it is a mistake to search for a regime in every council office'. Another approach, illustrated by DiGaetano and Klemanski (1993), has been to revise the typology originally put forward by Stone to reflect the contrasting approaches to local economic development taken by local authorities with different political compositions, as well as the greater emphasis on social and environmental concerns in the UK context, stemming in part from the continued importance of local authorities as service providers. DiGaetano and Klemanski's typology (see figure 3.1) thus reflects the fundamental importance of political agency, while also capturing the notion of regimes as a transition from managerial to entrepreneurial politics - the five 'ideal types' range from the most managerialist ('caretaker') to the most entrepreneurial ('pro-growth market led').

Additional issues have been raised about the application of the notion of regimes and growth coalitions in the German context. Strom (1996) notes the widespread absence of these Anglo-American debates in the German literature and puts forward a number of factors that specifically constrain the formation of entrepreneurial urban development coalitions in German cities. These factors are primarily associated with the importance attached to detailed formal administrative practices in Germany, including the existence of detailed laws on planning, building and property disposal, which are closely applied by local bureaucrats. This ethos is further underpinned by a general lack of personnel movement between the public and the private sectors, the more interventionist role played by the state in general, and the presence of a clause in the German Basic Law that specifies that property ownership carries wider social responsibilities. Strom also suggests that the range of actors involved in debates about urban development differs substantially in the German context. For instance, architects and urban planners, from both the public and private sectors, play a far more significant role in German cities than they do in the USA. Indeed, this role is

often 'institutionalised' via the special contract arrangements through which private architecture and planning offices undertake work for German cities.

The application of regime theory to European cities highlights something of a paradox. As has been noted, evidence would suggest that direct transfer of regime theory to the British and German context is highly problematic. Moreover, even using revised definitions, the experience of regime formation in the UK and Germany appears to be extremely varied, with regimes often conspicuous by their absence. At the same time, however, it is clearly undeniable that the majority of European metropolitan regions have become increasingly engaged in economic development as a result of structural change associated with globalisation and enhanced territorial competition arising from European integration (Cheshire and Gordon, 1996; Le Galès, 2000). Moreover, this increased emphasis on economic development activities has led directly to a greater involvement of corporate actors in the political process (Cheshire and Gordon, 1996; Harding, 1997; Le Galès, 2000). If such developments are not suitably captured by existing theories of urban regimes/growth coalitions, then what alternative approaches can be applied?

Regimes and collective (in)action

One means of capturing the dynamics of private sector engagement in urban and regional development in Western Europe is provided by Cheshire and Gordon's (1996) use of theories of collective action derived from rational choice theory. Cheshire and Gordon argue that while globalisation and European integration have greatly increased the pressure on European city-regions to engage in territorial competition, involving a pooling of public and private sector efforts, the mobilisation of organisations and resources necessary to engage in such competition effectively will not occur as an automatic response. Drawing on the work of Mancur Olsen (1965) they argue that territorial competition is characterised by an archetypal collective action problem, since it involves the production of a quasi-public good (enhanced economic growth), from which local businesses will benefit whether or not they contribute towards achieving it. Consequently, individual businesses are most likely to abstain from contributing towards territorial competition since they will

either seek to 'free-ride' on the actions of others, or will simply assume that attempts at collective action are doomed to fail.

However, it is also noted that not all local businesses are equally likely to free-ride. For instance, given their direct and immediate interest in economic growth, it is property-owners and rentiers that are most likely to become involved in local growth coalitions. Similar arguments can be made about companies operating in sectors characterised by agglomeration economies, in which competitive conditions can be influenced via local policy intervention promoting the economic sector concerned. Likewise, the manner in which business interests are organised locally will make a critical difference. In countries such as Germany, where businesses are obliged to join local Chambers of Commerce, which have legally defined roles, there is far greater scope to mobilise business interests around an agenda of territorial competition.

Cheshire and Gordon argue that the same collective action problem occurs among local authorities. They argue that the scale at which territorial competition will be most effective is that of the functional city-region, typically made up of numerous local authorities. Again, the rational course of action for individual local authorities is to avoid contributing to efforts aimed at securing growth promotion and seek to free-ride wherever possible. This 'logic of collective inaction' within local government presents a particular problem to the core cities in individual city-regions, since they face powerful pressures to engage in territorial competition, but cannot prevent the benefits of such efforts leaking into the wider functional urban region. As a result, Cheshire and Gordon suggest that effective territorial competition is more likely if there is a tier of government operating at a scale similar to that constituting the functional economic region and if the city-region is characterised by a relatively strong sense of collective identity.

On the basis of their analysis, Cheshire and Gordon outline 11 hypotheses about territorial competition, which they then seek to test against existing secondary accounts and a questionnaire survey of local authorities in Greater London and South East England. While this initial evidence appears to provide some confirmation of several of the hypotheses they put forward, their propositions have not been subject to detailed empirical testing. Nonetheless, there is clear potential for seeking to use the

rational choice assumptions they advance to augment existing accounts of the changing nature of urban politics. In particular, Cheshire and Gordon's approach provides a possible explanation as to why, despite the grounds to expect their emergence as a central element of the transition to the entrepreneurial city, researchers have frequently failed to identify regimes and growth coalitions when they have gone looking for them. Moreover, there are two further ways in which the approach could be developed further.

First, there is clear potential to draw on elements of discourse analysis in the study of collective (in)action in territorial competition. Gordon and Cheshire argue that it is the greatly enhanced perception of competition arising from the construction of the Single European Market that has accelerated attempts to promote territorial competition in Europe and also suggest that collective action is most likely in city-regions where there is significant potential for fortunes to change, either positively or negatively, as a result of this competition. While Cheshire and Gordon do not make this connection themselves, it would seem evident that it is this aspect of territorial competition – the perceived need to compete with other city-regions – that is most open to manipulation by those seeking to build a growth coalition. In particular, by plugging into wider globalisation discourses and seeking to exaggerate the threat that a locality faces from external competitors, those actors with the greatest interest in promoting local economic growth are likely to be able to enhance the prospects of achieving more effective territorial competition (c.f. Machimura, 1998). Indeed, the potential for interests to be mobilised around such a discourse is highlighted in Gordon's (1995) application of the same assumptions about collective (in)action to an analysis of the 'London: World City' report, interpreted as 'London's most significant gesture towards territorial competition' (p.296). Gordon clearly demonstrates that, while 'London: World City' was ineffective in overcoming many of the barriers to London engaging in meaningful territorial competition, its emphasis on the contemporary threats and opportunities to London's world city status served as a catalyst for a series of new policy initiatives, many of them involving the private sector as lead players (see chapter 6).

Second, there is a strong case for linking Cheshire and Gordon's approach to a wider conception of urban politics, which recognises more explicitly the competing

demands and pressures placed on elected city authorities. Again, while not part of Cheshire and Gordon's original analysis, the collective action problems they see as inherent in territorial competition are likely to render it highly contentious, if not conflictual. Given the problems involved in achieving collective action to engage in territorial competition, Cheshire and Gordon argue that activities embarked upon will frequently be symbolic and ineffectual or will take a form that results in them delivering benefits to specific groups, at the expense of others. In the latter case, in particular, territorial competition is likely to involve forms of property-led development that displace existing commercial and residential uses or projects that impact negatively on specific social groups (e.g. those living close to airports earmarked for rapid expansion). If such initiatives are closely associated with a globalisation discourse, which suggests that there is no alternative course of action, they are particularly liable to generate counter-mobilisation among the groups affected. Similarly, engaging in territorial competition may create financial problems, particular for large cities. Following Cheshire and Gordon's logic, core cities, in particular, are likely to have to bear a disproportionate burden of the costs associated with territorial competition, without necessarily being able to reap the benefits of such activity, which may well 'leak' to surrounding local authorities. In this regard, it is valuable to note Shefter's (1985) observation that city governments wishing to retain power are essentially engaged in a balancing act between four imperatives: winning elections, regulating and containing social conflicts, securing the city's financial solvency and maintaining the health of the local economy. While the latter is clearly central to the remaining three challenges, it would seem equally apparent that an over- or skewed emphasis on economic development carries high risks of political failure.

3.5 Extending middle-range theories: the internationalisation of governance

The analysis so far has suggested that accounts of state rescaling and world city politics under conditions of globalisation require a greater sensitivity to considerations of political agency that are best captured by middle-range theories of governance. However, it must also be noted that the accounts considered above exhibit three significant blind spots with regard to the relationship between globalisation and governance. First, there is an overwhelming bias in regulation and regime theory towards treating globalisation as a narrowly economic process that compels the state

at all levels to respond through measures directed at ensuring competitiveness. Yet, the emergence of new forms of international policy-making and institutional co-operation cannot simply be explained with reference to the changing economic order. The leading example of supra-national governance, the European Union, has acquired a growing role in policy areas that reach far beyond economic policy and competitiveness, including social cohesion and environmental protection. Similarly, the realisation that a significant number of problems reach across national boundaries has led to a general growth in the level of international co-operation in areas as diverse as criminal justice, tackling child labour and the formulation of global environmental policies, with the UN playing a growing role in co-ordinating such activities (Held et al, 1999).

Second, if both neo-Marxist and neo-pluralist readings of the state are inadequate in their treatment of global governance arising from national government co-operation, there is even less consideration paid to the evidence that local and regional authorities have increasingly become concerned with international policy issues (Atkinson and Wilks-Heeg, 2000). It is notable that several examples of the growth of supra-national governance in areas beyond economic policy have frequently promoted the internationalisation of the local state. Thus, many local authorities in Europe now have direct relations with each other as well as with the European Union, a trend that has been fostered by the development of EU regional policy, the availability of EU funds for collaborative projects and the growth of European city networks such as EUROCITIES (Le Galès, 2002). Similarly, the UNESCO policy initiative, Agenda 21, agreed at the Rio Summit in 1992 has also led to increased co-operation between local authorities around sustainable development issues and has seen local government take the lead role of introducing a significant international policy agreement, with national government playing a limited role (Wilks and Hall, 1995). This trend towards global-local policy linkages is, moreover, observable in a number of other international environmental policy agreements (Bundesministerium für Raumordnung, Bauwesen und Städtebau, 1996).

Third, the implications of the growing internationalisation of many policy areas have been inadequately addressed within the existing literature on intergovernmental relations and policy networks (Atkinson and Coleman, 1994). While political

scientists have recently begun to develop concepts of multi-level governance, this approach has primarily been proposed as a means of theorising the relationship between sub-national, national and European state actors, and fails to grasp the full extent of trans-national linkages referred to above. In particular, multi-level governance generally focuses on horizontal linkages between tiers of the state and pays little attention to the proliferation of vertical linkages across national boundaries, such as in the growth of international networks of local authorities. While useful empirical studies have been undertaken that seek to examine the manner in which local politics has itself increasingly 'gone global', these generally remain under-theorised and often consist of isolated case studies of particular cities, regions or policy areas, from which few generalisable conclusions can be drawn.

Drawing on the fragmented accounts available, a picture therefore emerges of city governments becoming increasingly bound-up with actors and processes operating at the international level not only as a result of economic change but also via the growth of multi-level international policy-making. Indeed, cities have even been argued to have begun to adopt what may be described as forms of 'municipal foreign policy' (c.f. Kirby et al, 1995). This notion of the local state as a trans-national actor is closely resonant with the idea that globalisation transforms urban politics by expanding, rather than contracting, its field of influence and by establishing the city as the key site in which the multi-scalar relations of globalisation are played out. The most detailed theoretical articulation of this approach is offered by Smith's (2001) concept of 'transnational urbanism'. Smith's use of the term 'transnationalism' in preference to globalisation reflects his insistence that national borders, identities and state policies remain significant in the face of transnational flows. Viewing transnationalism as a process in which economic and political processes are inextricably intertwined, Smith proposes that the city has come to play a crucial role as a 'meeting point' for the manifold aspects of transnational activity. Thus, cities are seen as places in which a variety of 'criss-crossing transnational circuits of communication and cross-cutting local, translocal, and transnational social practices' come together (Smith, 2001, p.5).

Smith's analysis therefore extends far beyond an economic interpretation of cities as nodal points for transnational flows and the infrastructure that supports them.

Instead, 'transnational urbanism' extends the focus of urban politics to include reference to trends such as the Mayor of New York campaigning for re-election in the Dominican Republic, or the coalition of local, national and transnational geo-political interests that have driven Miami's emergence as the USA's primary global city with articulations to Central and Latin America. The study of the growing resistance to globalisation discourses, itself increasingly transnational in orientation, is also central to Smith's account. For instance, Smith argues that 'global' communication technologies should not be seen simply as tools of transnational corporations, but are also central to the emergence of a vast range of transnational political and social movements. Smith thus proposes an approach to urban politics in a transnational era that is:

constituted as people connected across borders in transnational networks interact with more local institutional structures and actors, as well as with such putatively more global actors as multinational corporations and international agencies, to produce urban change' (Smith, 2001, p.60).

3.6 Conclusion: review and summary of hypotheses

This review has argued for a multi-theoretical approach to the study of world city governance, drawing on a critical synthesis of neo-Marxist and neo-pluralist theories of the state. Regulation theory, with its emphasis on the multi-scalar interplay between economic restructuring and the state, and regime theory, with its emphasis on the structured context and unpredictability of local political choice, form the core of this approach. However, it has been argued that previous attempts to apply both of these core theoretical constructs in empirical studies have indicated the need for further theoretical refinement that cannot be achieved by simply merging the two. In particular, it is argued that regulation and regime theory need to be augmented by four further theoretical strands. First, my use of regulation theory is amended significantly in light of the insights drawn from models of power- and path-dependence in intergovernmental relations (c.f. Rhodes, 1997; Sellers, 2004). Second, my approach to regime theory is informed by a number of rational choice assumptions regarding collective action (c.f. Cheshire and Gordon, 1996; Gordon, 1995). Third, the powerful

bias in existing theoretical accounts towards focussing more or less exclusively on the implications of economic globalisation for urban politics, and to exclude consideration of wider forms of internationalisation in local governance, is corrected via the adoption of the more broad-ranging notion of 'transnational urbanism' (c.f. Smith, 2001). Finally, it is proposed that, while regime theory implies a shift towards systemic economic power in urban politics, neo-pluralist assumptions about the range of pressures operating on elected local politicians are reinforced by the resultant prioritisation of economic development (c.f. Shefter, 1985).

Hypotheses

On the basis of this synthesis of approaches, the following hypotheses (H1-H6) may be put forward in response to the six research questions (RQ1-RQ6) outlined in chapter 1. These hypotheses inform the analysis presented in the remainder of the thesis:

RQ1. How is globalisation mediated by the specific national, regional and local contexts in which world cities operate?

H1. The urban imprint of globalisation in the world city context will depend critically upon how transnational economic processes engage with and are mediated by national, regional and local political processes (c.f. Keil, 1998b; Smith, 2001). Given the contrasting political inter-governmental and constitutional arrangements in which London and Frankfurt operate, world city formation is likely to produce divergent social, economic and political outcomes. Accordingly, there is no *a priori* reason to anticipate a convergence of generic governance arrangements in London and Frankfurt.

RQ2. To what extent do historical developments and legacies condition the options available to policy-makers and the choices they make? I.e. are local political responses to globalisation 'path-dependent'?

H2. Historical processes of world city formation indicate a significant degree of path-dependency, with specific past decisions or events having a powerful influence

on current and future possibilities (c.f. King, 1990a; Abu-Lughod, 1999). It should therefore be evident that world city formation in London and Frankfurt constitutes a long-run historical process. In addition, notions of path-dependency should figure, even if only implicitly, in policy documents and in policy-makers' accounts of policy change and policy choices in the face of globalisation.

RQ3. To what extent have competing interpretations of globalisation and world city formation featured in political and policy debates in London and Frankfurt since the mid-1980s?

H3. Studies of individual world cities reveal that globalisation has become a defining, and also highly contested, aspect of policy debates (Machimura, 1998; Brenner, 1998). Competing interpretations of globalisation and world city formation are therefore likely to have become increasingly central to policy debate in London and Frankfurt after the mid-1980s. This trend should be particularly observable in debates surrounding strategic policy documents, key policy choices and specific high-profile development projects. However, drawing on discourse analysis, it is also likely that globalisation debates become an instrumental element of local politics in the world city context (see hypotheses 5a and 6b).

RQ4. How have competing interpretations of globalisation and world city formation influenced the priorities of urban policy-makers?

H4. In response to (a perception of) far-reaching structural economic change, economic development has become a key policy priority in world cities. This shift in emphasis should clearly be evident in London and Frankfurt in relation to patterns of policy change and the introduction of new forms of governance (see hypothesis 5a). The growing stress placed on the promotion of economic growth is likely to foster a strong functional separation between economic, social and environmental policy networks.

RQ5. Has globalisation triggered the emergence of new forms of urban and metropolitan governance, as implied by theories of urban regimes, state rescaling and transnational urbanism?

H5a. It is likely that the prioritisation of economic development promotes the ‘hiving off’ of economic development functions to new governance structures that promote private sector involvement and are generally divorced from the democratic arena (c.f. Stone, 1989; Cheshire and Gordon, 1996). In line with existing theory, evidence from London and Frankfurt should reveal attempts to engage in territorial competition via the building of urban regimes/growth coalitions, and the introduction of city-regional governance arrangements designed to ‘rescale’ policy intervention. However, such forms of urban entrepreneurialism will be beset by collective action problems (see hypotheses 6a and 6b).

H5b. Globalisation triggers the emergence of forms of governance that increasingly connect urban politics with actors operating beyond the boundaries of the nation state (c.f. Keil, 1998b). While highly uneven across policy areas, these developments are consistent with the notion of ‘transnational urbanism’ (c.f. Smith, 2001), and indicate that the impact of globalisation on world city governance reaches beyond economic development and territorial competition.

RQ6. What are the implications of changing policy priorities and new forms of governance for political mobilisation and power-relations in world city politics?

H6a. Despite the priority given to economic development in world cities, collective action problems will limit the scope of urban entrepreneurialism. The difficulties inherent in persuading private companies to contribute to a quasi-public good (local economic growth) will render urban regimes highly unstable and frequently ephemeral (c.f. Cheshire and Gordon, 1996). Likewise, however powerful the case for forms of state rescaling in the world city context, attempts to rescale governance will be tightly constrained by power-dependencies in inter-governmental relations and the difficulty of achieving collective action among local authorities.

H6b. In the wider context of policy and institutional change, globalisation discourses become instrumental to wider political struggles (c.f. Smith, 1998; Machimura, 1998). Proponents of world city formation seek to overcome the collective action problems associated with regime formation via recourse to a

globalisation discourse that exaggerates the threats and opportunities arising from territorial competition. Conversely, social and political actors seeking to regulate or contain world city formation deploy alternative discourses of globalisation, rooted in transnationalism, in an attempt to furnish otherwise marginal social and environmental agendas with external legitimacy.

H6c. Globalisation and world city formation underline and reinforce the conflicting pressures that Shefter (1985) suggests face city governments seeking re-election. The logic of world city development is critically underpinned by the 'systemic power' of economic interests that continues to dominate world city politics, a tendency that is reinforced by new forms of governance. However, pressures on elected city governments ensure that there will be opportunities for political gains to be made by those advocating alternatives to the predominant globalisation discourse.

These hypotheses constitute the focus for the analysis presented in the remainder of the thesis. Part 2 of the thesis (comprising chapters 4 and 5) responds directly to research questions 1 and 2, relating to the mediation of globalisation and path dependency respectively. It also lays the groundwork for the discussion of research questions 3-6 in the remainder of the thesis. Part 3 of the thesis (chapters 6-9) continues to apply, test and develop the hypotheses relating to the mediation of globalisation and the implications of path dependency. However, the main purpose of part 3 is to address research questions 3-6 through a detailed, comparative analysis of world city politics in London and Frankfurt from 1986-96. Each of the remaining chapters specifies which research questions are being addressed and concludes with an interim assessment of the findings in relation to the relevant hypotheses. The final chapter of the thesis (chapter 10) reviews the research findings as a whole in relation to each of the hypotheses outlined above.

Chapter 4

World City Formation in London and Frankfurt and its Socio-Economic Consequences

4.1 Introduction

This chapter provides an overarching, comparative analysis of London and Frankfurt as world cities, in the context of the review and critique of the existing literature presented in the preceding chapters of the thesis. In particular, it returns to the debates highlighted in chapter 2 concerning the consequences of globalisation for relational change both between world cities (i.e. the reordering or urban hierarchies) and within world cities (i.e. patterns of social and economic restructuring). Consequently, the chapter is centrally concerned with research question 1, regarding the mediation of globalisation, and its purpose in this regard is twofold. First, it critically assesses the extent to which available evidence underpins the widespread depiction of London and Frankfurt as first and second tier world cities, respectively, within an emerging global economic order. Second, it considers the degree to which world city formation in both cities can be shown to have resulted directly in the forms of economic restructuring and social polarisation postulated by Sassen (1991). The chapter does not claim to provide a full empirical test of Sassen's hypotheses. Rather it offers a critical consideration of whether the available data on London and Frankfurt (drawn from both existing secondary accounts and primary sources) is consistent with the most influential claims about the significance of globalisation for urban change. In addition, the approach taken offers an initial opportunity to reflect further on a number of the criticisms of the world city literature. In particular, the comparative analysis of London and Frankfurt highlights a number of key issues relating to the role of territorial governance in the mediation of globalisation dynamics and the significance of specifically European, rather than global, processes for world city formation.

The chapter is divided into two main parts. The first half examines the standing of London and Frankfurt as world cities, within both the global and European contexts. This section begins by pitching the world/global city¹ hypotheses associated with Friedmann and Sassen against empirical evidence arising from an alternative approach that stresses networks rather than hierarchies (Beaverstock, Smith and Taylor, 1999; Taylor and Catalano, 2001). The networks approach points to a more dispersed pattern of world city growth, albeit in relation to London's dominant position among all world cities. However, it is argued that due to the limitations of the data used, the network approach captures neither the underlying causes, nor the nature of Frankfurt's role as a world city, particularly within the European context. Given these concerns, the remainder of the first half of the chapter provides more detailed assessment of the role of London and Frankfurt as financial centres within Europe, drawing on a range of empirical data that enable meaningful comparison of the international articulations of the two cities. This analysis demonstrates that while the former is clearly dominant in the European context, Frankfurt has emerged as the second financial centre of the European Union, ahead of Paris, a city ten times its size. These findings underline the significance of the European scale in world city formation.

The second half of the chapter examines the evidence relating to socio-economic change in London and Frankfurt as world cities. After expanding briefly on the debates highlighted in chapter 2, and highlighting a number of limitations in the existing secondary literature, it considers the accumulated evidence on structural economic change and social inequalities in London and Frankfurt since the 1980s. This review draws on a combination of primary data and secondary accounts. It begins by highlighting the influence of the Sassen thesis in the respective English and German language literatures, with such accounts suggesting strongly convergent patterns of urban and metropolitan change.

¹ As indicated in chapter 1, and elaborated in chapter 2, this thesis uses the term 'world city' in preference to 'global city'. Where 'world/global city' is used in the text, it indicates that the author(s) being discussed use the terms interchangeably, or use only the latter term, as is the case with Sassen (1991).

These propositions are then subjected to more detailed analysis using available primary data, standardised wherever possible to enable direct comparisons to be made between London and Frankfurt.² This evidence raises a number of crucial issues, relating particularly to the differential metropolitan geographies of economic restructuring and social polarisation in the two cities. These issues are explored with further reference to the respective secondary literatures on urban change in London and Frankfurt, highlighting a number of factors that appear to mediate the impact of globalisation and world city formation in the local and regional context.

4.2 London and Frankfurt as world cities: hierarchies or networks? global or European?

As was noted in chapter 2, following Friedmann (1986) and Sassen (1991) world/global city formation has conventionally been interpreted as a process of concentration and centralisation of command functions in the global economy, resulting in a distinctive hierarchical ordering of world/global cities. It was also noted that this interpretation has produced a series of competing approaches to ranking world/global cities (see box 2.2, chapter 2). These differences in approach have produced significant variations in the relative significance accorded to the role of different cities in the global economy, as the cases of London and Frankfurt aptly demonstrate. Beaverstock, Smith and Taylor (1999) identify 27 major studies that have sought to delimit up to five, top-tier world/global cities, and 15 studies that include a broader selection of world/global cities beyond this top-tier. The same authors then go on to note the frequency with which individual cities appear in these studies. Although London is consistently ranked as a first-tier world city, alongside New York and Tokyo, regardless of the criteria applied, Frankfurt's position varies considerably between individual studies. While London appears in 25 of the 27 studies identifying a tightly defined world city elite, Frankfurt is represented in just four instances. Indeed, it is only in the more general listings of world cities that

² Obtaining comparable data for London and Frankfurt inevitable raises issues concerning the geographical scale(s) and time periods for which data are available, as well as the use of different data collection, calculation and categorisation methods. Preference has been given throughout to data sources that enable direct comparison. However, in some cases, the incompatibility of sources has required data for the two cities to be presented separately. Specific issues regarding the data presented are highlighted throughout the text.

Frankfurt appears on a regular basis: London is listed in all 15 studies and Frankfurt in 13.

However, such ranking studies have been criticised for their tendency to derive hierarchies from whatever data sources are most readily available, rather than from a more sophisticated analysis of world city functions (Short et al, 1996; Taylor, 1997; Beaverstock, Smith and Taylor 1999, 2000). Indeed, Short et al (1996) suggest that deficiencies in the data sources underpinning the construction of rankings of cities constitute 'the dirty little secret' of world cities research. Stemming directly from Short et al's critique, an alternative approach to assessing the relative standing of world cities has arisen from the extensive empirical research carried out by the Globalisation and World Cities Study Group and Network (GaWC) at the University of Loughborough. Working within a paradigm of globalisation as a 'space of flows' (c.f. Castells, 1996), this team has defined inter-relations between world cities as its principal research focus. At the time of writing, this focus has provided the basis for 37 separate funded research projects since 1996, the results of which are reported in 121 individual research bulletins and numerous additional publications (GaWC, 2004). At the core of the work is the team's production of new data sets designed to quantify the relative connectivity of the world's 316 leading cities as individual nodes in a global economy. The principal data set relates to global network connectivity and has been produced via an analysis of 100 leading global firms in the financial and producer services sectors (accountancy, advertising, banking and finance, insurance, law and management consultancy). These firms were selected on the basis of having offices in at least 15 different cities and at least one in each of Europe, North American and East Asia, with the significance of each office to the firms as a whole being scored on a scale of 1-5 (Taylor and Catalano, 2001; Taylor et al, 2002).

Table 4.1 summarises the resultant ranking of cities based on this index of 'global network connectivity' and the more narrow criterion of 'banking network connectivity', which includes exclusive analysis of the sample's 23 firms in the banking and financial sector. The rankings are based on scoring the relative standing of all other cities against London, which as the 'most global' city is allocated a value of '1'. As can be seen, the data suggest that London and New York operate as the most central nodes in global business networks, although the gap between these two

and Tokyo is narrowed significantly if the ranking is restricted to banking connectivity. Conversely, while Frankfurt appears as low as 14th on the ranking of 'global network connectivity', its standing rises to 7th once producer services are taken out of the equation. The contrasts in the relative standing of London and Frankfurt are underlined by table 4.2, which shows that while London is easily the primary world city within Europe, and is enormously dominant within the UK, Frankfurt does not appear in the 'top 5' European cities for global network connectivity and is far less dominant within the German urban system.

Table 4.1 Top 15 cities for global network connectivity and banking network connectivity

GLOBAL NETWORK CONNECTIVITY			BANKING NETWORK CONNECTIVITY		
<i>World City</i>	<i>Rank</i>	<i>Score</i>	<i>International Financial Centre</i>	<i>Rank</i>	<i>Score</i>
London	1	1.000	London	1	1.000
New York	2	0.976	New York	2	0.984
Hong Kong	3	0.707	Tokyo	3	0.943
Paris	4	0.699	Hong Kong	4	0.854
Tokyo	5	0.691	Singapore	5	0.804
Singapore	6	0.645	Paris	6	0.789
Chicago	7	0.616	Frankfurt	7	0.698
Milan	8	0.604	Madrid	8	0.686
Los Angeles	9	0.600	Jakarta	9	0.662
Toronto	10	0.595	Chicago	10	0.650
Madrid	11	0.594	Milan	11	0.633
Amsterdam	12	0.590	Sydney	12	0.625
Sydney	13	0.578	Los Angeles	13	0.617
Frankfurt	14	0.567	Mumbai	14	0.616
Brussels	15	0.557	San Francisco	15	0.614

Source: Taylor and Catalano (2001).

Table 4.2 Top 5 cities for global network connectivity in the USA, Germany, the UK and the EU

<i>USA</i>			<i>Germany</i>			<i>UK</i>			<i>EU</i>		
City	R	S	City	R	S	City	R	S	City	R	S
	a	c		a	c		a	c		a	c
	n	o		n	o		n	o		n	o
	k	r		k	r		k	r		k	r
	e			e			e			e	
New York	2	0.98	Frankfurt	14	0.57	London	1	1.00	London	1	1.00
Chicago	7	0.62	Hamburg	48	0.39	Manchester	101	0.22	Paris	4	0.70
Los Angeles	9	0.60	Munich	49	0.39	Birmingham	107	0.22	Milan	8	0.60
San Francisco	17	0.51	Düsseldorf	50	0.39	Bristol	135	0.18	Madrid	11	0.59
Miami	25	0.46	Berlin	51	0.36	Leeds	137	0.18	Amsterdam	12	0.59

Source: Taylor and Catalano (2001).

The GaWC data suggests that London and Paris are the principal world cities within Europe, a conclusion that is apparently confirmed by a number of other data sources. For instance, the relative standings of London, Paris and Frankfurt as international business centres are also illustrated by data on the location of the European headquarters of major trans-national corporations. As table 4.3 shows, London is easily the most preferred location for Fortune 500 companies with a European headquarters, with Paris some way behind and Frankfurt a distant fourth, alongside Düsseldorf. A similar pattern is seen in relation to inward investment activity (table 4.4), with Greater London attracting a far greater number of inward investors than the Paris city-region (defined as the Ile-de-France), which in turn evidences significantly more activity than the nearest available proxy for the Frankfurt city-region (the Land of Hessen). Such contrasts would also seem to reflect the huge differences in the respective size of the three cities. London and Paris are the only cities in the EU with populations above 5 million while, Frankfurt as only the fifth largest city in Germany, has a population around a tenth of the size of London or Paris. Indeed, it has often been noted that the City of London boasts more employees in financial services than Frankfurt's entire residential population (Seifert et al, 2000b).

Table 4.3 Location of Fortune 500 Companies' European Headquarters (HQ)

<i>City</i>	<i>No. HQs</i>
London	129
Paris	35
Brussels	23
Düsseldorf	12
Frankfurt	12
Amsterdam	4

Source: London First Centre (2000), p.6.

Table 4.4 Foreign direct investment in European city-regions, 1999, all economic sectors (total number of companies)

<i>City-Region</i>	<i>No. Investors</i>
Greater London	140
Paris (Ile-de-France)	74
Barcelona (Catalonia)	73
Frankfurt (Hessen)	54
Strasbourg (Alsace)	54

Source: London First Centre (2000), p.4.

However, such data sources present an overly narrow interpretation of Europe's world cities. While GaWC's relational data constitutes a significant innovation in the study of world city networks, enabling a more sophisticated mapping of the relative significance of cities beyond the leading global centres, it clearly also has a number of limitations. In particular, it seems unclear as to why the location of the offices of producer service companies provides any real potential to operationalise Castells' concept of 'the space of flows'. Indeed, the approach includes no assessment of actual movements of capital, labour or information between cities, but simply assumes that the apparent significance a company accords to offices in particular locations can be taken as a proxy measure of all of these flows. Aside from the obvious fact that there are likely to be a range of factors influencing a company's relative presence in each of the world's major cities, it would seem that the GaWC approach actually does very little to move the world city literature beyond the construction of rankings based on TNC headquarters. Given the central role of producer services in supplying the needs of transnational corporations, it would seem evident that 'global network connectivity' is likely to be determined principally by the number of TNC

headquarters in each city. To demonstrate this possibility, table 4.5 compares the rankings accorded to cities within each of the three principal 'global zones' by GaWC with a recent ranking of world cities based on the headquarter locations of TNCs, again differentiated by the three main 'global zones' (Godfrey and Zhou, 1999). As can be seen, there is remarkable similarity between the relative positioning of cities on both indicators, suggesting that the GaWC approach should perhaps be seen as complementary, rather than as an alternative, to more conventional accounts of world city hierarchies.

Table 4.5 Ranking world cities by producer services and TNC headquarters – an alternative or a complementary approach?

<i>USA</i>			<i>Europe</i>			<i>Asia Pacific</i>		
City	P	T	City	P	T	City	P	T
	R	N		R	N		R	N
	O	C		O	C		O	C
	D	S		D	S		D	S
	S			S			S	
New York	1	1	London	1	1	Hong Kong	1	2
Chicago	2	2	Paris	2	3	Tokyo	2	1
L.A.	3	N/a	Milan	3	2	Singapore	3	3
San Fran.	4	3	Madrid	4	4	Seoul	N/a	4
			Amsterdam	5	N/a	Osaka	N/a	5
			Frankfurt	6	6	Beijing	N/a	6
			Brussels	7	7			
			Zurich	8	5			

Sources: Compiled from Taylor and Catalano (2001); Godfrey and Zhou (1999).

These arguments are important because Frankfurt's role as a world city has very little to do with it functioning as a location for TNC headquarters. The simultaneous existence of multiple metropolitan centres within Germany, each with distinctive sectoral specialisations, has meant that the headquarters of the largest German corporations have not clustered in a single German city in the same way that they have in London or Paris (see table 4.6). This fact raises important questions about the apparent imperative of TNCs concentrating headquarter functions in particular cities that have become 'command and control' centres for the global economy. Moreover, it highlights a critical difference in the dynamics of world city formation in London

and Frankfurt that has rarely, if ever, been alluded to in the literature: whereas the cluster of international business activity associated with TNCs is clearly a substantial element of the London economy, it plays a very limited role in Frankfurt's articulations with the global economic order. Instead, to understand Frankfurt's role as a world city, we have to look beyond the theoretical accounts offered by Friedmann (1986) and Sassen (1991), and focus more specifically on its role as a financial services centre within the European Union. In addition, consideration must be paid to the contrasting historical dynamics of world city formation in London and Frankfurt. In this regard, it is critically important to understand the central role that political – as opposed to TNC - strategies have played in driving Frankfurt's emergence as a world city, a theme that will be touched upon here, but returned to in detail in chapter 5.

Table 4.6 Leading headquarter locations of largest 70 German corporations

<i>City</i>	<i>No. HQs</i>
Hamburg	9
Essen	6
Frankfurt	6
Mannheim	4
Munich	4
Düsseldorf	4
Berlin	3
Cologne	3
Stuttgart	3
Bonn	2
Duisberg	2
Mülheim	2
Hannover	2

Source: Derived from Schmacke (1997).

London and Frankfurt as European financial centres

Focussing specifically on financial services does little to narrow the marked divide between Frankfurt and the first-tier global cities of London, New York and Tokyo. Indeed, despite media speculation regarding the possibility of London losing ground to Frankfurt in wake of the decision to locate the European Central Bank in the latter (Browne, 1999), it is evident that there are enormous differences in the respective roles of London and Frankfurt within international financial markets (Seifert et al, 2000a; Beaverstock, Hoyler, Pain and Taylor, 2001). In terms of global market share,

Frankfurt is far adrift of London's turnover in all financial markets (Beaverstock, Hoyler, Pain and Taylor, 2001). Table 4.7 summarises the global market share accounted for by the UK and Germany in a range of financial markets at the turn of the century (effectively these data provide a comparison of London and Frankfurt, although the data for Germany will slightly exaggerate Frankfurt's standing). Clearly, London is the dominant global centre across a great range of international financial markets, with Frankfurt's share of global trading a fraction of London's in most markets. However, despite this enormous imbalance, Frankfurt is ranked among the top five cities globally in a range of international financial markets, including foreign equity markets (3rd), as well as international bank lending and foreign exchange dealings (4th in both).

Table 4.7 London and Frankfurt as international financial markets, 2000

	<i>United Kingdom</i>		<i>Germany</i>	
	Market Share (%)	Global Rank	Market Share (%)	Global Rank
Cross-border bank lending (2000)	20	1	9	4
Foreign equity turnover (1999)	58	1	5	3
Foreign exchange dealing (1998)	32	1	5	4
Over-the-counter derivatives (1998)	36	1	7	5
Marine insurance (1997)	20	1	10	4
Aviation insurance (1997)	29	1	3	5
International bonds: primary market (2000)	60	1	N/a	N/a
International bonds: secondary market (2000)	70	1	N/a	N/a

Source: IFSL (2001), p.8.

It is widely recognised that London, Frankfurt and Paris constitute the principal international financial centres within Europe, with London by far the most significant of the three (Parsa et al, 1995; Seifert et al, 2000a). Table 4.8 provides data on the total number of foreign banks with a presence in each of the three cities, as well as the total number of foreign companies listed on each city's stock exchange. While all three cities show strong evidence of international financial activity, the dominance of

London over its nearest European rivals is self-evident. According to Seifert et al (p.10) London boasts a concentration of international financial expertise that 'is approximately five times larger than its continental rivals' (Seifert et al, 2000a, p.10). The data on which Seifert et al base this claim include the number of senior personnel, the total number of financial institutions and measures of 'access to information', as shown in tables 4.9-4.11. It is also clear from these indicators that there is little to choose from between Frankfurt and Paris, although the former nudges ahead on most indicators. Seifert et al also find that both London and Frankfurt are some distance ahead of Zürich, the next largest international financial centre in Europe.

Table 4.8 Basic indicators of London, Frankfurt and Paris as international financial centres, 1993

	<i>Foreign banks</i>	<i>Foreign listed companies</i>
London	478	544
Frankfurt	247	310
Paris	277	223

Source: Parsa et al (1995), p. 21.

Table 4.9 The number of financial institutions in London, Frankfurt and Paris, 1998

	<i>Futures/ derivatives companies</i>	<i>FOREX/ money market brokerage</i>	<i>Investment banks</i>	<i>Investment management companies</i>	<i>Merchant banks</i>	<i>Securities/ brokerage companies</i>	<i>TOTAL</i>
London	145	21	165	87	58	474	968
Frankfurt	62	2	54	13	9	76	216
Paris	28	4	48	12	16	96	200

Source: Seifert et al (2000a), p.10.

Table 4.10 Senior investment banking staff: London, Frankfurt and Paris, 1998

	<i>FOREX</i>	<i>Fixed income</i>	<i>Equity</i>	<i>Other</i>	<i>TOTAL</i>
London	697	1,245	1,145	1,893	4,981
Frankfurt	171	224	192	491	1,068
Paris	153	153	117	469	902

Source: Seifert et al (2000a), p.9.

Table 4.11 Access to financial information in London, Frankfurt and Paris

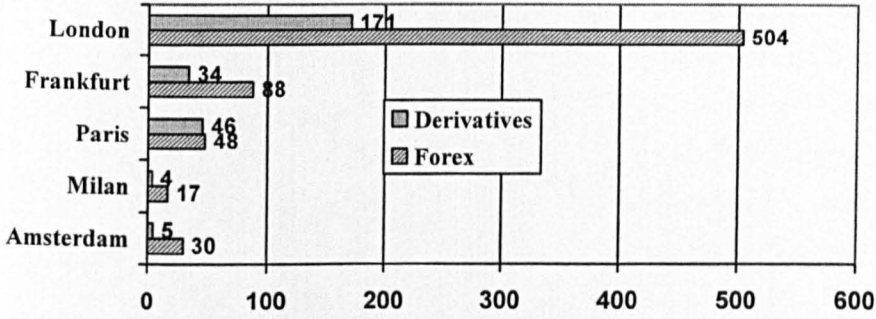
	<i>No. Bloomberg screens</i>	<i>Sales of specialised financial press (% of total)</i>
London	17,732	71%
Frankfurt	3,720	15%
Paris	2,389	14%

Source: Seifert et al (2000a), p. 11 and Seifert et al (2000b), p.2.

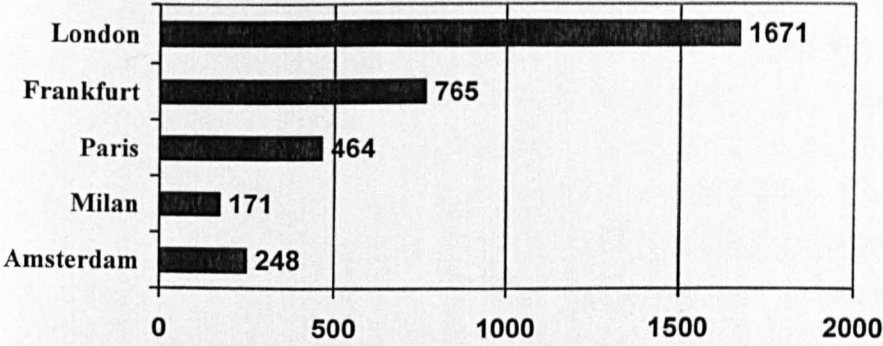
This hierarchical ordering is further borne out by data on the volume of financial trading in the principal financial centres within the EU. Figure 4.1 provides data on London and Frankfurt's respective standings within a European context. Again, the enormous contrast between the volumes of trading in London and Frankfurt are highly evident across a range of markets, including international equities, derivatives, international bank lending and foreign exchange. Table 4.9 shows how these divergent international roles are reflected in the presence of financial institutions in the two cities, with London dwarfing Frankfurt in virtually every category. However, Frankfurt's claim to operate as Europe's second international financial centre is clearly underlined by its position relative to Paris, Milan and Amsterdam, as shown in figure 4.1. The picture that emerges is therefore of 'London as a supreme "all rounder" world city with a global presence, and Frankfurt as an international financial services centres with a largely European remit' (Beaverstock, Hoyler, Pain and Taylor, 2001 p.5).

Figure 4.1 Comparisons of leading European financial centres

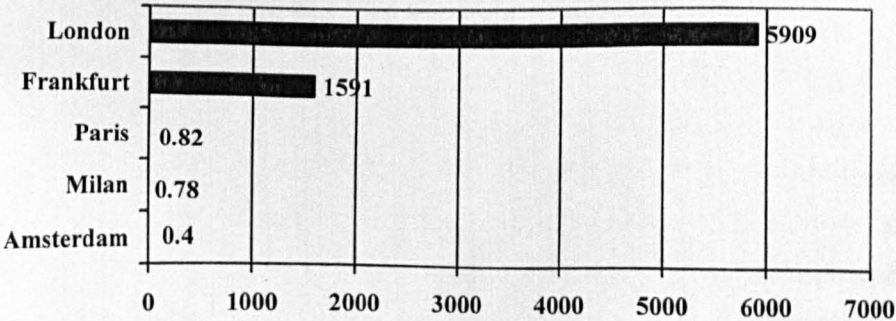
Daily Financial Trading, 2001 average, US\$ billions



Loans Value, 2001, US\$ billions



Equities Traded Internationally, 2001, US\$ millions



Source: Falconbridge, 2003.

4.3 Globalisation and urban change: socio-economic restructuring in London and Frankfurt

The implications of world city formation for economic and social structures were considered in outline in chapter 2 of this thesis. It was noted that, following the hypotheses set out by Friedmann and Wolff (1982) and Friedmann (1986), the first concerted attempt to 'test' these propositions against observable trends is found in Sassen's (1991) study of London, New York and Tokyo. While Sassen's work, in particular, constitutes the key reference point for the world cities literature, many of her conclusions have since been challenged and refined as a result of subsequent debates. These debates have centred on two of Sassen's key claims in relation to world/global city formation. The first concerns the consequence of world/global city formation for a city's economic structure, focussing specifically on the claim that the concentration of higher-order service industries, particularly financial and producer services, has displaced manufacturing industries and employment. The second centres upon the related proposition that these patterns of economic and employment change have directly resulted in growing social polarisation. Social polarisation is seen as an automatic corollary of world/global city formation, arising from the combined impact of the decline of relatively well-paid, unionised manufacturing employment, the internally polarised occupational structures of growth sectors, and the creation of poorly paid jobs in the personal services sector that is sustained by growing demand among high income earners.

As research into socio-economic change in world cities has progressed, Sassen's propositions have been subject to close scrutiny, both in the form of single city case studies (Frost and Spence, 1993; Graham and Spence, 1995, 1997; Hamnett, 1991, 2004), and comparative analyses of global/world cities (Fainstein et al, 1992; Hamnett, 1994, 1996b). Given the assumptions of convergence contained in the world city hypothesis, comparative accounts have been critical to attempts to identify the extent to which the decline of manufacturing and the intensification of social polarisation are inherent features of global cities. Yet, there are two significant gaps in the literature, particularly in relation to comparative accounts. First, very few detailed comparative studies of global cities have been undertaken since the mid-1990s and, consequently, many of the debates surrounding socio-economic change within global

cities have not been re-visited in the light of subsequent trends (although, for a partial exception, see Buck et al, 2002). By way of illustration, Fainstein et al's seminal (1992) study of economic and social restructuring in London and New York is restricted to consideration of time-series data up to 1988. Second, there has been a general paucity of attention to 'second-tier' global cities in Europe, such as Frankfurt, particularly within the English language literature.

As a result, there have been few systematic attempts to collect and analyse empirical data that enable meaningful comparison of socio-economic change between first and second-tier global cities, between global cities operating in the context of different welfare settlements or between global cities with highly differential population sizes. Given the strong *a priori* possibility of such factors exerting significant causal influence on patterns of metropolitan socio-economic change, this is a major failing. Such national and sub-national structures are likely to play a key role in mediating globalisation dynamics, as hypothesis 1 proposes. Moreover, studies comparing London and Frankfurt directly are especially rare, and do not go beyond analysis of financial markets (Seifert, 2000a; Beaverstock, Hoyler, Pain and Taylor, 2001). The scope to make direct comparisons between socio-economic trends in the two cities on the basis of the secondary literature is therefore limited, particularly since non-comparative studies inevitably employ different research methodologies, drawing on largely incompatible datasets, generally relating to different time periods. Consequently, the analysis below draws to a significant degree on primary data sources for both cities, standardised wherever possible in order to enable direct comparison.³

The socio-economic consequence of world city formation in London and Frankfurt

While Sassen's propositions regarding employment restructuring and social polarisation have been highly influential, it has been suggested that subsequent debate

³ Statistical data for both Frankfurt and London is largely collected for administrative areas that do not readily correspond to the reality of the functional urban regions. Moreover, important differences in the spatial distribution of key world city functions in Frankfurt and London often require comparison between highly contrasting spatial units. For instance, whereas London is served by three major international airports, only one of which is located within the boundaries of Greater London, Frankfurt International Airport is located wholly within the city of Frankfurt.

has tended to be 'characterised more by assertion than conceptual analysis and evidence' (Hamnett, 1994, p. 402). In many cases the Sassen thesis has been absorbed more or less uncritically into analyses of urban change. Indeed, the dynamics of structural economic change and social polarisation have become part of a received wisdom in the global/world cities literature. As a result, the literature on both London and Frankfurt is replete with accounts that view the socio-economic impact of world/global city formation as a relatively simplistic set of causal linkages from globalisation to employment change to social polarisation. For instance, both Simmie (1994b) and Wentz (1992b), writing about London and Frankfurt respectively, largely replicate Sassen's assumptions.

...one of the major effects of the role that London plays in the global economy is to change the structure of its economy in such a way as to increase service employment and decrease local manufacturing jobs as the job structure of London has changed, so has the social structure based on that employment. Some of the results include increasing social polarisation between the insiders who derive economic benefits from London's world city activities and the outsiders who bear many of the costs in terms of poor housing and unemployment (Simmie, 1994b, pp. 155-6).

During the 1980s the social and structural development of cities – especially the major business centres – was increasingly determined by external economic dynamics...this process of internationalisation and tertiarisation has prompted enormous socio-spatial restructuring ...during the 1980s the proportion of total employment in Frankfurt accounted for by the manufacturing sector sank to 25 per cent, while the proportion of total employment provided by the service sector rose to 75 per cent. This social transformation has certainly not brought about a "levelled-out middle class" (*nivellierte Mittelstandsgesellschaft*). A polarisation of the urban labour market can be more clearly observed, which also makes itself evident in patterns of socio-spatial segregation. The expansion of employment in financial industries and related service sectors has not only increased demand for highly-qualified well-paid workers, but has simultaneously created a widening field for the use of low-wage employment,

that includes the area of consumer services as well as low-order producer services functions (for example, courier services) (Wentz, 1992b, p.11).

Although the above accounts were written without reference to one another, the striking parallel assumptions they make underlines the influence of Sassen's work. Taken together, they imply that world city formation in London and Frankfurt has produced convergent socio-economic trends. It is also important to note that these two accounts originate from authors with strong connections to policy debates in the two cities. Wentz's interpretation of economic and social change in Frankfurt is particularly significant in this regard – as a senior politician in the Frankfurt Social Democratic Party (SPD), he served as Frankfurt's cabinet member for urban planning from 1989-2000. Meanwhile, Simmie's views are taken from an edited collection entitled 'Planning London' (Simmie, 1994a), produced by staff at the Bartlett School of Planning at University College, London, who contributed to the influential *Four World Cities* study commissioned by national government (Llewelyn Davies and Partners, 1996). Both authors' conclusions are reinforced by the conclusions reported in consultancy reports, policy documents and the public utterances of key politicians in both cities (see, *inter alia*, Stadt Frankfurt am Main, 1995c; Bartelheimer, 1997a, 1997b; Roth, 1998 on Frankfurt; Coopers and Lybrand Deloitte, 1990; Llewelyn Davies and Partners, 1996; Gummer, 1996 on London). In order to subject such conclusions to closer, empirical scrutiny, the following sections outline and discuss comparative data on economic and social restructuring in the two cities.

Economic restructuring

That structural change has occurred in London along the lines suggested by Sassen is beyond doubt. Table 4.12 shows that total employment in Greater London in 2000 was only marginally greater than in 1978. However, the sectoral breakdown provided in the table underlines the extent to which the period was one of significant economic restructuring, involving a rapid decline in manufacturing employment alongside a similarly sharp growth in service-sector jobs. From 1978-2002, the equivalent of 615,000 full-time manual jobs were lost in Greater London: 432,000 in manufacturing and a further 183,000 jobs in 'other manual sectors'. During the same period this sharp decline in manual labour was largely compensated for by an almost equivalent

growth in business services, which registered a net increase of 582,000 jobs, alongside substantial growth in the consumer services sector, which gained 171,000 additional employees. Table 4.12 also shows that the rate of manufacturing job loss has been faster in Greater London than it has in the Outer Metropolitan Area (OMA).

Table 4.12 Employment change in the London region, 1978-2000

Sector	<i>Greater London</i>		<i>OMA</i>		<i>London Region</i>		<i>Great Britain</i>	
	000s	%	000s	%	000s	%	000s	%
Manufacturing	-432	-63	-283	-48	-716	-56		-44
Other manual Sectors	-183	-24	144	35	-34	-3		6
Business services	582	81	385	166	967	101		79
Health, education & government	-68	-9	36	8	-30	-2		17
Consumer services	171	28	182	56	351	37		31
TOTAL	70	2	466	23	536	10		4

Source: Buck et al (2002), p. 97.

Structural change in the Frankfurt economy shows a similar pattern with service sector employment growing at the expense of jobs in manufacturing. Koch (1992, pp. 44-5) reports a net loss of 78,093 jobs in secondary industries (production) in Frankfurt from 1980-87, together with a contemporaneous net increase of employment in the tertiary sector (services) of 92,527. As table 4.13 shows, while total employment in Frankfurt increased by 4 per cent from 1980-94, manufacturing employment declined by 26 per cent during the same period. Again, these jobs were largely compensated for by growth in the service sector, particularly in banking, insurance and finance, in which employment grew by 44 per cent. As in London, the rate of manufacturing job loss was significantly greater in the city of Frankfurt than it was at the larger territorial scale, represented by the Land of Hessen.

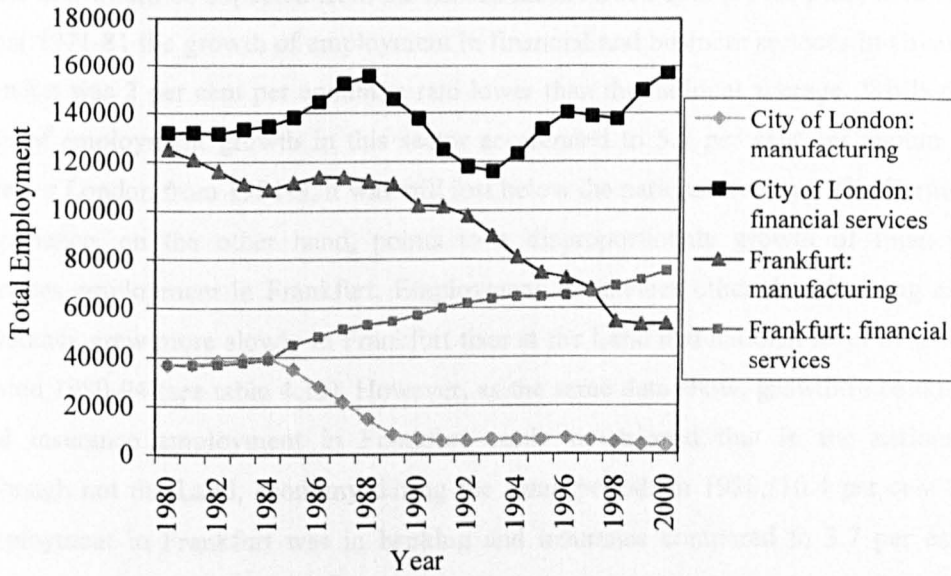
Table 4.13 Employment change in the Frankfurt region, 1980-1994

Sector	<i>Frankfurt</i>		<i>Hessen</i>		<i>FRG</i>	
	000s	%	000s	%	000s	%
Manufacturing	-40	-26	-114	-12	-830	-8
Wholesale, retail and transportation	2	1	68	17	462	12
Private services	32	37	185	55	1904	54
Banking, insurance & finance	21	44	41	44	205	26
Public services	5	13	40	24	310	18
TOTAL	20	4	217	11	1840	9

Source: Calculated from Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung (1995), p.4.

Figure 4.2 compares employment trends in financial services and manufacturing from 1980-2000 for the two smallest geographical units available: the 'square mile' of the City of London and the city of Frankfurt. Given the key significance accorded to financial and producer services in the global cities literature, and the overwhelming concentration of these sectors in the central office districts of Frankfurt and London, the patterns of change shown are not surprising. Taken at face value, they seem to be consistent with Sassen's hypotheses. Employment in financial services rose sharply in the City of London following deregulation in the mid-1980s, occurring alongside a simultaneous fall in manufacturing employment in the City. Likewise, as employment in financial services has grown in Frankfurt, particularly following deregulation in the early 1990s, employment in manufacturing has fallen dramatically.

Figure 4.2 Employment in manufacturing and financial services, City of London and Frankfurt, 1980 - 2000



Sources: Stadt Frankfurt am Main (1995a), p.34; Stadt Frankfurt am Main (2002), p.50; IHK Frankfurt (2003); Greater London Authority (2003).

The available evidence on employment trends in London and Frankfurt therefore points clearly to trends consistent with the Sassen thesis – the decline of manufacturing and the growing significance of advanced services. However, the above data do not establish a clear line of causality from world city formation to structural economic change in London and Frankfurt. Given the presumption that world city formation has a powerful, independent causal impact on economic restructuring, it would be reasonable to expect research evidence to verify two specific tests. First, it would be anticipated that London and Frankfurt will have experienced disproportionately high levels of both a) employment gain in financial services and b) employment loss in manufacturing compared to their respective national economies and other metropolitan regions within them. Second, it should be demonstrable that employment decline in manufacturing has occurred primarily as a result of the growth of employment in financial, business and producer services, rather than as a result of other factors, such as the impact of new technology on production processes or the growing space requirements of manufacturers.

The evidence relating to these two tests is somewhat mixed. On the first issue, the growth of financial and business services in Greater London has not occurred on the scale that would be expected from the Sassen thesis. Buck et al (1992, p.87) note that from 1971-81 the growth of employment in financial and business services in Greater London was 2 per cent per annum, a rate lower than the national average. While the rate of employment growth in this sector accelerated to 5.5 per cent per annum in Greater London from 1981-9, it was still just below the national average. The German experience, on the other hand, points to a disproportionate growth of financial services employment in Frankfurt. Employment in services other than banking and insurance grew more slowly in Frankfurt than at the Land and national level over the period 1980-94 (see table 4.13). However, as the same data show, growth in banking and insurance employment in Frankfurt easily outstripped that in the national, although not the Land, economy during the same period. In 1980, 10.4 per cent of employment in Frankfurt was in banking and insurance compared to 3.7 per cent nationally. By 1994, 14.4 per cent of Frankfurt's employment was in the financial sector, while the equivalent share at the national level had risen to just 4.3 per cent (Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung, 1995, p.4).

Similarly, the evidence of a specific 'world city effect' in relation to manufacturing is also ambiguous. On the one hand, it is clear that, since the onset of large-scale de-industrialisation in the early 1970s, London has been shedding manufacturing jobs more rapidly than the British economy as a whole. Between 1971 and 1981 manufacturing employment declined by 25 per cent in Great Britain, by 36 per cent in Greater London and by 41 per cent in Inner-London (Pratt, 1994, p. 21). Likewise, analysis of employment trends in the 1980s suggested that 'London manufacturing has declined much more rapidly than that of Britain as a whole' (Buck et al, 1992, p. 84). Table 4.12 demonstrates that this trend has clearly continued, with Greater London losing 63 per cent of its manufacturing employment from 1978-2000, compared to a 44 per cent decline for Great Britain as a whole. However, if comparisons are made with other metropolitan areas, the evidence of a specific world city effect is far less evident. The decline of manufacturing employment in other city-regions, such as Merseyside and Greater Manchester, has been equally as dramatic. From 1981-96, manufacturing employment declined by 57 per cent in Merseyside (-88,500 jobs) and 41 per cent in Greater Manchester (-142,500 jobs), this coming on

top of the 100,000 industrial jobs each conurbation had lost during the 1970s (Giordano and Twomey, 1999). The evidence from Frankfurt suggests similar ambiguities. Again, there is evidence of a greater rate of manufacturing decline than the national average. Between 1980 and 1994, the share of the city's employment in manufacturing fell from 34.2 to 24.3 per cent (Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung, 1995, p.4). As in the case of London, this rate of decline in manufacturing was far more rapid than at the regional and national levels. Whereas Frankfurt's share of employment in manufacturing stood at 66 per cent of the national and 70 per cent of the regional (Land) level in 1980, it has fallen to 57 and 63 per cent respectively by 1994. However, as table 4.14 shows, manufacturing job loss in Frankfurt was less dramatic than in other German cities during the period 1980-94. While Frankfurt lost 27 per cent of its manufacturing employment during this period, industrial job loss was far greater in Stuttgart (a 35 per cent decline), Cologne (40 per cent decline) and Essen (42 per cent).

Table 4.14 Manufacturing job loss in German cities, 1980-94

	<i>Total employment</i>		<i>Change</i>
	<i>1981</i>	<i>1996</i>	<i>1980-96</i>
Essen	103,400	59,600	-42%
Cologne	172,800	103,400	-40%
Stuttgart	164,600	106,600	-35%
Hamburg	247,100	177,300	-28%
Frankfurt	143,100	103,900	-27%

Source: European Commission (2000).

If the evidence of a specific world city effect on urban economic restructuring is contestable, then the second test, that the growth of financial services accelerates the demise of manufacturing, raises even more fundamental questions. Graham and Spence (1997) provide a detailed analysis of the factors driving the decline of manufacturing in London, with a specific concern to test the hypothesis that manufacturing industry has been 'crowded out' by the growth of office employment associated with London's world city functions. Using evidence drawn from statistical data on employment change, floorspace, land-use, output and productivity, they conclude that the crowding out thesis is not born out by empirical analysis and

represents an over-simplistic interpretation of a multi-faceted process. In particular, Graham and Spence show that only a limited proportion of manufacturing employment has been lost as a result of the conversion of industrial sites to commercial office use. Similarly, Buck et al (2002) suggest that the impact of expanding sectors such as financial and business services on manufacturing was far more indirect. They suggest that the crucial factor was the limited capacity for manufacturing firms to expand or relocate in the context of a changing property market: '(rising) space costs reflecting constrained supply and the competitive success of other sectors were ... key to the rapid loss of London manufacturing jobs' (Buck et al, 2002, p.96).

Similar findings are evident in the Frankfurt case. It would appear that the impact of world city formation on the Frankfurt economy has been one of spatial change rather than straightforward economic restructuring. Indeed, the principal effect of the growing concentration of financial services employment in central Frankfurt has been to displace manufacturing industry to other parts of the city-region. Felsenstein et al (2002b) stress that the central driver of manufacturing job loss in Frankfurt has been the re-location of manufacturing companies from the core city to its wider hinterland. Thus, while Frankfurt itself has seen manufacturing employment fall dramatically, from 29.5 per cent of all employment in 1975, to 17 per cent in 1995, 'some of the surrounding cities have double digit growth rates in manufacturing' (Keil and Ronneberger, 2000, p.230). As a result, manufacturing continues to account for 27 per cent of total employment in Frankfurt/Rhine-Main area as a whole (Felsenstein et al, 2002b).

The dynamics of economic restructuring in global cities would therefore appear to be more complex than Sassen allows for. In this sense, it is important to note that the diverse sectors that make up the economies of global cities are affected by 'different global processes, in different ways and at different times' (Buck et al, 1992, p. 68). Moreover, as the same authors go on to note, the extent and degree of structural economic change does not result solely from developments in the international economy. Of critical importance, they argue, is the way in which global economic forces interact with the inherited sectoral composition of metropolitan economies within the context of overall national economic performance. As such the

metropolitan scale plays a significant role in mediating the impact of global change. Moreover, Buck et al (1992) identify a wide range of factors that help explain the decline of manufacturing employment, including stagnation in consumer markets, reduced scope for productivity gains, the breakdown of industrial relations, the introduction of new technology and more flexible production methods. With regard to the latter, it is significant that Frost and Spence (1993) find evidence of manufacturing industry sustaining its levels of economic output, while simultaneously shedding labour, thus indicating productivity gains rather than simple collapse. Finally, as Buck et al (1992) note, the acute decline of manufacturing employment in inner-London is likely to be explained by additional factors, such as difficulty satisfying the increasing space demands of industry, the inherent weakness of some sectors and individual firms, and the existence of relatively high wage and rent levels in central London. For instance, the sharp fall in manufacturing in the City of London shown in figure 4.2 was largely due to the relocation of newspaper printing and book publishing activities to other parts of London, such as Docklands, from the mid-1980s. From 1984-89, total employment in the paper and printing industries in the City fell from 37,301 to 4,812 (calculated from Greater London Authority, 2003). This shift of printing facilities arose primarily from the implications of technological change in printing, which dramatically altered the space requirements of firms, and it is likely that printing facilities would have re-located regardless of the wider process of world city formation.

Given these criticisms, it is likely that a more accurate picture of structural economic change in London and Frankfurt will be gained from analysis of time-series data on the gross value added (GVA) contributed by individual sectors to the overall economic output of the city/metropolitan economy, and by analysing sectoral changes in GVA at multiple spatial scales.⁴ Tables 4.15 and 4.16 summarise the relative contribution of a range of economic sectors to the Frankfurt and Greater London economies in 1990 and 1998/9. A number of convergent trends can be observed that are consistent with the notion of world city formation driving structural economic

⁴ Gross Value Added (GVA) measures the contribution made to the economy by each individual economic sector or industry and is the most commonly used way of estimating wealth creation in sub-national economies (i.e. cities and regions). GVA is an interim stage in the calculation of Gross Domestic Product (GDP) using the 'income' and 'production' methods, with GDP taking account of taxes and subsidies (National Statistics, 2004).

change. First, the broad structure of the two economies at both points in time is remarkably similar, evidencing a clear bias towards service sector activities, which contribute upwards of 80 per cent of total gross value added. Second, it is evident that both cities experienced similar structural change in the period 1990-99, with the proportion of economic activity accounted for by primary and secondary sectors falling, and the inverse occurring in the tertiary sector. Third, the declining significance of primary and secondary activities is predominantly the result of the diminishing proportion of economic product stemming from manufacturing, which dropped to 10 per cent of the Greater London and 12.4 per cent of the Frankfurt total by the late 1990s. However, the extent of the decline in the share of GVA from manufacturing is less dramatic than the fall in manufacturing employment during the same period.

At the same time, it is important to note the sharp contrast in the relative contribution of public and private services to the two economies. Private services, particularly financial services and real estate, make up a bigger proportion of the Frankfurt economy, while London has a significantly higher share of gross value added from public services. The latter reflects London's major role as the primary centre for UK central government activity, as well as significant concentrations of employment in areas such as higher education and health care. Given the emphasis in much of the world cities literature on the role of international governmental functions and research-intensive public services in world cities, such evidence may be interpreted as further confirmation of the differential standing of London and Frankfurt in world city rankings.

Table 4.15 Gross value added by economic sector, Frankfurt and Greater London, (1990), per cent

	<i>Greater London</i>	<i>Frankfurt</i>
i) Primary and secondary sectors	20%	21.9%
<i>Of which</i>		
Agriculture, hunting, forestry and fishing	0%	0%
Manufacturing	13%	16.5%
ii) Tertiary sectors	80%	78.1%
<i>Of which</i>		
Wholesale and retail trading, transport & communications	25%	20.1%
Private sector services	40%	51.2%
Public services	15%	6.8%

Source: Hildebrand (1995a), p. 189; National Statistics (2003), table A5.3.

Table 4.16 Gross value added by economic sector, Frankfurt (1999) and Greater London (1998), per cent

	<i>Greater London</i>	<i>Frankfurt</i>
(i) Primary and secondary sectors	15%	16.7%
<i>Of which</i>		
Agriculture, hunting, forestry and fishing	0%	0.1%
Manufacturing	10%	12.4%
(ii) Tertiary sectors	85%	83.3%
<i>Of which</i>		
Wholesale and retail trading, transport & communications	25%	23.9%
Financial services and real estate	39%	46.8%
Public and other private services	20%	12.6%

Note: The data do not allow direct comparisons of service sector categories in 1990 and 1998/9. Data for London sectors have been aggregated to make them compatible with the data for Frankfurt.

Source: Stadt Frankfurt am Main (2002), p. 68; National Statistics (2003), table A5.3.

However, the apparent convergence implied by the data in tables 4.15 and 4.16 arises from a comparison of very different spatial units: the core city of Frankfurt and the entire Greater London city-region. If Greater London is instead compared to the larger Frankfurt/Rhine-Main region, very different patterns become evident. As table 4.17

shows, primary and secondary activity contributed 26.4 per cent of GVA to the Frankfurt/Rhine-Main economy in 1994, with the manufacturing sector accounting for almost 20 per cent. While it has not been possible to obtain time-series data for Frankfurt/Rhine-Main, these data are consistent with the wider evidence relating to the geography of employment change in Frankfurt/Rhine-Main discussed above. Again, it would appear that the concentration of financial services in Frankfurt has displaced some manufacturing activity from the core city, but that manufacturing remains a key element of the polycentric, internationally-orientated Rhine-Main economy (Felsenstein et al, 2002b). Moreover, despite the dramatic decline of manufacturing employment in Greater London, the city has retained significant levels of manufacturing activity, particularly firms with strong connections to international markets (Buck et al, 2002). If a broader conception of the London economy is used, embracing areas of South East England, the significance of the manufacturing sector becomes even more apparent. While just 17.2 per cent of Greater London's GVA was derived from industry in 1994, the equivalent figure for the South East as a whole was 23.7 per cent (Green, 1996, p.11). Likewise, whereas 9 per cent of Greater London's workforce were employed in manufacturing in 1995, 14 per cent of jobs in the Rest of the South East (ROSE) were in this category, compared to 17 per cent nationally (Green, 1996, p.15). The differential spatial outcomes of economic restructuring are, therefore, a crucial issue for comparative analysis.

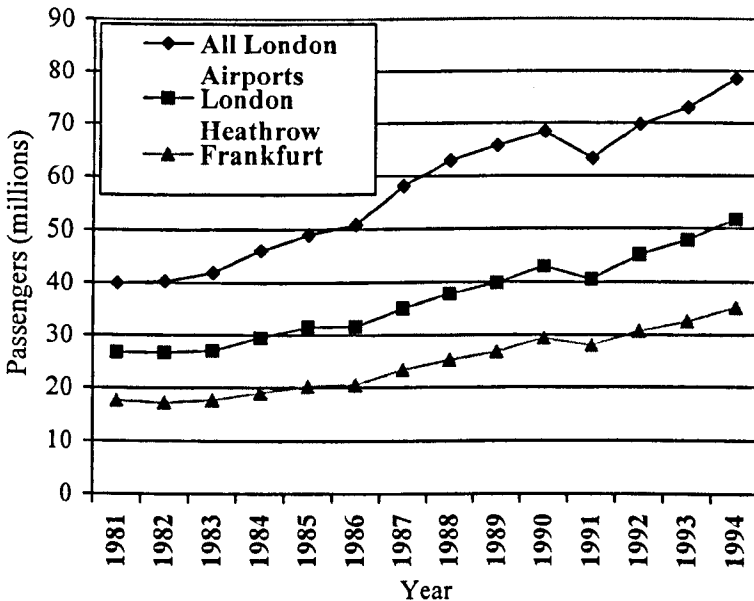
Table 4.17 Gross value added by economic sector, Greater London and Frankfurt/Rhine-Main (1994)*, per cent

	<i>Greater London</i>	<i>Frankfurt Rhine-Main</i>
(i) Primary and secondary sectors	17.2%	26.4%
<i>Of which</i>		
Agriculture, hunting, forestry and fishing	0%	0.4%
Manufacturing	11.7%	19.7%
(ii) Tertiary sectors	82.8%	73.6%
<i>Of which</i>		
Wholesale and retail trading, transport & communications	24.3%	15.1%
Private sector services	43.6%	48.9%
Other services	14.9%	9.6%

*Most recent year for which directly comparable data for these two geographical areas were obtainable.

Sources: Umlandverband Frankfurt (1997b), table 3; National Statistics (2003), table A5.3.

Figure 4.3 Passengers handled at London and Frankfurt airports, 1981-94



Sources: Stadt Frankfurt am Main (1995a), p.37; National Statistics (2003), table 10.18.

A further issue that arises from analysis of employment change in Frankfurt during the 1980s is the overwhelming bias placed in Sassen's and other accounts on the role of financial and producer services in world city formation. This bias has seemingly deflected attention from other drivers of world city growth, whose economic and political implications are equally profound. Certainly, a third of the net increase in employment in the Frankfurt economy in the 1980s was accounted for by the banking sector, in which total employment rose from 36,900 in 1980 to 57,100 in 1993 (Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung, 1995, p.4). However, this rate of growth was more than matched by the jobs generated by the expansion of Frankfurt airport: total employment at the Airport grew from 27,537 in 1977 to 54,377 in 1991 (Wilks-Heeg, 2001). As Keil and Ronneberger (2000, p. 234) argue 'Frankfurt airport ...has developed into the crucial center for processing the global flows of people, goods and information'. It was noted in chapter 2 that one of the key implications of world city formation was the growing centrality of such cities as nodes in international transport and communication networks. A key outcome of the growing significance of both London and Frankfurt as key nodes in transnational flows has been the rapid growth of air travel to and from the two cities. As figure 4.3 shows, the number of passengers handled by London and Frankfurt airports rose sharply after the mid-1980s, levelling off in the early 1990s, before entering another period of sharp growth after 1992. These trends were to have significant political ramifications, particularly in Frankfurt, where new social movements protesting against airport expansion brought Frankfurt's role as an international air travel node to the centre of political debate in the 1980s and 1990s (see chapters 5 and 6).

While this general pattern of growth was evident at most international airports in Europe over the period concerned, the volume of passengers passing through London Heathrow and Frankfurt Airports has established them as the two busiest passenger terminals in Europe (Umlandverband Frankfurt, 1993). Table 4.18 shows that while Heathrow is the busiest European airport in relation to passenger numbers, Frankfurt far exceeds Heathrow and all other European airports in relation to the movement of cargo and post. Moreover, in the light of the alternative, relational approaches to world cities discussed in chapter 3, it is significant that London and Frankfurt rank among the most connected cities within Europe for air travel. Jönsson et al (2000) have devised a measure of inbound accessibility for European cities, which calculates

the number of European inhabitants that can, in principle, make a day trip to each city in Europe. This measure underlines the centrality of London and Paris in European transportation flows, closely followed by Frankfurt, Amsterdam, Brussels and Milan (Jönsson et al, p.160).

Table 4.18 Largest airports in Europe, 1992

<i>Airport</i>	<i>Passengers (millions)</i>	<i>Cargo (1000 tons)</i>	<i>Post (1000 tons)</i>	<i>Aircraft movements (1000s)</i>
London Heathrow	45.0	757.9	77.0	386.8
Frankfurt	30.2	1081.0	159.5	333.8
London Gatwick	19.8	190.3	10.2	175.3
Paris-Orly	25.0	275.3	31.7	205.9
Paris-CDG	24.8	612.2	46.2	289.8
Amsterdam	18.7	694.7	N/a	238.8
Zürich	12.7	271.5	16.3	191.5
Copenhagen	12.4	152.7	N/a	208.2

Source: Umlandverband Frankfurt (1993b), p.4.

Social polarisation

If the debate surrounding the causes and extent of economic restructuring in world cities has cast doubts on aspects of Sassen's thesis, her propositions regarding social polarisation have attracted even more widespread criticism (Hamnett, 1991, 1994, 1996a, 1996b, 2004; Logan et al, 1992; Buck et al, 2002). The first significant attempt to test Sassen's thesis further came in the form of a major comparative study of London and New York, in which Sassen herself was involved as a collaborator (Fainstein, Gordon and Harloe, 1992). The contributors to this volume raise two important concerns in relation to the social polarisation thesis that, for the purpose of this chapter, may be illustrated with sole reference to the data they provide on the London case.

First, while there is growing evidence of income inequality in London, this may only be partially explained by the process of world city formation. Logan et al (1992, p.131) show that from the late 1970s to the late 1980s, there was a growth in the proportion of households in both the top and bottom quartiles of income distribution.

In addition, the ratio of average income in the top quartile to that in the bottom quartile rose from 2.77:1 to 4.37:1 over the same period. As table 4.19 shows, the growth of income inequality in London occurred more rapidly than in other UK metropolitan areas, where the same ratio increased from 2.86:1 to 3.71:1 during the course of the 1980s. However, while this data does appear to confirm a tendency towards income polarisation, Logan et al (1992) suggest that the dynamics of occupational change associated with world city formation primarily explain change at the top, rather than the bottom end of the income spectrum. By contrast, they argue that the principal reason for the decline in the real incomes of the poorest 30 per cent of London residents is due to the failure of levels of state benefits to keep pace with either average wage levels or inflation (Logan et al, 1992).

Table 4.19 Ratio of top to bottom income quartile in London compared to average for other UK metropolitan areas, 1977 and 1988

	1977	1988
Greater London	2.77	4.37
Average for other metropolitan areas	2.86	3.71

Source: Logan et al (1992), pp.131-2.

These conclusions are backed up by wider evidence from the early 1990s, which suggests that sharp rises in salaries for an elite group occurred as a result of the internationalisation of the financial services sector following the ‘Big Bang’ in the City of London (King, 1990a; Gordon and Sassen, 1992; Thrift and Leyshon, 1992). In the wake of the ‘Big Bang’, which prompted the shift from face-to-face dealing to 24-hour dealing via telephone and computer networks virtually overnight, a skills shortage rapidly became evident. As a result, City salaries rose sharply during the 1980s, resulting in an even wider disparity between the City average and that for the South East of England as a whole (Gordon and Sassen, 1992; Thrift and Leyshon, 1992). Roberts and Kynaston (2001, p.22) report that ‘the going annual rate’ in July 1985 for top currency dealers was £250,000, and that for Eurobond dealers £300,000. Consequently, ‘the City acted as a “vacuum cleaner”, sucking up highly skilled labour’, not only from across the South East but also internationally (Thrift and

Leyshon, 1992, p.288). With salary levels escalating, London also became a key centre in an emerging international labour market in financial services (Thrift and Leyshon, 1992). The demand for skilled traders, as well as the arrival of new, and the expansion of existing, foreign financial institutions in London prompted City salaries to catch up with those on offer in New York (King, 1990a). These trends dramatically increased the number of highly-paid, foreign financial services specialists based in London. The total number of staff employed by foreign banks and securities houses rose from 9,000 in 1968 to 72,000 in 1987 (King, 1990a, p.113), with employment increasing by 20,000 from 1984-87 alone (Buck et al, 1992, p.98). There was a particularly steep growth in the flow of financial expertise from Tokyo and New York (McRae and Caincross, 1991), with the result that estimates of the Japanese population in London in the mid-1980s ranged from 30-50,000, while the American community in London numbered at least 22,000 (King, 1990a, p.144).

Second, Fainstein and Harloe (1992) note that a key problem with the social polarisation thesis is its lack of attention to the 'middle mass' of income earners. They suggest that the straightforward 'bi-modality' implied by the social polarisation thesis is a gross over-simplification and inadequate as a descriptor of the complex patterns of occupational and income change in cities such as London and New York. Although evidence clearly points to a simultaneous growth of both high-paid and low-paid employment, it cannot simply be assumed that there is no movement between these two groupings. For instance, students and recent graduates may temporarily occupy poorly-paid insecure and part-time jobs, but then move into high income occupations within a short space of time. As a result, the dynamics of labour markets must constitute a key focus of research into social divisions in world cities (Gordon and Sassen, 1992). Gordon and Sassen (1992) suggest that employment growth in Greater London in the late 1980s was accompanied by a concomitant increase in commuting, a pattern associated particularly with the growth of professional and managerial employment. This tendency for high-skill jobs to be filled by residents of the wider London Region is reflected in the fact that cycles of employment growth and contraction within the capital 'have had only weak effects on unemployment or participation within Greater London' (Gordon and Sassen, 1992, p.111). Conversely, while overall employment levels in Greater London were relatively stable from 1979-83, unemployment grew dramatically. Again, such dynamics highlight the complex

relationships between global and local change, with metropolitan structures such as the spatial reach and operation of labour markets playing a crucial mediating role.

Following the initial attempts to apply Sassen's thesis to the London context, a more generic critical assessment of Sassen's work has been advanced by Hamnett (1994, 1996a, 1996b, 2004), addressing three principal concerns. First, Hamnett proposes that labour market change in advanced industrial nations is characterised by a stronger tendency towards professionalisation than to straightforward polarisation, involving an overall upgrading of skills across the labour market (Hamnett, 1994). Second, Hamnett argues that Sassen's social polarisation thesis relies overwhelmingly on specific US cities with high rates of immigration that may be unrepresentative of global cities more generally. Third, highlighting a similar bias towards cities operating within Anglo-American welfare regimes, Hamnett points to the crucial role played by redistributive mechanisms in determining levels of social inequality in global cities.

In relation to the first point, Hamnett notes that the majority of advanced industrial nations have witnessed two principal occupational trends since the 1960s that are starkly at odds with Sassen's thesis: an absolute decline in the number of semi-skilled and unskilled jobs, together with the steady growth of professional and managerial employment: the 'new middle class'. To illustrate these trends, Hamnett shows that the proportion of London's employment in professional and managerial occupations grew from 1961-81, while the number and proportion of jobs in all other occupational groups declined. Hamnett also undertakes detailed analysis of occupational change in Randstad, Holland (the 'poly-centric world city' consisting of Amsterdam, Rotterdam, Den Haag and a number of smaller settlements). Evidence for the period 1981-1990 suggests a sharp increase in levels of professional employment and a marked decline in manual occupations. These patterns of occupational change were, in turn, underpinned by rising educational attainment at all levels during the same period, with particularly dramatic increases in the total number of graduates and the proportion of workers with university degrees (Hamnett, 1994).

Recent analysis of Labour Force Data for residents of London and South East England underpins Hamnett's criticisms of Sassen's social polarisation thesis (Buck et

al, 2002). Table 4.20 summarises changes in occupational structure between 1979 and 2000 according to a broad sub-division between two separate hierarchies of industrial and post-industrial occupations derived from Esping-Andersen (1993). First, it is clear from this evidence that the proportion of employment in unskilled occupations has fallen in both the industrial and post-industrial categories, albeit less rapidly in the latter. In total the proportion of London residents in unskilled occupations declined from 24 to 15.8 per cent in the two decades to 2000. Second, the sharp decline in the share of skilled manual employment in the industrial sector has not been accompanied by an equivalent rise in the proportion of jobs in skilled service professions. Third, a growing proportion of employment is now found in managerial positions within the industrial sector, as well as in both professional and semi-professional post-industrial occupations. Whereas 28.5 per cent of Greater London residents fell into these three occupational categories combined in 1979, by 2000 they account for 48.3 per cent of all employment.

Table 4.20 The changing occupational structure of London, 1979-2000, by place of residence (percentage of labour force in each category)

	<i>1979: London</i>	<i>2000: London</i>	<i>1979:ROSE</i>	<i>2000: ROSE</i>
Industrial occupations				
Managers	12.6	20.1	11.5	18.8
Clerical and sales	28.0	23.0	23.9	23.4
Skilled manual	16.2	7.3	19.0	10.9
Unskilled manual	13.9	6.5	17.1	8.3
Post-industrial occupations				
Professional	6.6	10.1	6.3	8.0
Semi-professional	9.3	18.1	9.5	14.8
Skilled service	3.3	5.8	3.5	6.7
Unskilled service	10.1	9.3	9.2	9.1

Source: Buck et al (2002), p. 152.

The second strand of Hamnett's critique is that Sassen's thesis is over-reliant on evidence from Los Angeles and, in particular, New York. He argues that both cities are distinctive among global cities in that they absorbed very large flows of overseas migrants during the 1970s and 1980s, resulting in a steady and significant supply of low-wage workers (Hamnett, 1994). Thus, sharp increases in Hispanic and Asian immigration during the 1980s meant that, by 1990, the foreign-born population of

New York City made up 28 per cent of the city total. While most global cities are characterised by ethnic diversity, it is the scale of *recent* migration that Hamnett sees as being the critical factor sustaining occupational and income polarisation at the bottom end. As a result, Hamnett (1994, p.408) suggests that 'Sassen's social polarisation thesis may be a slave of New York which she has erroneously generalised to all global cities'.

Hamnett's third line of attack is particularly pertinent in view of the multi-level dynamics of world city formation debated in chapter 3. Hamnett (1996b, p.1423) argues that 'economic restructuring does not occur in a social and political vacuum', and points to the crucial role played by redistributive mechanisms such as social welfare policies in different national contexts. Thus, Hamnett (p.1409) proposes that the impact of economic restructuring on income distribution will be 'mediated by structures of welfare provision and taxation' which have a significant influence on the paid labour market. Also drawing on the work of Esping-Andersen (1990, 1993), Hamnett argues that more generous national welfare regimes cushion the local impact of economic restructuring and contain the growth of low-wage employment. As such, Sassen's thesis regarding social polarisation may be borne out by the experience of New York and Los Angeles, but is far less consistent with evidence from European cities. Moreover, the dramatic rise in poverty in London during the 1980s is seen to stem, in large part, from welfare state reforms that have restricted entitlement to benefits and reduced their value in real terms. In Scandinavia and Germany, by contrast, welfare regimes have mitigated income inequalities arising from the operation of market forces.

Despite these caveats, the literature on social change in Frankfurt in the 1980s and 1990s exhibits significant parallels to the Sassen thesis, with authors pointing to evidence of growing social polarisation as a result of the growth of employment in higher-order service functions, particularly banking, alongside the decline of manufacturing employment (Hausmann, 1992b; von Freyberg et al, 1992; von Freyberg, 1992, 1996; Wentz, 1992b; Koch, 1992; Bartelheimer, 1994, 1997a, 1997b; Bartelheimer and von Freyberg, 1997). For instance, Koch (1992) infers a direct relationship between patterns of employment change and wider evidence of social polarisation. Koch suggests that there has been a growing polarisation of incomes

among those in employment, suggesting that around 10,000 employees in Frankfurt (about 2 per cent) earn less than 60 per cent of the city average. Moreover, Koch argues that further income polarisation has occurred as a result of the sharp rise in the number of Frankfurt households dependent upon social welfare benefits, which grew from 36,073 (5.8 per cent of the total) in 1980s to 55,217 (8.7 per cent of the total) in 1989. Bartelheimer (1997a) points to a continuation of these trends, suggesting that 133,000 (around 20 per cent) of Frankfurt's residents were either in, or on the margins of, poverty in the mid-1990s.

Table 4.21 Indicators of growing social deprivation, Frankfurt-am-Main, 1980-96

	<i>Social assistance ('HLU') recipients</i>	<i>Unemployed</i>	<i>Long-term unemployed</i>	<i>Housing benefit (Wohngeld) claimants</i>	<i>Registered homeless</i>
1980	19,002	8,500	n.a.	18,941	18,318
1984	22,864	22,400	n.a.	14,768	7,600
1987	28,340	22,890	n.a.	24,555	10,159
1991	32,831	16,633	3,000	22,231	12,467
1992	35,580	19,246	3,582	20,753	12,620
1993	38,618	22,922	4,561	14,687	10,677
1994	43,602	26,714	7,038	17,803	11,008
1995	46,097	27,682	8,381	18,147	11,153
1996	N/a	28,493	9,093	n.a.	n.a.

Source: Bartelheimer (1997b), p.127.

Bartelheimer's (1997a) report, commissioned by the organisations making up the *Sozialpolitische Offensive Frankfurt am Main*⁵ (Social Policy Initiative Frankfurt), provides a comprehensive analysis of poverty and social inequality in the city. It notes that, despite Frankfurt's economic success and employment growth from the early 1980s, its rate of poverty in 1994 was almost double the national average (excluding the former GDR). Table 4.21 underlines the sharp rise in social assistance recipients and registered unemployed from 1980-96. Over the course of this period, social assistance claims more than doubled, while unemployment trebled. Significantly, Bartelheimer (1997b) shows that this growth of benefit dependency in Frankfurt was

⁵ An alliance of voluntary welfare organisations, Evangelical and Catholic churches, trade unions, the Frankfurt Institute for Social Research and other organisations founded in 1992 as a response to evidence of growing poverty and inequality in the city (von Freyberg, 1996).

found to have occurred at a sharper rate than in other large German cities (those with populations in excess of 500,000). During the period from 1986-93, total social benefit payments made by the City of Frankfurt grew by 148.1 per cent, compared to an average of 81.8 per cent for all large cities in Germany (Bartelheimer and von Freyberg, 1997, p. 184).

It should be noted, however, that a significant feature of these accounts is their dependence on the number of recipients of social benefits as a proxy measure of low income. As such, while the Frankfurt experience does point to a growth in the number of households living in poverty, it also underlines Hamnett's (1996b, p.1428) point that in European cities 'a larger proportion of the population may be able to live outside the paid labour force'. Moreover, there is a difference of emphasis in the literature on Frankfurt, which has not generally regarded growing social inequality as a direct outcome of world city formation. Instead, the primary causes of social polarisation in Frankfurt are seen to be the 'boosterist' character of local economic policy, combined with residential suburbanisation among Frankfurt's high-paid workers and large scale migrant flows to the inner-city. Many commentators take the view that socio-economic change in Frankfurt arises from a process of modernisation being driven by political and economic elites in Frankfurt. Von Freyberg (1996) describes urban change in Frankfurt as *Der gespaltene Fortschritt* ('polarised progress'). Similarly, Bartelheimer and von Freyberg (1997) portray the growth of social inequality as the direct product of policies that have sought to promote Frankfurt as a 'city of business'.

Against the backdrop of this modernisation process, it is suggested that social polarisation in Frankfurt has been exacerbated by the changing residential and labour market geography of the wider metropolitan region. As in Greater London, periods of employment growth in Frankfurt appear to have had little discernable impact on unemployment in the city, leading instead to a growth of commuting from the wider metropolitan region (Hausmann, 1992a). As a result, only 40 per cent of those employed in Frankfurt in the mid-1990s were also residents of the city (Bartelheimer and von Freyberg, 1997, p.34). Furthermore, research suggests that the benefits of economic growth in Frankfurt are distributed disproportionately to residents of surrounding districts, making up the so called 'Speckgürtel' ('blubber belt') which is

estimated to account for the residence of two-thirds of engineers, scientists, bankers and managers working in the core city (von Freyberg, 1992, p.49). These trends have had profound implications for the growth of household income in Frankfurt, as well as for the city's tax base. Despite the city's dramatic economic growth, the rise in average net household income in Frankfurt from 1976-94 was a quarter less than the national average (Bartelheimer and von Freyberg, 1997, p. 32). While substantial growth in professional employment occurred during the 1980s and 1990s, Bartelheimer and von Freyberg (1997, p. 184) note that Frankfurt's income tax revenues rose by 12.7 per cent compared to an average of 27.9 per cent for all German cities with populations of 500,000 and above. Thus, there is evidence of a growing social polarisation between the city and its hinterland, a pattern that is deemed to have profound implications not only for residential segregation, but also for the functioning of the welfare state at the local level:

Economic development in Frankfurt is increasing the rate of commuting, producing higher levels of unemployment and dependence on social welfare, placing pressures on the housing market and has fatal implications for the city – higher social welfare payments, lower tax revenues and a record level of debt (von Freyberg, 1992, pp. 49-50).

Finally, commentators point to the impact of a dramatic increase of migration to Frankfurt during the 1980s and 1990s, particularly among refugees (Bartelheimer and von Freyberg, 1997; Wentz, 1992b; von Schoeler, 1994). In line with Hamnett's critique of Sassen's social polarisation thesis, the impact of such migration is reflected primarily in the growth of social welfare expenditure, rather than a rise in low-paid employment as was the case in New York or Los Angeles (Schoeler, 1994; Bartelheimer and von Freyberg, 1997). The growing dependency on means-tested social assistance payments in Frankfurt is seen to have 'in large part been borne by the foreign population' (Wentz, 1992b, p.12). Wentz (1992b) also stresses the particular significance of international migration and the disproportionately negative impact of structural economic change on ethnic minority groups. Wentz notes that while the proportion of Frankfurt's population made up of ethnic minority groups rose from 21.4 to 25.4 per cent in the period 1980-91, the ethnic minority share of the city's employees registered for social insurance fell from 16.7 to 13.5 per cent from

1980-89 (p.12). In line with these findings, Schott (1997) shows that unemployment among foreign nationals (*Ausländer*) in Frankfurt rose more sharply from 1992-97 than among the population as a whole. During this period, the number of foreign nationals registered as unemployed almost doubled from 6,310 to 11,957, with the consequence that the proportion of total unemployment accounted for by foreign nationals grew from 34.8 to 38.7 per cent. Social change in Frankfurt therefore highlights a clear ethnic and racial cleavage, with a growth of poverty most clearly evident among refugee and ethnic minority populations concentrated primarily in inner-urban areas (see chapter 9). At the same time, however, German social welfare provision has undoubtedly mitigated the extent of income polarisation in Frankfurt in comparison to other world cities, further underlining the significance of public policy as a mediating factor in world city dynamics.

4.4 Conclusion

This chapter has considered the 'standing' of London and Frankfurt as world cities and assessed the implications of world city formation for economic and social change in the two cities. In reviewing the evidence relating to world city rankings, and particularly the 'global network connectivity' approach deployed by GaWC, it has argued that world city formation in London and Frankfurt needs to be located within a more specifically European context. This approach underpins the dominant view of London operating as the primary world city, with 'all round' global articulations, but also suggests that Frankfurt's emergence as Europe's second international financial centre has been largely overlooked. The fact that Frankfurt has emerged as the primary financial centre in continental Europe, overtaking Paris in the process, highlights the need for a more sophisticated understanding of the factors promoting world city growth. These issues are examined in depth in chapter 5, through the application of the notions of path dependency put forward in hypothesis 2.

This chapter has also raised important questions in relation to the consequences of world city formation, indicating the crucial role of national and local structures in mediating globalisation dynamics (hypothesis 1). In contrast to the assumption that world cities are likely to experience convergent patterns of socio-economic change, the analysis of empirical data for London and Frankfurt suggests a far more complex

set of cause and effect relationships. Thus, while both London and Frankfurt show evidence of a growth of advanced services and a decline of manufacturing, it is far from clear that the extent of such economic restructuring reflects a specific world city effect. Instead, it would appear that world cities mediate broader patterns of economic and social change, meaning that socio-economic outcomes will be shaped by local and national policy choices as well as by the scale and structure of the functional metropolitan region. Hence, the adoption of aggressive economic development policies in Frankfurt appears to have actively promoted structural economic change and occupational polarisation, while differences in national welfare regimes have produced greater income inequality in London than in Frankfurt. In addition, the above analysis suggests that metropolitan spatial structures impact powerfully on social and economic outcomes. Such tendencies are particularly evident in relation to the re-location of manufacturing industry away from the metropolitan core and the widening spatial reach of labour markets, both of which have tended to produce distinct geographies of social polarisation in London and Frankfurt. All of these issues raise significant issues in relation to the challenges facing policy-makers as a result of world city formation in the two cities. Such questions are examined in depth in chapters 6-9.

Chapter 5

The Political Economy of World City Formation in London and Frankfurt: An Historical, Multi-Level Analysis

5.1 Introduction

This chapter approaches world city formation and world city politics in London and Frankfurt from an historical perspective. Following the analysis in the preceding chapter, it seeks to identify the political and economic factors that underpinned the emergence of the two cities as Europe's principal financial centres. This necessitates an historical, multi-level analysis, embracing a consideration of political decision-making at national, as well as European and local scales, for world city formation. The chapter lays particular stress on the interaction between national and metropolitan modes of regulation for world cities, and assesses the changing role of urban and metropolitan governance in the face of both economic change and shifts in national policy during the post-war period.

The approach taken arises directly from the theoretical framework developed in the first section of the thesis. Three propositions arising from the critique and development of the existing literature are particularly significant to the historical narrative presented here. First and foremost, the analysis responds to the observation made in chapter 2 that the prevailing view of globalisation as an outcome of capital's contemporary requirements has rendered most accounts of world city formation peculiarly ahistorical in their analysis. As such, this chapter seeks apply the notions of path dependency discussed in chapter 3 and to present initial evidence relating to hypothesis 2 on the historical dynamics of world city formation and world city politics. Second, this chapter seeks to counter the observed tendency among world city scholars to offer highly deterministic accounts of political change, that assume not only a simplistic division between economic and political processes, but also an implicit hierarchy of the former over the latter. This task is crucial to the subsequent discussion of hypotheses 3-6 in the remainder of the thesis. Third, the analysis is underpinned by the notion, discussed at length in chapter 3, that globalisation can

only be understood as the interweaving of political and economic processes at multiple spatial scales. As such, political decision-making is seen to play a key role in regulating and re-ordering transnational economic flows, but as part of a reconfigured state that has taken on new forms at both the supra- and sub-national scales as a result of globalisation. Thus, by focussing on the shifting relationships between national, supra-national and sub-national tiers of governance, particularly in the period after 1945, the chapter provides an initial analysis of the value of notions of state restructuring derived from regulation theory. Again, this discussion helps lay the foundations for the investigation of hypotheses 3-6 in part three of the thesis.

The chapter is in two halves. The first half examines the historical dynamics that have given rise to London and Frankfurt's emergence as international financial centres. This analysis requires a long-run historical view, focussing on three distinct phases. First, the origins, growth and decline of London and Frankfurt as international financial centres are briefly traced over the period stretching from the late 1600s to 1945. Second, the development of London and Frankfurt as international financial centres from 1945-85 is considered, underlining the role of changing national and European regulatory policies in world city formation. Third, detailed attention is paid to assessing the political economy of internationalisation and financial market deregulation from the 1980s onwards and its implications for London and Frankfurt. In the context of this multi-level analysis of world city formation, the second half of the chapter analyses the trajectory of city and metropolitan governance in the two cities in the first thirty years of the post-war period. It considers the relationship between local governance and national policy frameworks in the post-war period, highlighting a number of important contrasts in the way the two cities and their wider city-regions were governed after the war. The chapter concludes by underlining the significance of notions of regulation, path- and power-dependency to the politics of world city formation in London and Frankfurt. Moreover, reference is made to the wider importance of inter-governmental relations, and of the contrasting positions of London and Frankfurt within their respective national economies, in explaining the divergent dynamics identified from the comparative analysis.

5.2 The historical dynamics of world city formation in London and Frankfurt

The rise and decline of London and Frankfurt as international financial centres, 1660-1945

The historical development of London and Frankfurt as financial centres underlines significant long-term trends, as well as the close inter-relationships between the two cities within a shifting and often brutally competitive European context. London's emergence as an international finance centre dates back to the eighteenth century, and was essentially a by-product of its port functions (McRae and Caincross, 1991; King, 1990a). By the late seventeenth century, an estimated 25 per cent of London's population, by then the largest of any city in Europe, depended on port employment (King, 1990a, p.73). Owing to its favourable geographical location, London was well placed to capitalise on its port functions by taking on a growing role in the financing of international trade (McRae and Caincross, 1991). Thus, from the late seventeenth century, a wider commercial infrastructure began to emerge in the City of London, with a number of key City institutions being established at this time, including Lloyds (1667-8), the London Stock Exchange (1670s) and the Bank of England (1691). Frankfurt's origins as an international commercial centre can be traced even further, dating back to the Middle Ages, with trade-fairs being held as early as 1150 (Holtfrederich, 1999). These trade-fairs were a key pre-condition for Frankfurt emerging as a merchant banking centre, with a wide financial infrastructure in evidence from 1585 onwards (Holtfrederich, 1999).

Meanwhile, changing patterns of trade had progressively shifted the centre of the world's commercial gravity from Genoa and Venice in the sixteenth century to Antwerp and Amsterdam in the seventeenth (Braudel, 1983). The displacement of leading merchant traders from Antwerp as a result of military struggles over Spanish control of the low countries significantly bolstered financial expertise in Frankfurt, enabling it to emerge as the dominant banking centre within the German states (Holtfrederich, 1999). Subsequently, as Feis (1964, p. 65) notes 'The private banks ... especially the houses of Bleichröder, Mendelssohn, Speyer, Warburg, and Rothschild

... had made Frankfurt an important financial centre before Berlin had grown into a great capital' (Feis, 1964, p.65). Frankfurt banks became major international lenders in the 1840s (Rose, 1994), and Frankfurt briefly became the principal merchant-banking centre in Europe, when the Rotshchilds 'succeeded in gaining control of practically the whole of the European banking business' (IHK Frankfurt, 1994, p.8). The significance of Frankfurt's financial expertise was evidenced, for example, by the 'enormous financial transactions that were effected in Frankfurt in connection with the American civil war', and by the fact that bonds issued by the Lincoln government to finance railway construction were placed almost exclusively in Frankfurt (IHK Frankfurt, 1988a, p. 12).

Despite Frankfurt's international significance, Amsterdam was firmly established as the world's leading commercial centre by the late eighteenth century (Rose, 1994), with London increasingly consolidating its position via its 'sophisticated financial institutions' (McRae and Caincross, 1991, p.6). London's position was further boosted in the early nineteenth following the arrival of leading European families of merchant bankers, many from Germany, displaced during the Napoleonic Wars (including the Barings, the Hambros and the Rothschilds). The merchant banks also played a key role in the war, raising money through bonds to fund the armies of Britain and its allies. As a result, 'the City emerged from the French wars of 1793-1815 as the world's foremost international financial centre' (Roberts and Kynaston, 2001, p.84). While Frankfurt continued to challenge London and other European banking centres during the nineteenth century, benefiting from the strong connections to London provided by the Rothschilds and other families, it progressively forfeited its pre-eminence as an international financial centre to London and Paris during the last third of the nineteenth century (Rose, 1994; Holtfrederich, 1999).

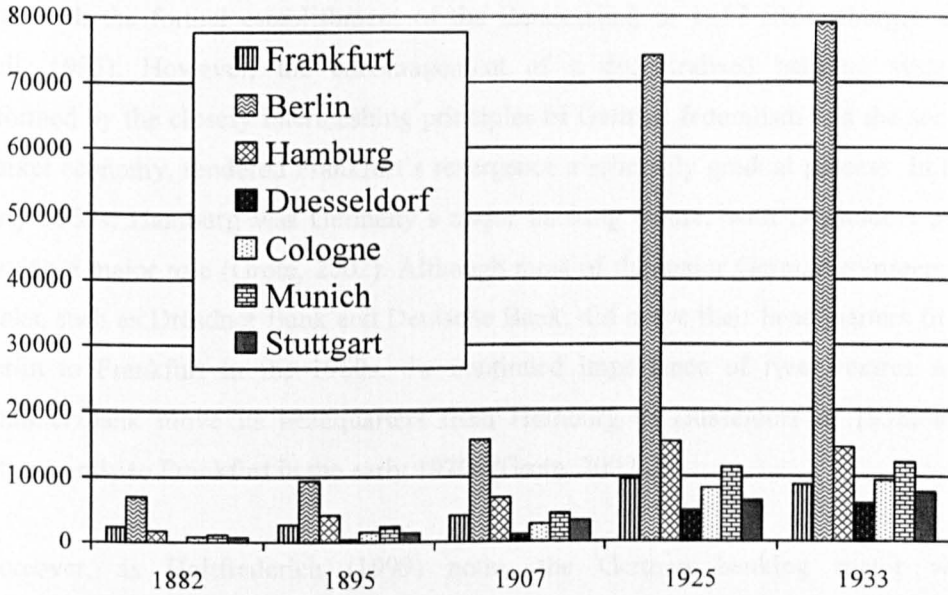
London, in particular, was to enhance its standing as the leading international financial centre as a result of the industrial revolution and British colonial expansion. The growth of foreign trade and the massive increase in international capital flows during the second half of the nineteenth century were underpinned by the emergence of an international financial system based on a system of 'bills of exchange' pioneered by merchant bankers in London, where some two-thirds of bills of exchange were handled (Alford, 1996). Similarly, British investment overseas was

handled by a range of specialist financial concerns, including the same merchant banks and networks of multinational banks, headquartered in London and operating throughout the British Empire, South America and the Middle East (Alford, 1996). With Britain playing the lead role in co-ordinating the global economy, the City of London was firmly established as 'the focus of the world's international financial system' (McRae and Caincross, 1991, p.6). In contrast to London, Frankfurt had no such opportunity to consolidate its position in the global urban hierarchy as a result of colonial expansion and the emerging international division of labour on which colonialism was based (c.f. King, 1990a).

Moreover, following the unification of Germany in 1871, and the subsequent decision to locate the Reichsbank in Berlin, Frankfurt rapidly lost its claim to be even a national banking centre (Rose, 1994). As figure 5.1 shows, employment in banking and insurance became increasingly concentrated in Berlin from the 1880s. During the inter-war period, Frankfurt's decline as a financial centre was consolidated, with employment in financial services growing faster in almost all other major German cities than it did in Frankfurt. Whereas Frankfurt ranked second to Berlin in total employment in financial services in 1882, it was placed 5th behind Berlin, Hamburg, Munich and Cologne by 1933. The trend was further accelerated under the extreme centralisation of the Nazi regime from 1933-39, which saw the number of banks represented in Frankfurt fall from 182 to 119. Consequently, by the time the city emerged from the Second World War, 'Frankfurt as a financial centre had sunk to the lowest point in its history' (IHK Frankfurt, 1988a, p.10). However, London's role as an international financial centre was also challenged during the same period, albeit not to the same degree. The declining significance of Britain as a manufacturing and trading nation from the early twentieth century, compounded by the sharp downturn in international trade in the 1920s and 1930s, and the disruption of financial trading arising from two World Wars, took their toll on the City of London (McRae and Caincross, 1991; King, 1990a; Rose, 1994). It was the depression of the 1930s, in particular, that 'finally put paid to the City's efforts to recapture its international position of the previous century' (McRae and Caincross, 1991, p.16). After 1945, tighter regulation of the City, including the nationalisation of the Bank of England and the maintenance of exchange controls, as well as the emergence of the dollar as the

leading international currency, shifted the centre of gravity in international finance to New York (Roberts and Kynaston, 2001).

Figure 5.1 Total employment in financial services (banking and insurance) in the principal German cities, 1882-1933



Source: Holtfrederich (1999), p.172.

The politics of regulation and the re-emergence of London and Frankfurt as international financial centres, 1945-85

Given the extent of its inter-war decline, the ‘re-emergence’ of Frankfurt as an international financial centre is specifically a product of events post-1945 (Holtfrederich, 1999; Grote, 2002). As Holtfrederich (1999, p.261) suggests ‘Frankfurt has developed, since the end of the Second World War, from an initial state of utter insignificance to the distinction of being one of the world’s major international financial centres’. In light of the division of Germany, and of Berlin, the country’s pre-war financial centre, the British and American occupying administration took the decision in 1948 to locate the West German central bank in Frankfurt, the headquarters of the American military (Grote, 2002). This decision, together with the choice of Frankfurt as the location for the *Kreditanstalt für Wiederaufbau* (Bank for Reconstruction and Development) that distributed the Marshall Funds, were little

more than 'historical accidents' (Grote, 2002). Yet, they were to prove critical to the 'regeneration and the growth of the city's financial sector' (Holtfrederich, 1999, p.264). After narrowly failing in their bid to establish Frankfurt as the capital of the new Federal Republic of Germany in 1949, local decision-makers directed their efforts at restoring Frankfurt's reputation as a financial centre, a project that gathered pace with the formal establishment of the Bundesbank in 1957 (Ronneberger and Keil, 1995). However, the encouragement of a decentralised banking system, informed by the closely intermeshing principles of German federalism and the social market economy, rendered Frankfurt's resurgence a relatively gradual process. In the early 1950s, Hamburg was Germany's major banking centre, with Düsseldorf also playing a major role (Grote, 2002). Although most of the major German commercial banks, such as Dresdner Bank and Deutsche Bank, did move their headquarters from Berlin to Frankfurt in the 1960s, the continued importance of rival centres saw Commerzbank move its headquarters from Hamburg to Düsseldorf in 1958, and subsequently to Frankfurt in the early 1970s (Grote, 2002).

Moreover, as Holtfrederich (1999) notes, the German banking sector was overwhelmingly domestic in its orientation during the early years of the Federal Republic, a tendency that was heightened by the tight regulation of financial markets. As such, German social market principles were instrumental in promoting investment in German domestic industry (Hutton, 1995a), at the possible cost of constraining the re-emergence of Frankfurt as an international financial centre. Loan finance, generally provided by regional banks was the key source of investment capital for manufacturing companies in post-war Germany (Coakley, 1992), constituting a key element of what Hutton (1995a) terms 'stakeholder capitalism'. By contrast, Anglo-Saxon economies came to rely much more heavily on equity capital and shareholding (Coakley, 1992; Hutton, 1995a). These contrasts between the British and German financial markets are clearly apparent in the data shown in tables 5.1 and 5.2, which highlight the traditionally modest role of stock market capital in the German economy, as well as the enormous significance of the stock market as part of the UK's financial infrastructure.

Table 5.1 Gross turnover on the Frankfurt, London, New York and Tokyo stock exchanges, 1985

<i>Exchange</i>	<i>Turnover (DM billion)</i>
Frankfurt	219
London	1383
Tokyo	1834
New York	2387

Source: Baehring et al (1987), p 38 and p.40.

Table 5.2 Stock Market capitalisation as a percentage of gross domestic product, 1978 and 1988

	<i>UK</i>	<i>France</i>	<i>Germany</i>	<i>US</i>	<i>Japan</i>
1978	36	12	15	38	33
1988	83	22	20	50	133

Source: Budd (1992), p.262.

Initially, the new political economic order of the immediate post-war period also prompted City of London institutions to re-focus their activities on domestic concerns. The merchant banks, in particular, developed closer relationships with British manufacturing companies, a role boosted by the Wilson government of 1964-70, with its emphasis on the promotion of industrial investment (Roberts and Kynaston, 2001). However, alongside these domestic roles, the City also received a major boost to its international status during the 1960s in the form of the emerging 'Eurodollar' market (McRae and Caincross, 1991; Jessop and Stones, 1992). Eurodollars came into being in 1958, essentially as 'a form of money comprising dollars held outside the USA' (Coakley and Harris, 1983, p.48). As Coakley and Harris note, Eurodollars were not a conscious creation, but evolved from the growing overseas activities of US corporations and their interaction with national governments and banking systems. Moreover, the flow of US dollars to Europe initially triggered by the Marshall Plan began to increase steadily with US interest rates being held down by the Federal Reserve (McRae and Caincross, 1991). During the early 1970s, the Eurodollar market grew exponentially as a result of the collapse of fixed exchange rates and, in particular, the need to recycle 'petrodollars' accumulated from vast OPEC surpluses (Coakley and Harris, 1983; Jessop and Stones, 1992). Subsequently, the total value of

the Eurodollar market grew from \$11 billion in 1965 to \$661 billion in 1981 (Stafford, 1992, p. 33), with additional markets emerging in 'Eurobonds' as well as other 'Eurocurrencies' (Coakley and Harris, 1983).

London quickly established itself as the leading centre for Eurodollar and Eurobond trading. The decision to restore the convertibility of sterling in 1958 was a necessary condition for London to take advantage of these burgeoning markets, although the critical factor was the existence of US Capital Controls that prevented subsidiaries of US companies operating overseas from borrowing in New York (McRae and Caincross, 1991). As has been widely noted, the Euromarkets essentially transformed London into an 'offshore' banking centre for international capital, with trading largely in the hands of overseas financial institutions (Jessop and Stones, 1992; King, 1990a). The growth of the Eurodollar and Eurobond markets acted as 'a magnet for foreign (especially United States) banks to come to London' (King, 1990a, p.90). Thus, while the number of foreign banks with a presence in London had grown steadily since the start of the twentieth century, reaching a total of around 100 in 1960, rapid growth was to take place from the early 1960s (see table 5.3). The number of foreign banks in London doubled from 1961-71 and then doubled again in the period 1971-81 (King, 1990a). By 1991 there were some 560 foreign banks, employing approximately 65,000 people between them (McRae and Caincross, 1991, p.66).

Table 5.3 Foreign banks by year of establishment in London

	<i>Pre- 1914</i>	<i>1914-39</i>	<i>1940-59</i>	<i>1960-69</i>	<i>1970-74</i>	<i>1975-79</i>	<i>1980-85</i>
Europe	9	5	10	15	35	46	52
USA	3	5	1	20	24	8	4
Japan	0	2	7	4	1	3	14
Other	18	7	12	18	15	42	45
Total	30	19	30	57	84	99	115
Cumulated	30	49	76	136	220	319	434
Total							

Source: Coakley (1992), p.56.

While Frankfurt was also becoming host to growing numbers of foreign banks from the 1960s, the principal period of growth was in the 1970s (Holtfrederich, 1999; Grote, 2002). Indeed, a significant international banking infrastructure had grown up

in Frankfurt by 1980, when there were 341 financial institutions with a presence in the city, of which 152 were German and 189 foreign-owned (see table 5.4). The underlying reasons for this growth were very different to those pertaining in London. International banks were primarily attracted to Frankfurt as a result of the growing economic weight of the German Mark, particularly following the collapse of Bretton Woods and the growth of intra-European trading (Grote, 2002). As Holtfrederich (1999) notes, factors such as the strong performance of the D-mark in the eurocurrency market, as well as its reliability as a reserve currency, were central to foreign banks opening branches in Frankfurt following the transition to floating exchange rates in the 1970s. By contrast, the growing number of foreign banks in London was a by-product of the increased activities of TNCs in the UK and Europe (King, 1990a). As Coakley (1992, p.58) notes, American banks were largely following US transnational corporations, which had located 800 subsidiaries in the UK by 1961, as a means of servicing their Eurodollar and associated requirements. Thus, table 5.3 shows a steep rise in the number of US banks setting up in the City of London during the 1960s and early 1970s. Similarly, increased Japanese representation in the early 1980s was closely linked to the growing activity of Japanese manufacturing companies in the UK and Europe, while the surge in the numbers of European banks from the early 1970s reflected the changing economic relations that stemmed from Britain joining the EEC in 1973 (Coakley, 1992).

The impact of internationalisation and financial market deregulation in the 1980s and 1990s

(i) *The origins and outcomes of the big bang in the City of London:* Despite the City of London's success in securing the bulk of Euromarket business during the 1970s, growing concerns were expressed in the early 1980s about London's capacity to compete with New York and other financial centres in the context of greater international competition (King, 1990a; Jessop and Stones, 1992). As Jessop and Stones note, these concerns coincided with the election of Margaret Thatcher's first Conservative administration in 1979, a government heavily influenced by New Right philosophies. Over the course of the 1980s, the Thatcher governments introduced a series of policy initiatives rooted in neo-liberal principles that helped to underpin the

growth of the City of London and promote its standing vis-à-vis international competitors. These policies, many of which struck at the heart of the Keynesian post-war settlement, included the abolition of exchange controls, the deregulation of the London Stock Exchange (the so called 'Big Bang'), the deregulation of the financial services industry, the privatisation of state-controlled industries and the promotion of 'popular capitalism' through share and home ownership (Jessop and Stones, 1992). As King (1990a, p.91) notes, London has not only fared well as an international financial centre because of the advantages of language and geography: 'equally important has been the Thatcher's government's commitment to *laissez-faire* and the lower levels of regulation than in other countries'.

However, it would be too simplistic to interpret Thatcherite policies as a direct response to the demands of financial interests. As Kynaston (2002, p.581) notes 'Thatcherism and the City would eventually prove to be a love story (of sorts)'. Yet, it was far from clear in the early 1980s as to 'whether City sentiment as a whole was supportive of Thatcherite economics during these early, highly controversial years of the Thatcher era' (p.586). Kynaston's interpretation is underlined by two early Conservative policy decisions, both announced to the House of Commons on 23rd October 1979. The first was Chancellor Geoffrey Howe's decision to abolish exchange controls, a policy that the City evidently had not been consulted on. The second was John Nott's announcement, as Trade Secretary, that he had determined not to block the decision of the Office of Fair Trading to refer the London Stock Exchange's rulebook to the Restrictive Practices Court (Kynaston, 2002).

The abolition of exchange controls took most City institutions, including the Bank of England, by complete surprise (Roberts and Kynaston, 2001; Kynaston, 2002). Although the convertibility of Sterling for overseas investors had been restored in 1958, war-time exchange controls for UK-based residents and investors had remained in place, and few City workers would have been able to remember life without them (Kynaston, 2002). As one City employee recalled: 'I can remember the 1979 decisions being quite a shock. I was a lawyer who specialised in getting exchange controls consent, so overnight I lost half my business [...] that was a great shock to the system' (Interview with Michael Cassidy, January 2004). Nonetheless, the City of London soon adjusted to, and took advantage of, the convertibility of Sterling. As

King (1990a, p.94) notes, the abolition of exchange controls prompted 'massive outflows of capital'. In the period 1979-83, the value of pension funds invested abroad trebled, the income of UK banks from overseas investment doubled and the equivalent returns to UK insurance companies rose by 20 per cent (King, p.95). As a result, the total overseas assets held by UK institutional investors grew from £10.4 billion in 1978 to £77.3 billion in 1985 (Roberts and Kynaston, 2001, p.92). By November 1987, the UK's total overseas assets were greater than those of any other country, leading to claims that the abolition of exchange controls had 'refuelled City re-development at the expense of investment in the domestic economy in the regions' (King, 1990a, p.95; see also Hutton, 1995a, 1996).

In contrast to exchange controls, the regulation of the stock exchange was an issue over which City interests and governments had been at loggerheads for many years. The issue had first surfaced in 1974, when the Office of Fair Trading picked up complaints from institutional investors about the difficulties they experienced when seeking to buy or sell equities in large volumes on the Stock Exchange (McRae and Caincross, 1991; Kynaston, 2002). With the Stock Exchange resisting any changes to its traditional practices, and the Labour governments of 1974-9 less than decisive in their actions, the issue was initially left unresolved. However, as McRae and Caincross (1991) note, the case for reform became ever stronger after the abolition of exchange controls, which exposed the weakness of the London Stock Exchange in the trading of international securities: it was estimated that foreign brokers handled 95 per cent of the overseas investments made by leading British pension funds in the early 1980s (Roberts and Kynaston, 2001, p.93).

Nott's announcement in 1979 was the first indicator that the Conservative government was not prepared to exempt the Stock Exchange from its general policy of challenging restrictive practices and vested interests. Following Cecil Parkinson's installation as Secretary of State for Trade and Industry after the 1983 General Election, an agreement was arrived at out of court, following the decision of Sir Nicholas Goodison, Chair of the Stock Exchange, to make a number of concessions (Jessop and Stones, 1992; Kynaston, 2002). The 'Goodison-Parkinson Agreement' stated that the London Stock Exchange would relax its rules on membership, adopt revised ownership rules to enable the entry of new capital, abolish the distinction between

jobbing and broking¹ and abandon the policy of fixed commissions (Jessop and Stones, 1992). Furthermore, these changes were to coincide with the introduction of computer technology, which would replace traditional face-to-face dealing (McRae and Caincross, 1991). This combined set of changes, scheduled for introduction in October 1986, became known as the 'Big Bang', and was to have a profound impact not only upon London's economy but, as is detailed in chapters 6 and 7, also upon its politics.

In addition to the creation of skills shortages, which in turn led to a sharp rise in City salaries (see chapter 4), the economic impacts of the Big Bang were felt in two main ways. First, in the three-year run up to the proposed changes being introduced, securities trading in the City of London underwent a major reconfiguration. There was a sharp rise in the number of overseas securities firms locating in London, as well as a rush of mergers and takeovers (King, 1990a; Roberts and Kynaston, 2001). As table 5.4 shows, there was a steep increase in the number of foreign securities houses in London in the early-mid 1980s. Most of this increase was accounted for by Japanese and American firms (King, 1990a, p.95). Yet, the increased presence of foreign companies was merely part of a much bigger picture of change between 1983 and 1986 when 'all the leading securities firms, with the exceptions of Cazenove and Smith Brothers, were bought lock, stock and barrel by outside parties' (Roberts and Kynaston, 2001, p.93). As the same authors go on to note (p.93), a total of 77 Stock Exchange firms were acquired, 34 of them by foreign banks. Second, as noted in chapter 4, the introduction of new trading technology meant that London was rapidly integrated into a 24-hour global market place, as one of three main global centres (Sassen, 1991; Stafford, 1992). A key consequence of this development was that previously self-contained financial markets (e.g. foreign exchange, bonds, derivatives, etc.) became increasingly integrated, while the velocity and volatility of trading grew enormously (Stafford, 1992). It was due in no small part to the latter that the markets collapsed so spectacularly on 19th October 1987 ('Black Monday').

¹ *Jobbers* operated as principals, or 'wholesalers', usually specialising in specific types of stocks and shares. They were not permitted to deal directly with the public, but only with other Stock Exchange members (i.e. brokers or fellow jobbers). By contrast, *brokers* acted as agents for members of the public, with the business transacted on their clients' behalf having to be conducted via jobbers. Brokers were granted exclusive access to jobbers and a fixed scale of minimum commissions in return for this arrangement (Inland Revenue, 2003, chapter 9).

Table 5.4 Foreign securities houses in London

<i>Year</i>	<i>No of Security Houses</i>
1960	10
1970	27
1980	83
1983	107
1987	121

Source: King (1990a), p.95.

(ii) *The impact of German financial market deregulation on Frankfurt:* Despite de-regulation of financial markets elsewhere, most notably New York and London, both the German *Bundesbank* and national governments remained opposed to liberalisation for most of the 1980s. However, from the late 1980s, the *Bundesbank* became the principal champion of de-regulation, a switch that was symbolised by a speech given by Karl Otto Pöhl, the *Bundesbank* chairman, on 19th June 1989 (Holtfrederich, 1999). As Holtfrederich reports, Pöhl bemoaned the fact that much trading in German shares and bonds was carried out in London and Paris, as well as the attempts by German regional exchanges to defend the status quo, rather than recognise the reality of international competition. He argued that if German financial markets were to compete, modernisation would have to be focussed on the Frankfurt exchange: 'Frankfurt is the only place (in Germany) that has any chance of being seriously considered as an international financial centre. It is here that the necessary framework is to be created, and it needs to happen soon' (Holtfrederich, 1999, p. 270).

While reforms had been adopted prior to 1989 - the Conservative/Liberal (CDU/FDP) government led by Helmut Kohl introduced a number of reforms of German financial markets after 1985 - they were much more limited in scope than the Big Bang. Moreover, the process through which German financial markets were reformed contrasted to the UK in two significant ways. First, while concerns about international competitiveness were a significant factor in driving forward de-regulation, the most urgent impetus in the German case was the requirement to conform to new European legislation. Thus, amendments to the Stock Exchange Act in 1986 and 1989 were primarily motivated by the need to incorporate European regulations aimed at creating

a unified European capital market² into German national law (Holtfrederich, 1999). Second, reforms were the result of extensive negotiation between the government, the Bundesbank and German financial interests (Holtfrederich, 1999). This negotiated approach to modernisation was not only the product of Germany's more consensual approach to policy formation. It was also a reflection of the fact that steps that would further concentrate financial expertise and infrastructure in Frankfurt were politically controversial, requiring Länder representatives to be reassured if they were to be passed by the *Bundesrat*.³

In line with this negotiated approach, the first significant change in the operation of German financial markets was made in 1985, when the *Bundesbank* relaxed its restrictions on the issuing of foreign D-mark bonds, opening up the market more readily to foreign banks. However, it was the amendments to the Stock Exchange Acts that were the first key steps towards financial deregulation in Germany. Although introduced as a result of the need to make technical changes as a result of European law, the amendments also presented an opportunity to push through additional reforms. Thus, the 1986 amendment also introduced provisions aimed at enhancing the role of the stock market in providing equity to small and medium sized enterprises, while the 1989 amendment paved the way for the introduction of computer-based trading (Holtfrederich, 1999).

Moreover, these European and national reforms were instrumental to the decision of the Frankfurt Chamber of Commerce, which owned and operated the stock exchange, to establish it as an independent company in order that it could seek to compete internationally (IHK Frankfurt, 1992).

² Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS); Council Directive 87/345/EEC of 22 June 1987 coordinating the requirements for the drawing-up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing; Council Directive 88/220/EEC of 22 March 1988 amending, as regards the investment policies of certain UCITS, Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS); Council Directive 88/627/EEC of 12 December 1988 on the information to be published when a major holding in a listed company is acquired or disposed of; Council Directive 89/298/EEC of 17 April 1989 coordinating the requirements for the drawing-up, scrutiny and distribution of the prospectus to be published when transferable securities are offered to the public.

³ The *Bundesrat*, the upper house of the German parliament, consists of indirectly elected representatives of the individual Länder.

The creation of the *Frankfurter Wertpapierbörse* on 1 January 1991, with capital from domestic and foreign banks, as well as Frankfurt-based brokers was seen to provide ‘(the) Frankfurt stock exchange the extra flexibility it considered necessary in order to compete successfully with other financial centres’ (Holtfrederich, 1999, p.278).

A similar pattern was evident in relation to the Financial Markets Promotion Acts of 1990 and 1994, both of which were ostensibly motivated by the requirements of European Directives⁴, but which also introduced additional measures that ‘strengthened Germany’s (and therefore Frankfurt’s) position in international competition’ (Holtfrederich, 1999, p.279). These measures included the abolition of taxes on stock exchange turnover, the lifting of bans on specific forms of forward trading and the extension of provisions for electronic stock exchange trading. These reforms, in addition to new regulatory provisions designed to protect investors, most notably a ban on insider-trading, were all of major importance to strengthening Frankfurt’s attraction to international financial concerns (Holtfrederich, 1999).

⁴ Council Directive 89/592/EEC of 13 November 1989 coordinating regulations on insider dealing; Council Directive 90/211/EEC of 23 April 1990 in respect of the mutual recognition of public-offer prospectuses as stock-exchange listing particulars; Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investments firms and credit institutions; Directive 94/18/EC of the European Parliament and of the Council of 30 May 1994 coordinating the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock-exchange listing, with regard to the obligation to publish listing particulars.

Table 5.5 Financial institutions in Frankfurt, 1980-1994

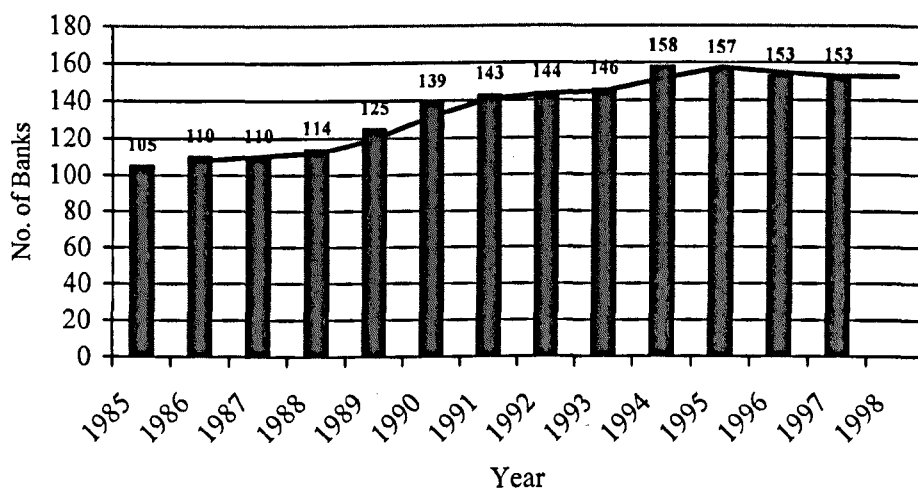
	<i>German</i>	<i>Overseas</i>	<i>Total</i>
1980	152	189	341
1981	140	196	336
1982	147	200	347
1983	142	212	354
1984	137	221	358
1985	136	228	364
1986	138	235	373
1987	146	240	386
1988	149	247	396
1989	147	264	411
1990	145	271	416
1991	145	281	426
1992	149	279	428
1993	147	275	422
1994	142	278	420

Source: Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung (1995), p. 8.

There can be little doubt that national policy change played a key role in Frankfurt transforming itself 'from a national financial centre to a strategic node in the global economic network' (Noller and Ronneberger, 1995, p. 53). As in the City of London, the prospect of the modernisation of Germany's financial sector prompted a fresh growth in the number of financial institutions locating in Frankfurt, with the trend particularly evident among international banks. Table 5.5 shows that there was a sharp rise in the total number of financial institutions based in Frankfurt during the late 1980s, reaching a peak of 428 in 1992 before falling slightly over the next two years. During this time, the number of German financial institutions represented in Frankfurt fell slightly, from 152 to 142, largely as a result of takeovers and mergers in the sector. The increased representation of financial institutions was thus accounted for entirely by the rising number of overseas concerns, which increased in number from 189 to 278 (a 47 per cent rise). This trend is confirmed by figure 5.2, which shows that the number of foreign banks in Germany (based overwhelmingly in Frankfurt) rose sharply from the late 1980s, following indications that de-regulation of the German markets was imminent. Over the same period, international banks with a presence in Germany became increasingly concentrated in Frankfurt: Frankfurt's share rose from around 50 per cent in the early 1970s, to 75 per cent in the mid 1990s

(Holtfrederich, 1999, p.275). Frankfurt's contemporary importance as a finance centre is underscored by the fact that 107 of the world's 500 largest banks are represented in the city (Grote, 2002, p.95). Notably, however, the rapid internationalisation of banking in Frankfurt has not yet prompted a full centralisation of German national banking. Indeed, the enduring importance of regional banks in Germany meant that, in 1996, five of the country's ten largest banks had their headquarters outside of Frankfurt (Kuck, 1997), with this pattern not significantly affected by the arrival of the European Central Bank: in 2001, 17 of largest 30 German banks had their headquarters elsewhere (Grote, 2002, p. 95).

Figure 5.2 Foreign banks in Germany, 1980-1997



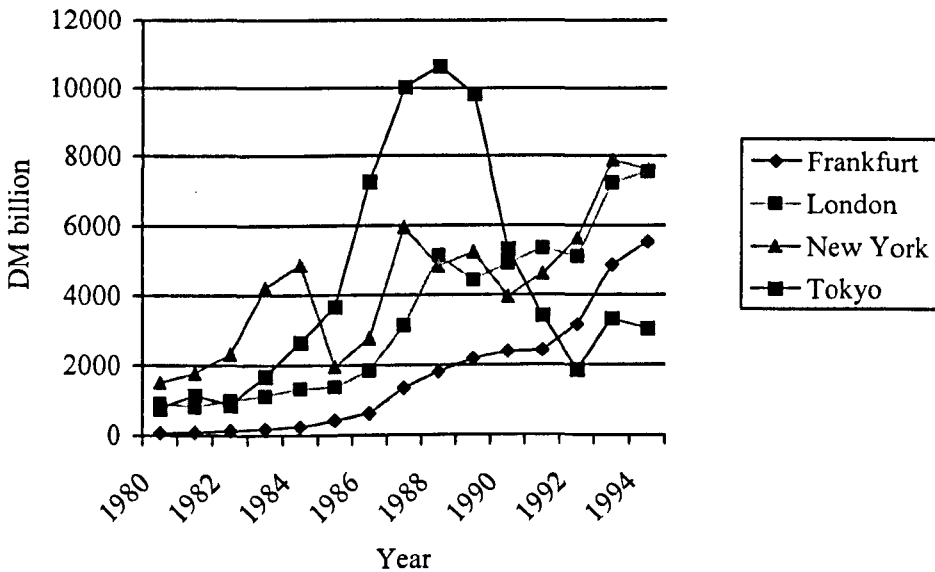
Source: Holtfrederich (1999), p.274.

The most dramatic change in Frankfurt's financial markets during the 1980s was in the international standing of its stock exchange. The Frankfurt stock exchange began to grow in significance after 1963 as a result of the sharp rise in international share trading and the Eurobond market. Yet, as with banking, German federalism encouraged strong regional stock exchanges, with the result that the Frankfurt stock exchange has operated as one of eight German exchanges - with others in Berlin, Hamburg, Hannover, Düsseldorf, Munich, Stuttgart and Bremen (Ayling, 1986). However, as Holtfrederich (1999) notes, German stock exchange reforms during the

1980s increasingly prompted trading to gravitate towards Frankfurt. The Frankfurt exchange became increasingly dominant and by 1980 was the largest stock market in Germany, with 47 per cent of total turnover on all stock exchanges. Frankfurt's exchange was also by far the largest in Germany in relation to international transactions by the early 1980s, accounting for 70 per cent of dealing in foreign equities and 80 per cent of foreign bonds (Ayling, 1986, p.118). However, it was dwarfed in importance compared to the world's three largest stock markets. In 1980, Frankfurt's turnover of DM 78.8 billion was just 10 per cent of the levels on the Tokyo, 8 per cent of the London and 5 per cent of the New York exchanges (see figure 5.3).

Fourteen years later, Frankfurt accounted for 74 per cent of total turnover on the German exchanges (Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung, 1995). Even more significantly, by 1994 Frankfurt had overtaken Tokyo on the same indicator and was operating a turnover of almost three-quarters the level on the London and New York exchanges (see figure 5.3). Frankfurt's 'success' in overtaking Tokyo was clearly the result of the Japanese economic crisis in the early-mid 1990s. However, the dramatic, and comparatively steady, rise in the volume of turnover on the Frankfurt exchange can only be explained with reference to other factors, with the series of reforms highlighted above playing a key role.

Figure 5.3 Stock market turnover, 1980-94



Source: Hessisches Ministerium für Wirtschaft, Verkehr und Landesentwicklung (1995), p. 19.

This brief historical review has identified a number of critical differences in the dynamics of world city formation in London and Frankfurt that have received scant attention in the wider world cities literature. In particular, three key contrasts should be drawn out. First, it is apparent that while both cities suffered as financial centres during the first half of the twentieth century, Frankfurt's decline was absolute, while London's was relative. The subsequent world city trajectories of the two cities must be understood against this backdrop, particularly in the case of Frankfurt, the resurgence of which is remarkable given its position in 1945. Second, government policy and contrasting regulatory environments were a key factor in shaping the post-war development of financial services in the UK and Germany, with key consequences for the internationalisation of their respective world cities. This differential development of London and Frankfurt as financial centres within the respective contexts of shareholder versus stakeholder capitalism highlights the fundamental importance of competing forms of regulation to the mediation of globalisation dynamics and in shaping the character of world city politics. Yet, these are issues on which the world cities literature is remarkably silent. Third, there is clearly more than one route to world city status. Whereas London's return to the

pinnacle of the international financial hierarchy is closely associated with the activities of TNCs and the openness of the City to international financial interests, Frankfurt's world city functions are more clearly the product of Germany's role as an engine of economic growth within the broader framework of European integration. It was against this backdrop of sharply contrasting development dynamics that the economies of London and Frankfurt engaged with the acceleration of transnational economic flows from the early 1980s.

5.3 World City formation and the evolution of urban and metropolitan government in London and Frankfurt after 1945

While the first half of this chapter emphasised the role of changing national economic policy and of national and international regulatory environments, the focus of the remainder of the chapter is on the urban and metropolitan scales. It is important to note that the development of London and Frankfurt as international financial centres did not occur in isolation from wider patterns of metropolitan economic change or from sub-national policy frameworks and intervention. There were significant contrasts in the dynamics of economic growth and change in London and Frankfurt after 1945. In the period to the mid-1980s, London experienced relative decline, while Frankfurt and its surrounding region progressively emerged as arguably the most dynamic metropolitan economy in Europe (Cheshire, 1990). These contrasting economic fortunes reflected the impact of national and local policy regimes. In the post-war period, both British and German national economic planning sought to coordinate and manage growth, with the goal of narrowing inter-regional differentials within the national territory. In turn, national efforts to regulate and plan economic activity in Britain and Germany were underpinned by the growing salience accorded to urban planning, not merely as a means of controlling urban development, but as an integral element of wider efforts to direct economic growth to achieve wider social objectives (Thornley, 1993; Brenner, 1997; Herrschel and Newman, 2002).

These convergent policy goals had sharply contrasting implications for London and Frankfurt. London, as the capital city of the UK, and with a population of 8.3 million in 1951, was clearly the dominant centre within its national context. However, London's rapid growth in the nineteenth and first-half of the twentieth century had

resulted in attendant social problems and caused the metropolis to take on an unplanned sprawling form. Consequently, in line with wider policy objectives, concerted efforts were made to constrain the Greater London economy after 1945 in order to disperse growth to other areas of the country, through a programme of planned decentralisation (Gordon, 1995). As Pimlott and Rao, (2002, p.142) put it, 'celebrating London as an engine of growth fell out of fashion'. Similarly, the development of Frankfurt took place within a national and sub-national policy framework that emphasised the importance of an equalisation of living conditions between the individual Länder and within the Land of Hessen itself (Wilks-Heeg, 2004). However, the establishment of a federal system of government and the post-war division of Berlin had left the Federal Republic of Germany with a far more decentralised urban system than the UK, in which there was no primary urban centre (Herrschel and Newman, 2002). As a result, regional imbalances in Germany were minimised through a national consensus promoting large scale fiscal transfers between Länder and extensive Länder influence over national policy frameworks (Minns and Tomaney, 1995; Wilks-Heeg, 2004), that did not require policies to specifically limit growth in any of the country's multiple urban centres. Frankfurt, as a non-capital city and only the fifth largest in the Federal Republic, was thus able to pursue a growth agenda within the context of a devolved political system and a highly decentralised urban system.

Planned decentralisation policies were intended not only to constrain London's growth, but alongside regional development initiatives, were also intended to assist growth in the country's remaining metropolitan areas and beyond (Gordon, 1995). Arising from the recommendations of the Abercombie Plan for Greater London (1945) and the provisions of the New Towns Act (1946) and the Town and Country Planning Act (1947), these policies were developed further by subsequent national governments, particularly the Labour administration of 1964-70. Decentralisation objectives were further reiterated in the government's Strategic Plan for the South East, published in 1970 (Collins, 1994a). For almost thirty years, central and local government exhibited a shared commitment to the policy of planned decentralisation, with local authorities in London playing a key role in decentralising economic activity and containing London's growth. As such, planned decentralisation, together with the associated policies of New Town development and regional economic development

were integral parts of the broadly social democratic post-war consensus in the UK, which expressed faith in the virtues of state planning of economic activity and sought to narrow socio-economic divisions, including their spatial expression (Thornley, 1993). The impact on London was enormous. As table 5.6 shows, Greater London's population fell by over a million from 1961-81, while total employment declined by 950,000 from 1971-91.

Table 5.6 Greater London: population, 1961-2001 and employment, 1971-81, 000s

	1961	1971	1981	1991	2001
Population: Inner London	3,481	3,060	2,550	2,599	2,772
Population: Outer London	4,496	4,470	4,255	4,230	4,416
Total Population: Greater London	7,977	7,529	6,806	6,829	7,188
Total Employment: Greater London	n/a	4,386	3,781	3,446	4,014

Sources: National Statistics (2003), table 2.2; Greater London Authority (2003).

In contrast to the philosophy of planned decentralisation for Greater London, the post-war development of Frankfurt was driven by the City Council's agenda of maximising the city's potential for endogenous growth and expansion into its surrounding hinterland (Ronneberger and Keil, 1995). This growth strategy, predicated on positioning Frankfurt as an international business centre can be traced back to Walter Kolb, SPD mayor of the city from 1946-56, and was given significant impetus by the narrow decision in 1949 to select Bonn, rather than Frankfurt, as the capital of the new Federal Republic of Germany. As von Trott (1986, p.389) notes in his history of the Social Democratic Party in Frankfurt, 'if it could not be the capital city, then Frankfurt would, above all else, be a leader in the economic and cultural field. Walter Kolb constantly re-iterated that the goal was to achieve international standing for Frankfurt in the area of business, trade and finance'. Indeed, notwithstanding the scale of reconstruction required in the city, this drive to re-establish Frankfurt as an international business centre already provided the justification for the emphasis on promoting local economic growth from the late 1940s onwards. In 1950 the official yearbook of the City Council declared that 'Frankfurt is well on the way to becoming an economic capital, having been denied the chance to be the political capital' (cited in Ronneberger and Keil, 1995, p.291).

Table 5.7 Frankfurt: population, 1950-2000 and employment, 1980-2000, 000s

	1950	1960	1970	1980	1990	2000
Total Population	532.0	683.1	669.6	631.3	634.4	650.7
Total Employment	n/a	n/a	n/a	459.5	481.9	477.6

Sources: Stadt Frankfurt am Main (2002), p. 6.

To some extent, Frankfurt's growth strategy took place in the face of opposition from surrounding local authorities, with the city of Frankfurt often pushing at the limits of what was permissible under the Land's policy frameworks. At the same time, however, smaller local authorities around Frankfurt also appeared to adopt a pragmatic approach, selectively welcoming inward investment and new housing developments where it promised to bolster local tax revenues (van den Berg et al, 1993). The post-war growth of Frankfurt saw the city steadily increase its economic output and overall levels of employment. As table 5.7 shows, this growth resulted in a rapid growth in the city's population, which peaked at 669,600 in 1970. However, the 1970s saw continued employment growth alongside significant population decline, as a result of the surge in sub-urbanisation that took place from the mid-1960s (Herschel and Newman, 2002). This process of residential decentralisation drew the Frankfurt economy into an increasingly inter-dependent relationship with its wider hinterland. As table 5.8 illustrates, the number of people travelling to work in the city from outside its boundaries rose dramatically in the post-war period, almost quadrupling from 1950-87. Following the rapid growth of Frankfurt in the 1960s, the management of the larger 'Greater Frankfurt' city-region became an increasingly central issue at the city and Land levels. Thus, while the economic dynamics of London and Frankfurt were quite different in the immediate post-war decades, they both pointed to the need for enhanced metropolitan governance arrangements.

Table 5.8 Frankfurt in- and out- commuting, 1950-1990

<i>Year</i>	<i>In-commuters</i>	<i>Out-commuters</i>
1950	70,564	5,551
1961	128,239	9,562
1970	185,689	14,010
1987	258,492	28,663
1990	285,909	39,571

Source: Stadt Frankfurt-am-Main (1995a), p. 65; Stadt Frankfurt am Main, (2002), p. 66.

The limits of urban managerialism: the experience of metropolitan government, 1965-85

In line with the concept of 'urban managerialism' highlighted in chapter 3, there was a degree of institutional and policy convergence in most Western European metropolitan regions after 1945. In the UK, Germany and the Scandinavian countries, in particular, the remit of local government expanded as a result of the growth of the welfare state and the increased salience of urban planning (Pickvance and Preteceille, 1991a). Employment in local government grew, while smaller councils were amalgamated to form larger, multi-functional local authorities (Häußermann, 1991; Page, 1991; Atkinson and Wilks-Heeg, 2000). In addition, cities throughout Western Europe adopted new governance arrangements from the 1960s, generally in the form of overarching authorities operating at the city-regional scale (Barlow, 1991; van den Berg et al, 1993). The creation of the Greater London Council (1965) and the *Umlandverband Frankfurt* (1975) were archetypal examples of this trend, which reflected growing concerns among urban policy-makers throughout Europe during the 1960s and 1970s about the apparent mismatch between functional economic regions and local government structures (Lefèvre, 1998).

Such broad-brush trends should not obscure the fact that there were significant contrasts in the government of London and Frankfurt after 1945. In most respects, institutional differences continued to outweigh institutional similarities. In particular,

local authorities in Greater London and 'Greater Frankfurt' remained radically different in their size, functions, and tax-raising powers. Local authorities in Germany are, on average, much smaller than their English counterparts, have ceded many policy responsibilities to the Länder and rely much more heavily on local sources of income (see Appendix 3 for more detailed comparisons). Nonetheless, despite these contrasts in the details of local government structures, and notwithstanding the manner in which national policy agendas prompted very different patterns of post-war economic development in London and Frankfurt, it is notable that both city-regions moved towards metropolitan government arrangements from the mid-1960s. While the institutional and policy dynamics promoting the adoption of metropolitan government for Greater London and Greater Frankfurt were very different, there was a common concern to respond to the dispersal of the metropolitan economy across a wider geographical area.

Greater London was a pioneer of metropolitan government, having led the way internationally with the creation of the London County Council in 1899. The decision to establish the Greater London Council (GLC) was taken following the recommendations of the Royal Commission on London Government (the Herbert Commission) that had been established in 1957. While the GLC formally replaced the London County Council, it expanded the territory covered by the upper-tier authority significantly, effectively re-defining Greater London as the built-up area contained within the Green Belt. The introduction of the GLC in 1965 also occurred alongside the creation of 32 London Boroughs, each representing an amalgamation of numerous smaller councils, and which took on primary service delivery responsibilities, including environmental health, leisure facilities, social services, education, and housing. Despite calls for its abolition, the City of London Corporation remained a full local authority, retaining its 750 year-old boundary and archaic electoral system (see chapter 1). The specific rationale for the GLC within this wider reform of London government was that it should deal with strategic issues, co-ordinating policy in a limited number of areas such as land-use planning and transport, and pursuing policies consistent with the national policy agenda of decentralisation (Gordon, 1995; Hebbert, 1998).

The case for metropolitan government in Greater Frankfurt came later, arising from the concerns raised by the rapid growth of Frankfurt in the 1960s. The expanding geographical reach of the city's labour market had significant implications for land-use planning, the provision and management of transport infrastructure and for the geographical distribution of local taxes (the surrounding districts were the major beneficiaries – see chapter 6 for further discussion). Following almost a decade of debate, the *Umlandverband Frankfurt* (UVF) was created by an Act of the Hessen parliament in September 1974, representing 43 local authorities in the Greater Frankfurt area with responsibilities in land-use planning, waste disposal, water supply, environmental protection and sports and leisure provision.

Figure 5.4 Metropolitan authorities in London and Frankfurt

		<i>Years of operation</i>	<i>Area covered</i>	<i>Population served</i>	<i>No. constituent authorities</i>	<i>Primary Functions</i>	<i>Democratic accountability</i>
London Council	County	1899-1964	303km ²	3.5 million	29	Social services, education, housing	Directly elected
Greater London Council	London	1965-86	1572 km ²	7.9 million	33	Land-use planning; public transport; highways; waste disposal; trading standards & consumer protection; police; fire; economic development.	Directly elected
Umlandverband Frankfurt		1975-2001	1427 km ²	1.6 million	43	Land-use & traffic planning; water supplies & sewage disposal; waste disposal & environmental protection; place marketing & economic development; sports, leisure & recreational facilities.	Directly elected

Sources: Hebbert (1998); National Statistics (2003); van den Berg et al (1993).

Despite the powerful logic underpinning them, both the GLC and the UVF were, in most respects, compromises that suited nobody. The GLC proved controversial from the outset, immediately provoking fierce opposition as a result of its attempts to upgrade the London road network (Fainstein and Young, 1992). Conservative Borough leaders were lobbying for the abolition of the GLC as early as 1973 (Pimlott and Rao, 2002) and the GLC was in constant conflict with the Boroughs throughout its 21-year lifespan (Pimlott and Rao, 2002). Meanwhile, the UVF was never regarded by Frankfurt as a satisfactory solution, and it has been suggested that 'the administrative structure and the jurisdiction of the UVF were the least favourable for all involved' (van den Berg et al, 1993, p. 47).

As compromises, three common problems beset both the GLC and the UVF as strategic metropolitan authorities. First, the geographical scale of both metropolitan authorities was too limited to address the planning and transportation issues arising from the growing spatial reach of their respective metropolitan economies (van den Berg et al, 1993; Heinz, 1995; Herrschel and Newman, 2002; Fainstein and Young, 1992). Second, even the process of creating strategic authorities for territories smaller than the functional urban region involved the inclusion of local authorities that firmly resisted the notion of being part of 'Greater London' or 'Greater Frankfurt'. Rather than promote co-operation among local authorities across the metropolitan region, the GLC and the UVF therefore did little more than institutionalise the stand-off between the core urban areas and outer-lying suburban districts. The GLC included Boroughs such as Bromley and Croydon that 'feel themselves to have little connection with "London"' (Travers et al, 1991, p.27) and regularly opposed GLC policy proposals: most famously when Bromley took the GLC to the High Court over its 'fares fair' policy. Similarly, the local authority districts surrounding Frankfurt used the UVF as an opportunity to act collectively to frustrate Frankfurt's quest for greater influence over its immediate hinterland (van den Berg et al, 1993).

Third, and perhaps most fundamentally, as strategic authorities, both the GLC and the UVF depended on individual local authorities to implement their proposals. In the case of the GLC, the bias in functional and financial power towards the Boroughs was to prove deeply problematic. Not only were political relations between the two tiers of London government tense after 1965, but the conflicts surrounding the GLC reflected

a long-run historical tension in London government between advocates of metropolitan structures and those arguing for the maintenance of strong, localised units of local government (Travers et al, 1991; Gordon, 1995; Gyford, 1994; Pimlott and Rao, 2002). Compared to the outgoing LCC, which had wide-ranging service responsibilities, the GLC's powers were very limited (Gyford, 1994). The Boroughs were also dominant in financial terms: in 1986 the Boroughs accounted for 84 per cent of local government expenditure in Greater London (Pimlott and Rao, 2002, p. 43). Similarly, the UVF also lacked significant powers and, while its constitution allowed for additional powers to be devolved to it by its member authorities, most were reluctant to do so (Herrschel and Newman, 2002). Given their numerical majority, the districts, rather than Frankfurt, came to determine how the UVF operated, stalling progress in many areas for which the UVF had responsibility. Consequently, the UVF lacked the executive powers to establish effective policies across its designated territory (Heinz, 1995; Freund, 2002). The UVF became characterised by typical collective action problems: while member authorities were reluctant to agree to policies such as the common development of industrial estates, they engaged in ongoing competition with one another for inward investment (van den Berg, 1993).

The contested emergence of urban entrepreneurialism, 1975-85

If the GLC and UVF were to demonstrate limitations as harbingers of metropolitan government, it was partly because their introduction coincided with wider pressures on urban managerialism associated with the collapse of Fordism (see chapter 3). It was against the backdrop of these contested new metropolitan governance arrangements that many of the assumptions underpinning the post-war urban and regional policy consensus began to break down. In particular, major structural changes began to take place in urban and regional economies, resulting in high rates of male unemployment. At the same time, there was also growing evidence that politicians and citizens alike had become increasingly sceptical about the virtues of government planning and intervention.

Such trends were more apparent in Britain than in Germany in the 1970s, and consequently had differential impacts on local policy-making in London and

Frankfurt. Structural economic change had a profound effect on Greater London, which haemorrhaged manufacturing jobs and residents in the 1970s and 1980s. As the results of the 1970 Census of Population became available from 1973 onwards, it became apparent that Greater London was shedding population and employment at an alarming rate. This unanticipated acceleration of the process of population and job loss that had been consciously promoted since the late 1940s prompted a reconsideration of policies of planned decentralisation. However, active attempts to promote economic growth in London initially arose in only a contested, piecemeal and incoherent fashion. By contrast, the changing context of urban policy-making was seized upon by politicians in Frankfurt, where pro-active intervention in the local economy has been a feature of Frankfurt politics since the early 1950s. From the late 1970s, these efforts increasingly coalesced around a coherent, but locally controversial agenda, that sought to promote Frankfurt as a 'big city'. Indeed, just as the failure to establish Frankfurt as the capital of the Federal Republic had galvanised policy-makers to prioritise economic growth, so the failure to win the argument in favour of a powerful city-regional authority became a catalyst for Frankfurt's politicians to pursue an alternative means of realising their metropolitan ambitions via a strategy of world city formation.

By the late 1970s the policy of planned decentralisation for Greater London had effectively been reversed, with the 'inner-city problem' instead becoming the focus of concern. Evidence suggested that population and employment loss were overwhelmingly concentrated in Inner-London, prompting widespread economic decay and the re-emergence of areas of concentrated unemployment and poverty (Pimlott and Rao, 2002). Yet, with the exception of a variety of small-scale experimental initiatives, little attempt was made initially to stem the decline of London, which had left local and central government unsure about how to respond. Moreover, when policy responses to London's economic decline did begin to take shape in the early 1980s, they became symptomatic of the wider political conflicts that characterised the early Thatcher years.

After 1979, Margaret Thatcher's first Conservative government pursued radical experiments in market-led urban regeneration, the controversial centrepiece of which was the regeneration of the derelict dock areas of East London through the creation of

the London Docklands Development Corporation (LDDC) and the Isle of Dogs Enterprise Zone (Wilks-Heeg, 1996). The establishment of the LDDC, a body whose board was appointed by the Secretary of State for the Environment and which was granted development control powers in parts of the three London Boroughs in which it was operational⁵, was bitterly opposed by both the local authorities concerned as well as by groups of local residents. Ten petitions were lodged against the creation of the LDDC, prompting a House of Lords Select Committee Enquiry in 1980 (Brownill, 1990). Meanwhile, following Labour victory in the 1981 local elections, Ken Livingstone emerged as leader of the GLC, serving to trigger a wider political battle between the Conservative central government and a number of Labour-controlled local councils run by the 'new urban left' (Atkinson, 1995; Boddy and Fudge, 1984).

Alongside a number of other controversial, high profile policy initiatives aimed at promoting 'local socialism', Livingstone's GLC established an economic development unit that sought to develop an interventionist approach to the local economy (Egan, 2000).⁶ Focussing primarily on the promotion of manufacturing, a sector accounting for the lion's share of large-scale job loss in London in the early 1980s, the GLC established the Greater London Enterprise Board and published the London Industrial Strategy in 1985 (Egan, 2000). As Gordon (1995) notes, the GLC's economic development activities coincided with other local economic initiatives in London led by other agencies with entirely different agendas, including the redevelopment of the London Docklands and the deregulation of the City. As a result 'London development was ... the focus for an ideological battle over the direction of economic policy' (Gordon, 1995, p. 301). The battle was most famously symbolised by the decision to attach a huge banner to the front of County Hall, visible from the

⁵ The LDDC was operational in the London Boroughs of Newham, Southwark and Tower Hamlets. The Isle of Dogs Enterprise Zone, which exempted new developments from most planning controls, offered a 10 year 'rate holiday' for businesses and allowed investors to offset all development costs against tax, was wholly located within the boundaries of Tower Hamlets.

⁶ Livingstone, together with his allies within the GLC and the London Boroughs of Camden, Haringey and Islington, saw local government as a vehicle for a new brand of local socialism. The new urban left sought to build a 'rainbow coalition', reaching beyond Labour's traditional working class constituency, to form an alliance of progressive social forces across class, gender, racial and sexual divisions. While Livingstone's flagship policy was undoubtedly the 'Fares Fair' initiative, a 25 per cent cut in bus and tube fares funded through increases in the local rates, the GLC became 'a platform for a wide range of causes', including gay-rights, anti-racism, Irish republicanism, and tackling unemployment (Pimlott and Rao, 2002, p. 33). Thus, the GLC's new left agenda included initiatives such as the establishment of a Women's Committee, backed up by a support unit with 70 staff, the creation of a parallel Ethnic Minorities Committee, as well as enhanced direct funding for local and community groups (expenditure on the latter rose from £6 million in 1980 to £50 million plus in 1984).

Houses of Parliament across the river Thames, displaying the latest London unemployment figures. In addition, the starkly contrasting philosophies advanced by the GLC and central government were reflected in conflicts over development projects, most notably in Docklands and in Coin Street, just north of Waterloo station, where local residents began to mobilise against commercial development (Ward, 1989).

Notwithstanding the weaknesses that plagued the GLC from its inception, the decision to abolish it was ultimately ideological (O'Leary, 1987a, 1987b). The GLC's controversial activities under Livingstone re-activated demands for its abolition among Conservative-controlled Boroughs, beginning with the unilateral demands of the City of Westminster, and ultimately becoming the policy of the London Boroughs Association. The abolition campaign quickly expanded to embrace private sector bodies, such as the Institute of Directors and the Confederation of British Industry (Pimlott and Rao, 2002). With pressure mounting, the Conservatives made a last minute decision to include the abolition of the GLC in their 1983 general election manifesto, in part because of the failure to agree an alternative to the rates as a form of local taxation (Flynn et al, 1985). Following the Conservatives' election victory, the abolition of the GLC was prioritised as an early piece of legislation, with proposals outlined in a White Paper, 'Streamlining the Cities', in October 1983 (Department of the Environment, 1983). While the White Paper made the case for abolishing the GLC in terms of efficiency and effectiveness, justifying the simultaneous abolition of the six Metropolitan County Councils on the same grounds, wider political debate revealed more narrowly ideological motives for dismantling London's strategic authority. As one Cabinet Minister, Norman Tebbit, argued:

The Labour Party (in) its current form ... represents a threat to the democratic values and institutions on which our parliamentary system is based. The Greater London Council is typical of this new, modern, divisive system of Socialism. It must be defeated. So, we shall abolish the GLC (Tebbit, 1984, cited in Pimlott and Rao, 2002, p. 43).

While the politics of Greater London increasingly took the character of a bitter, ideological struggle played out against a backdrop of metropolitan decline, urban

politics in Frankfurt was becoming equally conflictual, but as a result of rapid economic growth and development. From the mid-1970s, city politics began to further prioritise a strongly pro-growth agenda, aimed at elevating Frankfurt's national and international standing and premised strongly on service sector growth. By the end of the 1970s, the campaign to promote Frankfurt as a metropolis gathered pace when the strategy was formally laid out by Walter Wallmann, the Conservative (CDU) mayor of Frankfurt, in a speech to the city council in 1979 entitled 'The Big City Challenge' (*Herausforderung Großstadt*) (Wallmann, 1979).

Reading the text of the speech a quarter of a century on, the terminology used in Wallmann's presentation is revealing for a number of reasons. First, the objective of enabling Frankfurt to become 'a big city' demonstrates the extent to which it was then regarded as a provincial urban centre. Second, although steeped in the modernist language of 'rational' planning policies and 'rational' solutions to social problems, Wallmann's 'Big City Challenge' was a clear forerunner of the world city discourse. It encompassed large-scale investment in transport infrastructure, the extensive development of cultural facilities, and an overwhelming emphasis on the promotion of economic growth. Of the proposals outlined in Wallmann's 'Big City Challenge', investment in cultural provision during the Wallmann era was to prove perhaps the most significant. From 1977-89, the city council's Kulturreferat (culture department) received 11 per cent of the total municipal budget, the highest in Germany (Noller and Ronneberger, 1995). With the bulk of this investment being ploughed into the construction of the city's 'Museumsufer' (museum quarter) along the Main river, the policy had helped to establish Frankfurt as a major European cultural centre by the early 1990s (Bianchini and Parkinson, 1992; Noller and Ronneberger, 1995).

At the same time, it became increasingly clear that the goal of 'rational planning' actually implied a laissez-faire attitude towards development control, particularly in relation to the city's key international sectors - banking and finance, the airport and the *Frankfurter Messe* (responsible for international exhibitions and trade fairs). During the 1980s this policy thrust was underpinned by the creation of new governance arrangements that enabled functions such as economic development and the city's airport and Messe to function as semi-autonomous companies (Keil and Lieser, 1989). Once cast in this more independent role, these bodies came to play a

central role in a wider, informal growth coalition, that also included the Chamber of Commerce and major banks, pushing a pro-growth, pro-internationalisation agenda that came to be symbolised by the Wallmann regime's new banner of the 'international city' (*Weltstadt*) (Keil and Lieser, 1989; Keil, 1995b).

The negative social and economic consequences of these policies prompted powerful opposition from a range of new social movements. So dramatic was the scale and pace of economic development, that popular mobilisation against key aspects of the *Weltstadt* agenda became an almost permanent feature of Frankfurt politics in the 1980s. During this period there were large-scale demonstrations against airport expansion and the construction of new bank buildings in areas of the city centre close to established residential communities (Stracke, 1980; Rucht, 1984; Keil and Ronneberger, 1991; Keil and Lieser, 1992; Beste, 2000). It was in the context of this growing opposition to the aggressively pro-growth CDU agenda for Frankfurt that an alternative political agenda began to emerge, constructed around a growing new left movement in the city, with notable parallels to Livingstone's GLC (see chapter 6).

5.4 Conclusion

This chapter has sought to respond to the criticisms of the world cities literature advanced in chapters 2 and 3 by advancing an historically-grounded, multi-level analysis of the political economy of world city formation in London and Frankfurt. The analysis provides strong initial support for hypothesis 2 regarding path dependency, suggesting that world city formation is characterised by a path-dependent political economy, in which political decision-making at supra-national, national and sub-national levels all play a significant role. It would also seem clear that there are several possible paths to world city status, with local policy-makers in Frankfurt enjoying greater scope to drive the process of world city formation than in London from the 1970s onwards. In line with the rise of urban managerialism, it was noted that both cities came to adopt metropolitan government in the 1960s and 1970s, experiencing a number of common problems with such arrangements. Yet, the shortcomings of metropolitan government were to produce very different outcomes. From the mid-1970s local politicians in Frankfurt adopted a successful agenda of economic development premised on principles of urban entrepreneurialism.

Meanwhile, after years of inaction in the face of population and job loss, London became the site of an ideological battle over economic policy in the early 1980s, prompting central government to impose a series of direct interventions and controls on the city's governance.

These contrasts reflect crucial differences in the role of London and Frankfurt in their wider national economic contexts, as well as significant differences in the systems of inter-governmental relations in which the two cities operate. Given the dominance of London within the UK, the city's governance, particularly with regard to economic development, has been seen as a matter of critical importance to all UK national governments since 1945. In the context of the UK's relatively centralised system of government, the capital has become the site of highly complex power-dependencies, with central and local interests constantly tussling for control. Conversely, local policy-makers in Frankfurt have operated in a far more decentralised set of inter-governmental relations and a more decentralised national urban system. In this context, a key consequence of Frankfurt's locally-driven world city agenda is that it has increasingly brought the politics of scale to the fore. Those harbouring global ambitions for Frankfurt have had to confront the problem that its size and standing within Germany makes it appear curiously provincial alongside its major international rivals. As a result, local politics in Frankfurt has increasingly been characterised by a concern to overcome the city's 'size-problem', primarily by drawing surrounding territory into a global city-region that boasts metropolitan 'critical mass'.

It can therefore be seen that the contrasting roles of London and Frankfurt within their respective national political and economic systems have been critical in shaping their distinctive political economies of world city formation. These conclusions clearly underline the propositions advanced in chapter 3 regarding the significance of inter-governmental relations and power-dependencies for world city politics. This analysis thus provides further evidence of the significance of local and national politics in mediating and shaping the process of world city formation, as implied by hypothesis 1. Moreover, as the following chapters will demonstrate, the contrasting political and economic roles played by London and Frankfurt within their respective national systems had a profound influence on the way the two cities were governed in the wake of the acceleration of transnational flows from the mid-1980s.

Chapter 6

Globalisation and Metropolitan Governance: Internationalisation and Policy Change in London and Frankfurt, 1986-96

6.1 Introduction

This chapter considers the role of globalisation and world city formation in shaping institutional and policy change in London and Frankfurt during the period 1986-96. Building directly on the longer-run narrative account of world city formation in London and Frankfurt in the previous chapter, it seeks further to apply and develop the theoretical approach to world city governance outlined in the first section of the thesis. As such, it provides an initial test of the hypotheses laid out in chapter 3, while also establishing the context for a more detailed analysis of individual policy areas in the remaining chapters, which subject these hypotheses to more rigorous comparative empirical testing. Accordingly, the chapter examines the character of world city politics in London and Frankfurt respectively, focussing particularly on charting the manner in which concerns with globalisation and world city formation featured in political debates from 1986-96 (research question 3). Drawing on a combination of secondary sources and original research findings derived from policy documents, media coverage and interviews, this analysis confirms the hypothesis that local politics in London and Frankfurt engaged increasingly with international concerns from the mid-1980s onwards. In addition, the evidence presented in this chapter also enables some more general initial reflections in the concluding section on the hypotheses set out in chapter 3.

The chapter as a whole highlights considerable differences in the governance of London and Frankfurt from 1986-96, further underlining the contrasting positions of the two cities in their respective national economic and political systems. Following the abolition of the Greater London Council in 1986, a fragmented system of local governance emerged in London, with central government antipathy towards strategic policy co-ordination being accentuated by a bitter party-political divide in London politics. However, from the early 1990s, the failures of London governance attracted increasingly widespread criticism in light of growing concerns about London's

capacity to compete with other world cities. In particular, it is shown that a high-profile consultancy study, *London: World City* (Coopers Lybrand and Deloitte, 1990) played a pivotal role in introducing discourses of globalisation and territorial competition into London politics. Growing concern about London's world city status among policy-makers and business leaders, and even within civil society as a whole, prompted a progressive strengthening of London-wide policy co-ordination, resulting in a highly complex set of arrangements, much of it under direct central government control.

Conversely, urban politics in Frankfurt after 1986 continued to be characterised by a distinctive process of world city formation driven by local political intervention. Notwithstanding the importance of changes in national policy noted in chapter 5, Frankfurt's world city politics have taken a radically different character to London's, and have been much less subject to central state intervention. The chapter highlights these dynamics with particular reference to two facets of Frankfurt politics in the period after 1986. First, it considers the experience of the SPD-Green coalition that held power locally from 1989-96 and which sought to promote wider social and environmental objectives alongside the continued internationalisation of the Frankfurt economy. It is shown that, after 1989, the Frankfurt project of 'making a world city from below' continued, albeit in a partially moderated form, including an increased emphasis in urban politics on engaging with a range of transnational policy issues. Second, the chapter highlights the ongoing attempt to 'rescale' the city of Frankfurt within the wider territory of Hessen, an issue that has prompted growing private sector mobilisation, as a result of increased concern about the city's capacity to engage in effective territorial competition.

6.2 The governance of London, 1986-96

The governance of London underwent dramatic change in the mid-1980s, particularly as a result of two 'external shocks' resulting from national government policies detailed in previous chapters: the abolition of the Greater London Council and the introduction of the 'Big Bang' in the City of London, both taking place in 1986. While the former had direct and far-reaching implications for the institutional structures of London governance, the latter's impact was more indirect, although no

less profound, particularly in relation to planning and economic development policies. In addition, the relationship between the two events was also highly significant: the absence of a strategic authority for Greater London raised major issues in relation to planning policy at a time when demand for central office space was growing dramatically. Moreover, given its role as the custodian of a resurgent financial district, the City of London Corporation found itself able to exert a growing influence in the governance of Greater London from 1986 onwards.

It is widely recognised that the abolition of the GLC resulted in greater centralisation of London's governance (Travers et al, 1991; Newman and Thornley, 1997; Pimlott and Rao, 2002). A study commissioned by the GLC shortly before its abolition suggested that of 43 GLC functions identified in the White Paper (Department of the Environment, 1983), 14 were to be taken out of the hands of elected local government, achieved by transferring them to central government departments, QUANGOS, or other national or regional bodies (Clegg et al, 1985). While the majority of the GLC's powers were allocated to either individual Boroughs or newly-created joint committees of Boroughs, there was a clear tendency towards 'powers drifting to Whitehall' (Pimlott and Rao, 2002, p.45). Reviewing London's system of government six years after abolition, Travers et al (1991, p.15) note that 'more than any other part of the United Kingdom (with the exception of Northern Ireland), the government of the capital is controlled by ministers and civil servants'. Yet, it would be too simplistic to argue that the GLC's abolition merely involved it being substituted by direct central government control. Rather, as discussed in chapter 3, the Thatcher government's indifference to strategic governance created new kinds of interdependencies between central and local government (c.f. Rhodes, 1997). As Pimlott and Rao (2002, p.45) suggest: 'Getting rid of (the GLC) was one thing. Providing a long-term alternative was another. Not only did it not prove easy, the problem was almost entirely ignored'.

Consequently, a paradox presented itself in London governance after 1986. On the one hand, greater centralisation of functions did occur, but the government's general antipathy towards state planning meant that the centre often chose not to exercise the control it had wrested from the local state. However, initial central indifference did not mean local control by default. Indeed, the scope for anyone to exercise control in

London governance after 1986 was limited by the design of the post-abolition arrangements, which were characterised by an extreme fragmentation of functions (James, 1990). Of the 27 or so GLC functions remaining under local authority control, over half were returned to the individual Boroughs, including road maintenance, housing, parks and entertainment licensing (Clegg et al, 1985). Conversely, those functions deemed to require some degree of collaboration or co-ordination between the Boroughs, about a dozen in all, were transferred to a range of new London-wide agencies and joint Borough committees. Thus, the co-ordination of planning policy became the responsibility of the London Planning Advisory Committee (LPAC). The London Borough Grants Committee (LBGC) took on the function of funding voluntary sector organisations. The GLC's research and data collection roles were transferred to the London Research Centre (LRC). The London Residuary Body was charged with the task of managing the GLC's loan debt, pensions and the sale of its assets. The London Area Mobility Scheme (LAMS) was created to handle lettings in social housing, particularly those involving transfers between Boroughs. Waste disposal functions were transferred to a new Waste Disposal Authority, and so on (see Travers et al, 1991; Hebbert and Travers, 1988; Pimlott and Rao, 2002).

Despite this raft of new organisational arrangements, the issues raised by the GLC's abolition continued to dominate political debates about London after 1986, with studies raising concerns about policy co-ordination in areas such as land-use planning, transport and housing (Flynn et al, 1985; Travers et al, 1991). Indeed, with the GLC's functions split between a myriad of unconnected and uncoordinated bodies, it was commonly suggested that abolition led to the emergence of a 'vacuum' in the governance of London (Gordon, 1995; Pimlott and Rao, 2002). Within the new joint committees, problems of co-ordination were further enhanced by the growing divisions between the London Boroughs, now organised as two separate associations following the decision of Labour-controlled authorities to split from the London Boroughs Association (LBA) to form the Association of London Authorities (ALA).

Notably, concerns about London's role in the global economy did not feature prominently in either the debate surrounding the GLC's abolition nor that concerned with the immediate aftermath of its disappearance. Before 1990, London was rarely compared to other global cities in media coverage, policy documents or academic

research, aside from the frequently repeated observation that, post-GLC, London was unique among the major cities of the world in having no overarching strategic authority (Flynn et al, 1985; O'Leary, 1987b; Travers et al, 1991). Concerns about the impact of internationalisation on the London economy, and particularly on manufacturing employment, had been evident in the GLC's economic development activities. However, in the wake of the abolition of the GLC there was no immediate attempt to analyse London's position in a changing global economic order, let alone any strategic response to the profound structural changes taking place. Instead, the fragmentation of London governance gave rise to a diverse, un-coordinated and in many ways contradictory, set of policy responses. Indeed, policy failure became a consistent feature of London governance after 1986, particularly in areas such as regulation of the central London office market, the provision of public transport, the co-ordination of economic development and the preparation of bids to host major international events (see chapters 7 and 8).

These failings in the governance of London after 1986 were particularly evident in relation to development activity in the City of London and the London Docklands. The announcement of the Goodison-Parkinson Agreement (see chapter 5) had triggered a surge in demand for central London office space, particularly for very large, modern units that would be able to accommodate new computer technology, large trading floors and the enlarged scale of several firms following mergers and acquisitions (Cowlard, 1992). Inevitably, this scale of demand, which 'in 1986 seemed insatiable' (Cowlard, 1992, p.237), had profound implications for planning policy. Yet it occurred at a time when the GLC, as the strategic planning authority for London, was due to be abolished and the City of London Corporation had adopted a strongly conservationist stance in its draft Local Plan of 1984 (Fainstein, 1994). Moreover, after 1986, the centrally-imposed experiments in urban entrepreneurialism in the London Docklands began to take an unexpected turn. With London land values soaring, the Isle of Dogs becoming the focus of major office development activity. Most significantly, proposals emerged during 1985-6 to build Canary Wharf, Europe's largest ever office complex, comprising 8.8 million square feet, in the London Docklands (Stewart, 1993). Thus, from the mid-1980s, the hitherto sluggish regeneration of the London Docklands took off dramatically (Wilks, 1995). As a result, the LDDC thus found itself able to boost its revenues significantly as a result of

the rapid rise in the value of the land bank it had acquired in 1981, while also pushing, successfully, for dramatic increases in its levels of central government grant and government transport expenditure to accommodate the Canary Wharf development (Wilks-Heeg, 1996).

This set of events was to reveal enormous shortcomings in the post-GLC arrangements. Due to its location in the Isle of Dogs Enterprise Zone (see chapter 5), Canary Wharf did not require planning permission, let alone a public enquiry (Docklands Consultative Committee, 1992). As a result, the Canary Wharf proposal triggered dramatic changes in planning policy in the City, with the Corporation shifting rapidly from a conservationist to a pro-development stance, resulting in a huge over-supply of central London office space (see chapter 7). At the same time, the construction of Canary Wharf underlined the gross inadequacies of policy co-ordination in London, particularly in Docklands. On the one hand, the market-led planning regime, as well as the financial inducements on offer, made the London Docklands an attractive location for the development of Canary Wharf (Docklands Consultative Committee, 1992). Yet, at the same time, the total absence of strategic planning for Docklands presented Olympia and York, the Canadian developers of Canary Wharf, with enormous challenges to overcome, particularly given the fragmentation of London governance. The advice given to the Reichmann brothers, as co-directors of Olympia and York, by senior LDDC staff was straightforward and reveals a great deal about the centralisation of London governance after 1986: 'Go to Maggie. Ignore the Civil Service. No. 10's where the decisions are really being made' (Interview with Peter Turlick, November 1995).

And so it was that the Reichmann Brothers decided 'to establish an office round the corner from no. 10 Downing Street and lobby the Prime Minister in person to synchronise the infrastructure elements of their project' (Hebbert, 1998, p.121). In particular, Olympia and York were convinced of the need for the Jubilee Line of the London Underground to be extended to East London, a plan that London Transport and the Department of Transport had long since shelved in favour of the construction of the Chelsea-Hackney line (Stewart, 1993). Yet, with Thatcher behind the project from early 1988, visiting the Isle of Dogs to drive in the first pile of the Canary Wharf

foundations in May that year, radical changes were made in London's transport planning almost overnight. As Stewart argues:

The entire planning structure was turned on its head by a combination of the personal clout of the Reichmanns, especially Paul Reichmann, with the Prime Minister, and a promise of what might have been a dime out of every dollar of the cost of the Jubilee Line extension (Stewart, 1993, p.188).

The emergence of the world city debate

The changes unleashed by the Big Bang were instrumental in recasting debates about London governance after the abolition of the GLC (see chapter 5). From the early 1990s, the perception of London as a world city competing directly with New York, Tokyo, Paris and others came to the fore. Debates about London governance increasingly revolved around concerns about London's world city status and its capacity to compete internationally. In this context, the apparent lack of a 'voice' for London became a key issue (Travers et al, 1991), with political debate focusing increasingly on the absence of institutional arrangements to promote London and to 'maximise its attractiveness as a location for global business' (Pimlott and Rao, 2002). Consequently, during the 1990s, the significance attached to London as a world city in policy debates acted as a catalyst for collective action, leading to new forms of institutional co-operation within London's fragmented system of local governance (Fainstein, 1994; Gordon, 1995). Central to this galvanisation of actors around the world city concept was the publication of a consultancy report *London: World City Moving into the 21st Century* (Coopers and Lybrand Deloitte, 1990).

The *London: World City* study emerged from the work of LPAC, which had made recommendations for a research study on how public policy could bolster London's competitive position in its 1988 Strategic Advice to the Department of the Environment (Gordon, 1995). Following LPAC's lead, a study budget of approximately £100,000 was assembled, largely as a result of co-sponsorship from the City of London Corporation, Westminster City Council, the LDDC, Greater London Arts and London Transport. Notably, while the final report was published by HMSO, central government provided neither financial support nor any input to the study via

the Advisory Board, comprising representatives from a range of public and private sector organisations.¹ Despite, the range of contributing organisations, the study budget was insufficient to enable detailed economic analysis by the appointed consultants – Coopers and Lybrand Deloitte (Gordon, 1995). As a result the study lacked ‘any hard evidence’ on the sectoral and spatial patterns of internationalisation in the London economy, offered no clear basis for comparing London to its alleged international competitors and offered a discussion of London’s relationship to the wider region that ‘scarcely scratches the surface of the issues’ (Gordon, 1995, p. 304).

Despite these shortcomings, the study drew out clear policy recommendation on the basis of the evidence assembled. These recommendations may be summarised in terms of ‘headline’ and ‘supporting’ priorities (c.f. Gordon 1995). Three headline priorities were put forward: (i) improvements to the safety and reliability of transport in London, particularly buses and cross-London rail services; ii) better integration of education and training provision with business needs; and iii) the enhanced promotion of London via a new public-private partnership, provisionally titled ‘The London Partnership’, whose task should be ‘selling London’s enterprise and culture, services and potential to the world at large’ (Coopers and Lybrand Deloitte, 1990, p. 210). The proposed supporting priorities were broad ranging, reflecting the report’s wider concerns with achieving a balance between wealth creation, quality of life for local residents and tackling unemployment and social problems. Thus, policy proposals were put forward that advocated: enhancing environmental quality; improving personal safety; creating a science and technology park to act as an incubator for new business start-ups; a more strategic approach to promoting cultural and artistic innovation; a ‘one stop shop’ for business people and tourists; and annual monitoring of London’s performance in an international context (Coopers and Lybrand Deloitte, 1990).

London: World City represented a turning point in the governance of London. As Gordon (1995, p.296) argues, the report was, by the mid-1990s, ‘London’s most significant gesture towards territorial competition’. The consortium of organisations that jointly commissioned and managed the study was of huge symbolic importance.

¹ Advisory Board members included representatives from the London Tourist Board, the London Chamber of Commerce and Industry, the London office of the CBI, the Bank of England and the London Boroughs Association. Central government were included only as observers.

Given the range of bodies supporting it, *London: World City* acted as the catalyst for significant policy and organisational change, the introduction of which was frequently justified with reference to protecting London's world city status. While central government came to play an increasingly important role in such initiatives (see below), new governance arrangements also grew up around a variety of locally-initiated partnership formations (see chapter 8). In addition, in the wake of *London: World City*, a series of official reports and research studies concerned with the future of London (see figure 6.1) continually reiterated the need for collective action if London was to succeed as a world city.

Meanwhile, the perceived threat to London's competitive position raised by *London: World City* quickly rippled out into wider media, academic and popular debate. *The Times* responded to the report under the headline 'London's world city status in decline', suggesting that 'London's status as a world city is in jeopardy unless improvements are made soon to transport links, the education and training of its citizens and its promotion as an international metropolis' (Wilkinson, 1991, p.6). The specialist planning publication, *Town and Country Planning*, raised similar concerns (Brown, 1991). This pessimistic interpretation of the prospects of London in an era of global, inter-metropolitan competition gathered pace throughout 1991. Later in the year, in response to Michael Heseltine's LWT lecture on 'The Future of London' in December 1991, *The Financial Times* ran a leader on London, posing the question 'What has been done for London lately?' In response, it suggested that:

The answer is very little. The lives of London's citizens have been getting less safe. Recent contributions to London's architectural heritage have, with a few exceptions, been dismal. The quality of the performing arts represents a triumph of tradition and talent over government penny-pinching. London's green spaces have changed in the last decade largely in the quantity of litter that adorns them. The transport infrastructure creaks with the legacy of disrepair, under-investment and poor management (Financial Times, 1991c).

Such reports captured a wider sense of pessimism about London at the time. As Hebbert (1998) notes, words such as 'crisis' and 'decline' were practically ubiquitous in academic and political writing about London in the early 1990s, with observers

consistently warning that London's lack of strategic governance would result in economic failure (Thornley, 1992; Rogers and Fisher, 1992). Such conclusions were echoed by the business community, particularly by major property interests as well as by interest groups such as the Confederation of British Industry (CBI London, 1991). Indeed, during the early 1990s, pressure for reform of London governance came most consistently from the private sector (Hebbert, 1998), with persistent concerns expressed about the absence of a body to promote London, particularly with reference to the city's international roles (Travers et al, 1991). Most remarkably, the issue of London's competitiveness prompted wider mobilisation within civil society. The London Forum of Amenity and Civic Societies, formed on the initiative of the Civic Trust in 1988 to represent 70 community and citizen groups across the capital, was calling for a strategic authority to promote London as a world city by the early 1990s. In January 1992, the Forum argued in its Newsletter that, without prompt action 'London's present favourable position in the league table of world cities will certainly disappear' (News Forum, 1992, cited in Gyford, 1992, p. 85). Similarly, Hebbert (1998, p.xiii) cites the contemporaneous example of Vision for London, an organisation that brought together 'politicians, industrialists, amenity activists, consultants, designers, academics, property developers, media types, local government officers and environmentalists'. Tapping into a collective sense of crisis that typified 'the curious decade of interregnum after the abolition of the Greater London Council' (p.xiii), Vision for London proved to be highly influential, leading Hebbert to ask 'whether any British city has seen such a spate of well-attended public meetings on topics on civic concerns since the 1880s' (p.xiii). Perhaps most ironically of all, the sense of concern about London's future as a world city even spread to the reformed Communist Party of Great Britain, renamed Democratic Left, which issued a newsletter to its London membership that led with an editorial entitled 'Must London Lose?' (Democratic Left, 1993).

Given the diversity of organisations expressing concerns about London's world city status by the early 1990s, the *London: World City* report was bound to have a significant impact on central government's agenda for London. The influence was clearly evident in the content of the 1992 Conservative general election manifesto which promised, among other things, to create a promotional agency for London (Newman and Thornley, 1997). As Gordon (1995) suggests, the reception of *London:*

World City therefore played an important role in prompting a number of developments in the early 1990s that hinted at a more strategic approach to London. At the same time, however, the government's response was also powerfully shaped by the ghost of the GLC. It was not until John Major replaced Margaret Thatcher as Prime Minister in late 1990 that the introduction of new forms of institutional and policy co-ordination in Greater London were considered at all (Hebbert, 1998). Thereafter, the new arrangements introduced by the Major governments were motivated by a desire to buffer any case for reviving a Greater London authority (Pimlott and Rao, 2002). The result was piecemeal, *ad hoc* reform of London governance rather than systematic re-organisation, with the government's seeking to direct London governance from the centre rather than return powers to local bodies.

Nonetheless, a more coherent articulation of policy towards London gradually emerged during the period 1991-96. The first steps towards a more strategic approach to London were specifically concerned with transport: the appointment of a Minister with particular responsibility for transport co-ordination in the London Docklands and the introduction of the position of a Traffic Director for London in the 1991 Road Traffic Act (Hebbert, 1998). A more concerted series of measures emerged after the Conservatives' 1992 General Election victory. In 1992 the government announced that a member of the Cabinet would also serve as Minister for London, chairing a new Cabinet sub-committee on London attended by ministers with portfolios relevant to London affairs (Newman and Thornley, 1997). During the same year, private sector interests combined to launch London First, a promotional body concerned particularly with maintaining London's world city credentials, while the government launched a separate organisation, London Forum, with a remit to co-ordinate activities in tourism and inward investment (Interview with Lord Sheppard, January 2004). In 1993 London First and London Forum were merged under the name of the former and began to develop a more concerted approach to inward investment, leading to the creation of the London First Centre in 1994 (see chapter 8 for further discussion).

During the first half of the 1990s the most central role in London governance was arguably played by John Gummer who, as Secretary of State for the Environment from 1993-97, introduced a series of initiatives aimed at promoting a more coherent approach to London governance. One of Gummer's first acts was to instruct his civil

servants to draft a brochure entitled *London: Making the Best Better* (Department of the Environment, 1993). The Government Office for London (GOL) was created in 1994 as one of ten integrated offices in the English regions. Accountable to the cabinet sub-committee for London, GOL was an inter-departmental entity, made up of civil servants from four separate central government departments: Environment, Transport, Trade and Industry, and Education and Employment. GOL also acquired responsibility for allocations from the Single Regeneration Budget and other regeneration funding, amounting to a total of £1 billion. In the view of Pimlott and Rao (2002, p. 52) 'the machinery was now in place to enable Whitehall to function effectively as a strategic authority for the metropolitan area'. Whether GOL actually functioned in such a manner is far more questionable, although Hebbert (1998) reports that when Gummer first spoke to staff at the newly created Government Office he was at great pains to underline the importance of holistic thinking.

Figure 6.1 Principal policy documents and research reports concerned with the governance of London, 1986-96

Year	Issued/ commissioned by	Title	Notes
1988	LPAC	<i>Strategic Planning Advice for London: Policies for the 1990s</i>	First set of planning advice provided to Department of the Environment.
1989	Department of the Environment	<i>Strategic Guidance for London (RPG3)</i>	Central government planning guidance for London – widely condemned as inadequate.
1990	LPAC (authors – Coopers and Lybrand Deloitte)	<i>London: World City Moving Into the 21st Century</i>	Research study carried out by Coopers and Lybrand Deloitte, supported financially and in kind by a range of organisations. Played a pivotal role in introducing a world city discourse into London governance, raising concerns about London's world city 'status'.
1992	London First	<i>London First: A World Class Capital</i>	Document outlining the private sector's vision of London as a world city.
1993	Department of the Environment	<i>London: Making the Best Better</i>	Publicity/consultation document issued by John Gummer shortly after becoming Secretary of State.
1994	LPAC	<i>Advice on Strategic Guidance for London</i>	Second set of planning advice provided to the Department of the Environment.
1995	London Pride Partnership	<i>London Pride Prospectus</i>	The product of John Gummer's City Pride initiative. A strategy for London drafted by a committee of private, public and voluntary sector representatives/
1996	Government Office for London (GOL)	<i>A Competitive Capital</i>	Strategy document outlining the new GOL's role in promoting London as a world city.
1996	Government Office for London	<i>Strategic Guidance for London Planning Authorities (RPG3)</i>	Revised central government guidance for planning in London.
1996	Department of the Environment (author - Llewelyn-Davies and Partners)	<i>Four World Cities: A Comparative Study of London, Paris, New York and Tokyo.</i>	Research study led by Llewelyn-Davies and Partners. Offered a more optimistic interpretation of London's world city standing.

Moreover, Gummer's efforts to co-ordinate policy-making in London went further than GOL. In 1995 the London Pride Partnership was established under the leadership of London First in response to Gummer's City Pride initiative, an invitation to the cities of London, Birmingham and Manchester to draw up a strategic regeneration framework, or 'Prospectus', for government consideration (Newman, 1995). The London Pride Partnership comprised representatives from business organisations (London First, the London Chamber of Commerce and Industry, CBI London), local authorities (the Association of London Authorities, the London Boroughs Association, the Corporation of London, Westminster City Council), joint committees and QUANGOS (LPAC, the London TECs²), and the voluntary sector (the London Voluntary Services Council). Almost ten years on from the abolition of the GLC, the mere act of this range of organisations collectively agreeing a set of policy recommendations for London was remarkable in itself. However, at the same time, the resultant Prospectus (London Pride Partnership, 1995) was widely seen as a 'lowest common denominator' set of policies, reflecting the virtual impossibility of overcoming fundamental disagreements about policy options for London, and resulting in a bland and uninspiring document (Newman, 1995; Pimlott and Rao, 2002). Nonetheless, the London Pride Partnership underlined the extent of central government's concern to enable private sector representatives to play a key role in shaping policy-making towards London, a trend that was also evident in Gummer's establishment of the Joint London Advisory Panel (JLAP) in 1996. The JLAP consisted of the 12 Ministerial representatives making-up the Cabinet sub-committee on London together with 11 private sector representatives from the London Pride Partnership. It was to prove a short-lived experiment, abandoned immediately by the incoming Labour government in 1997, which exposed inter-departmental tensions within central government as much as it promoted public-private cooperation on London issues:

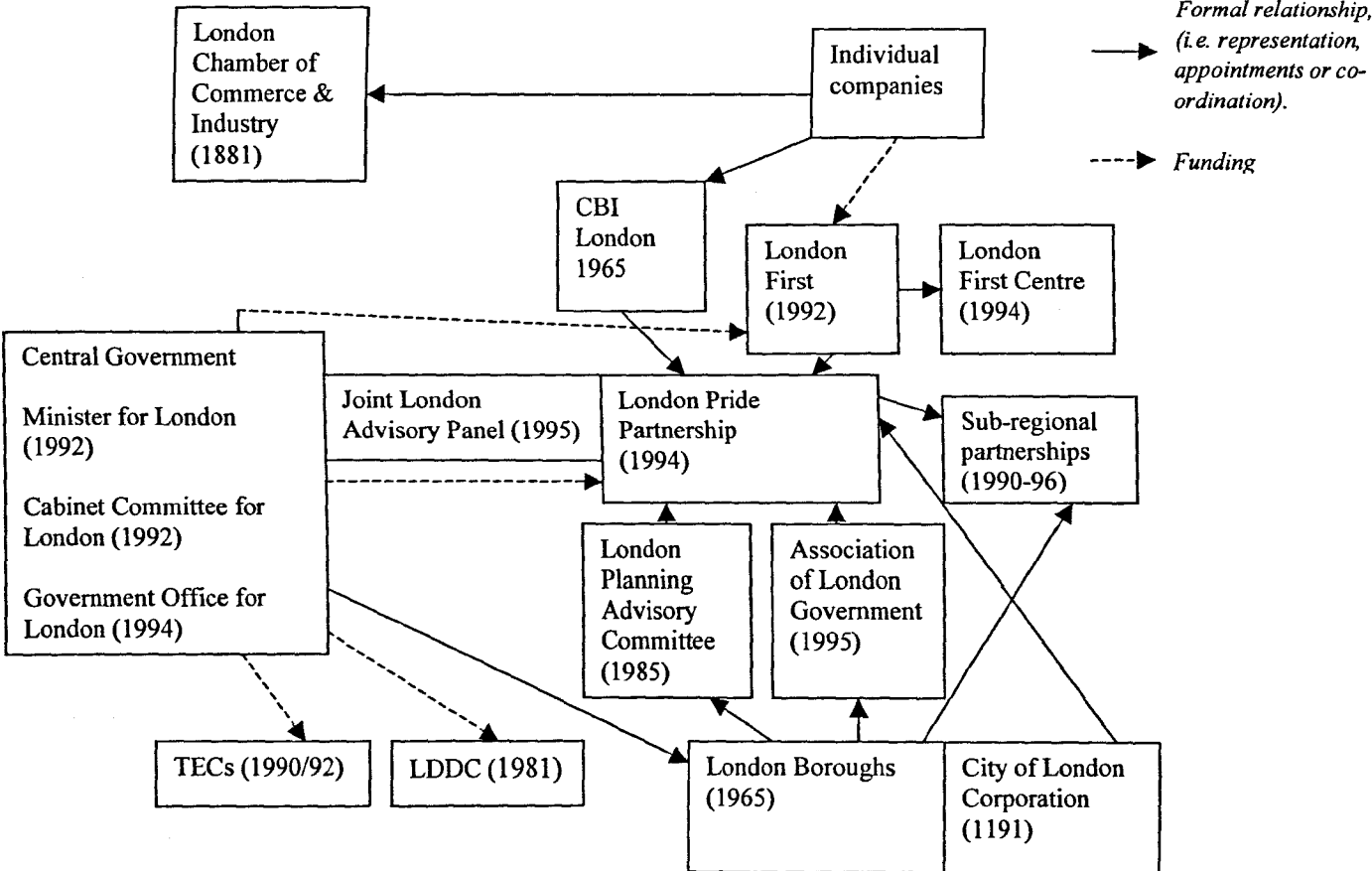
I think we had some very interesting dialogue. It was beginning to progress quite well in the sense we were beginning to actually talk to each other. ... I remember having this blazing row with (a Treasury Minister) in this meeting. John Gummer said it was the most amusing thing he'd ever seen, said I'd said

² Training and Enterprise Councils. See chapter 8 for details.

all the things to the Treasury that he'd never been allowed to say (Interview with Lord Sheppard, January 2004).

As figure 6.2 outlines, by 1996, a more coherent, although no less controversial or complex, set of governance arrangements for London had been put in place, with the private sector playing a growing role. Nonetheless, the approach to London governance often seemed to be muddled, the city continued to lack a clear voice (or rather, appeared to have several, contradictory voices) and serious problems of co-ordination continued to persist. These failings were almost universally condemned as a barrier to London competing successfully against other global cities, reflecting the ongoing 'vacuum at the heart of economic policy-making for the city' (Gordon, 1995, p.306). Indeed, the confusion in London governance during the 1990s is perhaps best captured by the competing interpretations of whom, if anyone stepped into this vacuum to provide a leadership role. Pimlott and Rao (2002, p.45) suggest that 'gradually, the private sector moved into the vacuum', providing leadership and strategic thinking via London First, as well as through business representation on the London Pride Partnership and the sub-regional partnerships that mushroomed across London in the mid-1990s (see chapter 8). By contrast, Parsa et al (1995, p.45) suggest that it was Vision for London that had 'begun to generate a debate to fill the vacuum which exists in strategic planning'. A third, and more plausible, contender is put forward by Hebbert (1998, p.120) who proposes that, during the 1990s, the City of London Corporation 'emerged from its shell to take a lead role within the new order', by representing London overseas, working with the London Residuary Body to ensure continuity of services, mediating between the Boroughs and the TECs, and acting as an effective broker between Conservative and Labour-controlled Boroughs on the

Figure 6.2 The Structure of London governance in 1996



Source: Adapted from Newman and Thornley (1997), p.981

joint committees and emerging partnership structures. The final nomination, however, is simply 'none of the above'. As Gordon (1995, p.306) notes, despite the flurry of activity in the wake of the *London: World City report*, 'the clarity as to who is to take the lead, and what their strategy might be, has not been improved'.

Yet, with the benefit of hindsight, the constant failure to produce a stable form of governance to replace the GLC 'raised an unexpected question. Did it matter?' (Pimlott and Rao, 2002, p.45). The criticisms advanced of London governance in the 1980s and 1990s, that it was undemocratic, fragmented, Byzantine in its complexity, are widely accepted as valid (Travers, 2001). Yet, analyses of the effectiveness of individual elements of the apparently unworkable system of governance during this period show no such evidence of consensus, with some authors effectively suggesting that the parts were worth more than the sum of the whole (Travers, 2001, 2004; Hebbert, 1998). Certainly, the functioning of some of the post-GLC arrangements received widespread condemnation, including the London Residuary Body (Hebbert and Edge, 1995) and, most evidently, the co-ordination of the city's transport system (Travers et al, 1991; Focas and Navarre, 1992; Glaister and Travers, 1993). Likewise, significant concerns were also expressed about the confused system of allocating grants to the arts and cultural activities and its impact on the funding of both major cultural attractions and small community arts projects (Travers et al, 1991). Yet, a series of studies have highlighted the relative success of bodies such as LPAC and the LRC (Parsa et al, 1995; Hebbert, 1998; see chapter 7 for further discussion of LPAC). Perhaps even more surprisingly, recent evidence suggests that London's competitive position did not suffer as heavily as many supposed it would from the absence of a strategic authority (Hebbert, 1998; Travers, 2001, 2004). As Hebbert (1998) argues:

Suggestions that the capital's edge has been blunted by a lack of an overall government were not borne out by the city's economic performance in the 1990s. By the criteria of tax burden, investment rates and migration trends, London has the appearance of a well-governed city (p.122).

6.3 The governance of Frankfurt, 1986-96

If the governance of London after 1986 suggested that world cities can prosper despite serious failures of governance, then the case of Frankfurt underlined two alternative scenarios. First, events in Frankfurt continued to demonstrate that single-minded governance can facilitate world city growth. It was noted in chapter 5 that concerns to promote the internationalisation of the Frankfurt economy were already driving local policy agendas by the early 1980s, resulting in significant conflicts between the CDU-controlled city council and new social movements. Despite widespread protests, the CDU administration continued to develop its entrepreneurial agenda for Frankfurt throughout the 1980s (Keil and Lieser, 1989). During this period, the CDU promoted the continued expansion of financial services employment in Frankfurt, particularly by permitting major office development outside of the traditional banking district (see chapter 7), while also investing significantly in economic development activity, city marketing and cultural provision (see chapter 8). This consolidation of the long-run emphasis on economic growth in Frankfurt city politics appeared to generate impressive results: between 1980 and 1990 Frankfurt's growth outstripped that of any other West German city (Hildebrand, 1995a). Table 6.1 shows that while the 12 largest German cities experienced an average growth in gross value added per employee of 58.7 per cent from 1980 to 1990, the rate of increase in Frankfurt's stood at 80.4 per cent, a full 16 percentage points ahead of its nearest rival. Thus, while Frankfurt's gross value added per employee stood at 115 per cent of the average for the 12 largest German cities in 1980, it had risen to 130 per cent in 1990. Even more significantly, comparative European data suggest that Frankfurt outperformed all other European urban regions during this period (Cheshire, 1990; see chapter 8 for further discussion).

Table 6.1 Gross value added per employee, largest German cities, market prices, DM 1980 and 1990

<i>City</i>	<i>1980</i>	<i>1990</i>	<i>% change</i>
Frankfurt	71,180	128,430	80.4
Stuttgart	62,990	103,340	64.1
Essen	58,880	96,240	63.7
Hamburg	67,770	109,690	61.9
Hannover	57,300	90,890	58.6
Berlin (West)	55,750	88,280	58.3
Cologne	60,460	95,580	58.1
Duisburg	58,700	92,150	57.0
Düsseldorf	63,540	98,550	55.1
Munich	71,400	110,000	54.1
Bremen	60,810	89,850	47.8
Dortmund	57,160	83,030	45.3
<i>Average</i>	<i>62,162</i>	<i>98,836</i>	<i>58.7</i>

Source: Hildebrand (1995a), p.187.

Second, Frankfurt politics in the early 1990s suggested that world city formation imposes limitations on governance options. Despite the indicators of economic success, the mounting opposition to the CDU's internationalisation agenda saw a 'red-green' (i.e. SPD and Green Party) coalition returned in local elections in Spring 1989, advocating a future vision of Frankfurt not only as a successful *Weltstadt*, but also as a socially just and environmentally sustainable city. As the following analysis will show, the trajectory of Frankfurt politics after 1989 indicates both important limitations imposed on progressive urban politics in the world city context, as well as the opportunities that globalisation opens up for new forms of urban policy-making. It also highlights how business interests came to exert a powerful role in Frankfurt politics during the 1990s, pushing for significant changes to the red-green coalition's agenda and driving the case for the creation of new forms of city-regional governance.

Red-green: the short-lived politics of regulated internationalisation

In 1989, Volker Hauff, the incoming SPD mayor, declared that Frankfurt was now 'in competition with Paris to become the most important continental metropolis' (quoted in Bartelheimer, 1989, p.1053). In many ways, this statement encapsulates the dilemmas that faced the new red-green coalition. On the one hand, Hauff's words

were a clear indicator of the speed of Frankfurt's rise to world city status. Taking office ten years after Wallmann had spoken of the challenge of making Frankfurt 'a big city', Hauff could legitimately claim that Frankfurt vied with Paris as the principal international business centres in mainland Europe (see chapter 4). Moreover, by making such a comparison, Hauff's motivation was clearly to demonstrate his intention to maintain Frankfurt's recently-acquired world city status. Yet, as the leader of the incoming red-green coalition, Hauff was also a key spokesperson for a movement that had grown up around the concerted opposition to Wallmann's policy agendas.

The mobilisation of a range of new social movements against office development and airport expansion in the 1980s had been a significant factor behind the SPD-Green coalition coming to power (Ronneberger and Keil, 1993, 1995; Schmidt, 1998). During the 1980s the Greens had become a growing political force in Frankfurt, having built up a particularly strong support base as a result of the lead role they had played in campaigning against airport expansion and city-centre development (Ronneberger and Keil, 1995; Schmidt, 1998). The Frankfurt Greens boasted high-profile figures including Daniel Cohn-Bendit, the former student leader, and Tom Koenigs, a close friend and ally of Joschka Fischer, the future German Foreign Minister (Kraushaar, 2001). Hauff, a former member of parliament, a national government minister from 1978-82, and a member of the Brundtland Commission on Sustainable Development, played a key role in negotiations with the Greens both before and after the election (Klingelschmitt, 1988; Koenigs, 1992b). Under Hauff's leadership, the SPD had actively promoted a possible coalition with the Greens since early 1987 (*Tageszeitung*, 1987; Roth, 1991). With the Greens securing 10 per cent of the votes in the 1989 local elections, they duly took up their place in coalition with the SPD (Ronneberger and Keil, 1995)

Given these origins, the coalition agreement between the SPD and the Greens (SPD/die Grünen, 1989) incorporated elements of the counter-discourse that had grown up around the new social movements, describing itself as 'an alliance of democratic, ecological and social renewal' (Bartelheimer, 1989, p.1053). Although the coalition agreement did not question the notion of Frankfurt as an international city or propose to reverse, or significantly dampen, the growth-orientated policies of

the Wallmann era, it did recognise the negative social and environmental consequences of Frankfurt's development trajectory (Prigge, Ronneberger and Keil, 1995). As such, the red-green administration did not propose to challenge the city's internationalisation process, but instead attempted to forge a more inclusive form of internationalisation that embraced a wider range of social, cultural and environmental concerns. In this sense, the incoming coalition sought to redefine, rather than reverse, Wallmann's agenda. As one interviewee argued: 'the CDU were very open to the promotion of economic development, but the local SPD, and the Greens too, also defined themselves very consciously in the 1980s as "big city parties". And "big city" always meant a connection to modernisation, to internationalisation' (Interview with Michael Kummer, May 1998). Thus, in the coalition agreement signed by the SPD and the Greens, Frankfurt was still portrayed as a 'big city', but an alternative version of the *Weltstadt* agenda was advanced based on a more inclusive agenda and a re-balancing of economic, environmental and social objectives:

This coalition acts in a city that, as a European and international financial metropolis is characterised by rapid economic growth, which, however also has dramatic social problems like growing poverty of parts of the population, housing shortages, and destruction of the environment. It is the goal of our coalition to correct the relationship between ecology and economy, between the center and the neighbourhoods, majorities and minorities which have been unbalanced by municipal policies during the past years (cited in Ronneberger and Keil, 1993, pp.27-28, authors' translation).

At the heart of this red-green agenda for Frankfurt was the notion of 'new urbanism' (Prigge et al, 1995). Framed as part of the discussions held prior to the election, the concept of new urbanism drew particularly from modernising elements in the SPD and, particularly, from the 'realos' wing of the Greens (Schmidt, 1998). Portrayed as a clear departure from the politics of the outgoing regime, the new urbanism offered a vision of a more progressive world city politics, achieved through new forms of local regulation and innovative local policy initiatives. The influence of the Greens was substantial, and was reflected in the emphasis given to environmental and gender issues, as well as to multiculturalism, in the coalition agreement (Tageszeitung, 1989f). These new policy priorities led directly to a reorganisation of several parts of

the city administration including the creation of the Office for Multicultural Affairs, overseen by Cohn-Bendit (see chapter 9) and the introduction of a new council department for women and health. A further outcome of the Greens' presence was the urgency given to the development of a green belt around Frankfurt, an idea which had its origins in the 1920s and which had been discussed on numerous occasions since the 1960s, but without concrete action. Advocated as a vital means of combating the negative consequences of Frankfurt's growth and of securing improved quality of life for the residents of Frankfurt and the surrounding region, the green belt was put forward as a central part of the coalition's programme (GrünGürtel Projektbüro, 1991). The emphasis on this and other environmental issues was underpinned by Volker Hauff's commitment to concepts of sustainable development (Interview with Roger Keil, May 1998). The SPD's more traditional interests, meanwhile, were represented primarily in the proposed social policy programmes. The most important of these were ambitious plans for the construction of affordable social housing, an aspect of provision that had been almost entirely neglected by the CDU in their 12 years in office (Ronneberger and Keil, 1995; see chapter 9 for further discussion). Once again, this emphasis on environmental protection and housing policy was seen as a means of underpinning, rather than reversing Frankfurt's growth trajectory. Thus, speaking at a meeting hosted by the Frankfurt Chamber of Commerce in November 1989, Hauff argued that:

A city can only build on its leading competitive position, when its growth simultaneously benefits its residents. Consequently, the city council will above all invest in social housing and environmental protection (cited in IHK Frankfurt, 1989a).

An approach best described as 'the regulation of the world city' thus emerged (c.f. Ronneberger and Keil, 1995). However, the coalition's failure to mobilise wider interests around the 'new urbanism' quickly became apparent and, faced with significant opposition from both organised business interests and sections of the local electorate, the new regime's attempts at regulating the internationalisation process were increasingly abandoned (Ronneberger and Keil, 1993, 1995). The viability of the coalition's philosophy was tested immediately when it emerged that the outgoing CDU administration had pushed through planning permission for three major office

developments opposed by the SPD and the Greens, days before the 1989 election (Tageszeitung, 1989a). On this, as well as in subsequent planning debates, arguments in favour of development advanced by the SPD modernisers won the day (see chapter 7). Thereafter, the coalition's unifying principles of 'new urbanism' unravelled rapidly, particularly in the face of concerted opposition from major business interests, represented by the powerful Frankfurt Chamber of Commerce.³ The proposals put forward by the incoming red-green coalition had been met with immediate opposition from local business interests, provoking particularly hostile reaction from the Chamber of Commerce. Writing in its monthly magazine, the president of the Chamber, Dr. Hans Messer, noted several positive aspects of the coalition agreement, particularly the emphasis on the continued development of Frankfurt as an international financial and trade centre, but argued that:

These goals stand in contradiction to numerous coalition proposals that are far detached from reality. An anti-car traffic policy cannot be consistent with economic development. Business dynamics require rapid approval and planning procedures: the Director of the Environment's right to veto leaves a blockade to be feared, in which the scope for a rational balancing of interests is questionable Businesses need continuity, certainty and credibility. The image of Frankfurt as an attractive, cosmopolitan, capable business centre, that has been built up in recent years must not be gambled with (Messer, 1989, p.2).

In addition to Dr. Messer's views, an extensive list of objections to the coalition's proposals was laid out in the form of a memorandum from the Chamber of Commerce to the new mayor, and published in full in the Chamber's magazine (IHK Frankfurt, 1989b). Entitled 'What the Frankfurt business sector expects from current city politics', the Memorandum began by suggesting that 'the primary objective of city politics should be to strengthen Frankfurt's role as a business centre, above all in competition with other European metropolises' (IHK Frankfurt, 1989b, p.20). It put forward 18 detailed demands, arguing, *inter alia*, that the coalition should permit the immediate construction of at least 150,000m² of commercial office space in the city centre to meet demand; expand capacity at Frankfurt airport in line with projected

³ As noted in chapter 3, membership of a Chamber of Commerce is compulsory for all companies registered in Germany (following the terms of the Chamber Act of 1956). As a result the Frankfurt Chamber of Commerce has over 70,000 members.

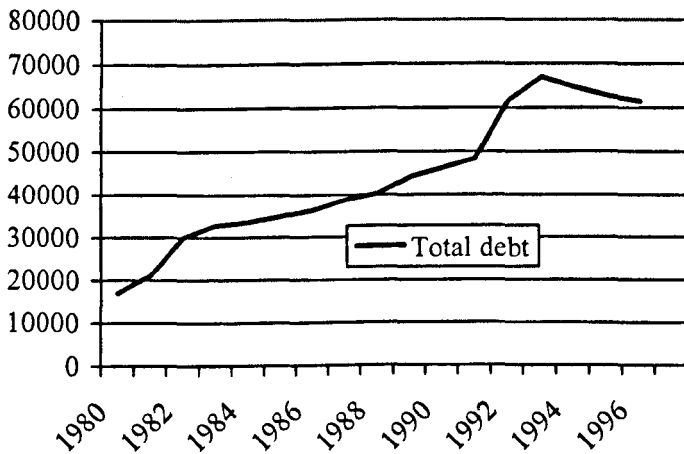
increases in passenger numbers; and progressively lower the level of local business taxes.

The emphasis on international competition underpins the thrust of the entire Memorandum. It suggests that Frankfurt may lose out on American and Asian inward investment, prompting overseas firms to instead locate in Düsseldorf, Hamburg, Cologne or Munich as a result of 'anti-business tendencies in the political arena' (p.20). Similarly, it is argued that both the work of the city's Economic Development Corporation and the task of promoting Frankfurt overseas 'must not be hindered', with the latter seen as particularly important at a time when 'critical/concerned voices (particularly in the USA) need to be calmed and Frankfurt must be continued to be presented as a favourable investment location' (p.21). In a similar vein, it is argued that 'all measures should be supported to enable Frankfurt to compete effectively as a financial centre vis-à-vis its international rivals', with specific emphasis placed on the need to support Frankfurt's application to be the seat of the planned European Central Bank (p.21). The underlying concern expressed throughout the Memorandum is evidently that the red-green coalition would seek to reverse the long-term policy of local economic growth, with the spectre of the Greens entering office causing clear unease among business representatives. In particular, it is stressed that 'the demands of the Greens that decisions across Departments that have environmental consequences should require the agreement of the Director of the Environment, should be rejected' (p.20). Should the coalition have been seriously considering such courses of action, the Chamber warned of the potential damage to the city's economy, while also suggesting that 'the example of the red-green period of the Hessen state government should serve as a deterrent' (p.21).

In addition to encountering immediate and well organised business opposition, the red-green coalition faced a second major challenge: the financial legacy of the outgoing CDU administration. Wallmann's large-scale investment in transport and cultural infrastructure had come at an enormous cost. As figure 6.3 shows, Frankfurt's debts rose from DM 1.6 billion to DM 4 billion from 1977-89, an increase of 143 per cent, making it the most indebted German city (Stadt Frankfurt-am-Main, 1990). Frankfurt's fiscal crisis became the dominant issue in the city's politics during the first half of the 1990s (von Schoeler, 1994; Lingenthal, 1995; Prigge, Ronneberger

and Keil, 1995) and had profound consequences for the red-green coalition. First, after an initial increase in investment in new initiatives, particularly a sharp rise in social housing expenditure, many of the social and cultural policy programmes were scaled down from 1991 onwards (Ronneberger and Keil, 1995; see chapter 9 for further discussion). Second, the city's escalating debts further strengthened the position of those members of the SPD advocating a strongly pro-growth agenda. As a result, throughout the period of the 'red-green' coalition, airport expansion and commercial office development for the financial sector continued to act as key drivers of employment and GDP growth in Frankfurt, despite initial indications that growth in these sectors would be more tightly regulated (see chapter 7).

Figure 6.3 Frankfurt city council: total debt, 1980-96, DM 10,000s



Source: Stadt Frankfurt am Main (1997), p. 147.

The 'new urbanism' effectively came to an end in 1991 with Hauff resigning as mayor and being replaced by Andreas von Schoeler (Interview with Claus-Jürgen Göpfert, May 1998). Under von Schoeler, the coalition's planning and economic development policies increasingly reverted back to the boosterist principles of the Wallmann era, retaining the focus on developing Frankfurt as an international financial centre (Ronneberger and Keil, 1993; see chapters 7 and 8 for further discussion). Meanwhile, the leading Greens in the administration continued to promote an alternative agenda of internationalisation at the margins, particularly through the activities of the Office for Multicultural Affairs (Friedmann and Lehrer,

1997), and a series of initiatives promoting co-operation with other European local authorities (see chapter 9). Although the coalition was re-elected in March 1993, its reformist objectives were scaled down even further as a result of the need to introduce budget cuts to deal with the city's escalating budget crisis (Lingenthal, 1995). By 1995 the city's debts had risen to DM 6.6 billion (see figure 6.3), with the City Council making annual payments of DM 500 million in interest payments alone (Spiegel, 1995a. p.52).

Meanwhile, the coalition found itself facing continued opposition from private sector interests. Despite clear evidence of closer working relations between the red-green coalition and business interests emerging during the coalition's first term of office (see chapter 8), the re-election of the red-green administration prompted a fresh set of attacks from the Frankfurt Chamber of Commerce. In response to the coalition agreement of 1993, the Chamber directly re-iterated the claims it had made in 1989, arguing that 'the attractiveness of Frankfurt as an investment location is being gambled with' (IHK Frankfurt, 1993, p.3). However, while much of the Chamber's rhetoric about the coalition's threat to Frankfurt's future as a business centre remained virtually unchanged, the basis for its apparent concerns had shifted considerably. Rather than the spectre of environmental veto threatening the competitive future of Frankfurt companies, the city's budget problems were now seen as the central concern, with the resultant decision to raise local business taxes described as 'a grave mistake' (IHK Frankfurt, 1993, p.3).

By the end of Autumn 1993, the red-green coalition was beset with internal divisions. The decision of four SPD councillors to vote against the party line to prevent the election of a Green Party candidate, Lutz Sikorski, as Director of Environmental Affairs promoted von Schoeler to describe his renegade colleagues as 'pigs' (Noack, 1993). The coalition staggered on, with Koenigs serving simultaneously as Director of Finance and Director of Environmental Affairs, while a second attempt to move a Green Party candidate, Margaret Nimsch, into the latter role failed again in March 1995 (Spiegel, 1995b). Three months later, the first direct elections for Frankfurt's mayor, held in June 1995, returned Petra Roth to office for the CDU. While Roth secured a clear mandate, gaining 52 per cent of the vote, she was initially forced to work with the SPD-Green coalition that still held a narrow majority in the city

council. This 'cohabitation' arrangement operated for two years, although with the red-green coalition characterised by growing acrimony (Lingenthal, 1995), Roth provided the clearest leadership. The electorate appeared to recognise her efforts and at the 1997 local elections, the CDU were returned as the largest party. Subsequently, a 'grand coalition' of the CDU and SPD was formed, with Koenigs continuing to serve for the Greens as the Director of Environmental Affairs and Director of Finance for a further year (Schmidt, 1998).

Frankfurt and the politics of scale

In the midst of these debates in the first half of the 1990s, particularly those surrounding the city's budget crisis, Frankfurt's politicians began to return to the unresolved debates about the relationship between Frankfurt and its hinterland (von Schoeler, 1994; Spiegel, 1995a; Stadt Frankfurt am Main, 1995b). The erosion of the city's tax-base through out-migration among the city's professional and managerial classes, first noted in the early 1970s, had continued, with the surrounding districts becoming the major beneficiaries (von Freyberg, 1996). From 1979-88, Frankfurt's tax revenues grew by 50 per cent, compared to an average 68 per cent growth among the surrounding district (van den Berg et al, 1993, p.52). With Frankfurt's regional responsibilities demanding continuous large-scale investment in a range of facilities, the city began to re-make the case for city-regional governance arrangements (Der Spiegel, 1995a; Tageszeitung, 1995a). As was noted in chapter 5, the creation of the *Umlandverband Frankfurt* did little more than institutionalise, and give democratic legitimacy to, the opposition of surrounding local authorities and their residents to new forms of metropolitan governance (Freund, 2002). The issues came to a head during the early 1990s, with surrounding districts seeking to use the *Umlandverband* to resist major developments in Frankfurt, while simultaneously deploying opportunistic strategies of exploiting their proximity to Frankfurt to draw investors away from the core city (van den Berg et al, 1993; Prigge and Ronneberger, 1995). In the words of Tom Koenigs, the *Umlandverband* simply became 'a lobby group against Frankfurt' (Die Tageszeitung Bremen, 1995).

These arguments quickly allied with a wider case in favour of a Greater Frankfurt region based on the argument that globalisation had unleashed ferocious international

metropolitan competition (Umlandverband Frankfurt, 1991; Prigge and Ronneberger, 1995). The publication of a report in 1989 on the possible implications of the creation of the Single European Market for Frankfurt interpreted it as a facet of a wider process of globalisation that offered significant opportunities for Frankfurt, particularly if efforts could be focussed on a city-regional scale (Kania, 1989). A view thus emerged that, in order to compete internationally, Frankfurt would need to draw more effectively on its surrounding hinterland. As Freund (2002, p.130) puts it, 'Frankfurt is a dwarf global city ... drawing its strength from economic activities in suburban municipalities and even from other towns in the region'. From the early 1990s there were concerted efforts from a variety of quarters to promote the notion of a Rhine-Main region and to re-scale activity accordingly. Significantly, the private sector played a leading role in these initiatives, which, almost without exception, were underpinned by a belief that enhanced territorial competition would arise from the completion of the single European Market, requiring Frankfurt to strengthen its position vis-à-vis key rivals (Freund, 2002).

This mobilisation of businesses in Frankfurt/Rhein-Main around an economic development agenda in the 1990s had two identifiable phases. The first step occurred in April 1991, with the nine Chambers of Commerce in the Greater Frankfurt area forming a Rhein-Main Chamber of Commerce. This was undertaken with the specific goal of supporting the development of a 'Rhein-Main metropolis' in order that the region could compete more effectively in the face of growing European competition (IHK Frankfurt, 1991). Although the Frankfurt/Rhein-Main region does not exist in any formal administrative sense, it has since become synonymous with the area covered by the Rhein-Main Chamber of Commerce. This constitutes a polycentric region extending some 100km from east to west and 80km from north to south (Freund, 2002) and that includes not only the city of Frankfurt (population: 641,000) at its core, but also those of Wiesbaden (271,000), Mainz (185,000), Darmstadt (138,000) Offenbach (118,000) and Aschaffenburg (68,000). So defined, Frankfurt/Rhein-Main constitutes a territory of 13,374 km², is home to some 5.25 million inhabitants and boasts a significant concentration of multinational headquarters (Umlandverband Frankfurt, 1997b). The city-region is also served – and given some coherence by - an extensive metropolitan rail network operated by the Rhein-Main Metropolitan Transport Authority, established in 1995. This simple act of

mapping out a Frankfurt/Rhein-Main region has proved to be a powerful basis for its further advocacy (see chapter 8).

The second step came in October 1995 with the launch of the Frankfurt/Rhein Main Economic Development Initiative (*Wirtschaftsinitiative Frankfurt Rhein-Main - WIFRM*), a private sector membership organisation promoting economic development initiatives for the wider city-region (IHK Frankfurt, 1996). While the rationale for the WIFRM arose from the formation of the Rhein-Main Chamber of Commerce, and the organisation has attracted members throughout the private sector, its agenda has been driven particularly by the quasi-private bodies - such as the Frankfurt Airport AG and the Economic Development Corporation - that have become an established feature of Frankfurt's boosterist economic policies. The WIFRM had attracted more than 100 private sector members by 1998, rising to 153 by 2003, including most of the major banks and the major TNCs located in the city-region (Freund, 2002). It has also come to play a lead role in the debates about the governance of the city-region, supporting the city of Frankfurt's case for a strategic authority for Frankfurt/Rhein-Main (see chapter 8).

Throughout this period, Hessen consistently resisted these calls for a powerful, democratically-accountable, city-regional authority (Freund, 2002). Its opposition arose partly as a result of concerted opposition from dozens of surrounding local authorities and because of its reluctance to countenance an extremely powerful city within its territory. As Freund (2002, p. 135) notes 'Land governments, irrespective of their political composition, have never been interested in a strong regional association in the Rhein-Main region...the creation of a powerful regional association in the economic heartland is perceived as a virtual threat to the Land government'. Furthermore, the geographical imbalance within Hessen arising from Frankfurt's dominance⁴ creates significant tensions within Land politics given the centrality of social market principles such as equalisation of living standards. Consequently, while the Land's Ministry for Economic Affairs, Transport and Regional Development has been keen to examine what policy measures might serve to strengthen Frankfurt's role

⁴ Frankfurt accounts for almost one quarter of Hessen's GDP. The southernmost of Hessen's three administrative district (*Regierungsbezirke*), in which Frankfurt is located, comprises some 70 per cent of the Land's GDP (Wilks-Heeg, 2004).

as a global financial centre, recently commissioning a major research study on this issue (Spahn and van den Busch, 2002), any such initiatives must be counterbalanced with the Ministry's central 'goal of achieving equivalent living conditions in all parts of the state' (Landesregierung Hessen, 2004). As the following chapters demonstrate, Frankfurt's answer to this conundrum has been simply to 'go it alone'.

6.4 Conclusion

The evidence presented in this chapter demonstrates, as proposed in hypothesis 3, that debates surrounding globalisation and world city formation became an increasingly central feature of urban politics in London and Frankfurt after 1986. In both cities, it is possible to trace a growing concern with globalisation in policy documents, media reports and other sources documenting the development of political debates during the study period. However, this analysis also underlines the fact that urban politics did not automatically adjust to the apparent dictates of economic globalisation by following a convergent path. In particular, there is evidence of a clear divergence in policy agendas in the two cities, particularly during the 1980s. The analysis in this chapter does point to some important forms of convergence in the politics and governance of the two cities during the 1990s. However, it is important to highlight that distinctive political dynamics, policy responses and institutional forms emerged in each city, arising from different balances in party political control, as well as the contrasting political systems in which London and Frankfurt operate. As such, this chapter provides further evidence that the impact of global change on policy-making is clearly mediated by the local and national political context (hypothesis 1).

The chapter also provides useful initial findings in relation to research questions 4 and 5, regarding changing policy priorities and the emergence of new forms of governance. The introduction of new forms of governance during the study period was most evident in London, with the period after the mid-1980s being characterised by continuous change and flux in the organisational structure of London governance. Following the abolition of the GLC in 1986, London governance was characterised by a vast array of organisational changes embracing the creation of joint committees of London Boroughs, the introduction of single-purpose QUANGOs, the emergence of a myriad of public-private partnerships, the transfer of functions to central government

departments and the earmarking of specific Ministerial and Cabinet roles for London. Yet, it would be difficult to argue that any changes in London governance prior to 1990 were the product of globalisation/world city debates. Indeed, the initial responses of policy-makers to structural economic change in London during this period were at best *ad hoc*, and at worst deeply contradictory, with national and local government pursuing opposing agendas while the city continued to haemorrhage jobs. By contrast, governance arrangements in Frankfurt during this period were much more stable, although there was growing use made of arms-length, single purpose bodies (see chapter 8 for further discussion). Moreover, particularly prior to 1989, Frankfurt politicians sought to exploit the opportunities afforded by economic restructuring via an aggressive economic development strategy that established the city as one of the pioneers of urban entrepreneurialism and played a key role in driving the economic growth that was outlined in previous chapters.

Thus, while shifts in policy in London and Frankfurt from around 1990 indicate heightened awareness of globalisation in both cities, they also suggest a mixture of converging and contrasting responses to it. In London, escalating concerns about territorial competition played a key role in progressively transforming the city's system of governance, through a combination of central government and private sector interventions. Nonetheless, the mounting case for an elected strategic authority for London, justified with reference to the need for London to compete internationally, was consistently ignored by national government. At the same time, the growing role of private sector interests in Frankfurt governance brought issues of territorial competition to the fore, particularly with reference to the need for a strategic authority for Frankfurt/Rhein-Main. To a certain extent, these events suggest clearly convergent trends with the experience in London. As such, the literature on growth coalitions and urban regimes may offer a useful starting point in conceptualising the course of political developments in both London and Frankfurt in the period under study (hypothesis 5a). It is also evident that the world city discourse has played a critical role in mobilising such coalitions and in helping to overcome collective action problems, as suggested by hypothesis 6a. In this regard, it is highly significant that both the London and Frankfurt cases appear to confirm the emergence of a particular world city discourse, utilised as part of an attempt to overcome 'parochial' political disagreements and to mobilise key interests as part of attempts to

promote territorial competition. This increased sense of territorial competition among world cities has been central to the emergence of forms of public-private collaboration aimed at mobilising the capacity to govern, a central tenet of regime theory. As Newman and Thornley (1997, p.968) suggest, the new London governance arrangements that emerged over the course of the 1990s were typified by private sector involvement and reflected agreement between public and private sector interests about the priority of 'maintaining and promoting London's role as a world city'.

However, important contrasts are again evident. While developments such as London First, London Forum and the London Pride Partnership essentially reflected a coalescing of *national* political agendas and private sector concerns, the emergence of organisations such as WIFRM represented an unspoken *local* alliance of Frankfurt politicians, Frankfurt-based economic development bodies and business leaders. What is evident from the above, therefore, is that political response to globalisation in London and Frankfurt after 1986 were crucially shaped and mediated by inter-governmental relations, again underlining the significance of hypothesis 1. The governance of London was radically reconfigured as a result of direct central intervention and, after concerns about London's world city status heightened from 1990, became increasingly characterised by attempts by a Conservative national government to co-ordinate policy from the centre. As a result, national government was a key player in London politics by 1996, particularly in comparison to other British cities, a role motivated strongly by the government's championing of London as the UK's only world city. Conversely, the key driver of institutional and policy change in Frankfurt remained Frankfurt City Council, with national government playing no more of a role in the Frankfurt's governance than it did in Hamburg's, Stuttgart's, or any other major German non-capital city, in the context of the country's federal system.

While these contrasts reflect, to a significant extent, the different character of central-local relations in unitary and federal states, it is also important to note that the Land government of Hessen did not play a major role in shaping Frankfurt's response to globalisation in the 1980s and 1990s. Indeed, the process of world city formation in Frankfurt cast the Land government in a mediating role between its most dominant

local authority and the myriad of small, suburban and semi-rural councils on its periphery. It was in this context that the red-green coalition in Frankfurt sought to recast the city's relationship to globalisation, engaging in a series of policy initiatives aimed at promoting a 'new urbanism' in the city. While red-green ambitions met with mixed results, with policy agendas ultimately pushed back towards favouring growth and territorial competition, the red-green period also demonstrated that there were emerging possibilities for city politicians to engage in new forms of reformist, international policy-making. These issues, of the balance struck between economic, social and environmental objectives in world city politics are central to research questions 4-6, and it is to these concerns that the analysis now turns.

Chapter 7

World City Formation, Planning Policy and the Politics of Urban Development

7.1 Introduction

The balance struck in urban politics between the goal of promoting economic growth, on the one hand, and the pursuit of social and environmental objectives on the other, is more evident in planning policy than in any other policy area. As was noted in chapter 5, the changing nature of planning policies mirrors wider political value shifts associated with the breakdown of the post-war social democratic consensus and the growing influence of neo-liberal policy prescriptions. Moreover, structural change in urban and regional economies has undermined post-war assumptions about the role of planning in regulating economic activity and instead prompted planners to prioritise economic growth. The changing nature of planning policy is likely to be particularly evident in the world city context, where the rapid growth of office-based employment in financial and producer services, airport expansion and other drivers of internationalisation have become highly contentious local political issues (see chapters 4 and 5). As such, consideration of planning policy is invaluable to analysis of how globalisation and world city formation have impacted upon policy priorities, the introduction of new forms of governance and political power-relations (research questions 3-6).

Indeed, planning policy is perhaps the central, and most contested, aspect of political decision-making in world cities. As a result of the dramatic growth of international banking and financial trading from the mid-1980s, urban planners in both London and Frankfurt were confronted by a surge in demand for office space in their respective financial districts. This demand was a direct product of the growing concentration of financial services in the two cities, and the concomitant growth in the number of international banks, and other financial interests, seeking office space. In addition, demand was driven by a general growth in employment in this sector and the need for

modern office space, able to accommodate the telecommunications infrastructure that became central to international financial trading from the mid-1980s (Williams, 1992). In both cities, urban planners thus came under growing pressure from property developers and banks to make provision for new office development. At the same time, the demands for development arising from the process of world city formation prompted counter-pressures in both cities from those arguing that the planning system should protect existing residential communities and historic buildings, or promote more environmentally sustainable forms of urban development. In short, the study of planning policy can help shed significant light on the balance struck between world city promotion and world city regulation in urban politics in London and Frankfurt from the mid-1980s.

In order to trace developments in planning policy in London and Frankfurt during the study period, the chapter draws significantly on original research using policy documents, media coverage and interviews with policy-makers, augmented where appropriate by secondary sources. The chapter is structured as follows. The first half provides a comparative overview of planning policy in London and Frankfurt, placed in the wider post-war context, but concentrating on the period from 1986-96. This analysis underlines the conclusions reached in previous chapters regarding the trajectory of politics and policy-making in the two cities during the 1980s and 1990s. In London, planning policy was a central element of the tense relationships between central government and local authorities following the GLC's abolition in 1986, and it was the London Planning Advisory Committee that first brought the world city concept into London policy debate. Similarly, in Frankfurt, shifts in planning policy objectives were as central to Wallmann's Big City Challenge as they were to the concept of the new urbanism advocated by the incoming red-green coalition in Frankfurt in 1989. The chapter highlights the problematic character of planning policy in London after 1986 and the extent of unregulated, competitive development that took place as a result. By contrast, the role of planning policy in providing a long-run context for world city formation in Frankfurt is emphasised, while the ongoing political struggles that characterise planning policy in the city are also noted. The second half of the chapter focuses specifically on the politics of urban planning in the two cities' respective banking and financial districts during the study period. Despite

the similar nature of these pressures, there were again significant differences in the way planning policies responded to the common challenges they presented.

7.2 The politics of planning policy in London and Frankfurt, 1986-96

The divergent emphases of local politics in London and Frankfurt after 1945 detailed in chapter 5 had a profound influence on the trajectory of planning policy in the two cities after 1986, further underlining the significance of notions of path dependency. In London, the decay of post-war assumptions about planned decentralisation after the 1970s left the city without a coherent approach to planning, particularly with the sharp polarisation of central and local responses to London's decline in the early 1980s. Following the abolition of the GLC in 1986, which coincided with the far-reaching deregulation of financial markets in London (see chapter 5), the city entered a period of office construction unparalleled in the post-war period, and characterised by unregulated competition between individual districts of London for office development. Overseen by a Conservative central government convinced of the need for the free market to determine urban development, the London office market boom collapsed in the early 1990s, most spectacularly in the London Docklands, adding to the gathering sense of pessimism about the city's future. In Frankfurt, by contrast, planning policy operated far more independently from central state intervention, remaining broadly consistent with the pro-growth assumptions that had informed Frankfurt politics since the late 1940s. While a partial shift in planning policy occurred after the election of the red-green coalition in 1989, which initially sought to regulate development to a greater degree as a result of growing conflicts in the city over planning decisions, policy increasingly reverted back to narrower pro-growth assumptions from the mid-1990s. At the same time, this continuity in planning policy in Frankfurt has, in part, been underpinned by the long-run influence of individual architect-planners, operating in private practice, on planning policy in the city.

From planned decentralisation to unplanned world city formation: London, 1986-96

The breakdown in the 1970s of the policy consensus on the development of London that had guided planning policy in the post-war era (see chapter 5) was to have a profound impact on London's development in the 1980s. When the GLC was

established in 1965, national government simultaneously introduced Office Development Permits and the Location of Offices Bureau to actively encourage the movement of offices out of London (Simmie, 2002). While these policy goals were reiterated in the (1969) Greater London Development Plan, by 1976, the GLC was calling for the cessation of the New Towns programme and for an end to office decentralisation policies (Simmie, 2002). Contrary to their original objective to create freestanding, economically self-contained New Towns around London and promote the development of provincial cities, it had become increasingly apparent that the key outcome of post-war decentralisation policies had been to spread the London economy across a much wider region, while hollowing out the city at its core (Gordon, 1995). The reversal of the policy of planned decentralisation from the mid-1970s required a 180-degree turn in London planning frameworks, which were now expected to tackle economic decline rather than promote the outward movement of employment and population.

In reality, decentralisation dynamics could not be reversed so rapidly, and London continued to lose jobs and population to surrounding areas throughout the 1980s (Collins, 1994). However, in the decade following the GLC's call for an end to the New Towns programme, the context in which planning policy and development control in London operated was radically altered by a number of national policy changes, instigated by the Thatcher governments. Four sets of policy decisions, most of them made within the Conservatives' first term of office were particularly significant. First, in line with the abandonment of planned decentralisation policies begun under the previous Labour administration, the incoming Conservative government immediately ended the requirement for companies locating in London to acquire Office Development Permits and abolished the Location of Offices Bureau. Second, the Thatcher government created the London Docklands Development Corporation (LDDC) in 1981 and the Isle of Dogs Enterprise Zone in 1983, thereby introducing an experimental market-led planning regime in the derelict former Dockland areas of East London, over which elected local authorities had no control (see chapters 5 and 6). Third, the abolition of exchange controls in 1979 and the reform of the London Stock Exchange ('Big Bang') in 1986 (see chapter 5) produced a surge in demand for central London office space, particularly in and around the City of London. Fourth, the abolition of the GLC in 1986 (see chapter 5) initially left

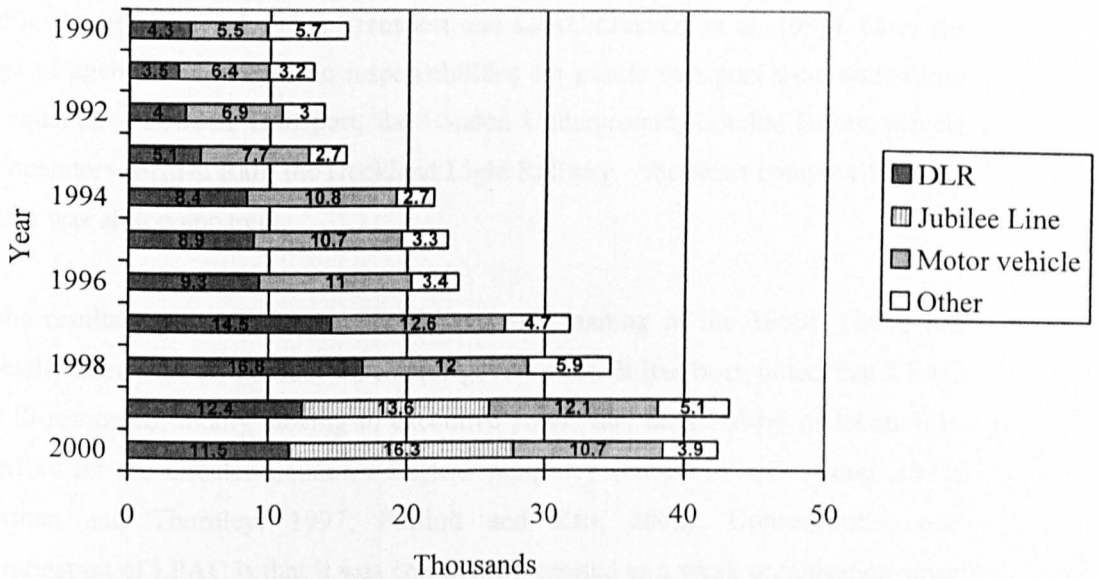
London with no strategic planning framework until the Department of the Environment (DoE) published new planning guidance in 1989. Finally, it should be noted that the full implications of these seemingly discrete policy changes can only be understood with reference to the interactions between them. In particular, the conflicts that emerged between planning and development policies in the City of London and the London Docklands in the context of both the growth of financial services employment in London and the vacuum in London-wide strategic policy were crucial determinants of urban change after 1986.

In the period between the abolition of the GLC and the DoE issuing its first planning guidance for London in 1989, the individual London Boroughs became increasingly competitive in their pursuit of new office and retail development (Travers et al, 1991). Two very clear consequences arose from this uncoordinated approach to planning and development control. First, it proved practically impossible to reach any agreement about large-scale development projects such as Kings Cross or the location of London's second channel tunnel terminal – the latter being characterised by 'extraordinary confusion and indecision' (Travers et al, 1991, p. 23). Second, there was a marked tendency towards the over-supply of commercial office space. From 1986 onwards, the London property market entered a boom, a key facet of which was a sharp rise in the demand for central London office space, arising particularly from the 'Big Bang', the introduction of computerised trading and the need for larger trading floors (King, 1990a; Cowlard, 1992; Williams, 1992; Simmie, 2002). In the context of this burgeoning demand, rivalry between the City of London Corporation and the LDDC triggered a competitive deregulation of development control, resulting in a huge over-supply of office space (see below).

The most dramatic example of urban development in London in the 1980s and 1990s was the regeneration of the London Docklands, a largely derelict area of 8.5 square miles running along the River Thames deep into the East End of London. Following a sluggish start during the recession of the early 1980s, the London Docklands Development Corporation found itself overseeing what its then Chief Executive described as an 'emerging city' by the latter part of the decade (Ward, 1987). Buoyed by a booming London property market and the plans to establish Canary Wharf as a 'Wall Street on the Water' in the middle of the Isle of Dogs, property development

took off dramatically in Docklands from the late 1980s, largely in the form of office buildings and luxury housing. Between 1984 and 1997, total employment in Docklands doubled, from 45,000 to 90,000, reaching 115,000 in 1999. Approximately half of these additional jobs were concentrated in the central area of the Isle of Dogs, the location of Canary Wharf (London Transport, 2001, p.15). The planning challenges raised by this rapid growth of employment in the district were considerable, not least because the market-led planning philosophy that had enabled the Canary Wharf development to take place meant that issues such as transport infrastructure were seriously overlooked. As figure 7.1 shows, the Canary Wharf development prompted an enormous increase in the number of people entering the Isle of Dogs during the morning rush hour, with transport planners desperately seeking to keep pace with demand from the early 1990s until the completion of the Jubilee Line extension in 1999. Plagued by transport difficulties, and with phase 1 of the development making available almost 0.5 million m² of office space just as the London property market went into recession, Canary Wharf became a millstone around its developer's neck. When the Reichman brothers, the owners of Canary Wharf, filed for bankruptcy in 1992, it was widely recognised that their greatest mistake had been their naivety regarding the vicissitudes of London governance (Stewart, 1993).

Figure 7.1 People entering the Isle of Dogs during the morning peak, 7-10am, 000s



Source: London Transport (2001), p.14.

The failures of development control policy and Docklands transport infrastructure were spectacular but it was the overall management of London's transport infrastructure that ranked consistently as the most urgent policy challenge from the mid-1980s onwards (Glaister and Travers, 1993). Indeed, the failure of the city's transport system was the one area of public policy in which there was clear consensus about policy priorities among business interests, the Boroughs and local residents (Travers et al, 1991; Bannister, 1994; Gordon, 1995). The private sector became particularly vocal from the early 1990s, making repeated warnings about the impact of severe road congestion and failing public transport on the London economy (Travers et al, 1991; Bannister, 1994). Aside from chronic medium-term under-investment that did not begin to be addressed until after 1987 (Bannister, 1994), the critical problem with London's transport was the extraordinary complexity and fragmentation of responsibility. Pimlott and Rao (2002) note that London-wide transport issues were included in the remit of several of the post-GLC joint bodies, thereby militating against any overall strategic approach. Yet, the most fundamental problem was simply the sheer number of organisations involved in shaping and delivering transport policy.

Following the GLC's abolition, responsibility for traffic management alone was split between a myriad of organisations, including the 32 London Boroughs, the City of London Corporation, the Secretary of State for Transport, the Metropolitan Police, the Traffic Commissioner, London Transport and LPAC (Travers et al, 1991). Once the range of agencies with specific responsibilities for public transport were added into the equation – London Transport, the London Underground, London Buses, private bus operators, British Rail, the Dockland Light Railway – the sheer complexity of the system was all too apparent.

In the resultant post-mortem on the failures of planning in the 1980s, blame has generally been laid at the door of central government. It has been noted that LPAC was ill-resourced, totally lacking in executive power and hindered by its location in Romford on the Greater London's Eastern periphery (Fainstein and Young, 1992; Newman and Thornley, 1997; Pimlott and Rao, 2002). Consequently, one interpretation of LPAC is that it was consciously created as a weak organisation since 'government was concerned to ensure that no locally based planning body emerged in a form that could claim to fill the gap left by the GLC' (Fainstein and Young, 1992, p.215). Nonetheless, despite such constraints, LPAC succeeded in winning widespread praise for its work in the post-GLC context (Parsa, et al, 1995; Hebbert, 1998), including an award from the Royal Town Planning Institute (Fainstein and Young, 1992). Indeed, LPAC was generally seen to have offered a far more comprehensive conception of planning than emerged in the Department of the Environment's (1989) Strategic Planning Guidance for London. Secretary of State Nicholas Ridley initially asked LPAC for advice on a highly restricted set of issues in July 1986, including the green belt and the distribution of housing (Fainstein and Young, 1992). In response, LPAC (1988) offered a 'fourfold vision of London' that embraced concerns with London's role as a global trading and business centre, as well as the notion of London as a 'civilised city', offering opportunities for all its residents and providing secure and stable residential communities. It would appear that LPAC's advice to the Secretary of State was more substantial than he had bargained for, as the Director of Planning at the City of London Corporation explained:

The government ... having abolished the GLC, set up the London Planning Advisory Committee and said 'there you are, that's all you need', (were)

hoping, and expecting there would be 33 authorities sitting round a table arguing with one another, (that) it wouldn't give them any more problems and they wouldn't have another GLC type organisation threatening them across the water. That we could just get on with doing our little thing and wouldn't trouble them any further, and they could get on with doing their national strategic stuff. They had the shock of their lives. I think it took 6 to 9 months, at the most, for the committee to bury all the differences between the Boroughs ... (who) all quickly concluded that 'these are the important things lets push all of our differences to one side, we need better transport, we need this, this, this and this. And let's just cut the crap and produce a slim document that would allow us to do that'. It was sent into the government who, of course, got the shock of their lives, and we ended up getting an even slimmer document back from them (Interview with Peter Rees, January 2004).

Not only were almost all of LPAC's detailed recommendations ignored by central government, little else was offered in their place (Brown, 1989; Duffy, 1989). The response of John Wakeman, Chair of the ALA's planning and transport committee to an initial draft of the Secretary of State's strategic guidance was that 'Mr Ridley ought not to have allowed his civil servants to produce such a dismal document' (cited in Brown, 1989, p.10). Despite widespread protests from LPAC and the Boroughs about the inadequacy of the draft, the final planning guidance issued by the Department of the Environment (1989) was astonishingly brief, amounting to around 1200 words, and contained 'no hint of a response' to LPAC's 'fourfold vision' (Gordon, 1995, p.302). Indeed, both LPAC and the Boroughs took the view that the government had issued 'planning guidance for the capital which ignores most of the strategic proposals they had put forward' (Hunt, 1989, p.4). In its place, the Secretary of State offered little more than a laissez-faire interpretation of planning: 'the guidance makes clear that free market plans should be relied on' (Hunt, 1989, p.4). As such, the government's planning guidance was, effectively, based on the assumption that it was best not to plan at all, or as Ridley himself had argued 'I believe it is better not to plan where everybody is going to live and work, but to make them take their own decisions in their own economic interests' (cited in Duffy, 1989, p.10).

Despite such frustrations, LPAC was able to achieve growing influence within the fragmented structures of London governance during the first half of the 1990s, particularly as a result of the publication of *London: World City* in 1990 (see chapter 6). However, it would be misleading to assume that LPAC restricted its efforts to promoting world city formation. The output of the 25-strong staff team at LPAC's offices from 1990 through to its incorporation into the Greater London Authority in 2000 was prolific and broad ranging, amounting to 'an extraordinarily valuable stream of policy studies' (Hebbert, 1998, p.119). Detailed studies of office development dynamics in central London (LPAC, 1993, 1994a), led to the formation of the London Office Review Panel, a professional grouping of leading property specialists from across the public and private sectors (LPAC, 1996a). The adoption of sustainable development as a leading policy concern prompted the publication of a series of reports on London's environmental quality (LPAC, 1995, 1996b), this time founded upon the promotion of extensive collaboration between statutory planning agencies and environmental organisations. LPAC also came to play a lead role in the coordination of housing policy in the 1990s, again based on detailed studies (LRC/LPAC, 1994; LPAC, 1998) that, at least briefly, assisted a sharp rise in social housing construction (see chapter 9). This accumulation of a detailed knowledge base on planning issues in London, as well as the success of LPAC in mobilising local authorities, other public bodies and private sector interests around common policy goals, resulted in a second set of planning advice to the Secretary of State (LPAC, 1994b), that won widespread support including, this time, from the Secretary of State himself.

LPAC's activities resonated with the efforts made by central government to ensure a more coherent and coordinated approach to policy co-ordination in London after John Major replaced Margaret Thatcher as Prime Minister. The result was a set of planning guidance for Greater London, now issued by the Government Office for London (1996b), that provided a conceptual framework for co-ordinating the activities of London's 33 planning authorities, underlined the significance of London's world city role, and at least recognised the need for planning to address the social and environmental challenges arising from that role. As Hebbert (1998, p. 122) suggests 'the distance travelled could be measured by comparing the government's first derisory planning framework for London ... with its successor, the Strategic Guidance

for London Planning Authorities'. Nonetheless, it has taken a decade to reach this point and, in the meantime, London's built environment had undergone a dramatic transition in the absence of an effective, pan-London policy framework to guide that development. As the second half of this chapter demonstrates, the implications of this uncoordinated, market-led planning response to world city formation were particularly dramatic in the core financial services district, the City of London.

The song remains the same: continuities in urban planning in Frankfurt 1986-96

The development of planning policy in Frankfurt after 1945 underlines the importance of long-run, local political decision-making to its emergence as a world city and further highlights the value of notions of path dependency in explaining the subsequent politics of urban planning during the 1980s and 1990s. In the immediate post-war period, planning policy in Frankfurt was overwhelmingly concerned with the reconstruction of the city, focussing initially on individual buildings, squares and districts. The first planning framework for the city centre was adopted in 1952, while a land-use plan for the city as a whole came into force in 1954. These plans clearly established the context for the city's growth as a service sector centre, in line with the objective of establishing Frankfurt as the economic capital of Germany (see chapter 5), and earmarked land for office development along one of the city's central streets, the Wallanlagen. With the numbers of banks located in Frankfurt growing steadily during the 1950s and 1960s, the central urban area was subject to comprehensive re-development, underpinned by 'urban development measures orientated almost exclusively towards economic interests' (Ronneberger and Keil, 1995, p.292). Indeed, commercial development pressures were already evident by the mid 1950s and Frankfurt's first high-rise office blocks were built prior to the adoption of planning frameworks. Examples of these early office towers, which were subject to height restrictions of 40 metres, included the 11 storey AEG building, completed in 1951, the *Telekom* tower and the *Bienenkorbhaus*, both completed in 1954.

From the mid-1950s, height restrictions were progressively relaxed under the direction of Hans Kampffmeyer, the SPD director of planning from 1956-72 (Wentz, 2000). Kampffmeyer's decision to allow the construction of the 19 storey, *Zürichhaus*, built for Zürich Insurance on the Bockenheimer Landstraße in 1962, was

a pivotal one. Not only did the building far exceed the height of any existing office block, at 67 metres, it was also located on the fringes of a hitherto residential district, the *Westend*. With Frankfurt attracting growing numbers of banks and insurance companies, office construction accelerated rapidly during the 1960s, and to facilitate such growth Kampffmeyer further relaxed height restrictions, while also continuing to permit the development of office towers in residential districts beyond the city centre. The completion of the 110m *Shell-Hochhaus* (now the *Bürozentrum Nibelungenplatz*) in 1966 in the *Nordend* district of the city was the most obvious symbol of Kampffmeyer's personal vision for the expansion of the city as a service sector centre. As a result of such developments, Frankfurt was already being described in the 1960s as 'the Mainhattan of Germany' (Ronneberger and Keil, 1995, p.292). Kampffmeyer's policies proved increasingly controversial, particularly with residents of the *Westend* and *Nordend* districts, who began to mobilise against office construction and property speculation during the late 1960s (Beste, 2000). In response, Kampffmeyer introduced the 'Finger Plan' in 1968 to guide office development. The Finger Plan envisaged high-rise development along 5 principal routes (i.e. fingers) running West and North from the city centre (Stracke, 1980). As such, the Finger Plan was intended to enable and concentrate further office construction in the *Westend* and *Nordend*, while discouraging property speculation and development throughout these districts as a whole.

The Finger Plan continued to guide planning policy in Frankfurt until the early 1980s, providing the basis for the emergence of Frankfurt's characteristic high-rise skyline. At the same time, planning and urban development policies remained at the centre of political debates and conflicts in Frankfurt from the late 1960s onwards, with activists such as Daniel Cohn Bendit playing a leading role in opposing office development (Schmidt, 1998). The Finger Plan did not serve to reduce the scale of conflict in the *Westend* and other residential areas, rather it became the focus of heightened political conflict. Property development in Frankfurt continued to generate intense local opposition throughout the 1970s, resulting in street battles between protestors and police on numerous occasions (Stracke, 1980; Keil and Ronneberger, 1995). Further controversy was generated in the wake of Wallmann's formal shift towards a more laissez-faire attitude towards development after 1977, particularly as the Wallmann regime was characterised by close relations between the CDU administration,

financial interests and property developers (Stracke, 1980). Throughout the 1970s there was evidence of property deals and development decisions being made outside of the democratic arena, including an agreement over a DM 13 million land deal involving Wallmann, the Deutsche Bank and property speculators made behind closed doors in late 1979 and not reported to the public until February the following year (Stracke, 1980).

Table 7.1 Annual completion of office and commercial space (m²), Frankfurt am Main, 1977-86

<i>Year</i>	<i>Amount of Space (m²)</i>
1977	298,133
1978	83,454
1979	126,288
1980	81,760
1981	120,183
1982	64,742
1983	45,005
1984	256,345
1985	228,675
1986	57,085
TOTAL, 1977-86	1,361,670

Source: Bericht des Magistrats an die Stadtverordnetenversammlung (1987a), p.2.

The scale of office development during the 1970s caused the Finger Plan to become severely outdated by the end of the decade, and it was superseded in 1983 by Albert Speer's *City-Leitplan* (development plan for the Frankfurt central area), generally known as 'the Speer Plan'. The Speer Plan advocated a long-term approach to development that clearly established parts of the city as areas for growth and further development, chief among them the banking district. Reiterating the concern to reduce development pressures in residential neighbourhoods, it earmarked new areas for office development, including the Hanauer Landstraße, the Mainzer Landstraße, and the Theodor-Heuss-Allee. In the wake of the provisions made by the Speer Plan, office construction in Frankfurt rose dramatically. As table 7.1 shows, almost 0.5 million m² of office space was completed in 1984 and 1985, as much as in the previous six years combined.

The Speer Plan was part of a broader trend during the 1980s towards a more specialised and more localised approach to planning, with specific planning frameworks being developed for the development of the *Museumsufer* (Museum Bank), as well as for individual *Stadterneuerungsgebiete* (Urban Renewal Areas) (Stadt Frankfurt am Main, 1995c). At the same time, however, such planning initiatives could not disguise the fact that planning policy in Frankfurt became increasingly uni-dimensional during the 1980s, focussing overwhelmingly on the development of Frankfurt as a financial centre. In the late 1980s, the specialist planning journal, *Stadtbauwelt*, featured brief 'Vox Pox' interviews with a number of senior urban planners in Germany, asking each the question 'What, for you, is the most important planning objective?'. The response of Hans Küppers, then CDU director of planning in Frankfurt, was unambiguous: 'Further development of Frankfurt am Main as an international finance centre and traffic planning in this connection', (*Stadtbauwelt*, 1988). Küppers' comments were typical of the continued polarisation of views on planning policy in Frankfurt in the 1980s, during which time the development of office towers continued to be controversial. The close connections between politicians and property developers, and the preference for taking decisions without referring them beforehand to the democratic arena of the council chamber, continued to characterise the approach of the CDU regime under Wallmann's successor from 1986-89, Wolfram Brück (*Die Tageszeitung*, 1989a).

With opposition to office development mounting among local residents and opposition parties, particularly the Greens, an alternative conception of planning emerged at the heart of the principles of the 'new urbanism' around which the red-green coalition took shape in 1989 (see chapter 6). Planning policy was seen to be central to the progressive vision of the coalition. Most obviously, planning issues were of paramount importance to specific policy goals, particularly to the commitments to bolster social housing provision and to establish the Frankfurt green belt. However, the coalition's emphasis on redefining planning policy in the city went further, stressing the need for 'holistic, environmentally sustainable and socially progressive urban development policy' (SPD/Die Grünen, 1989, p.35). Accordingly, Martin Wentz, the SPD Director of Planning in the coalition, was vocal in his criticism of the planning policies of the outgoing regime, condemning their 'one-sided stress on economic and cultural development as the highest goal of city politics,

which has led to gaps in basic provision like childcare, housing and transport policy and left major gaps in the social safety net' (Wentz, 1991, p. 14).

In contrast to the CDU's business-led agenda, Wentz advocated planning policies that would help to make the city a living organism 'offering to hundreds of thousands of people within a small space, the opportunities of meeting, exchanging and developing cultural diversity' (Wentz, 1991, p.15). Moreover, despite this intrinsically 'inner-urban' notion of the city, the coalition's vision reached beyond the core city itself, advocating new forms of co-operation between centre and periphery as part of its programme, stressing the importance of city-regional planning to the range of social, economic and environmental goals making up the 'new urbanism' (SPD/Die Grünen, 1989). Last and not least, a sense of acute urgency and responsibility underpinned the new urbanism: it was suggested that if planning solutions were not achieved by the mid-1990s, 'there would be far-reaching social and ecological consequences by the start of the 21st century' (Wentz, 1991, p. 18).

In line with the democratic vision of the new urbanism, Wentz sought to open up the urban planning debate through a series of high-profile seminars and an eight-volume book series entitled 'The Future of Urban Frankfurt', with several of the volumes edited by Wentz himself (Wentz, 1991, 1992a, 1994). During the same period, a series of books on the proposed green belt and wider environmental visions for the city were also produced, edited by Tom Koenigs, the Green Party Director of the Environment (Koenigs, 1991a, 1991b, 1992a). Yet, despite Wentz's critique of the outgoing regime, and his apparent commitment to a radical democratisation of planning policy, it was equally clear that his approach to urban planning was strongly influenced by notions of modernisation that he had been advocating within the Frankfurt SPD for a decade (Noller and Ronneberger, 1995). In particular, while critical of the overwhelming bias towards growth in the CDU's planning policies, Wentz did not seek to question the need for growth. Indeed, the promotion of economic growth through the planning system was seen as an essential element of the new urbanism, in that it was required to help finance the coalition's ambitious reform project. In other words, rather than offering any fundamental challenge to Frankfurt's development trajectory, the coalition would seek to 'ride the tiger' of modernisation (Prigge et al, 1995). Despite the visionary language, the approach advocated by Wentz

was therefore largely pragmatic, seeking to achieve a greater degree of balance between the needs of the local population and the city's function as an international financial centre (Wentz, 1993). The actual implications of the new urbanism for Frankfurt's development were suitably illustrated by Wentz's subtle reformulation of his predecessor's approach to transport planning. Thus, instead of Küppers's emphasis on transport policy being directed at the promotion of Frankfurt as an international financial centre, it was now to be guided by a requirement 'to balance the need to guarantee mobility as part of the internationalisation of Frankfurt with the need to protect citizens from the damaging effects of that mobility' (quoted in Müller Raemisch, 1996, p.113).

In practice, attempts to re-balance planning outcomes in favour of local residents made little headway, particularly where such policies were perceived as a threat to business interests. The red-green coalition's planning policies were met with immediate hostility from the Frankfurt Chamber of Commerce, which had warned before the elections that an SPD/Green coalition would mean economic decline for the city (Die Tageszeitung, 1989a). Throughout 1989 and 1990 the Chamber made apparent its opposition to the red-green coalition's planning policies at every possible opportunity, even taking to campaigning on the Zeil, the central shopping street in Frankfurt (Klingelschmitt, 1990). Fearful of the influence of the Greens, the Chamber was unequivocal about the need for further office development in the form of office skyscrapers (see discussion of banking district planning, below). Yet, the Chamber's objectives were not restricted to a narrow interpretation of business interests. Indeed, the Chamber took as holistic a view in resisting the new urbanism as the coalition did in promoting it. In June 1990, for instance, the Chamber published a position paper on housing policy in Frankfurt, arguing that the city's housing problems could only be tackled within a broader city-regional context, and that attempts to tackle the core city's housing problems alone ran the risk of harming Frankfurt's economic prospects:

Part of the role of Frankfurt am Main within a regional development perspective is that a large share of the demand for high-value office space will be supplied by the core city. Consequently, in specific cases the inherently desirable idea of mixed land-use must give way to the requirements of Frankfurt as a centre for

the service sector. The goal of city politics cannot therefore be a conservation of the residential structure at any price (IHK Frankfurt, 1990a, p.2).

The head-on conflict between the city council and the Chamber of Commerce was immediately apparent in relation to transport planning issues, prompting serious tensions to emerge within the coalition over its initial proposals to create a car-free city centre and instigate a moratorium on the expansion of Frankfurt airport. These policies had been flagged as a central element in the new urbanism and featured significantly in the coalition's early announcements (SPD/die Grünen, 1989; Die Tageszeitung, 1989a). In response, the Frankfurt Chamber of Commerce went on the offensive, lobbying aggressively for the policies to be dropped (Die Tageszeitung, 1989a) and commissioning specialist engineering and traffic consultants, *BGS Gesellschaften*, in October 1989 to undertake a cost-benefit analysis of traffic in central Frankfurt (IHK Frankfurt, 1990e). Within months, Volker Hauff appeared to retract the plans for a car-free city (Die Tageszeitung, 1989f). Subsequently, on 28 December 1989, Volker Hauff announced a watered-down version of the original policy to the council chamber. Stating that the goal was 'to preserve and enhance the urbanity of the city', Hauff announced that car-use in the city centre would be reduced, although not eliminated, a 30 K/per hour speed limit introduced in most areas, and public transport promoted through the introduction of a subsidised 'environment ticket' (Amtsblatt, 1989a, p. 910). Meanwhile, Hauff sought to assure the Chamber of Commerce that the intention was not to create a car-free centre, but to bring about a better balance between cars, public transport and pedestrians (IHK Frankfurt, 1990c). By the time the *BGS Gesellschaften* study was presented to the press, concluding that car-use was essential to the functioning of central Frankfurt as a service sector centre (IHK Frankfurt, 1990e), the proposal for a car-free centre had already been quietly dropped from the coalition's agenda (Klingelschmitt, 1990, p.7).

Much the same dynamics characterised the coalition's changing stance on airport development. The coalition agreement was fully explicit in its recommendations to limit, if not reverse the growth of Frankfurt airport, opposing both the construction of an additional runway and the extension of the airport beyond its existing boundaries. Rather than expanding the airport to accommodate air traffic growth, the coalition advocated moving charter flights to alternative local airports and improving inter-city

rail connections to the airport to 'displace short-distance flights onto the railways' (SPD/die Grünen, 1989, p.48). This policy position was among those most vehemently attacked by local business interests, which emphasised the necessity of continued airport expansion to Frankfurt's international competitiveness. In a position paper on Frankfurt Airport published in Autumn 1988, the Frankfurt Chamber of Commerce had argued that the airport was the most decisive factor underpinning the prosperity of the Frankfurt/Rhine-Main region, emphasising that 'the internationalisation of economic relationships ...will mean that the importance of direct flight connections in all directions will grow further' (IHK Frankfurt, 1988b, pp.2-3). With the Chamber of Commerce leading the business charge against the coalition's proposals, it emerged that the CDU had initiated an architectural competition for the building of *Bürozentrum Ost*, a new East Terminal and office centre at Frankfurt airport, days before the election (Die Tageszeitung, 1989a). While Wentz had previously expressed his opposition to the development, he had agreed by 18 August 1989 that it should go ahead (Die Tageszeitung, 1989b). It was to prove to be the first in a series of decisions by the coalition that permitted ongoing airport expansion, contributing significantly to the drawn-out collapse of the coalition in the mid-1990s and promoting the re-mobilisation of social movements against the development of a new runway (Frankfurter Allgemeine Zeitung, 1998; Interview with Claus-Jürgen Göpfert, 1998).

While some aspects of planning policy promoted wider social and environmental objectives, these often resulted in limited success. The completion of the green belt was perhaps the coalition's most unambiguous achievement, particularly given the combination of concerted opposition and legal technicalities that had to be overcome in order to bring it about (see chapter 9 for further discussion). However, progress against other reformist planning goals floundered in the face of business opposition, budgetary cuts or, in some cases, divisions within the coalition itself. Social housing was the most dramatic casualty. After an initial surge in the construction of social housing after 1989, in line with the coalition's promise that at least a third of all new housing development should be in the not-for-profit sector, the programme was radically scaled down after budget cuts were introduced in 1991 and 1993 (see chapter 9 for further details). At the same time, the coalition's housing policies were further undermined by the lasting controversy surrounding the decision to build 1,200 flats on

the site of a recently modernised slaughterhouse in Sachsenhausen, south of the river Main. The slaughterhouse, which had been opened by the CDU a year previously as a flagship, DM 45 million urban renewal project was now to be relocated as part of a project to create a new residential neighbourhood by the Main (Ronneberger and Keil, 1993). While the intention to build 5 and 6 storey blocks of flats intended especially for families, one third of which were to be social housing, was not controversial in itself, the decision to relocate the slaughterhouse to an affluent suburban neighbourhood was fiercely resisted by local residents (Keil and Ronneberger, 1994). The Sachsenhausen housing scheme went ahead, but in the process contributed to the resignation of Volker Hauff as mayor and helped to derail the coalition's social housing strategy as a whole (Ronneberger and Keil, 1993). However, it was in relation to planning in the banking district that the coalition's philosophy faced the greatest challenges, particularly in the face of immediate threats of legal action from developers. The resultant disagreements over planning policy towards office towers tested the new urbanism and, indeed, the foundation of the red-green coalition in its early infancy (see the second half of this chapter for a full discussion).

By the mid-1990s the radical aspirations of the red-green coalition were barely observable in planning policy in Frankfurt. While a report on urban planning in Frankfurt issued in 1995 continued to use terms such as 'urban compaction', 'mixed-use' and 'environmental sustainability', that had featured in discourses surrounding the new urbanism, they were now part of highly technical account of urban planning policy (Stadt Frankfurt am Main, 1995c). Far from advocating urban planning as the centrepiece of a progressive urban politics, the report emphasised the continuation of a localised emphasis in urban planning in the city, with a focus on detailed plans for individual districts, with these being linked together by 'a modified strategic planning' to ensure effective co-ordination across the city as a whole. Nonetheless, it recognised that Frankfurt had come 'close to the limits of growth', while also emphasising the need for urban planning in the city to balance its role in meeting the needs and interests of the citizens with a requirement to maintain Frankfurt's role as an international economic centre (Stadt Frankfurt am Main, 1995c, p.8-9). As such, the report notes that, with Frankfurt's economy being characterised by 'industrial pluralism', planning policies should aim to concentrate both inner-city office space and industrial areas through zoning, as a means of ensuring a balance between both,

as well as minimising the negative consequences of economic development for local residents (Stadt Frankfurt am Main, 1995c, p.27).

As part of this approach, major re-development projects were proposed in several areas of Frankfurt during the 1990s, particularly where land had been vacated by manufacturing companies. While such developments were on a far smaller scale than the London Docklands, they often exhibited a similar vision of urban regeneration. In particular, the revised development plan for 'City-West', a former manufacturing district in the *Bockenheim* area of the city, published in 1991 envisaged the construction of 5,000 residential units and office development intended to provide employment for 17,500 people. However, the scheme was beset by problems, including numerous objections, and by mid-1998, only 138 housing units had been completed (Planen + Bauen, 1998). A shift of emphasis occurred from the mid-1990s, in the context of the city's adoption of an industrial policy (see chapter 8), with a prolonged debate eventually leading to the decision to earmark the *Osthafen* (East Docks) on the Main for manufacturing rather than private housing (Frankfurter Rundschau, 1997c).

Thus, despite changes of political control, and the shifting nature of the challenges facing planners, it is evident that planning policy in Frankfurt has been characterised by a long-run consensus regarding the promotion of Frankfurt as an international financial centre. This interpretation of long-run efforts to promote Frankfurt as a world city through the planning system was made forcibly by Michael Kummer, Martin Wentz's office manager, who suggested in interview that: 'globalisation has been a determining factor for city planning in Frankfurt for over 20 years and, as the background to that, you have to see that Frankfurt actively pushed for globalisation. Frankfurt wanted it. We weren't just forced. We always saw our chances in globalisation' (Interview with Michael Kummer, May 1998). Indeed, in this view the policy goal of (re)-establishing Frankfurt as an international trading and financial centre can be traced back to 1866, when 'Frankfurt sank from being an autonomous imperial city (*Reichsstadt*) to become just a Prussian provincial city' (Interview with Michael Kummer, May 1998). As such, the notion of a shift in planning policy under the red-green coalition was flatly rejected, and the post-war continuities of planning policy strongly underlined:

For me, as someone that has spent his whole life here, there is absolutely no break after 1989, rather for us the story begins in 1945-46...I would say that, despite political changes, the political leaders were always convinced of this view. In the 1950s and 1960s, there was a Director of Planning, Hans Kampffmeyer, a Social Democrat, who coined the phrase 'Frankfurt has the stuff to be an international city', i.e. it isn't an international city, but it could become one! And in the 1980s, Dr Küppers was Director of Planning for the CDU and his office manager, my predecessor, Mr Mausbach, now president of the Federal Office for Building and Regional Planning in Berlin, really drove this aspect of world city development, also publicly. And now Dr Wentz and myself are doing this too (Interview with Michael Kummer, May 1998).

In addition to the local political consensus on planning,¹ a key factor sustaining this long-run vision of Frankfurt has been the ongoing role of private planning and architectural offices in German city planning, highlighted in chapter 3. This tendency is clearly underlined in Frankfurt, where three leading architect planners have exerted a major influence on the emerging cityscape – Richard Heil, Fritz Novotny and Albert Speer. Of the three, only Heil's role has been restricted to the design of buildings. Heil was responsible for six office towers built during the initial surge of high-rise construction in the ten-year period after the adoption of the Finger Plan. These buildings include four towers in excess of 100m - the headquarters of Commerzbank (1973, 109m), City Haus (1974, 143m) and the headquarters of BFG Bank, now Eurotower (1977, 148m) (Müller Raemisch, 1996). Novotny has similarly been responsible for the design of individual buildings, including the American Express Building (1994, 72m), Eurotheum (2000, 110m), the Dresdner Bank 'Galileo' tower (2002, 136m), but has also made wider conceptual contributions to planning policy in Frankfurt. In 1971 he initiated and became the first chair of the *Frankfurter Forum für Stadtentwicklung* (Frankfurt Forum for Urban Development), which sought to promote the participation of local residents in the planning process. The forum's most

¹ Evidently, this consensus operated within the context of widespread political disagreement about planning policy in Frankfurt. Yet, in the words of Martin Kummer, the apparent contradiction 'is not problematic, in the Frankfurt context... it's a very conflict-seeking city, one shouldn't take it too seriously'.

significant legacy was its advocacy of a green belt, subsequently taken up by the red-green coalition after 1989. Novotny was also commissioned by the city of Frankfurt to produce the *Rahmenplan Bankenviertel* (planning framework for the banking district), published in 1990 (Müller Raemisch, 1996).

It is widely recognised that Albert Speer has been the most consistently influential architect planner in Frankfurt (Juckel and Praeckel, 1996; Eakin, 2002). Son of the infamous architect of the same name, who worked closely with Hitler to re-design Berlin during the 1930s, Speer's influence has primarily been felt in the principles underpinning the city's planning policy rather than in the design of individual buildings. Speer has been contracted by city and regional authorities to undertake numerous high-profile 'visioning' exercises since the mid-1970s, producing plans ranging from the initial planning analysis for the Umlandverband Frankfurt (1976), a long-term concept for the Frankfurter Messe district (1981), the City-Leitplan for Frankfurt (1983), the plan for the Museumsufer (1982), the plan for Frankfurt's proposed bid for the 2000/2004 Olympic games (1991) (Noller and Ronneberger, 1995; Juckel and Praeckel, 1996, Müller Raemisch, 1996). A recent interview with Speer in an architectural magazine captures the extent of his role in shaping planning policy in Frankfurt, which has no parallel in any British city:

Since he started working in the city, Speer has left his mark on everything from street planning to a riverside museum district to office high-rises. He is particularly proud of the Holbeinsteg, a suspension footbridge across the Main River that he completed in 1990. "We've had the chance to really influence city development during the past twenty-five years," Speer says. "There isn't a big project in Frankfurt in which we have not played a role" (Eakin, 2002).

7.3 Global finance, local planning: development control in the London and Frankfurt banking districts, 1986-96

The politics of planning in the banking districts of Frankfurt and London could not have been more contrasting than in the 1970s and early 1980s. Whereas the rapid (re-) development of Frankfurt as a banking centre had prompted angry, and at times violent confrontations between the city council and radical new social movements, the relative stagnation of London as a banking centre had enabled more conventional conservation societies to exert enormous influence over planning policy in the City of London. In 1979, the joint committee of the Society for the Protection of Ancient Buildings, the Georgian Group, the Victorian Society and the Ancient Monuments Society, completed a comprehensive conservation study of the City of London, making a series of recommendations to the City of London Corporation (Lloyd et al, 1979). Noting that the pace of development in the City had begun to increase in the late 1970s, the report argued that 'future development should respect the traditional character of the City ...the constraints of the surviving historic street pattern should generally be accepted for future development' (Lloyd et al, 1979, p.xiii). On this basis, the report recommended the extension of existing, and the addition of six new, conservation areas in the City. These proposals found a sympathetic ear in the form of Stuart Murphy, then Chief Architect at the City of London Corporation, and were reflected strongly in the review process that preceded the completion of the City of London Draft Local Plan in 1984. With demand for office space in London very slack in the early 1980s, conservationist ideas came to dominate the City's planning process, in the words of Michael Cassidy, who took over as Chair of the City's planning committee in 1985:

We were in recession in 1981, 1982, so things were pretty quite here in the City. There were empty buildings, there were empty residential blocks ...We were coming out of a slow period, so that made it much easier for the forces of reaction to cling to their vision of a City that was really Edwardian. And quite a lot of the staff people that wrote that (the Draft Local Plan) were of that period. Completely out of date, and the members were not knowledgeable enough, or strong enough, to overcome that (Interview with Michael Cassidy, January 2004).

The City of London's Draft Local Plan was put on deposit in autumn 1984, just over a year after the announcement of the Goodison-Parkinson agreement on the deregulation of the Stock Exchange (see chapter 5). The draft plan placed the City firmly within the wider context of the Strategic Plan for the South East and the Greater London Development Plan and, while acknowledging the City's role as an international financial centre, also laid stress on other economic sectors, including manufacturing, and the City's functions as a residential area and a centre for tourism. Despite the growing anticipation, and early evidence of, a surge in demand for office space in the City, the draft plan disputed the assumption that employment in the City would grow as a result of the Big Bang. Instead, the draft plan suggested that economic and technological change meant that 'the activities which are concentrated in the City need fewer employees' (City of London Corporation, 1984, p. 26). In particular, the draft plan resisted the idea that the introduction of new computer technology would require the large-scale construction of new office buildings, instead taking the view that 'as new technology develops, it is expected that the overall space required by firms will be rationalised and, in general, the average size of the unit may decline' (City of London Corporation, 1984, p. 27). Instead, it adopted a strongly conservationist stance, including 16 separate policies enabling new developments to be blocked and the establishment of conservation areas that covered 70 per cent of existing buildings in the core area around the Bank of England and 30 per cent of the City as a whole (Pawley, 1985). Indeed, the Plan indicated that many of the proposals put forward by the conservationist groups has already been adopted, noting that 'following a comprehensive review, twenty one conservation areas have been designated, the latest in December 1981' (City of London Corporation, 1984, p.147). In addition, the draft plan also placed a strong emphasis on retaining height restrictions for new buildings, specifically intended to protect views of St Paul's Cathedral in line with the code put forward by W. Godfrey Allen in 1936. In summing up these objectives, the plan emphasised the need for balance, suggesting that the key strategy:

Must be to resolve the conflicts between the pressures for development necessary to the City's commercial well-being and the need to protect its special character, historic heritage and the range of activities that make the City an

attractive place in which to live and work and to visit (City of London Corporation, 1984, p. 17).

In line with DoE guidelines, the draft plan was put out to consultation for 6 weeks, from 1 November 1984 to 12 December 1984. In addition to statutory consultation of other public bodies, and the hosting of public meetings, additional provisions included a letter sent directly to 291 City banks and 23 amenity societies asking for their views, and the holding of five special topic meetings, including one on 'economic activity', to which relevant individuals were personally invited (City of London Corporation, 1986a). Notably, there was little reaction among financial interests to the draft plan. Of the 176 written responses the Corporation received, just 4 came from banks and a further 9 from other City firms. In addition, 21 of the 31 private sector organisations invited to the topic meeting on economic activity on 16 November 1984 declined to send a representative, including the Chartered Insurance Institute, the London Stock Exchange, the Committee of London Clearing Banks, the Institute of Bankers, the CBI (London) and the British Property Federation (City of London Corporation, 1986a). However, immediately following the end of the consultation period, media coverage began to report concerted opposition to the draft plan among major business interests in the City under headlines such as: 'Concern Over City Plan' - *Estates Gazette*, 15 December 1984; 'Planning Curbs Could Pose Threat to City's Future' - *Financial Times*, 17 December 1984; 'Too conservative for the City?' - *Guardian*, 28 January 1985 and "'City Set for Economic Suicide" - Palumbo' - *Architect's Journal*, 6 February 1985 (all cited in City of London Corporation, 1986a). Writing in *The Guardian*, Pawley (1985) suggested that the draft plan 'is so marinated in conservationist thinking that it has aroused a hornet's nest of opposition ... to say that the bankers and property men in the City does not like the plan is to put it mildly'. In the face of this opposition, the consultation period was subsequently extended to mid-March 1985 'to meet the needs of a number of organisations which found difficulty in commenting by mid-December' (City of London Corporation, 1986a, p.7).

In sharp contrast to the conservationist assumptions that came to dominate planning in the City by the early 1980s, the above media coverage and the records of the (extended) consultation on the draft plan document the emergence of an embryonic world city discourse in the City of London a full five years before the concept found

wider currency in LPAC's *London: World City report*. In particular, financial and property interests stressed the necessity of the Corporation relaxing its development controls in view of the intensification of competition with other financial centres, arguing that the provisions in the draft plan would mean the decline of the City of London:

It is essential that the corner-stone of the plan is to promote the continued development of the City as a leading international and financial centres .. with the new Stock Exchange rules and increasing competition from other world financial markets an even greater demand will be placed on the ability to suit the changing demands for office space as near to the centre of the City as possible (written submission from Roger Flemington, General Manager, Nat West, 16 January 1984, cited in City of London Corporation, 1985).

It could be anticipated that in the years to come there will only be three financial centres worldwide and each will be concentrated in a time zone. In the Far East it is likely to be Tokyo or Hong Kong. In America it will be New York and in the third principal time zone it will be London, providing it remains more attractive than other competing European centres. Much of the financial activity in the City of London is capable of being relocated in a centre such as Paris or Frankfurt if the City became too restrictive or inflexible to the industry's needs (written submission from Wallace Armstrong, Managing Director, Banque Belge Ltd, 31 December 1984, cited in City of London Corporation, 1985).

(the plan is) ...a recipe for turning a flourishing and dynamic financial centre into an outdoor museum for the benefit of tourists. If the object of the plan is to ensure that the City of London goes into an accelerating state of decline as the office centre for the major concerns in the national and international business community then it is hardly possible to conceive of anything more likely to succeed (Associated Owners of City Properties, cited in Pawley, 1985).

The scale of opposition among business interests to the Draft Plan generated enormous internal divisions within the City Corporation. The Chair of the planning committee, Michael Cassidy, then writing an MBA thesis on the likely impacts of the

Big Bang, argued for radical revisions to the Plan to allow for extensive office redevelopment within the square mile (Interview with Cassidy, January 2004). His proposals were met with a combination of resistance and scepticism among many of his fellow elected members, and drew him into an increasingly tense relationship with Stuart Murphy. However, during the course of 1985 and 1986, Cassidy's arguments increasingly won out, particularly after he had been able to replace Murphy with Peter Rees, who took over as Head of Planning in 1985. On taking up the post, Rees immediately embarked on a widespread consultation with financial and property interests with a presence in the City, discussing the implications of the Big Bang and changes in international financial markets for office requirements in the City (Interview with Peter Rees, 2004). Between them, Rees and Cassidy were instrumental in leading the comprehensive re-writing of the 1984 Plan, yet their proposals continued to prove controversial within the City of London Corporation until early 1986. In the view of the then Chair of the Corporation's Planning Committee, the issue that eventually enabled him to secure sufficient support for the proposed revisions to the 1984 Draft Plan was an unexpected turn of events in the London Docklands:

..the fact that Canary Wharf came about. I used that fairly ruthlessly, saying 'look here, if you go along with this, everyone's going to decamp down the river. And it was a very effective weapon. It made some members, who perhaps didn't understand planning or didn't understand finance, they could certainly see that was a threat. And even though I wasn't trying to deliberately kill off that project, it is true that I arranged a seminar for members at which G Ware Travelstead² spoke to them directly and he said 'look, if I'm successful at this, you're not going to have a single bank left in the City'. And he said 'I'm not talking about back offices, I'm going to move them lock, stock and barrel and create Wall Street on the Water', that was his expression. And people were just gasping and they suddenly realised that this may actually come about ...So this was the spur that led all the Guildhall doubters to say 'yes, OK'. So they went

² Travelstead was a property developer, working on behalf of Credit Suisse First Boston, who made the original approach to the LDDC regarding possible office development in the Isle of Dogs Enterprise Zone. This original proposal rapidly grew into a much bigger scheme, i.e. Canary Wharf, and was subsequently taken over by Olympia and York.

along with it, and of course eventually, by the time I handed over in 1989 we'd been given consent for a third of the City to be replaced (Cassidy, 2004).

With the members of the City of London Corporation effectively frightened into accepting the need to allow extensive office construction in the City, the revised plan, deposited on 23 May 1986, showed radical changes from the 1984 draft. Significantly, the revised plan ran to 226 pages, 43 pages less than the original, indicating that some of the key changes were in relation to provisions that had been dropped. Rather than situating the City of London within wider planning frameworks for Greater London and the South East, the revised plan began with a statement of the planning implications of the City's role as a leading international financial centre (City of London Corporation, 1986b). Whereas the thinking behind the draft plan was that the planning system could be used to disperse the City's wealth outwards, particularly into the East End, the revised plan took the view that decentralisation of economic activity from the City would see companies migrate to New York or Frankfurt rather than to the Isle of Dogs. To the extent that it is mentioned at all, the Greater London District Plan is declared effectively irrelevant as a result of the abolition of the GLC. There was substantial re-drafting of the Plan's aims and policies. From a total of 122 policies contained in the draft, 61 were revised, eight were deleted and four added (City of London Corporation, 1986b). The eight deleted policies, numbers 5, 113-115 and 119-122, restricted the height of new buildings and formed the core of the draft Plan's conservationist approach. The re-wording on the draft plan's policies was, unsurprisingly, most obvious in relation to office development. Whereas the policies in the draft plan had made no mention of the need to protect and promote the City's role as an international finance centre, the revised policies made this a central emphasis throughout, radically shifting the tone from a presumption in favour of conservation to a presumption in favour of development (see figure 7.2).

Figure 7.2 Key revisions to the aims and policies of the City of London local plan, 1984-6

<i>Draft Local Plan (City of London Corporation, 1984)</i>	<i>Local Plan (City of London Corporation, 1986b)</i>
Aim: 'To promote offices within the constraints set out in the policies of the plan' (p.37).	Aim: 'To promote offices in order to assist the City's role as an international financial centre' (p.24)
Policy (4): 'To welcome office development generally, subject to other provisions of the plan, and the retention of accommodation for essential services and supporting activities' (p.38).	Policy (ECON 1): 'To encourage office development in order to maintain and expand the role of the City as an international financial centre' (p.24)
Policy (5): 'To apply plot ratio controls to all applications for new buildings and, where appropriate extensions to existing buildings' (p.40)	POLICY DELETED
Policy (12): 'To resist any reduction in the diversity of uses affecting employment opportunities' (p.48)	Policy (ECON 8): 'To seek to increase employment opportunities by promoting the City as an international financial centre' (p.32)

Source: City of London Corporation (1984, 1986b).

The removal of the draft plan's imposition of plot ratios was crucial. From 1 January 1985 – 30 June 1995, 56 new office schemes consisting of 10,000 m² and above were completed in the City of London, increasing its total office stock by almost 20 per cent as a result (City of London Corporation, 1995). The market peaked in 1991, when 500,000 m² of office space were completed within the City's boundaries (City of London Corporation, 1995). However, this rush for development was paralleled across London as a whole, with some 25 million m² of office space being completed in Greater London from 1990-91 (Simmie, 2002, p.58; see figure 7.3 for examples of major developments). This scale of construction activity culminated in a massive over-supply of central London office space once the market went into recession in the early 1990s. As a result, there was an estimated 10 million m² of vacant commercial space in London in 1993, while office rents collapsed from a peak of £60-70/sq ft in 1988/89 to a mere £13-20/sq ft in the early 1990s (Ryser, 1994, p.18).

Figure 7.3 Major office developments in London, 1986-92

<i>Development</i>	<i>Year Completed</i>	<i>Location</i>	<i>Size (m²)</i>
Broadgate	1987 (phases 1&2)	City of London	464,500
Canary Wharf	1991 (phase 1)	London Docklands	418,050
London Bridge City	1992	Southwark	92,900
Embankment Place	1990	Westminster	42,270

Sources: Ryser (1994), p.18; Parsa et al (1995), p.44; Fainstein (1994).

Frankfurt

While changes in office development policies in the City of London were producing significant controversy by the mid-1980s, conflict over planning policies for Frankfurt's banking district had proved far more intense, and dated back to the late 1960s. As noted above, the CDU city council had continued to permit extensive office construction throughout the early 1980s, despite growing protests. By the mid-late 1980s, the arguments that had been deployed to justify the expansion of office space in the City of London were also heard in Frankfurt with similar regularity. The CDU administration increasingly justified its policies with reference to external competition, advocating further development on the grounds that 'only through the development of new banking locations outside of the traditional banking district, particularly along the Mainzer Landstraße, can the future of Frankfurt as a financial metropolis be secured' (Bericht des Magistrats an die Stadtverordnetenversammlung, 1988d). Subsequently, in a report analysing office space requirements in Frankfurt, presented to the City Council on 1 August 1988, the CDU took this argument further, suggesting that in the context of wider trends towards the centralisation of higher-order corporate functions occurring as a result of European integration:

Frankfurt, as the economic metropolis of the Federal Republic, has benefited from this process most strongly. The more internationalised that companies and markets become, the greater the competition that Frankfurt faces from other metropolitan regions outside of the Federal Republic. For Frankfurt, the future inward or outward migration of (high-order) corporate functions will clearly depend upon its ability to compete internationally (Bericht des Magistrats an die Stadtverordnetenversammlung, 1988e).

With the CDU administration giving consent to a growing number of office blocks in the Westend protests against office tower construction broke out in the months before the 1989 city elections, this time in the *Gutleutviertel* (Keil and Lieser, 1989). An industrial and residential district close to the city centre bounded to the north by Frankfurt central station and to the south by the river Main, the *Gutleutviertel* had long been of interest to property developers and, in the late 1980s, was chosen as the site for the proposed Campanile tower, that would have constituted the tallest office building in Europe. While in opposition, the Greens, and some SPD councillors, had consistently opposed the construction of the tower, with the CDU administration stonewalling the opposition's persistent requests for more detailed information about the nature, status and consequences of this and other proposed skyscraper developments to the west of the banking district (Bericht des Magistrats an die Stadtverordnetenversammlung, 1987c, 1988a, 1988b, 1988c, 1988d, 1988f). The new coalition partners had also explicitly stated before the election their intention not to permit the building of two proposed new office towers – for *Die Deutsche Genossenschaftsbank* and *Die Bank für Gemeinwirtschaft* (Die Tageszeitung, 1989a). In addition, in a carefully worded section of the coalition agreement, it was stated that the SPD would only honour any decision to proceed with the Campanile development if 'the letter of the law had been followed in the planning and authorisation process' (SPD/die Grünen, 1989, p.21). Faced with what appeared to be an anti-development regime in city hall, the Chamber of Commerce immediately made office building one of its central lines of attack. In its memorandum to the incoming coalition (see chapter 6), the Frankfurt Chamber argued:

In the coming years, a continuing demand for office space can be reckoned with (of around 150,000m² per year). If this demand cannot be satisfied then Frankfurt will suffer as an investment location. In view of the narrow boundaries of the city, there is no alternative to the proposed construction of office skyscrapers (IHK Frankfurt, 1989b, p.20).

In this highly charged political atmosphere, and within the first few weeks of the red-green coalition taking office, it emerged that that CDU administration had given planning permission for the office towers proposed by *Die Deutsche Genossenschaftsbank*, *Die Bank für Gemeinwirtschaft*, as well as the Campanile

tower, on the last working day before the election (Krauß, 1997, *Die Tageszeitung*, 1989a). The former CDU Director of Planning, Küppers later admitted that the agreements had been made because of the CDU's concern that an SPD-Green coalition would reject the projects (*Die Tageszeitung*, 1989c). In response, the Greens were determined to maintain their opposition to the towers but, in an open letter to the coalition, the developers subsequently threatened compensation claims running to hundreds of millions of marks (*Die Tageszeitung*, 1989a). Of the three projects, the Campanile office tower was by far the most controversial. Faced with the threat of huge compensation claims, the new administration eventually reached a compromise in September 1989, following a breakfast meeting between Volker Hauff and Martin Wentz of the SPD, and Daniel Cohn-Bendit, Tom Koenigs and Lutz Sikorski of the Greens (*Die Tageszeitung*, 1989d). At the meeting, it was determined that the high-rise blocks to be developed by *Die Deutsche Genossenschaftsbank* and *Die Bank für Gemeinwirtschaft* would be permitted but that the permission granted for the Campanile tower would be reversed.

The decision almost tested the coalition to destruction. The controversy over the Campanile tower continued for a further decade, with a great deal resting on the issue of whether the agreement which the developers had secured from the CDU was legal or not. The developers of Campanile also threatened to sue for compensation in the order of DM150 million if development of the 300m tower was not permitted to go ahead, while also offering 'excellent land for housing development' in return for an agreement (*Die Tageszeitung*, 1989e). Hauff was at pains to ensure that the SPD were not seen as anti-development - 'we're not saying no to office towers, but we are criticising the CDU policies through which only office towers were achieved (*Die Tageszeitung*, 1989f) – thereby leaving the door open for a possible reconsideration of the decision. However, with the Greens remaining resolutely opposed, the controversy over the Campanile development continued to destabilise the coalition. Eventually, after a long legal process, the supreme state court of Hessen (*Oberlandesgericht*) denied compensation to the developers. Nonetheless, the CDU and the FDP continued to argue in favour of the development, which continued to cast a metaphorical shadow over Frankfurt politics in the late 1990s. In an interview in the *Frankfurter Rundschau* in January 1998, Daniel Cohn-Bendit continued to make the case for a multi-cultural bazaar on the site, in recognition of the *Gutleutviertel's* multi-ethnic population,

noting that Director of Planning, Martin Wentz had never listened to his proposal (Frankfurter Rundschau, 1998b). By the same time, Wentz had come to propose a lower office block on the site.

Notwithstanding these early conflicts within the coalition, the objectives of balancing economic, social and environmental objectives did play some role in re-casting the planning framework for Frankfurt's banking district. In line with the interpretation of 'the new urbanism' outlined above, Wentz sought to lay down guidelines for the future of Frankfurt's banking district that would enable continued high-rise development, while protecting other inner-urban areas from the negative effects of speculation, minimising environmental damage, and protecting historical buildings in the city centre. In contrast to the CDU's policy of spreading office development along the Mainzer Landstraße in low-rise blocks, Wentz had argued since 1987 for a policy of concentrating bank construction in the historic banking district through the construction of skyscrapers. Although politically controversial within both the SPD and the Greens, Wentz's vision won out and was reflected in the wording of the coalition agreement. The document put forward that skyscraper developments would be accepted only where they were concentrated in a particular district of the city, be shown not to produce adverse climatic effects, demonstrate viability as employment centres given the existing capacity of the transport system, and preserve public space in the city (SPD/die Grünen, 1989).

In turn, these principles were reflected in the recommendation of the *Rahmenplan Bankenviertel Frankfurt am Main*, produced by Novotny, Mähner and Associates in 1990. The Novotny plan advocated more concentrated development in the banking district, enabling total office floor space in the banking district to rise from 301,000 m² to 492,000 m², an increase of 63 per cent (Novotny, Mähner and Associates, 1990, p.7). The justification for this increase in the total supply of office space in the banking district was made with specific reference to the role of European integration in intensifying competition between major European business centres. It was estimated that provision for an additional 191,000 m² of office space would enable around 4,250 additional employees to be located in the banking district, thereby stretching the carrying capacity of the city's transport system to its limits (p.7). At the same time, the Novotny plan recognised the threats that development posed to the

mixed-use district around Frankfurt Central Station and the residential areas of the *Westend*, and proposed strict use of development controls in order to maintain the character of these areas. Subsequently, the general principles of planning outlined in the Novotny plan formed the basis for detailed building regulations contained in the *Bebauungsplan Bankenviertel* (Building Plan for the Banking District), issued in 1994.

In line with the proposals in the Novotny plan, skyscrapers rapidly became central to the discourse of sustainable development propagated by the red-green coalition, with Wentz even winning over previously vehement opponents of high-rise office blocks, such as Cohn-Bendit (Moore and Brand, 2003). In this view, the construction of skyscrapers not only offered the potential to prevent the further displacement of residents from traditional neighbourhoods to the west and north of the city centre, but also helped to counter urban sprawl, encourage the use of public transport and promote the use of advanced energy saving techniques. Notwithstanding, Cohn-Bendit's conversion to skyscrapers, such arguments inevitably proved controversial within the coalition and a report was commissioned from the *Deutsche Wetterdienst* (German Meteorological Office) to examine the environmental consequences of further high-rise construction in Frankfurt. The report, issued in September 1993, proposed that no further office buildings above 25m should be built in the banking district (Frankfurter Rundschau, 1997a). It suggested that the existing configuration of high-rise blocks had already served to create negative climatic effects in central Frankfurt, including an increase in air temperature, a deterioration of air quality and a dramatic reduction in the amount of direct sunlight reaching ground level (Frankfurter Rundschau, 1997b). Following intensive discussions between the *Deutsche Wetterdienst* and the City Council, a clause was eventually added to the building plan for the Banking District restricting the maximum height of office towers to 123m (Frankfurter Rundschau, 1997a).

Against this backdrop, the test case for the concept of ecological high-rise development was the proposed *Commerzbank* development on Große Gallusstraße, in the heart of the banking district. The planning application for the new *Commerzbank* headquarters was finally approved in 1994 after four years of debate between the developers and the city council. While the building, at 300m tall, vastly exceeded the

proposed height limitations, it was heralded as representing a paradigm shift in the design and construction of office skyscrapers (Lambol, Davis and Davies, 1997; see chapter 9 for further details). Whether the *Commerzbank* development achieved anything more than a symbolic statement of the possibilities of architecture promoting more sustainable forms of urbanism in world cities is open to question (Moore and Brand, 2003). What seems clear, however, is that the decision to permit the 300m *Commerzbank* tower shifted Frankfurt planning discourse further in favour of skyscrapers. Most of the concerns expressed by the *Deutsche Wetterdienst* regarding the negative environmental effects of skyscrapers continued to stand, regardless of innovations in the design and building of such towers. Yet, the decision to breach the 123m height limit in the case of the *Commerzbank* provided a precedent that was to be constantly returned to by developers (Frankfurter Rundschau, 1998a).

By the mid-1990s, the central goal of planning policy under the red-green coalition had essentially fallen back in line with the pro-growth agenda that had characterised urban planning in Frankfurt throughout the post-war period, with policy statements becoming virtually indistinguishable from those made by the previous CDU administration. In the context of accelerating international competition, it was estimated that the demand for office space in Frankfurt in the last half of the 1990s would grow by 1.7-2.6 million m² from a base of 8 million m². Moreover, despite the city having an existing stock of 3.5 million m² of vacant office space available, city planners were making the case for such over-supply as being necessary for a proper functioning of the market (Stadt Frankfurt am Main, 1995c, p.28). The implication, then, was that a further phase of development projects would be required, an analysis again underpinned by an emphasis on the significance of increased competition within Europe:

As a banking and stock exchange centre, Frankfurt am Main acquired and strengthened its leading position in West Germany after the 1950s. The main goal for the future will be to also secure the position of Frankfurt am Main as a financial centre in the context of a single European currency and a far-reaching liberalisation of capital markets, vis-à-vis the most important European competitor, London (Stadt Frankfurt am Main, 1995c, p.28)

The policy of concentrating development in the inner-core represented by the banking quarter in buildings with a maximum height of 123m came under growing strain after 1995. In light of the *Commerzbank* example, property developers identified new ways of seeking and gaining exemptions from the strict height restrictions laid down in the planning and building regulations for the banking district. A proposal from Philip Holzmann AG to replace its existing 65m high building with one exceeding 140m was accepted after the company offered to provide space for 68 flats in a building next to the proposed office tower and to move jobs from surrounding local authorities to the new Frankfurt office tower (Schreiber, 1997). In light of this decision, the Dresdner Bank had offered to build a similar number of flats on a suitable site in the city, in exchange for permission to increase the height of its proposed office building from 120 to 140m, while threatening to otherwise move the bank's 1000 employees to a location outside the city (Schreiber, 1997). During the same period, the city gave permission for the building of 19 new high-rise office developments of 60m and above, of which 13 were to be concentrated in the City-West district (Frankfurter Allgemeine Zeitung, 1997b). Together with the re-building of three existing office towers, these planned developments constituted a possible combined total of 1.3 million m² additional office space. Given the bargaining process which appeared to characterise these planning decisions, Lutz Sikorski of the Frankfurt Green Party commented that 'Urban planning should not be determined in the headquarters of the banks, but in the city hall' (cited in Schreiber, 1997, p.35). Clearly, the question of democratic control over planning policy remained as pertinent in Frankfurt in the late 1990s as it had been under Wallmann in the late 1970s.

7.4 Conclusion

This chapter's analysis of planning policy further confirms the hypothesis that globalisation and world city debates came to play a growing role in the governance of London and Frankfurt during the 1980s and 1990s. However, there were, again, notable differences in the trajectories of policy-making, particularly at the start of the study period. The concerted efforts to establish Frankfurt as an international financial centre had ensured that planning policies promoting world city formation were already dominant by 1986, whereas analysis of planning debates within the City of London Corporation indicates the extent to which office development had been

resisted in the City until the mid-1980s. The course of planning policy in London and Frankfurt after 1986 underlines the extent to which these sharply contrasting starting positions shaped subsequent policy debates. Over the next ten years, the planning system in London struggled to come to terms with having to manage growth in office employment, a phenomenon that had not existed for at least two decades. By contrast, the red-green coalition governing Frankfurt after 1989 sought to find ways of alleviating the consequences of two decades of intensive development pressure resulting from the continued growth of Frankfurt as a financial services centre.

This discussion of planning policy also raises further doubts about the applicability of the notion of urban regimes in London and Frankfurt politics, as suggested by hypothesis 5a. Far from providing evidence of a mutual concern to promote growth, the planning system may more accurately be portrayed as a point of conflict between local politicians and business interests. The analysis of planning policies for the London and Frankfurt banking districts, in particular, points to neo-pluralist forms of interest bargaining rather than regime arrangements. This does not imply that urban politics is 'democratic' in the sense put forward by classic pluralist theorists such as Dahl (1961). Rather, world city politics is neo-pluralist in the sense that there are competing and countervailing pressures on policy-makers, but businesses enjoy disproportionate capacity to influence decision-makers (c.f. Lindblom, 1977). Thus, there is little evidence in the planning system of formalised relations between policy-makers and financial interests; the influence of the banks and property developers on planning policy appears to be achieved through their capacity to exercise systemic power, as suggested by hypothesis 6c. As the above discussion has shown, attempts to contain office development in both cities were met with fierce resistance from corporate interests, who emphasised the general danger of a loss of business to other cities, and in some cases directly threatened to relocate themselves. Within this context, it would seem that world city discourses take on an instrumental role in the policy process (hypothesis 6b), particularly with policy debates frequently being played out in the media as much as they are in direct meetings or correspondence between the relevant parties. As a senior planner in Frankfurt City Council argued in interview: 'The banks don't really care about city politics. They don't bother with it. Besides they can drive the agenda without any direct involvement. Realistically, the

political regime follows the economic agenda because it has little choice' (Interview with Bernd Hausmann, May 1998).

Even if there is little evidence of regime formation in the planning policy, the scope for corporate interests, particularly financial institutions, to drive planning policy clearly raises important issues in relation to the functioning of local democracy in world cities (see hypothesis 5a). The world city discourse that has increasingly come to characterise planning debates surrounding the London and Frankfurt banking districts has consistently placed business priorities over those of local residents. Such dynamics are particularly evident in London from 1986-96, where key local bodies such as the City of London Corporation and the LDDC were avowedly business-led and subject to only the most limited degree of democratic accountability to local residents (see chapter 1). Yet similar tendencies are also evident in Frankfurt, where planning policies are determined by a local authority run by politicians elected solely by local residents. It is evident that planning decisions have tended to drift from the democratic arena of the council chamber to be made by the city's Cabinet and, frequently, by the Director of Planning in person. In addition, as the following chapter demonstrates, the creation of semi-autonomous public companies to undertake economic development tasks in Frankfurt has furthered this tendency towards 'democratic drift'.

Chapter 8

Economic Development and City Marketing

8.1 Introduction

The previous chapter's analysis of planning policy underlined the extent to which the urban policy process is characterised by neo-pluralist relations, characterised more by conflictual relations between public and private actors than by the more stable regime formations pointed to by elite theorists. However, as chapter 6 demonstrated, increased business influence and direct business involvement in policy-making and governance were also common trends in world city politics in London and Frankfurt during the study period. In particular, there have been increasingly successful attempts to mobilise private sector actors around agendas of territorial competition. This business mobilisation is reflected in numerous forms of policy intervention, including the formation of business-led organisations with a lead role in city marketing and inward investment activities, and private sector involvement in competitive bids for international institutions and international sporting events. Indeed, during the 1990s in particular, London and Frankfurt increasingly became seen as direct competitors, not only for inward investment, but also for European financial institutions such as the European Bank for Reconstruction and Development (EBRD) and the European Central Bank (ECB).

This chapter analyses these trends in more detail, with the specific objectives of charting the changing character of economic policy-making in London and Frankfurt during the study period. It is particularly concerned with assessing the extent to which such developments may be captured by theoretical concepts such as urban regimes and state rescaling (see research question 5). However, the chapter is also of much wider general significance in relation to the research questions put forward in chapter 1, particularly those relating to the impact of globalisation on political debate, policy priorities and political mobilisation (RQs 3, 4 and 6 respectively). The first section of the chapter provides an overview of local economic policy in the two cities from 1986-96. As with previous chapters, this discussion highlights clear policy contrasts in London and Frankfurt for much of the 1980s, but a number of convergent

tendencies during the 1990s. In particular, it is shown that growing concern about the threat of competition from other European city-regions promoted a proliferation of economic development bodies, many of them arising from private sector initiatives. Based on this discussion, the second section highlights a paradox in both cities, namely that the rush to invest in economic development, ostensibly to promote the capacity to engage in *inter*-metropolitan competition, created structures of economic governance that were widely condemned for their tendency to duplicate existing provision and to promote *intra*-metropolitan competition. In this context, it is noted that economic development initiatives have been underpinned by a shifting world city discourse that appears to be more concerned with maintaining and furthering economic development activity *per se* than it does with analysing the actual extent to which such policies are likely to be effective. The third section uses this more critical stance on local economic policy to analyse the politics of local economic policy in London and Frankfurt using a number of case studies. These case studies examine particular policy initiatives concerned with competitive bidding, the formation of public-private partnerships and private sector lobbying of governmental bodies. There are two central conclusions. First, in contrast to the notions of urban regimes and growth coalitions discussed in chapter 3, a central feature of world city politics in both cities has been the deployment of a world city discourse in an attempt to mobilise short-life coalitions for very specific, short-run ends. Second, the implications of the increased emphasis on economic development policies in world cities reach far beyond economic policy itself. Such efforts tend to re-order existing policy priorities, while also spilling over into areas of social policy and reconfiguring the relationship between local policy-makers and international political and economic actors.

8.2 The development of urban entrepreneurialism in London and Frankfurt, 1986-96

At the start of the study period, there were strongly contrasting approaches to local economic policy in evidence in London and Frankfurt. In London, a set of competing and often contradictory economic development efforts emerged in the midst of the central-local conflicts that characterised London politics in the 1980s (see chapters 5 and 6). For the first half of the decade the Thatcher government and the GLC were at

loggerheads over how to respond to the profound structural changes taking place in the London economy, with neither the introduction of the LDDC or the Greater London Enterprise Board suggesting any scope to reverse London's relative decline. Meanwhile, the post-war political dynamics driving Frankfurt's pro-growth political agenda established it as a pioneer of urban entrepreneurialism in Europe. From the late 1970s, as part of Wallmann's '*Großstadt*'/'*Weltstadt*' agenda, Frankfurt became one of the first cities in Europe to adopt city marketing techniques (Scholz, 1989) and to invest in cultural facilities as a facet of economic development (Bianchini and Parkinson, 1992). While the trajectory of economic development provoked fierce local political controversy in both London and Frankfurt (Forman, 1990; Fainstein, 1994; Keil and Lieser, 1992), the latter's heavy emphasis on promoting economic growth could more clearly point to evidence of economic success. In a quantitative analysis of the economic performance of 117 functional urban regions in the European Community, Cheshire (1990) suggested that Frankfurt had established itself as easily the most successful metropolitan economy in Europe from 1971-88, while London languished in 35th place, trailing every other recognised 'world city' in Europe, including Brussels (2nd) Amsterdam (5th), Milan (17th), Paris (23rd), and even pre-unification Berlin (34th).

Despite such contrasts, however, a number of common trends became evident in economic policy in London and Frankfurt politics during the 1980s and 1990s. First, as proposed by hypothesis 5a, the 'hiving-off' of functions to single-purpose companies, agencies and partnerships was to become increasingly typical of economic development efforts in both cities during the study period. Moreover, as a result of the introduction of a range of such special institutional arrangements, economic development became a more salient, and often controversial, issue in city politics, albeit one increasingly divorced from the democratic arena and council chambers. Second, as suggested by hypothesis 4, the justification for the proliferation of such institutional forms was increasingly made with reference to the impacts of globalisation, European integration and the intensification of competition between cities. Third, this perceived need for world cities to engage in intense competition promoted the mobilisation of business interests in economic development efforts in both London and Frankfurt. This activity is found particularly in relation to inward investment promotion, place marketing and competitive bidding for international

institutions and sporting events – developments which are consistent with hypothesis 5b. In short, developments in both cities during the study period confirm the emergence of urban entrepreneurialism, although as a result of very different institutional dynamics. Whether such efforts proved successful is, however, highly questionable, as hypothesis 5a also implies.

From conflict to partnership: local economic policy in London, 1986-96

Following the abolition of the GLC there was no structure or mechanism in place to coordinate economic development policy across London. Whereas the majority of the GLC's functions were transferred to joint committees or QUANGOs, no serious thought was given to extending such provision to local economic development (Clegg et al, 1985). This was not altogether surprising. The GLC had only adopted local economic policy initiatives belatedly, under Livingstone's leadership, and had done so as much for political ends as for economic ones. Moreover, the Thatcher government favoured a market-led approach to economic development that maximised private sector involvement and investment, as typified by the LDDC and the Isle of Dogs Enterprise Zone. Meanwhile, local authorities across London, as elsewhere in the UK, began to build up economic development units, formulate borough-wide economic policies, draw on available European source of finance for economic development, and initiate forms of collaboration with private sector interests (Campbell, 1990; Atkinson and Wilks-Heeg, 2000).

Following the re-election of the Conservatives at the 1987 General Election, further layers were added to this emerging set of economic development activities. In accordance with its emphasis on private sector models, the government created the Training and Enterprise Councils (TECs) in 1988 as business-led organisations funded directly by central government to deliver training programmes and promote business start-ups. Nine TECs were created in Greater London, progressively acquiring a greater role in economic development and establishing a joint London TEC Council to co-ordinate initiatives across the capital (Gordon, 1995). Encouraged by central government, wholly private sector economic development initiatives also began to emerge, the most significant being Business in the Community, which established the East London Partnership in 1990. At the same time, Labour boroughs,

in particular, began to move towards acceptance of centrally- imposed economic development bodies, such as the TECs and the LDDC, particularly in view of the resources they controlled (Wilks, 1995). Most significantly, the three London boroughs in which the LDDC was operational (Southwark, Newham and Tower Hamlets), softened their opposition to the now 'cash rich' development corporation and began to develop forms of joint collaboration (Wilks, 1995). Thus, driven by a combination of central government diktat and local political pragmatism, a complex web of economic development institutions and networks had emerged in London by the early 1990s. It was a system of policy-making that was widely seen as being ill suited to addressing the economic challenges facing London, particularly in light of its international articulations (Travers et al, 1991; Labour Party, 1992; Thornley, 1992). Significantly, the most vocal criticism often came from the private sector (Travers et al, 1991; CBI London, 1991).

It was in this context that a more co-ordinated, although no less complex, approach to economic policy began to emerge from 1993 onwards. In particular, city marketing efforts in London became more concerted, primarily as a result of collective action among private sector interests. The foundation of London First in 1992 was at the heart of this process, leading subsequently to the creation of the London First Centre (1994), which promoted London as a location for foreign direct investment. By the time of its launch, some 40 companies, many of them in the financial and property sectors, had paid £5,000 each to join London First, with the number of subscribers growing to more than 200 by 1994 (Gordon, 1995). As the only pan-London body operating in London with an economic development remit, London First was strongly focussed on the international standing of London, arising from the gathering concern within the private sector at that time about London's competitive position (Interview with Lord Sheppard, January 2004). Frustrated by London's fragmented system of local governance, business leaders such as co-founder Allen (now Lord) Sheppard, decided to take the initiative:

The thing that drove us was that the business community in London was finding it very difficult to get its messages through about London to the political community. Obviously there wasn't a GLA or GLC, and so we had to get through to the Boroughs and national government and so (we decided) to

actually form a group that was going to lobby and push for particular issues on London, (as) there wasn't one (Interview with Lord Sheppard, January 2004).

Under the aegis of London First, the private sector took the lead in developing a pan-London economic development framework, identifying five distinct sub-regional economies, operating across borough boundaries, and establishing individual business-led partnerships for each. For example, West London Leadership, covering the London Boroughs of Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon, Hounslow and Richmond, constituted a partnership between these local authorities, a number of major local businesses (including British Airways, BAA, Guinness Breweries), and other bodies such as LPAC and the West London TEC. Its stated objective, expressed in the West London Development Framework of 1996 was to advance 'a clear vision for the transformation of the West London sub-region into a world class economy' (West London Leadership, 1998, p.3). Meanwhile, with the boroughs continuing to intensify their economic development efforts, especially with a view to securing additional government resources via competitive bidding, borough-wide economic development partnerships emerged. These were, in turn, supplemented by additional public sector-led partnerships emerging on a cross-borough scale, particularly after the designation of large parts of London as an Objective 2 region under the EU structural funds (see chapter 9).

The structures of economic governance that emerged in the London Borough of Croydon were fairly typical of developments that took place throughout the London boroughs from 1986-96. Croydon had lost large numbers of manufacturing jobs in the 1980s, and experienced a decline in service sector employment in the early 1990s (Local Futures Group, 1998; Phelps and Parsons, 2003). The council's Chief Executive reported that, in response to local economic decline, it had shifted from an economic development agenda that was 'mainly liberal land-use planning and low rates' to a more interventionist approach (Interview with David Wechsler, December 1999). Croydon's first comprehensive economic strategy, published in the late 1980s, stressed the need for the council to promote stronger relationships with the private sector, and led to the development of the Croydon Economic Development Forum (CEDF) in 1993, subsequently launched as Croydon Partnership in 1997, running alongside a dedicated place-marketing arm, Croydon Marketing and Development

(Interview with David Wechsler, 1999). CEDF and its successor were public-private partnerships that included representatives from the council and other public sector bodies as well as Croydon and South London Chamber of Commerce, the South London Training and Enterprise Council and private companies such as Nestle UK, British Telecom and HSBC (London Borough of Croydon, 1999).

In addition, the private sector in Croydon also mobilised to form its own organisations as a response to local economic decline during the first half of the 1990s. Both the Croydon Professional Group (CPG) and the South London Manufacturers Network were established in 1996 (London Borough of Croydon, 1999). The circumstances leading to the foundation of the CPG were described by its founder, Dean Sutton, a Chartered Surveyor for some 40 years, in almost identical terms to the origins of London First. Thus, the foundation of CPG was motivated by a perceived need among local bankers, surveyors and lawyers to communicate their views to the council about the decline of the local economy, particularly given the lack of business leadership provided by the local Chamber of Commerce (Interview with Dean Sutton, December 1999). Finally, the period also saw Croydon play a lead role in the formation of cross-borough, public-private partnerships, such as the South Wandle Partnership, a joint initiative with the London Borough of Sutton, established in 1996 following a successful bid to the government's Single Regeneration Budget (South Wandle Regeneration Partnership, 1999; Interview with Geoff Hammond, December 1999).

With such partnership proliferation taking place across London in the 1990s, the scope for private sector bodies such as London First to co-ordinate economic development activity became increasingly remote. Shortly after the launch of London First, an article in *The Financial Times* argued that 'the creation of more bodies to promote the capital looks set to perpetuate the division of effort between disparate, sometimes overlapping and occasionally competing organisations, none of which can claim leadership' (Willman and Tomkins, 1993, p.16). The mere activity of cataloguing the array of economic and business development partnerships was complex enough. When the London Business Board (1998), itself a partnership of London First, the CBI London Region and the London Chamber of Commerce and Industry, undertook a review of sub-regional partnerships undertaking economic development activities in Greater London, it identified ten, including four in East

London alone. In short, attempts to co-ordinate economic development across London under private sector leadership served to do little more than intensify the proliferation of partnerships and initiatives, creating a Byzantine structure, the rationalisation of which became one of the key tasks facing Ken Livingstone, as mayor of London after 1999 (Pimlott and Rao, 2002).

From city marketing to state rescaling: local economic policy in Frankfurt, 1986-96

As was noted above, the intensification of economic development efforts in Frankfurt during the 1980s established it as a pioneer of urban entrepreneurialism. Scholz (1989) documents how the CDU administration under Wallmann commissioned a detailed image study of Frankfurt in 1979-80, and subsequently employed advertising agencies to promote Frankfurt internationally, engaging banks and other Frankfurt businesses in the city marketing process. Similarly, Frankfurt has been recognised as one of the earliest examples of European cities using cultural policy to market themselves internationally, with the CDU administration investing heavily in culture in the early 1980s (see chapter 5), more than a decade before this approach became part of the mainstream of entrepreneurial city agendas in Europe (Bianchini and Parkinson, 1992). Such initiatives were strongly influenced by the notion that Frankfurt was competing against cities internationally rather than domestically: 'already in 1980, reports were being written, including internally, that said that Frankfurt's competitors were not Berlin or Hamburg, but Amsterdam and London and these are the cities we have to position ourselves against' (Interview with Michael Kummer, May 1998). By the mid-1980s, urban entrepreneurialism had become the defining feature of the CDU administration's agenda for Frankfurt, as reflected in the boosterist documents published by mayors Wallmann (1986) and Brück (1986) and the decision to bid for major international sporting events, most notably the Olympic Games (Bericht des Magistrats an die Stadtverordnetenversammlung, 1987b, 1988g).

While arms-length corporations already played a key role in Frankfurt governance by the mid-1980s, primarily in the form of the Frankfurt Airport AG and the Messe GmbH, the broadening of the CDU economic policy agenda for Frankfurt in the 1980s saw growing use of such institutional forms. During this period, the CDU administration began to invest more heavily in economic development activity. In

August 1986, a change to the status of the existing *Amt für Wirtschaftsförderung* (Office for Economic Development) was announced, which was now to become a more independent *Wirtschaftsförderungsgesellschaft* (economic development corporation), benefiting from the appointment of additional staff. These changes were justified with specific reference to the growing competition Frankfurt faced from other localities within Germany and, increasingly, in Europe (Bericht des Magistrats an die Stadtverordnetenversammlung, 1986). On 1 July 1987, the new economic development corporation was formally established, thereby shifting economic development from a marginal role within the city council to a quasi-autonomous status, independent from the administrative structures of the council (Keil and Lieser, 1989).

As a result of its increased visibility and its relative independence from the council's administrative structure, the activities of the new economic development corporation rapidly became a central issue in Frankfurt politics. The CDU administration offered further justification for the new corporation, again stressing the significance of international economic change: 'The development chances of Frankfurt lie in the continuing process of internationalisation' (cited in Keil and Lieser, 1989, p.26). During the same period, an arms-length corporation, the *Olympische Sommerspiele Frankfurt am Main GmbH*, was established in October 1987 to work on Frankfurt's Olympic bid (Bericht des Magistrats an die Stadtverordnetenversammlung, 1987b), with the city council also commissioning Albert Speer (see chapter 7) to prepare an initial plan for hosting the games. The scale of the city's commitment to securing the games was indicated by the allocation of a DM 6.5 million annual budget to the corporation from 1989 (Bericht des Magistrats an die Stadtverordnetenversammlung, 1988g). Ultimately, Frankfurt's bid was withdrawn in favour of Berlin following German reunification, but the Speer plan for the Olympics was nonetheless seen to have underpinned significant change in Frankfurt, particularly by winning back previously derelict riverside land (Müller Raemisch, 1996).

As with planning policy, the principles of a more regulated internationalisation contained in the 1989 coalition agreement between the Greens and the SPD ultimately made little difference in disrupting the growing emphasis placed on promoting economic growth in Frankfurt. Instead, in the view of Claus-Jürgen Göpfert, a

prominent local journalist, the tendency throughout the 1990s was 'for local politics to comply, to give into the modernisation agenda' being driven by economic interests in the context of globalisation (Interview with Claus-Jürgen Göpfert, May 1998). Much the same conclusions were reached by Gerd Wagner, Frankfurt's SPD speaker on economic policy. Wagner argued that the ideas underpinning the red-green coalition had emerged while the parties were in opposition 'in a situation where you can have certain illusions' (Interview with Gerd Wagner, June 1998). Moreover, he emphasised the degree of agreement between himself and his CDU counterpart, Udo Corts, on the content of local economic policy: a consensus arising, at least in part, from the limited range of options for local policy-makers in a global era:

What is new about globalisation is that it is easy for investors to transcend national boundaries, that there are no long-term investments. It is increasingly possible for firms to use the argument of jobs to blackmail local authorities and countries, statesa city can do relatively little in terms of economic policy ...you can go with the grain of local economic trends and try to produce good local conditions (for investment) but everything we gain here is lost somewhere else (Interview with Gerd Wagner, June 1998).

As was noted in chapter 6, a key implication of this increased emphasis on urban entrepreneurialism in Frankfurt politics was that it served to re-ignite the debates surrounding the governance of the wider city-region, with private sector interests beginning to mobilise to promote a vision of a 'Frankfurt/Rhine-Main' metropolis. As in London, the extent of private sector activity on this issue stemmed directly from business leaders' frustration with governmental arrangements, in this case the persistent failure of policy-makers to reorganise the governmental boundaries of South Hessen in light of the intensification of Frankfurt's global articulations and the expansion of its territorial influence. However, while the private sector was actively promoting new organisational forms for a Rhine-Main Region, via the Rhine-Main Chamber of Commerce and the Economic Development Initiative Frankfurt/Rhine-Main (WIFRM), parallel organisational developments led by the public sector, were simultaneously taking place at an intermediate scale. During the first half of the 1990s, the *Umlandverband Frankfurt* began to intensify its economic development efforts (Umlandverband Frankfurt, 1994, 1993b, 1995), while also initiating a debate

about the future of the Rhine-Main region in the context of European integration (Umlandverband Frankfurt, 1991, 1993a, 1997a). As part of this process, the UVF established the *Wirtschaftsförderungsverein Region Frankfurt/RheinMain* (The Frankfurt/Rhine-Main Economic Development Association) in October 1995. A partnership of 71 local authorities, 5 Chambers of Commerce, the Frankfurt Airport AG, Frankfurt University, Frankfurt Polytechnic and a number of local and regional business associations (IHK Frankfurt, 1996), the association defined its objective as 'the strengthening and further development of the Frankfurt/Rhine-Main region as a business location' (Wirtschaftsförderungsverein Region Frankfurt/RheinMain, 1998).

As a result of this diverse set of initiatives, the same concerns that had emerged about the fragmentation of economic development initiatives in London were also apparent in Frankfurt by the mid-1990s. The simultaneous existence of the Frankfurt Economic Development Corporation, Frankfurt Rhine-Main Economic Development Association, and the Frankfurt Rhine-Main Economic Development Initiative, operating as overlapping partnerships at different spatial scales, had created a highly confusing institutional configuration, not least for potential inward investors. During interviews in 1998, the need for a more co-ordinated, and preferably greatly simplified, governance structures for economic development was stressed by both Frankfurt's CDU Director of Economic Development, and his SPD counterpart (Interview with Udo Corts, May 1998; Interview with Gerd Wagner, June 1998). Yet, this political consensus within Frankfurt merely underlines the significance of the factors that had led to such a proliferation of institutional forms in the first place: the ongoing tensions between Frankfurt city council and surrounding local authorities. Thus, whereas London's fragmented economic development policies had emerged from the political game represented by central-local relations, the myriad of economic development organisations in the Frankfurt city-region were a product of the urban-regional politics of scale (Wilks-Heeg, 2004). These contrasting political-institutional dynamics are analysed further in the next section.

8.3 Globalisation and the politics of local economic development in London and Frankfurt, 1986-96

The above analysis raises something of a paradox. On one hand, economic development activities were intensified dramatically in both London and Frankfurt during the 1980s and 1990s, with this shift being underpinned by a discourse emphasising the threat of globalisation and territorial competition to their respective standings as world cities. At the same time, however, there is ample evidence of these economic development arrangements being heavily criticised, particularly as a result of the confused nature of the governance structures that emerged. In the context of the growing emphasis on territorial competition, economic development agencies in both cities proliferated, reflecting either profound disagreements, or sometimes more simply a lack of any real reflection, within both city-regions about how best to respond to globalisation. As such, the threat of competition from cities elsewhere served to generate increased competition between organisations operating *within* London and Frankfurt. It is particularly ironic that despite long-standing private sector criticisms of waste and inefficiency in the public sector, the increased involvement of private companies in local economic development in London and Frankfurt appeared primarily to promote the duplication of existing efforts.

Moreover, despite the strength of the perceived threat from other cities, policy debates appeared to exhibit considerable disagreement, if not confusion, about which cities represented the most significant threat. This confusion was most evident in attempts to identify Frankfurt's principal competitors, particularly following the dramatic changes in German domestic politics after November 1989. Kania's (1989) detailed analysis of Frankfurt's position in the context of European integration, published shortly before the fall of the Berlin wall, had been overwhelmingly positive about the opportunities afforded to Frankfurt by the internationalisation of economic activity. Yet, with the collapse of Communism in East-Central Europe, local discourses on competitiveness shifted significantly. In February 1990, mayor Hauff, who eight months previously had identified Paris as Frankfurt's key rival within Europe (Bartelheimer, 1989), now proposed that the 'opening of the East' would mean growing competition from Berlin, to which Frankfurt had to respond (cited in IHK Frankfurt, 1990c). With the red-green coalition engaged in fractious internal conflicts over office development and airport

expansion (see chapter 7), the apparent threat to Frankfurt posed by a united Berlin, and even a possibly resurgent Leipzig, became a dominant theme in local political debate. When, in April 1990, the Chair of the Frankfurt Chamber of Commerce stressed the need for Frankfurt to face up to growing international competition by 'responding to the growing need for office space, improving transport infrastructure and being more generally business friendly', Berlin was cited as the key challenger to Frankfurt's role as a financial services centre (IHK Frankfurt, 1990d, p.3).

Whatever the basis for identifying German reunification as a threat to Frankfurt's international role (as it turned out, Berlin struggled to establish itself as a major economic presence within Europe), the spectre of a reunified Berlin played a key role in returning Frankfurt politics to a narrowly pro-growth agenda. At the same time, the apparent threat of direct competition from Berlin and other cities in East-Central Europe, was also used by public-funded economic development agencies, such as the Frankfurt Economic Development Corporation, to argue against cuts in their operational budgets:

Increased competition within Europe and as a result of the collapse of the Soviet Empire, the emergence of future competitors such as Berlin, Prague and Budapest must provide an impetus for greater efforts. These growing challenges stand alongside the constraints imposed by the city's budget cuts (Wirtschaftsförderung Frankfurt, 1997, p.5).

Curiously, the Economic Development Corporation's concerns about Berlin, Prague and Budapest as potential competitors were not reiterated in an interview with the Corporation's chief officer a year later, when the city's key rivals were instead defined according to economic functions: London (banking), Amsterdam (airports) and Paris (stock markets) (Interview with Hartmut Schwesinger, June 1998). Yet it was not only in Frankfurt that the apparent threat of a re-unified Berlin was being used to make the case for furthering inward investment efforts. In July 1996, the retiring Chief Executive of the London First Centre, John Cox, argued that 'We cannot afford to underestimate the level of competition facing us from emerging cities such as Berlin. London will lose out if it does not compete and compete very effectively' (cited in Cassell, 1996a, p.4). In the same *Financial Times* article, London

First's Chief Executive, Lord Sheppard, cited Paris, Brussels, Frankfurt as the principal competitors (see below). Yet, throughout the 1990s, London's primary rivals were frequently suggested to be outside Europe, with New York and Tokyo cited most frequently in research reports (Coopers and Lybrand Deloitte, 1990, Llewelyn Davies and Partners, 1996). Asked to reflect on the reasons for highlighting the dangers of banks relocating from the City of London to Paris or Frankfurt, the Corporation of London's former Chair of Planning was remarkable honest:

I used to use that case just as a piece of rhetoric, I didn't really think so ... no, no, no, it's a piece of rhetoric really. Lord Mayors used to put it in their speeches too, because it sounds good (Interview with Michael Cassidy, January 2004).

Not only were economic development policies underpinned by a questionable, shifting discourse on globalisation, there was also evidence to suggest that high-profile policy responses were making far less of a difference to local competitiveness than was claimed. The example of inward investment promotion, which became central to the activities of most of the new agencies, partnerships and policy initiatives outlined above, is a salient one. While agencies such as London First Centre and Frankfurt Economic Development Corporation could claim some success in promoting inward investment by the mid-1990s, the extent of inward investment activity appears insignificant compared to the scale of capital mobility implied by globalisation discourses. Indeed, while the immediate threat posed by apparently ferocious competition for inward investment underpinned private sector commitment to promoting London internationally, the short-term impact of such efforts was perhaps more questionable. The London First Centre reported that it has facilitated the completion of 46 inward investment moves to London within 18 months of its foundation, with the vast majority of these resulting in only very modest job creation, typically in the region of 10-50 jobs per project (Crawford, 1995). Indeed, according to the London First Centre's then Director of Services, John Cox, competition for inward investment in the mid-1990s involved anything but vying for footloose companies in financial or producer services seeking to transfer large numbers of employees to a more favourable location: 'even large international businesses coming to London for the first time are cautious over the scale of their set ups...The large-

scale inward move involving large offices for dozens of staff is a thing of the past' (cited in Crawford, 1995, p.30).¹

Similar conclusions can be drawn from the experience of inward investment promotion in Frankfurt in the 1990s. During this period, inward investment agencies in Frankfurt became increasingly focussed on a number of geographical 'target markets': Japan, Korea, China, the USA and Eastern Europe (Wirtschaftsförderung Frankfurt, 1997). Particular efforts were made in relation to the city's traditionally strong links with Asia, particularly Japan, China and Korea. With the dramatic growth of the Asian Tiger economies in the 1980s and 1990s occurring alongside the creation of the European Single Market (see chapter 2), growing numbers of Asian firms were attracted to Frankfurt as a base for their European operations from the late 1980s onwards (Bericht des Magistrats an die Stadtverordnetenversammlung, 1992). As table 8.1 indicates, there was a significant growth in the Japanese and Korean presence in Frankfurt from 1987-97, whether measured by the increase in the number of companies or the number of residents.

Table 8.1 Japanese and Korean companies and residents in Frankfurt, 1987 and 1997

	<i>Japanese companies</i>	<i>Japanese residents</i>	<i>Korean companies</i>	<i>Korean residents</i>
1987	145	2,200	84	2,500
1997	260	3,600	140	4,000

Source: Wirtschaftsförderung Frankfurt (1998), p.34.

Such figures are typical of those offered by inward investment agencies to demonstrate the success of promotional efforts. However, it is important to put these data into context. Despite the dramatic increase presented by such figures, the combined total of 7,600 Korean and Japanese residents made up just 1 per cent of the city's population in 1997, or 4 per cent of Frankfurt's total non-German residents,

¹ These trends are reinforced in more recent data. In its current promotional literature, the London First Centre claims to have 'assisted over 620 companies from over 35 countries to locate or expand in London, creating and safeguarding in excess of 32,000 jobs in the capital' (London First Centre, 2003). Even if the issues of how 'jobs safeguarded' is defined and whether firms would have invested without London First's assistance are ignored, this equates to roughly 52 jobs created/safeguarded per inward investment project. Moreover, the total number of London's jobs which London First lays some claim to having helped secure or retain constitutes less than 1 per cent of all jobs in Greater London.

with both nationalities being vastly outnumbered by residents from the rest of the EU (49,900), Yugoslavia (45,500) and Turkey (36,900) (Stadt Frankfurt am Main, 1997). Moreover, in the wake of the financial crisis in South East Asia during 1997-98, the sudden withdraw of South East Asian companies from Frankfurt appeared to have only the most negligible impact on the city's economy. It was reported in May 1998 that the number of Japanese banks operating in Frankfurt had fallen from 48 in 1992 to 22 in 1998, while the total number of Korean companies in the city had fallen to 80 within a year of the devaluation of the Korean won (Cullen, 1998), thus returning to the same level as in 1987.

The explanation offered for this rapid withdraw of Japanese and Korean businesses by the founder of the German-Asian Economic Circle in Frankfurt was that they were essentially small operations that could be closed quickly to make cost savings: 'it costs between DM500,000 and DM1 million to run a foreign representative office with a staff of two in Frankfurt. Asians come quietly and go quietly' (Bodo Krüger, cited in Cullen, 1998, p.6). Meanwhile, despite the rapid loss of Japanese and Korean firms, the Frankfurt economy continued to grow. From 1998-2002, total employment in the city increased from 460,000 to 488,000 (a 4 per cent increase) and gross value added rose from €38,300 to €43,500 million (a 13 per cent increase) (Stadt Frankfurt am Main, 2002, p.73 and p.81), at a time when the Germany national economy was in severe recession. Again, these events suggest that competition for inward investment from South East Asia was of far less significance than implied by dominant local discourses.

The apparently limited impact of inward investment of the London and Frankfurt economies indicates that the world city discourse may be based on an erroneous interpretation of world city economies. As the Association of London Government's (1997) 'London Study' indicated, 'even in world cities, international business ... is not yet a dominant part of the urban economy' (p.21). Indeed, the ALG study provides an important counterweight to the world city discourse that has largely fallen on deaf ears. The London Study found on the basis of extensive research that:

Even within the two central boroughs, which are most closely identified with the global role, there are significantly more jobs in firms primarily serving the national UK market ...it is important to realise that - despite all of the discussion of London's "world city" role much of the London economy remains strongly orientated either to the national market or to its own internal needs (Association of London Government, 1997, p.21).

8.4 Case Studies of economic development initiatives in London and Frankfurt

The above analysis suggests good reason to advance a more critical, if not sceptical, analysis of local economic development policy in London and Frankfurt during the 1980s and 1990s. The remainder of the chapter therefore presents six brief case studies of economic development initiatives during the study period, three from each city, in order to reflect further on the politics of economic policy in the world city context. Given the inevitable differences in the key local issues pertaining in economic development during the study period, it was not possible to select entirely common themes to study in the two cities, however, it is possible to present the case studies as 'rough pairings' in order to pull out convergent and divergent political and institutional dynamics.

Failing as a competitive city: London and competitive bidding in the 1990s

The tensions and contradictions inherent to inward investment and place marketing efforts are particularly evident in London's attempts to engage in competitive bidding in the 1980s and 1990s. London's efforts to host the Olympic Games of 1996 and 2000, as well as the Commonwealth Games in 2002 were fatally undermined by the fragmentation of the city's governance structures after the abolition of the GLC. London's bid to host the 2000 Olympics failed at the first hurdle, after the British Olympic Association (BOA) opted on 24 April 1991 to put forward Manchester as the UK's nomination for the international competition. In the run up to the BOA meeting, two rival bids had emerged within London – one focussed on Wembley, the other on the Royal Docks in East London – with a compromise not reached until late January 1991 (Financial Times, 1991a).

In turn, the late agreement to make the London Docklands the focus of the London Olympic Campaign revealed a number of serious failings in London governance, as a *Financial Times* (1991b) editorial commenting on the selection committee's reasons for nominating Manchester made clear. The London bid failed to include anything other than 'hazy details' of how adequate transport links and sporting facilities would be provided to host the Olympics in Docklands, a problem that was clearly accentuated by the fact that 'the LDDC said it had provided advice to the London Olympic Campaign but had begun meeting the organisers only recently' (p.3). In addition, the London bid raised serious issues about political leadership and responsibility since it attracted only 'lukewarm support from the London Boroughs' and the City of London Corporation had refused to head the bid (The *Financial Times*, 1991b). Similar issues were stressed in other *Financial Times* coverage of London's failed bid: 'What hampered London, it is thought – the BOA would not say – was the capital's lack of an umbrella council, its crowdedness, grime and terrible transport ... it was a tottery old London versus a wily and free-punching northern foe – virtually a push-over' (Thompson-Noel, 1991).

London fared little better when pitched against Manchester again in 1994 to secure the British nomination to host the Commonwealth Games in 2002. After announcing the decision to put forward Manchester as the UK's nomination, Norman Stansfield, Chair of the Commonwealth Games Council for England, criticised the peripheral locations of the proposed athletes villages in London, while also highlighting the far greater enthusiasm evident in the Manchester bid: 'Manchester was also a city that also wanted these Games. There was a real vibrancy about the bid' (cited in Goodbody, 1994, p.44). By contrast, Richard Sunray, representing London's bid team, appeared to add only a veneer of optimism to an underlying sense of inevitability about London's failure: 'London, because it is London, has to try for future sports competitions. It is important for the capital and we have the backing of the business community' (cited in Goodbody, 1994, p.44). Yet, however supportive the private sector in London, there was an almost universal consensus that such efforts would fail in the absence of a strategic political authority. Writing in *The Times*, Tony Travers captured the mood in the capital when he reiterated a now familiar line of argument:

Alone among Western capital cities, London has no representative body to speak for it in Whitehall and abroad. And it shows. London was beaten easily by Manchester as the English choice for the Commonwealth Games because, the judges said, London lacked a strategic authority. The capital could not even bid for the Olympics, let alone win them, because it has no mechanism for doing so (Travers, 1994, p.17).

The case of London's competing bids for the 2000 Olympics illustrates the failure to construct a single growth coalition or regime to promote the city. In this sense, the failed Olympic bids were simply a facet of the failure of economic development efforts to overcome internal competition between areas of London, especially East-West rivalry (Pimlott and Rao, 2002). In particular, the Achilles heel of the Olympic bid, was repeated in numerous instances, including the disagreement about where to site the Eurostar terminus (Waterloo vs. Stratford), fatally undermining efforts to engage in urban entrepreneurialism. During an interview, Lord Sheppard recalled the acute frustrations of attempting to secure agreements within London about potential bids during the early years of London First:

...actually trying to get London to come together was impossible. It wasn't even that they were negative, it was that they actually all wanted to do their own thing. So therefore the dabble about the Commonwealth Games ... I remember there being a meeting with some of the Olympic members, but we never actually put in a bid for London, and it was very difficult to get London to speak with one voice. They'd be so busy, East versus West. I remember a huge meeting we had, which was actually a free fight between East London and West London, going out towards Heathrow. I think it was about a convention centre ... it was conferences, Excel, exhibitions centres. Why the hell was Germany taking all this much bigger market share than we were, and it was, oh it's got to be near Heathrow, oh we don't want it near Heathrow and so on. And the whole of the intensity was that, and of course meanwhile Germany won (Interview with Lord Sheppard, January 2004).

If attempts to engage in urban entrepreneurialism in London in the early 1990s compared unfavourably to those in Manchester, the contrasts were arguably even

greater when London went head-to-head with Frankfurt. On 29 October 1993, the decision was taken to locate the European Monetary Institute (EMI), the forerunner of European Central Bank, in Frankfurt in preference to London (Frowein, 1993). To a significant extent, the deciding factor in favour of Frankfurt appeared to be UK national policy towards the Euro rather than a direct failure of London governance (Marsh, 1992). Indeed, London's bid to host the EMI was one of the few instances in the study period when clear leadership emerged within London's fractured system of governance: the City of London Corporation took the lead, committing £1.5 million to the project. Thus, although the London bid secured financial backing more than four times the DM 700,000 behind the Frankfurt bid, the City of London Corporation's campaign to secure the European Central Bank was always plagued by the difficulties of convincing other EU governments of London's case (Marsh, 1992). At the same time, however, the London bid also appeared to exhibit a degree of complacency, assuming that the superior standing of London in international financial markets would make it the obvious choice ahead of Frankfurt. In a letter to *The Times*, Michael Cassidy (1992, p.25), then chair of the City of London Corporation's Policy and Resources Committee, argued that 'Whilst the exact role of the ECB has yet to be agreed, it is quite clear that whatever form it takes, it will need to operate in London to operate effectively'. In contrast to this misplaced self-confidence, the role of Frankfurt's campaign in establishing Frankfurt's credentials as a European financial centre was seen by those involved in Frankfurt's bid as being of paramount importance in making it a credible alternative to London (Frowein, 1993).

Short-life regimes: Frankfurt's bid for the European Central Bank

If competitive bidding in London pointed to regime failure and to the presence of multiple, competing growth coalitions, the clearest trend in Frankfurt is one of coalitions being constructed for particular purposes, usually with a limited lifespan. As part of the lobbying efforts of Frankfurt to secure the ECB, the *Eurobank-Arbeitsgruppe* (European Bank Working Group) was formally established in 1989, comprising representatives from the city council, the Chamber of Commerce, the Frankfurt Stock Exchange, the city's banks and the *Bundesbank* (Frowein, 1993; Esser and Steinert, 1991). Although the idea for a Working Group had emerged from discussions between the CDU mayor, Wolfram Brück, and the President of the

Chamber of Commerce in late 1988, the proposal was taken forward by the incoming SPD mayor, Volker Hauff, who convened the first meeting on 30 August 1989 (Frowein, 1993). Despite the vociferous disagreements between the City Council and local business interests after the election of the red-green coalition in 1989 (see chapters 6 and 7), during October 1990 'the President of the Frankfurt Chamber of Commerce, Dr. Hans Messer, indicated that cooperation in the European Bank Working Group, in which business representatives sit alongside representatives of the city council, has been very positive' (IHK Frankfurt, 1990b, p.3). Indeed, following the announcement that Frankfurt's campaign had been successful, Dietrich-Kurt Frowein, a participant in the Working Group and a board member of Commerzbank, suggested that it had been a model of co-operation between political and economic interests in the city (Frowein, 1993). Frowein emphasised that not only had the Working Group succeeded in producing an effective bid and strategy for Frankfurt, by harnessing the imagination and personal commitment of its members but that it had also managed to overcome political conflicts and differences: 'the change of party control in the city council and the state government did not undermine the commitment to the objective and the frictionless co-operation in any way' (p.3).

However, the experience of such short-life partnerships cannot be generalised in the sense implied by the notions of urban regimes or growth coalitions. While he is unhesitant in his praise for the work of the *Eurobank-Arbeitsgruppe*, Frowein (p.3) is also acutely aware of its atypical status: 'it is to be wished that the success of the joint project to apply for the European Central Bank will also bring about a greater readiness for consensus and the formation of alliances of interests between business and politics on other special issues'. Indeed, relationships between key public and private sector decision-makers in London and Frankfurt are characterised more frequently by open conflict than they are by the logic of collaborating on the grounds of mutual self-interest. Speaking at a conference intended to promote closer working relationships between political and business interests in Frankfurt, Müller (1992) reported on a series of interviews he had carried out with senior politicians and business people in the city. Noting that the overriding tendency is for each group to bemoan the other, he suggested that the politicians see business people adopting a narrow, self-interested focus on Frankfurt as an investment location, while business people consistently argue that 'you do business in Frankfurt not with the politics, but

in spite of the politics' (p.46). This interpretation of the city's politicians and its business leaders having a fairly frosty relationship was underlined in several of the interviews carried out in Frankfurt (Interview with Hartmut Schwesinger, June 1998; Interview with Bernd Hausmann, May 1998). For example, Schwesinger, Director of Frankfurt's Economic Development Corporation argued that:

For business, (local) politics seems to be of declining importance. They regard the key decisions as being made in Brussels. Businesses are sometimes hostile to the Economic Development Corporation – they say we can't do anything for them, for instance that we can't help them with planning problems..... On the other hand, German businesses try to stay apolitical and don't get directly involved in politics. In cases where there is a natural interest, they may work together in the form of a partnership, but it's nothing like a stable, permanent arrangement (Interview with Hartmut Schwesinger, June 1998).

Urban entrepreneurialism as resource procurement: urban regimes or political lobbying?

While business-led economic development agencies in London and Frankfurt in the 1990s increasingly stressed the need for cities to 'win' globally mobile investment capital, financial trading and tourist spending, there was also growing evidence of such organisations becoming place-based lobby groups for greater government expenditure and new forms of government structure. After 1995, while the focus on inward investment was retained, private sector interests in London, led by London First, increasingly began to lobby central government for additional public investment in the capital. In part, this shift of emphasis was driven by growing corporate frustration with the operation, or absence, of metropolitan governance structures. However, there were also other reasons for this subtle change of emphasis. By the mid-1990s, previous concern about London's competitive position vis-à-vis European rivals began to dissipate as evidence increasingly suggested that London was maintaining its ascendancy over other world cities in Europe (Cassell, 1996a; Llewelyn Davies and Partners, 1996; Government Office for London, 1996a).

Much of the basis for this renewed sense of optimism about London's fortunes arose from the publication of a further consultancy report, *Four World Cities* (Llewelyn Davies and Partners, 1996). Just as the *London: World City* report of 1991 had provided the context for the establishment of a plethora of initiatives designed to boost London's competitive standing, *Four World Cities* was to similarly redefine policy debate. The report portrayed London as the world's primary international finance centre and as the world leader in a range of globally competitive economic sectors. Crucially, the report explicitly rejected the notion that London, as a world city, was becoming disconnected from the UK national economy, or that London's success in international financial services had been achieved at the expense of manufacturing employment in the rest of the country. Instead, it was argued that, far from creating zero-sum conflicts between London and the remaining UK regions, London's success as a world-city was of critical importance to the national economy as a whole. The report argued that 'if nothing is done to maintain London's competitiveness ...the UK's national prosperity (and incidentally its international influence) would diminish substantially. All regions would be affected' (Llewelyn Davies and Partners, 1996, p.60). The closeness of this thinking to the views expressed by John Gummer in his foreword to the (1996) Government Office for London report, 'A Competitive Capital' is striking:

The global economy is more competitive than ever. The government is working to ensure that London retains its rightful place at the top of the league of world cities, to the benefit of those who live and work here, *as well as the UK economy as a whole* (Government Office for London, 1996a, p.3, emphasis added).

As a result of this shift in emphasis from the mid-1990s, the now familiar discourses of world city formation and territorial competition were increasingly deployed to make the case for London receiving a greater national share of public expenditure. With reference to growing international competition, London First increasingly argued for national investment, on the basis that failure to do so would disadvantage the country as a whole:

London has a responsibility to the rest of the country to be a leading world city. At the same time, *the regions must both recognise and support London and*

resist the temptation to knock the capital. Remember, we are not competitors – the rivals for success are Paris, Brussels, Frankfurt and further afield (Lord Sheppard, Chairman of London First, cited in Cassell, 1996a, p.4, emphasis added).

As London First's campaign to secure greater public investment in London gathered pace,² it became increasingly evident that the government's encouragement of private sector participation in London governance was producing unforeseen consequences. In June 1996, London First endorsed the proposals of the Labour opposition to establish a directly elected strategic authority for London in a draft policy paper bemoaning 'the lack of a strong and effective voice to champion London's causes and make London's case with government and abroad' (cited in Adonis, 1996, p.1). By late 1996, London First was using its leadership of the London Pride Partnership to issue increasingly critical shots at the government, with relations between private sector leaders and government ministers becoming increasingly tense. The publication of a second report by the London Pride Partnership in November 1996 saw it adopt a much more critical tone, arguing that insufficient public investment in London was threatening its world city status and that 'the commitment of national government to London should match the contribution of London to the nation' (cited in Parker, 1996a, p. 22). Placing a strong emphasis on the issue of transport investment, the report urged the government to substantially increase its funding of the London Underground, prompting Kenneth Clarke to warn the London Pride Partnership to stop 'rattling the can' (cited in Parker, 1996b, p.10).

Frankfurt/Rhine-Main, globalisation and the politics of scale

Business organisations in Frankfurt also became increasingly concerned with lobbying politicians in the 1990s, focussing primarily on the structures of metropolitan governance. In chapters 5 and 6 it was noted that Frankfurt's metropolitan ambitions have persistently been thwarted by opposition among surrounding local authorities and that since the late 1970s, the response of the city of Frankfurt was increasingly 'to go it alone'. Concerned that Frankfurt's principal

² London First has continued to press for greater public investment in London, making the case for £110 billion of extra public investment in the capital (London First, 2002).

weakness in the face of its international rivals was the provincial image of the city, key political and economic interests in Frankfurt found alternative ways of overcoming Frankfurt's 'size problem'. For the City of Frankfurt, the most practical short-term means of organising at a city-regional scale involved working with the surrounding districts to establish semi-independent local authority companies providing specific services or strategic input at the metropolitan level (Tageszeitung, 1995a; Interview with Tom Koenigs, June 1998). At the same time, other means were found of portraying Frankfurt as a city of metropolitan scale in the city's place-marketing. The city's submission to the European Commission in 1992 to become the location for the ECB was accompanied by a promotional brochure, *Frankfurt: The Natural Choice*, which portrayed Frankfurt's relatively modest territorial scale as a positive asset while also stressing the extent of its geographic influence: 'For its residents, Frankfurt has always been a relatively small, very liveable city, a highly compact magnet of culture, employment and entertainment for its entire region' (Business and Economic Development Corporation, 1992, p.1). At the same time, the 'liveability' of the city was juxtaposed with an interpretation of the city that stressed that its claim to be a European commercial metropolis rested on the scale of its buildings and infrastructure:

For the world's business community, Frankfurt is a major financial centre, with all the right attributes – an *ultra large* airport, *towering* skyscrapers, a powerful array of banks, communications companies and skilled professionals (Business and Economic Development Corporation, 1992, p.1, emphasis added).

While the arguments for a Frankfurt/Rhine-Main authority continued to be resisted by surrounding municipalities and the Land, they were to have growing resonance with business interests across the city-region. Somewhat ironically, the success of surrounding local authorities in securing inward investment on the coattails of Frankfurt's growth had helped to strengthen the case for city-regional arrangements among local business leaders. From the early 1990s, the notion of a Frankfurt/Rhine-Main region gained increasing currency among the private sector elite, who became the most powerful lobby for an elected city-regional authority. In the context of growing concern about territorial competition, the mapping out of a Rhine-Main metropolitan region by the local Chambers of Commerce in 1991 proved to be a

significant catalyst for change. As was clearly the intention, the identification of a Frankfurt/Rhine-Main region offered a significant demonstration of collective critical mass and, seductively, appeared to establish a metropolitan area of similar size and scale to London or Paris. Moreover, with this economic logic for a Frankfurt/Rhine-Main region gaining widespread support, the anomalies in the governance of the city-region became increasingly obvious. The Frankfurt/Rhine-Main region comprises an area made up of 24 upper-tier local authorities (7 cities and 17 county districts) and over 400 lower-tier authorities (municipalities) and, although located principally in the Land of Hessen, spills over into two other Länder: Rheinland Pfalz to the West and Bayern to the East.

As a result, business interests became increasingly vociferous in making the case for an overarching, democratically elected strategic body for Frankfurt/Rhine-Main, primarily to promote economic development at the metropolitan scale. Thus, while WIFRM was founded as an economic development organisation, it has increasingly become associated with its powerful critique of existing structures of governance, pushing for a city-regional authority on the ground of competitiveness and lobbying state actors for change:

The Economic Development Initiative Rhine-Main is convinced that, at the start of the 21st century, local and federal government boundaries that originate in the middle ages serve to hinder the competitiveness of the region. It is intervening in order to correct the imbalance between economic and political structures in favour of a new administrative structure. Important regional questions, especially that of equalising the regional burden, cannot be solved via voluntary special-purpose organisations. The answer to these questions demands a regional decision-making body that has democratic legitimacy. New administrative models of the regions have been discussed for over 20 years, so far without any results. The WIFRM wishes to ensure that the subject is not ignored by those with political responsibility but rather than a solution is implemented (WIFRM, 2003).

Given the combined economic power of its membership, the WIFRM's intervention in city-regional governance debates has added enormous weight to the case for a city-

regional authority. One of the organisation's most significant acts has been to commission a study of possible governance arrangements for Frankfurt/Rhine-Main, carried out by Hermann Hill, a leading Professor of Public Administration at the *Deutsche Hochschule für Verwaltungswissenschaften* (German University of Administrative Science) at the University of Speyer (Hill and Nemitz, 1996).³ In addition, the mobilisation of business interests to promote the formation of a Frankfurt/Rhine-Main region has exerted significant influence on the Frankfurt press, which has become a leading advocate of metropolitan governance arrangements (Freund, 2003). The most immediate impact of the WIFRM's campaign for a city-regional authority was to force policy-makers to recognise the shortcomings of existing arrangements. The lack of geographical congruity between the *Umlandverband* and the much larger functional urban region became increasingly evident and, in 1995, two key functions - transport and economic development - were hived-off to single-purpose organisations covering larger territorial areas (Freund, 2003).⁴

Singing from different hymn sheets: central-local relations and the promotion of the City of London as an international finance centre

As has been suggested, the apparent threat of growing international competition was not sufficient to render London's city marketing efforts immune from political controversy during the mid-1990s. Indeed, the challenges posed by the perceived international rivalry for investment appeared to generate competing approaches between different sub-regions of London, and growing conflict between governmental and business interests, rather than an agreed collective strategy. These tendencies were also apparent in the attempts made during the mid-1990s to re-organise activities

³ The report was launched and debated at a high-profile evening event in Hofheim on 15th June 1998, opened by Dr. Frank Niethammer, President of the Frankfurt Chamber of Commerce and Chair of the WIFRM.

⁴ New governance structures for Frankfurt/Rhine-Main were subsequently introduced in March 2001. The *Umlandverband Frankfurt* was abolished and three new sets of arrangements introduced. The *Planungsverband Ballungsraum Frankfurt/Rhein-Main* (Frankfurt/Rhine-Main Planning Association) covering an enlarged territory of 2458 km² and encompassing a population of 2.1 million across 75 local authorities, is charged with producing a city-regional plan. The *Rat der Region* (Council of the Region), serving the same territorial area and made up of representatives from the 75 local authorities, has the general task of promoting co-operation among its members. Finally, provision was made for voluntary inter-municipal co-operation around particular functional or service areas via the establishment of registered associations or arms-length companies. Most of the functions of the *Umlandverband* have now been allocated to such special-purpose organisations.

aimed at promoting the City of London internationally. A review conducted in 1994-5, as part of the City Research Project, highlighted the extraordinary range of bodies working to promote London as an international financial centre (Ireland and Wilkinson, 1995). These bodies were found to include central government departments (the Treasury, Department of Trade and Industry), City institutions (City of London Corporation, the Bank of England, the London Stock Exchange), up to 20 trade associations, and private sector membership organisations (British Invisibles, London First). Noting 'increased competition from continental European financial centres' (p.2) the report suggested that the involvement of such a range of organisations in London's promotional efforts contrasted sharply with those in cities such as Frankfurt and Paris, where major financial and governmental interests had coalesced around a single promotional body or strategy (Ireland and Wilkinson, 1995).

In the wake of the report's publication in February 1995, the Chancellor of the Exchequer, Kenneth Clarke, announced the establishment of a City Promotional Panel in July that year (Atkins, 1995). The Chancellor's announcement followed a clear pattern of central government initiatives aimed at enabling more effective co-ordination of London governance in order to promote economic development efforts in the face of global competition (see chapter 6). Chaired by the Chancellor himself, the Panel's membership included Howard Davies, Deputy Governor of the Bank of England, Sir Brian Pearse, Chairman of British Invisibles, and representatives from overseas banks (Cassidy, 1996). The Chancellor's stated motivation, in line with other central government initiatives for London, was that 'The City Promotion Panel will gear us up to see off the competition and win' (cited in *The Financial Times*, 1995a, p.10). Despite these aspirations, the proposal was met with immediate criticism from financial interests in the City, as well as from the City of London Corporation, with the latter arguing for a broader initiative, involving a far wider range of City organisations (Cassell, 1995). William Clarke, a former Director-General of British Invisibles, argued that 'instead of attempting to clarify who should be the prime promoter of the City at home and abroad ... the Chancellor simply added a fifth wheel to the chariot and urged everyone on to greater effort' (Clarke, 1996, p.39). By the time of its launch in October 1995, the Chancellor appeared to have failed to have convinced his own senior staff, let alone financial interests, that the Panel would be

effective in promoting the City of London abroad: 'The panel is not being welcomed with open arms by all its constituent parts...Treasury insiders admit that officials there are "not wildly enthused" by the Chancellor's initiative, while City institutions have privately questioned the necessity of central government interference in their affairs' (Waller, 1995, p.41).

While the Chancellor of the Exchequer struggled to persuade the relevant interest groups of the virtues of his approach to promoting the City of London internationally, the City of London Corporation was intent on flexing its muscles as the guardian of the square mile. In summer 1995, the Corporation appointed Keith Haarhoff, a leading merchant banker, as its first Director of Economic Development, allocating him 'a budget approaching £8 million over three years to promote the City as one of the world's three main financial centres' (Ashworth, 1995b, p.25). At the same time, Michael Cassidy, as Chair of the Corporation's Policy and Resources Committee, voiced persistent criticisms of the Chancellor's promotional panel (Cassell, 1995, 1996b; *The Financial Times*, 1995b). Reflecting on the experience of the panel seven years on, Cassidy clearly remained deeply sceptical about its worth:

Ken Clarke swallowed this daft concept. We all used to turn up there, usually about three o'clock, and he would put his feet on the table and puff his cigar for a couple of hours. And yet you had some of the most high-powered banks in the City wasting an afternoon talking about foreign trips: laughable [.. .] It soon died a death once Gordon Brown got in. There was no announcement. It was a silly idea. It wasted a lot of time (Interview with Michael Cassidy, January 2004).

The failing growth coalition: industrial policy in Frankfurt

If the attempts to construct a coalition to promote London as a financial centre descended into political disagreement, much the same could be said about the high-profile efforts to build a coalition to promote manufacturing industry in Frankfurt. Concerns about the rapid decline of manufacturing employment in Frankfurt during the 1980s (see chapter 4), prompted the city council to commission a study of the city's industrial economy in 1991 (IHK Frankfurt, 1991). Subsequently, mayor

Andreas von Schoeler instigated a working group to develop an economic development strategy for the manufacturing sector in October 1992 (Wirtschaftsförderung Frankfurt, 1995). Led by the city's Economic Development Corporation, the group constituted a broad-based partnership, consisting of representatives from the Chamber of Commerce, the employers' federations, trade unions, the university and the *Umlandverband Frankfurt* (Schwesinger, 1994; Wirtschaftsförderung Frankfurt, 1995). Following the re-election of the red-green coalition in Frankfurt in 1993, and in view of the continuing loss of manufacturing employment in the city, greater emphasis was placed on the promotion of the manufacturing sector as part of the city's overall economic development strategy. Speaking at an event organised by the Frankfurt Chamber of Commerce in December 1993, Martin Wentz argued that 'the attractiveness of Frankfurt to industrial enterprises must be improved' (IHK Frankfurt 1993, p.3).

It was in this context that the resultant strategy document, *das Industriepolitische Leitbild*, published in March 1994, underlined the significance of manufacturing activity to the Frankfurt economy, and advocated greater co-operation between local authorities in the Frankfurt Rhine-Main area (Arbeitskreis Industrie, 1994). It also proposed a series of specific measures to promote Frankfurt as a location for manufacturing industry, including a more efficient processing of planning applications; provision of new land for industrial development, including use of vacated US military sites; creation of industrial business parks; investment in road infrastructure; improved development and modernisation of the city's technical and scientific infrastructure, including the expansion of provision in the natural sciences at the city's University and Polytechnic (Fachhochschule); improved information sources about available industrial sites; and inward investment marketing directed specifically at manufacturing companies (Arbeitskreis Industrie, 1994; Kemper, 1994).

The *Industriepolitische Leitbild* rapidly emerged as a key political issue in the city. Bold claims were made for the document in some circles. According to the head of the Frankfurt Economic Development Corporation its 'recognition of manufacturing industry in a metropolitan area is without parallel, at least within Germany' (Schwesinger, 1994, p.29). Yet, leading representatives of manufacturing companies

in the city appeared less enthused. Josef Felder, Chair of Hartman & Braun AG, described the strategy as 'a consensus paper of the lowest common political denominator', before going on to list a series of proposed policy changes that did not appear in the document itself (Felder, 1994, p.2). Yet, if there was a lack of consensus, there was an even greater lack of progress in implementing the proposals. The *Industriepolitische Leitbild* became a central issue in the mayoral election of June 1995, with the CDU candidate, Petra Roth, arguing that 'the strategy and the discussion group led by the current mayor have simply remained words so far. It demonstrates clearly the divisions with the red-green coalition regarding the development of the city: Mr von Schoeler can explain a great deal, but influence little' (cited in IHK Frankfurt, 1995a, p.4). After her election, Roth identified management of structural change as one of three key challenges for local economic policy and initiated a process of drawing up a 'Declaration on the Industrial Location Frankfurt am Main', in conjunction with the Chamber of Commerce (IHK Frankfurt, 1995b). The declaration reaffirmed the commitment to promote manufacturing as part of the city's economic development efforts:

Manufacturing constitutes one of the central pillars of the economy of Frankfurt and its region. There is unanimity that one of the overriding tasks of local economic policy is to retain structural diversity as the most important foundation of stable economic development, and to ensure that close interdependencies between production and services are not endangered by the migration and loss of manufacturing activity. It is also with a view to social developments that the retention of jobs in manufacturing is essential. The City Council and the Chamber of Commerce note the loss of industrial employment with great concern (IHK Frankfurt, 1995c).

As a result of Roth's engagement, the city's economic development corporation noted that 'following the election of the mayor, activities concerned with promoting Frankfurt as an industrial location have increased significantly' (Wirtschaftsförderung Frankfurt, 1996, p.2). Yet, despite this reiteration of the commitment to promoting manufacturing in the city, employment in the sector continued to fall throughout the 1990s, while political developments once again shifted the *Industriepolitische Leitbild* onto the back burner. Some progress was made by the local Chambers of Commerce.

In particular, the instigation of WIFRM by the Chambers of Commerce in the Frankfurt Rhine-Main region provided an important impetus to improving networking between manufacturing companies. However, the unstable configuration of an SPD-Green coalition and CDU mayor, combined with ongoing budget cuts, served to frustrate the proactive measures called for by the strategy. Following the city's budget crisis in 1993, the Economic Development Corporation's budget for 1994 had been reduced from a planned DM 6.1 million to DM 4.5 million, requiring it to scale down a number of activities (Wirtschaftsförderung Frankfurt, 1995, p.8). The level of support given to implementing the industrial strategy suffered as a result (Interview with Hartmut Schwesinger, June 1998). Meanwhile, attempts to secure greater policy co-operation between local authorities in the metropolitan area floundered in the face of wider controversies surrounding the governance of the city-region (Interview with Lorenz Rautenstrauch, June 1998).

In February 1998, the Chamber of Commerce somewhat wearily noted in its commentary on the CDU-SPD coalition agreement 'that the Working Group on Industrial Policy ...is to be reactivated and developed. Two years ago the Working Group was abolished and its tasks transferred to the newly created 'Standing Labour Market Conference' (IHK Frankfurt 1998, p.22). Indeed, by June 1998, even Hartmut Schwesinger, previously one of the most enthusiastic supporters of the *Industriepolitische Leitbild* reflected in an interview that the whole process 'had a touch of an alibi about it' (Interview with Hartmut Schwesinger, June 1998). Four years after the strategy's publication, Schwesinger, as the head of the city's Economic Development Corporation, remained 'determined to keep industrial jobs in the city as long as possible', contrasting this approach with the policies of the 1980s that effectively drove manufacturing companies out of the city. However, Schwesinger's view was that the continued loss of manufacturing activity was more or less inevitable: 'the reality is that inner-city industrial sites will be lost, because they don't belong there' (Interview with Hartmut Schwesinger, 1998).

The local political implications of economic policy in world cities

As the above analysis has shown, while the apparent threat of territorial competition was the key factor driving the increased emphasis on economic development policies in London and Frankfurt after 1986, such initiatives generated conflict and competition as much as they did co-operation within the two city-regions. Indeed, the local political implications of economic development policies may well be more profound than their economic impact. The evidence from London and Frankfurt suggests that the process through which inward investment promotion and place marketing efforts mobilise actors has a significant impact upon broader policy agendas, ranging from transport to social policy, and draws urban policy-makers into international relationships characteristic of transnational urbanism.

The increased emphasis on local economic development policy in London and Frankfurt during the 1980s and 1990s spawned wide-ranging forms of partnership activity promoting collaboration between the public and private sectors. Such partnerships served to broaden the remit of economic development policy, to include reference to wider social and environmental policy concerns, while also advancing a powerful case for the prioritisation of economic development over and above other policy goals. As a result, the growing emphasis on economic development in London governance during the 1990s clearly served to move issues like infrastructure, public transport, and urban design up the policy agenda, while also introducing new policy concerns such as the quality of cultural provision (Pimlott and Rao, 2002; Chevrand-Breton, 1997). Similarly, during the first half of the 1990s, the establishment of an international school in Frankfurt emerged as a key policy priority for the city's economic development corporation, working in partnership with the Chamber of Commerce, the Land government, the city council and individual companies (Wirtschaftsförderung Frankfurt, 1995). The justification for the school was not made on educational grounds and made no reference to the need to provide for Frankfurt's existing multi-ethnic population. Instead, the project was advanced solely as a means of enhancing Frankfurt's competitive position in a globalising economy, characterised by internationally mobile, highly-skilled workers: 'with this second international school in the region, the international competitiveness of the Frankfurt/Rhine Main

economic region will be secured and improved' (Wirtschaftsförderung Frankfurt, 1995, p.20).

It is self-evident that inward investment promotion will draw policy-makers into closer relationships with international actors. As Udo Corts, the CDU Director of Economic Policy on Frankfurt City Council argued in interview: 'cities will increasingly do business on their own, independent of the Federal Republic' (Interview with Udo Corts, May 1998). However, the forms that such relations take once again spill over into other areas of policy-making and, on occasions, engage city politicians in what is effectively 'foreign policy', underscoring the notions of transnational urbanism put forward in hypothesis 5b. A common feature of inward investment and city marketing efforts in London and Frankfurt in the 1990s was to send local delegations of politicians and business representatives on international visits, primarily to North America and Asia. Within a year of its foundation, it was reported that London First Centre 'representatives have been dispatched to America and the Far East. Exploratory trips are planned to South America, South Africa and India' (Ashworth, 1995a, p.25). In Frankfurt, city politicians, representatives of the Chamber of Commerce and the city's Economic Development Corporation all became increasingly active in promoting Frankfurt overseas during the 1990s, frequently undertaking joint visits abroad or jointly receiving visitors from overseas. In particular, the Economic Development Corporation could boast significant participation in international networks by the mid-1990s. In its annual report for 1995, the Economic Development Corporation noted that, amongst a host of international activities, it has welcomed 19 delegations from China, visited Japan together with the Chamber of Commerce, the Frankfurter Messe and Hessen's Ministry for Economic Affairs, and made significant progress on plans to establish a Korean school in Frankfurt following two visits to Seoul (Wirtschaftsförderung Frankfurt, 1995, p.5). The description of developing relations with businesses and politicians in Korea captures the extent to which local policy-makers in world cities have become engaged in 'foreign affairs':

At two press conferences during a visit to Seoul, the Economic Development Corporation detailed the significance of Korean firms to the Frankfurt economy. In particular, the project to establish the first Korean school in Europe found

great resonance in the resulting coverage. At the same time, preparations were made for the planned promotional visit in the second half of the year. This took place from 30.10 to 02.11 under the leadership of cabinet member Dr. Wentz. Together with the Chamber of Commerce, the Airport, the Messe and private companies, Frankfurt was presented as an investment location at numerous visits to companies and also at a major event. A presentation on Frankfurt and the particular importance of economic relationships to Korea was made to Korean business people. The Korean school project was presented to the Department of Overseas Schools in the Korean Ministry of Education. Once again, this scheme featured significantly at a press conference (Wirtschaftsförderung Frankfurt, 1995, p.5).

8.5 Conclusion

The analysis presented in this chapter confirms the propositions advanced in hypothesis 4 regarding the growing emphasis on economic development in world cities. It points to the growing centrality of economic development and city marketing policies in London and Frankfurt from 1986-96, leading to a proliferation of new organisational forms, enhanced public expenditure on such policies, and the increased participation of organised business interests. However, it would be misleading to interpret such developments as the emergence of urban regime or growth coalitions. In line with the potential limitations of applying regime theory to economic development efforts in European cities highlighted in chapter 3, and suggested by hypothesis 5a, the fieldwork conducted for this thesis underlines that there is scant evidence of formal regimes or growth coalitions in the 'classic' sense implied by North American models of urban political economy. While there is strong evidence of the adoption of urban entrepreneurialism, this had tended to be characterised by the emergence of multiple, competing coalitions of actors, operating across several scales, and engaged in a competitive struggle over policy and resources. Despite the claims made for them, the initiatives associated with such coalitions have often been characterised by failure or have clearly had only minimal impact. Where examples of success in promoting public-private collaboration can be pointed to, as in the Frankfurt bid to host the ECB, they have tended to be fixed-term coalitions dedicated to achieving short-term aims.

Economic development efforts have led to the creation of a diverse set of organisational forms, generally reflecting competing institutional agendas among public bodies and divisions within the private sector. The tendency in both London and Frankfurt, although particularly in the former, has been the formation of overlapping and multifarious forms of economic development that have attracted widespread criticism. While the actual impact of such initiatives on the metropolitan economy is very difficult to assess, it is evident that many of the promotional efforts attempted in London during the early 1990s achieved little more than the escalation of East-West rivalry in London politics. Moreover, while business influence in urban politics has increased, underpinned by the role of structural economic change in accentuating the 'systemic power' enjoyed by the private sector, it is important to underline that the private sector cannot be viewed as a unitary actor. In particular, as the case of industrial policy in Frankfurt demonstrates, manufacturing concerns appear to enjoy significantly less influential in urban politics than their counterparts in the financial sector.

This chapter once again suggests that differences in inter-governmental relations raise significant issues in relation to the cross-national application of theories of urban regimes (*viz.* hypothesis 5a). The role of central government in London politics from 1986-96 stands in sharp contrast to the assumptions made in the literature on urban regimes (*c.f.* Newman and Thornley, 1997). Indeed, as a result of the intense conflicts of the 1980s, local authorities were largely excluded from the early period of public-private partnership formation in London, with the process being led by central government departments or agencies. It was not until the mid-1990s that there were clear signs that 'local government had been let back into urban policy-making forums' (Newman and Thornley, 1997, p. 975). By contrast, the politics of public-private collaboration in Frankfurt have taken on an entirely different character. Under the CDU administrations that held power from 1977-1989, there was evidence of close working relationships between business interests and the city council. However, as this and previous chapters have shown, under the red-green administration that held power in Frankfurt from 1989-97, the relationship between political and corporate actors was more often characterised by open conflict than forms of co-operation.

This chapter also provides valuable evidence in relation to hypothesis 6a, regarding the limits of urban entrepreneurialism. It has been shown that heightened concerns about territorial competition did prompt the mobilisation of private sector interests as a common feature of world city politics in London and Frankfurt. However, while a clear convergence has taken place in the strategies employed by business interests, the key focus of these activities has been as much about domestic political lobbying as it has about directly promoting London and Frankfurt as business locations. As such, stable boosterist coalitions have not emerged in the sense implied by the North American conception of regimes. In both instances, growing emphasis has been placed on lobbying governmental bodies operating beyond the urban scale to instigate policy change, justified with reference to the status of London and Frankfurt as world cities. Thus, as implied by hypothesis 6b, the discourse of accelerating inter-metropolitan competition became a central element of politics in London and Frankfurt in the 1990s, used to justify specific policy options, make the case for new institutional arrangements or partnerships, or simply to protect agency budgets from proposed cuts. As such, the implications of the world city discourse for wider policy agendas can be profound, and it is to these issues that the final chapter turns.

Chapter 9

Regulating the World City? Local Social and Environmental Policy in London and Frankfurt

9.1 Introduction

Reference has been made throughout this study to the social and environmental consequences of globalisation and world city formation in London and Frankfurt. Chapter 4 assessed the relationship between world city formation and patterns of social inequality in the two cities. Chapters 6-8 emphasised that world city formation has driven policy-makers in London and Frankfurt to increasingly prioritise economic development objectives, leading to an implicit acceptance of many negative social and environmental consequences. The purpose of this chapter is to analyse further the consequences of these shifts for politics and policy-making (research questions 4 and 6), while also returning to the notion of political actors in world cities engaging in forms of 'transnational urbanism' (research question 5). It was noted in chapter 3 that transnational linkages between cities are not limited to economic actors and that transnationalism has, at least to some extent, come to challenge the dominant logic of world city formation. In this regard, the Frankfurt experience is particularly significant, given the attempt to re-balance economic, social and environmental considerations following the election of a red-green coalition in 1989. A key feature of the coalition's reform agenda, particularly in those areas of policy controlled by the Greens, was the attempt to establish and engage with international policy networks, in which the city of Frankfurt played a key role in forming inter-municipal alliances and/or promoting the exchange of knowledge and experiences. However, the cases of social and environmental policy in London are equally as instructive, underlining the continued efforts of policy-makers and pressure groups to challenge the dominant world city discourse.

This chapter's review of social and environmental policy-making in London and Frankfurt from 1986-96 thus constitutes the final element of the analysis of the implications of globalisation and world city formation for changing policy priorities,

new forms of governance and power relations in urban politics. As with the previous case studies of planning and local economic policy, the chapter draws significantly on findings from original research using policy documents, official records, media coverage and interviews with policy-makers. The chapter is in three main parts. The first section considers the experience of the two cities in relation to social policy during the period 1986-96. Particular consideration is given to housing policy, the area of social policy in which city governments developed their most significant role over the course of the twentieth century. The second section of the chapter considers the experience of environmental policy in London and Frankfurt, particularly in relation to developing international policy agreements such as the Agenda 21 initiative agreed at the Rio Earth Summit.

It is argued that social and environmental policy agendas in both cities have remained subordinate to economic development concerns, reflecting a strong functional separation and hierarchical ordering of policy networks. It is certainly evident that the growing evidence of social and environmental problems in world cities has served to promote the integration of such policy issues into the world city discourse. However, this discourse continues to stress the primacy of economic growth, primarily recognising social and environmental issues only where they appear to act as a potential drag on competitiveness. By contrast, policy initiatives aimed at addressing the negative consequences of world city formation have received limited support, politically or financially. These conclusions are, to some extent, counterbalanced by the analysis in the third section, which examines the emergence of multi-level and trans-local forms of policy-making in social and environmental policy in London and Frankfurt and evaluates their significance. This analysis suggests that there is clear evidence of the emergence of forms of transnational urbanism (c.f. Smith, 2001), through which local political actors engage with global issues and foster transnational links. However, it is again concluded that such networks tend to have limited influence on the overall trajectory of local policy-making, which, as demonstrated in previous chapters, has become increasingly predicated on the promotion of competitiveness and economic growth.

9.2 Social policy in the world city context

The evidence of growing social inequalities in London and Frankfurt discussed in chapter 4 prompted a series of studies charting the pressures on social welfare provision in both cities (Flatley, 1996; Edwards and Flatley, 1996; Stadt Frankfurt am Main, 1987, 1988, 1994a; Bartelheimer, 1997). While policy-makers in both cities attempted to respond to the findings of such studies through new policy initiatives, there were significant limitations to what could be achieved at a local level. Urban policy-makers have restricted capacity to respond to growing inequality, which as the analysis in chapter 4 suggests, has been brought about by a combination of economic restructuring and reforms of national welfare policy. Furthermore, the scope for active local policy-making in social policy generally diminished during the 1980s and 1990s as a result of cuts in national welfare expenditure and, in the case of the UK, concerted attempts to restrict local government autonomy in general.

This is not to suggest that local policy-makers have not engaged in attempts to counter escalating social problems. In response to the growth of poverty, and as a reaction to central government cuts in welfare expenditure, local authorities in the UK began to adopt anti-poverty strategies from the 1970s onwards, with 140 having done so by 1999 (LGA, 1999a). Typically, anti-poverty strategies include measures such as mapping and measuring poverty within the district, targeting services at particular social groups, initiatives to tackle fuel poverty, discounted access to leisure and sports facilities, and the provision of benefits advice to ensure residents receive all benefits to which they are entitled (LGA, 1999b). During the 1990s, the adoption of anti-poverty strategies was particularly associated with Labour-controlled metropolitan authorities, with London Boroughs among the most supportive of such initiatives (Balloch and Jones, 1990). Thus, a survey of London Boroughs carried out in 1996 found that, of 22 Boroughs responding, 13 had specific policies aimed at tackling social exclusion (Mahler, 1996). Yet, the priority given to such measures contrasted significantly to the growing emphasis on economic development. For instance, Croydon's Anti-Poverty Strategy and Programme, launched in 1997, had been subsumed by a wider focus on regeneration by the end of the decade, in which the promotion of competitiveness was the overriding concern (London Borough of Croydon, 1999).

Similar local anti-poverty measures were also in evidence Frankfurt during the same period. For instance, the red-green coalition introduced the *Frankfurt Paß*, at a cost of DM12 million per annum, enabling residents on unemployment benefit, social assistance or low incomes to access council-run amenities at a heavily discounted rate. Some DM25.5 million was also made available in 1994 for the funding of Intermediate Labour Market (ILM) organisations, intended to enable benefit claimants to access employment opportunities (Lingenthal, 1995)¹. However, Lingenthal (p.561) describes such initiatives as 'a drop in the ocean' compared to the DM1.2 billion (20 per cent of the city council's total budget) spent on social assistance payments, a figure that doubled from 1989-1995. Similarly, a report published in *Der Spiegel* on the rapid growth of poverty in Frankfurt in the mid-1990s painted a picture of welfare organisations being overwhelmed by the scale of the problem:

Frankfurt, the palace of gold, is simultaneously the biggest poverty zone in the Republic. In recent years the proportion of the population in poverty has grown so fast that social agencies and voluntary organisations have lost track of the situation (Spiegel, 1994, p.50).

This view that city politicians had very little room for manoeuvre in the face of mounting social need was confirmed by Ingo Stayman, the administrative head of the council's *Sozialamt* (Department of Social Affairs). During an interview, Stayman argued that the main change in the *Sozialamt's* work after 1986 was the trebling of the number of people it has to provide for. In this context, Stayman stressed the limited political influence of local authorities in German welfare policy, particular in response to the consequences of globalisation: 'There are people in Frankfurt who see themselves as politicians, but for me it's not politics that we engage in here. It's not policy-making in the real sense, rather the running of an administration' (Interview with Ingo Stayman, June 1998).

¹ The first ILM – *Werkstatt Frankfurt* – was established in 1985 under the CDU administration. The purpose of the initiative is to deliver socially useful projects that offer training and work experience to recipients of social assistance in exchange for a modest additional wage. Projects include the restoration of furniture and repair of electrical goods that are made available to other social assistance claimants (Interview with Ingo Stayman, 1998).

The case of housing policy

The constraints operating on local policy-makers can be illustrated with reference to housing policy, one area where urban policy intervention can potentially mitigate the social consequences of world city formation. Indeed, the experience of housing policy, traditionally an area in which city governments in Germany and the UK enjoyed considerable policy discretion is perhaps the most dramatic illustration of the juxtaposition of growing social need and the erosion of social policy responses. Housing policy also illustrates the policy dilemmas, particularly those of balancing economic growth with social inclusion, that are inherent to the world city context. It therefore constitutes a useful comparative case study of changing social policy priorities in the world city context.

As was noted in chapters 6 and 7, a key element of the red-green coalition's agenda for Frankfurt after 1989 was investment in social housing as part of a wider strategy of addressing growing social polarisation in the city. Indeed, the coalition agreement of April 1989 was unambiguous about the urgency of housing issues: 'Tackling housing need and addressing the housing concerns of Frankfurt residents will receive the highest priority among Frankfurt City Council policies in the coming years' (SPD/Die Grünen, 1989, p.40). The incoming coalition was deeply critical of the outgoing administration's neglect of housing construction, which had led to a sharp rise in average rents, and created enormous shortages in the context of increased immigration from Eastern Europe and beyond (Mohr and Huschner, 1995). It was also argued that housing policies in the 1980s had enhanced social polarisation within Frankfurt by pushing wealthier residents out to surrounding municipalities, leaving a growing concentration of poorer residents in Frankfurt itself (Mohr and Huschner, 1995).

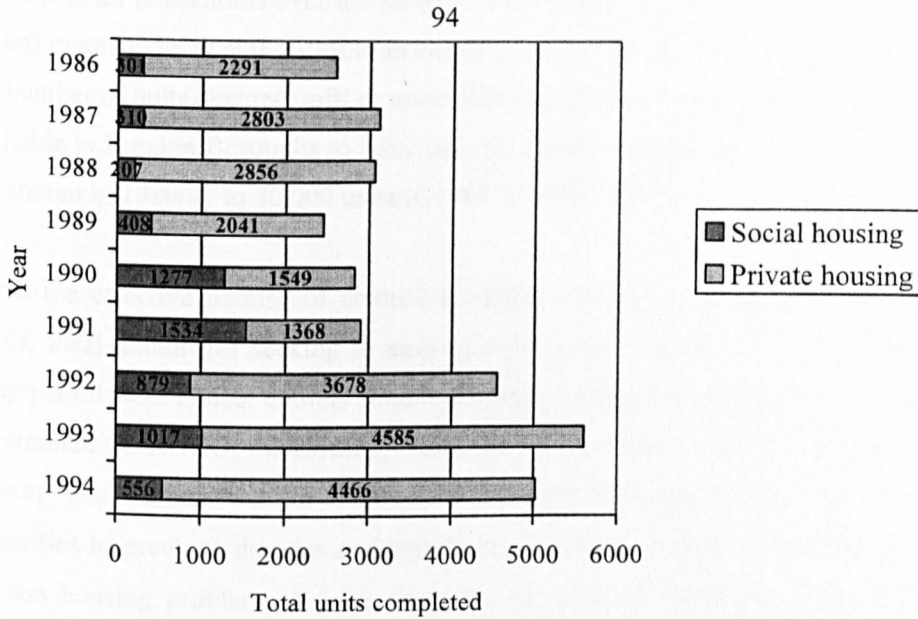
Clear indications were also made that the planning system would be used to link office and housing construction, whereby private developers of office space in Frankfurt would be expected to assist in the goal of tackling housing shortages in the city. The coalition agreement argued that 'anyone engaged in the construction of large-scale office development projects in Frankfurt must also carry responsibilities

for housing construction. Investors that want to create additional office space in Frankfurt, must also contribute to the building of housing in Frankfurt' (SPD/Die Grünen, 1989, p.41). The coalition's plans were to provide for a greater mix of housing tenures by ensuring that a third of new development should be private, a third should be social housing and a third should comprise a specifically 'Frankfurt model' whereby housing would be subsidised in order to guarantee lower rents for those with incomes just above the level qualifying for income support (Müller-Raemisch, 1996). Immediately after its election, the red-green coalition made an extra DM 73.5 million available for investment in new social housing on top of the CDU's allocation of DM 114.5 million to this area for 1989. Thereafter, the red-green coalition increased expenditure on social housing to DM 254.5 million in 1990 and 1991 (Bericht des Magistrats an die Stadtverordnetenversammlung, 1991).

As figure 9.1 shows, this increase in funding led to an immediate surge in the building of social housing, peaking in 1991, when 1,534 units were completed. Much of this housing was built in line with the principle of promoting high-density living, in socially-mixed 4-5 storey blocks, reflecting the influence of the visionary 1920s city planner, Ernst May² on the SPD Director of Planning (Mohr and Huschner, 1995). However, as with other aspects of the red-green agenda, the construction of social housing was radically scaled down following budget cuts introduced in 1991. The coalition found it increasingly difficult to realise its aim of combining the construction of social housing with the promotion of economic development (Ronneberger and Keil, 1995). As figure 9.1 shows, by 1994, social housing completions were running at a third of the 1991 level, and the City Council's objective to increase the population of the city relied increasingly on private sector house building. Indeed, from the mid-1990s, housing construction was relatively buoyant, with over 5,000 units completed in 1994, of which just a tenth were classified as social housing. Thus, the council's housing policies were increasingly characterised by the use of public-private partnerships, involving the construction of housing for owner occupation and private rental in regeneration areas earmarked by the city council (Ronneberger and Keil, 1995).

² Ernst May was appointed City Architect in 1925, overseeing the building of 15,000 residential units, including the *Römerstadt* and *Bruchfeldstraße* estates, from 1925-30, that became known as 'Neue Frankfurt', and widely regarded as a model for public housing construction worldwide (Samuels et al, 2004).

Figure 9.1 Housing units completed, Frankfurt am Main, 1986-



Source: Stadt Frankfurt am Main (1995c), p. 21.

As in Frankfurt, London faced serious housing policy challenges in the 1980s and 1990s. The scale of housing problems was not simply the product of world city formation, but was powerfully influenced by dramatic changes in national housing policy under the Thatcher governments. Although Frankfurt City Council may have been frustrated in its social housing ambitions in the early 1990s by its acute fiscal problems, the possibilities in London were even more limited. National government policy in the UK had rendered large-scale housing construction more or less illegal, and certainly financially impossible, for local authorities by the early 1990s. The number of housing units built annually by local authorities in Greater London, which stood at around 20,000 in 1977 (Harloe et al, 1992) fell to 16,249 in 1980, and then to just 2,713 in 1985 and 1,904 in 1990 (Merrett, 1994). At the same time, the size of the housing stock managed by local authorities in London was reduced significantly as a result of the policy of enhancing individual tenants' right to buy their council home introduced by the 1980 Housing Act (Atkinson and Wilks-Heeg, 2000). As a result of this legislation, some 104,000 Greater London council homes were sold to sitting tenants from 1980-86 (Harloe et al, 1992). Consequently, the proportion of

Greater London households resident in properties rented from local authorities fell from 32 to 26 per cent from 1981-90, while owner occupiers increased from 49 to 57 per cent of all households over the same period (Merrett, 1994). In addition, reduced central grants to local authorities to maintain council housing prompted an increase in the number of units deemed unfit or unlettable. Consequently, the supply of properties available to London Boroughs to issue new permanent lettings fell from 55,000 units per annum in 1980/81 to 30,000 units in 1989/90 (Hall, 1996).

Given the effective demise of council housing construction in London during the 1980s, local authorities seeking to expand their stock of social housing during the study period were almost entirely reliant on housing associations, funded by a central government QUANGO, the Housing Corporation. The scale of resources available to housing associations were a fraction of the housing budgets enjoyed by local authorities in previous decades and clearly inadequate in relation to the scale of the London housing problem. A joint study by the London Research Centre and the London Planning Advisory Committee (LRC/LPAC, 1994) estimated that 831,000 households in London were in some form of housing need, constituting a numerical increase of more than 75,000 in the period after 1990. The report estimated that there were some 38,500 homeless single people, 51,300 households living in properties in a state of serious disrepair and 244,100 households requiring affordable housing. Indeed, the joint LRC/LPAC report noted that, in a context where two-thirds of new house building was carried out by the private sector, the scope to address housing need in the capital would be limited:

If the shortfall in affordable housing was to be made up from the housing association sector, then over 26,600 units per year would have to be built. This would necessitate an increase in the existing housing association programme of nearly five and a half times its present output (LPAC/LRC, 1994, p.77).

The most concerted attempt to boost the supply of social housing occurred, as in Frankfurt, in the early 1990s, during which time there was a sharp rise in housing association activity (LPAC, 1998). In part, the increased activity of housing associations in London during this period reflected the efforts of the London Boroughs to promote social housing in line with LPAC's planning guidance target

that 25 per cent of new housing should be 'affordable' (LPAC, 1998). However, it is also evident that the surge in social housing construction was enabled by the sharp fall in land and property values in the city after 1991, which made social housing a more viable option (Wilks, 1995). However, with land and property values rising again after 1995, LPAC (1998, p.9) found that housing association construction activity declined substantially after the mid-1990s: 'affordable housing approvals have almost halved since the 1993 high, while completions, peaking in 1995, have also dropped'. Consequently, as in Frankfurt, a brief period of investment in the social housing stock did little to redress the housing needs of London's poorer residents. Some 30,000 new dwellings classified as 'affordable housing' were completed from 1992-97, this constituted just a fifth of the level of construction activity recommended by the joint (1993) LRC/LPAC study.

Table 9.1 Number of households per 1000 accepted as homeless, 1994/95

<i>Area</i>	<i>No of households</i>
Greater London	9.5
Inner London	13.8
England (average)	6.1

Source: Hall (1996), p.19.

As chapter 4 argued, disentangling the socio-economic outcomes of world city formation from the effects of policy change is a difficult enterprise. What seems certain from the case of housing policy, however, is that the interaction between the dynamics of urban change associated with world city formation and the impact of the pro-market housing policies of the Conservative governments produced more acute problems in London than anywhere else in the UK. In a report on trends in homelessness in London, Hall (1996) noted a disproportionate concentration of homelessness in London, particularly in the inner-London Boroughs. As table 9.1 shows, the rate of homelessness in Inner London during the mid-1990s was found to be 13.8 households per 1000, more than double the average for England as a whole.

One of the most dramatic aspects of social division in world cities highlighted in chapter 4 was the evidence of growing racial segregation. The character of social policy, and housing policy in particular, has again been of particular significance in this regard. Both London and Frankfurt experienced large-scale in-migration from overseas during the post-war period, primarily as a result of government initiatives promoting migration as a solution to labour shortages. Large-scale migration to the UK occurred mainly during the 1950s and 1960s, with the Caribbean and the Indian sub-continent constituting the principal source, and the industrial centres of London and Birmingham representing the principal destinations. As a result, Afro-Caribbeans made up some 10.4 per cent of Inner London's population in the mid-1980s, with Asians contributing a further 5.4 per cent (London Research Centre, 1989). Based on available data, Cross and Waldinger (1992) estimate that ethnic minorities made up 14 per cent of the population of Greater London in the early 1990s, with significant concentrations in areas such as Hackney, Tower Hamlets and Brixton. This spatial segregation of black and ethnic minority groups became increasingly problematic as a result of structural economic change in the 1980s. Ethnic minorities in London were not only 'largely trapped in the run-down parts of the inner-city' (King, 1990a, p.143), but also 'found themselves in industrial sectors undergoing major decline' (Cross and Waldinger, p.164). Moreover, the rapid growth of advanced services in London offered few opportunities for these social groups. A labour market study carried out by the Local Economy Policy Unit in the early 1990s indicated that 'not a single Bengali inhabitant of Spitalfields was found to be working in the City of London a few hundred yards away' (Hall, 1994, p.181-2).

Given this context, one of the most dramatic impacts of housing market and housing policy change in London in the 1980s was that it concentrated ethnic minority groups in, often sub-standard, local authority housing in the poorest neighbourhoods. Based on an analysis of Census data, Howes and Mulling (1999, p.8) show that while 22 per cent of London's white population were in local authority housing in 1991, the proportion was 39 per cent among the black Caribbean population and 58 per cent among Bangladeshis. In Boroughs such as Tower Hamlets, with less than 30 per cent of all households living in owner occupied properties, 75 per cent of Bangladeshi

households were resident in local authority dwellings. In addition, Bangladeshi households were found to be far more likely to experience residential overcrowding, defined as households with more than one person per room. As table 9.2 shows, rates of overcrowding in 1991 ranged from 54 per cent for Bangladeshi households to just 3 per cent for white households.

Table 9.2 Proportion of households experiencing residential overcrowding, by ethnic group, 1991

<i>Ethnic Group</i>	<i>% households</i>
Bangladeshi	54
Pakistani	23
Black African	17
White	3

Source: Howes and Mulling (1999), p.10.

The patterns of racial segregation and disadvantage observed in London are just as evident in Frankfurt. Migration to Germany took the form of *Gastarbeiter* ('guest workers') arriving mainly from Turkey, southern Europe and North Africa during the period of the *Wirtschaftswunder* 'economic miracle' of the 1950s and 1960s. Frankfurt became one of the major destinations for *Gastarbeiter*, with its non-German population growing from around 11,000 in 1957 to 186,000 in 1994 (Ackermann, 1997). By the early 1990s, just under a quarter of Frankfurt's population were classified as *Ausländer* (literally 'foreigners'), with Yugoslavs, Turks, Italians, Greeks and Moroccans representing the largest ethnic minority groupings (Friedmann and Lehrer, 1997). As in London, migration resulted in a heavy concentration of migrant groups in Frankfurt's inner-city, particularly in the *Bahnhofsviertel* and the *Gutleutviertel*, where ethnic minority groups made up 70 and 55 per cent of the population respectively in the mid-1990s (Ackermann, 1997). Likewise, as a result of the heavy loss of manufacturing jobs in Frankfurt during the 1970s and 1980s, unemployment and poverty rates grew sharply among ethnic minority groups (see chapter 4).

Against this backdrop, initiatives to tackle racial and ethnic disadvantage became a prominent feature of local politics in Frankfurt from the late 1980s. This policy shift reflected a conscious attempt by the local Green Party to broaden the notion of

Frankfurt as a *Weltstadt* to address issues of racial discrimination. Following the 1989 election, at which far-right parties had secured 6 per cent of the vote, the red-green coalition advocated specific initiatives to promote multi-culturalism in Frankfurt (SPD/Die Grünen, 1989; Hauff, 1989). In his first speech to the city council as mayor on 15th June 1989, Hauff (1989) emphasised the fundamental importance of 'liberalism and tolerance' to the coalition's policies and announced the intention to establish an Office for Multicultural Affairs (*Amt für Multikulturelle Angelegenheiten* – AMKA). In doing so, Hauff stressed that Frankfurt was 'open to foreigners, whether as tourists, guest-workers, business people or refugees' (Hauff, 1989, p.12). The AMKA was duly set up with a staff of 15 and an annual budget of DM1.5 million (Friedman and Lehrer, 1997). Daniel Cohn-Bendit, who is widely recognised to have been the driving force behind the AMKA, became the political head of the office, and was made an honorary member of the city council's cabinet.

The AMKA's objectives were concerned with fighting racism and other forms of discrimination, while also working towards a vision of a genuinely multicultural Frankfurt or, to use Cohn-Bendit's term, 'a cosmopolis' (Friedmann and Lehrer, 1997; Cohn-Bendit and Schmid, 1992). The AMKA took an astonishingly broad-ranging approach to promoting multi-culturalism, particularly in view of its relatively modest resources, creating tensions with most of the city council's departments as a result of its attempts to influence everything from education to planning policy (Friedmann and Lehrer, 1997). This diverse range of concerns were reflected in a speech made by Cohn-Bendit at an international conference on *Multiculturalism and the City* in May 1991, hosted by Frankfurt City Council and attended by representatives from 100 European cities (Council of Europe, 1991). In his speech, Cohn-Bendit made the case for, *inter alia*, European citizenship, full voting rights for all immigrants, new forms of urban planning to counter ethnic and racial segregation, inter-cultural education in nursery schools, and the provision of mother tongue instruction for all school children. While such interventions, and other aspects of the AMKA's work, were frequently dismissed as political symbolism, it is nonetheless clear that the office has 'made an important contribution by highlighting the special needs of Frankfurt's migrant population' (Friedmann and Lehrer, 1997, p.74). It is also a valuable example of the increasingly transnational character of Frankfurt politics during the 1990s (see section 9.4 for further discussion). Indeed, given the

widespread assumption that the AMKA would only survive as long as the red-green coalition, the continued existence of the office in 2004 under a CDU administration is indicative of the support it has generated. Whether the AMKA can point to any demonstrable improvement in the social conditions of Frankfurt's migrant population is, however, far more open to question.

9.3 Sustainable development and the introduction of Local Agenda 21

If policy-makers in London and Frankfurt were limited in their capacity to respond to social problems during the 1980s and 1990s, the development of environmental policy suggested greater scope for local action. It was noted in chapter 3 that the emergence of sustainable development as a key policy issue during the 1980s and 1990s was largely the result of the activities of international institutions, such as the EU and the UN, thus suggesting evidence of the internationalisation of governance and policy-making.³ Significantly, however, international environmental agreements have tended to rely heavily on local authorities for their implementation, thus pointing to the emergence of new forms of global-local relations in public policy (Munton, 1997; Atkinson and Wilks-Heeg, 2000). As Atkinson and Wilks-Heeg note, in the 15 years after the signing of the European Act in 1986, the EU issued more than 200 directives concerned with environmental issues, with local authorities frequently becoming responsible for implementing them. Similarly, some 40 per cent of the measures contained in the EU's Fifth Environmental Action Programme of 1992 depended on local authorities as implementing bodies (Local Government Management Board, 1993). The same principles underpinned Agenda 21, the action plan for sustainable development agreed at the United Nation Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992. While assigning specific roles and responsibilities to both international actors and national governments, Chapter 28 of Agenda 21 clearly indicates that 'the participation and co-operation of local authorities will be a determining factor in fulfilling its objectives' (cited in Atkinson and Wilks-Heeg, 2000, p. 191).

³ It is widely recognised that the term 'sustainable development' was introduced into policy debates by the World Commission on Environment and Development (1987), chaired by Gro Harlem Brundtland, which defined it as 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs' (p.8).

Particular attention has been paid in academic research to the implications of Agenda 21 for local governance (Aydin, 1995; Atkinson and Wilks-Heeg, 2000). All local authorities from the member state signatories to Agenda 21 were expected to develop a 'Local Agenda 21' by 1996. Moreover, with Agenda 21 premised on the view that sustainable development is best promoted at a local level, via the involvement of citizens, community groups, businesses and public bodies, the role accorded to local authorities was widely interpreted to be one of initiating, directing and co-ordinating new forms of policy-making (Aydin, 1995). In reality, however, there were enormous variations in the enthusiasm with which Local Agenda 21 was embraced by local authorities globally. Indeed, whereas more than 40 local authorities in the UK had prepared a Local Agenda 21 by 1996 (IDeA, 1999), no local authorities in Germany met the target date (Bundesministerium für Raumordnung, Bauwesen und Städtebau, 1996). These national tendencies were reflected in London and Frankfurt. A number of London Boroughs had completed, or were close to completing, a Local Agenda 21 by 1996, whereas Frankfurt City Council was at the early stages of working through its response to the Rio Summit. At the same time, however, policy-makers in both cities could point to a much wider set of environmental policy initiatives, underlining the growing role of cities as independent actors in the promotion of sustainable development.

Sustainable development and environmental policies in London

The development of local sustainable development policies pre-dates the Rio Summit and Local Agenda 21. A number of British local authorities had already gone beyond their statutory duties in relation to environmental issues by the early 1990s (Atkinson and Wilks-Heeg, 2000). In London, the regrouping of the new urban left after the abolition of the GLC, and the stand-off between Labour- and Conservative-controlled councils, in the second half of the 1980s was one factor spurring Labour authorities to adopt environmental initiatives. By the end of the decade, the pan-London grouping of Labour authorities published an influential environmental charter and green audit of London government (Association of London Authorities, 1989). Two years later, in her review of the environmental policies and practices of London Boroughs, Parry (1991) noted 'a general advance' in environmental awareness in London local government. Parry provides examples of the range of environmental policy initiatives,

including the widespread adoption of environmental charters, integration of environmental concerns into Unitary Development Plans, and the appointment of dedicated staff to work on recycling issues.

During the first half of the 1990s, LPAC began to play a leading role in the promotion of environmental policy in London, producing a comprehensive 'state of the environment' report for London (LPAC, 1995). The LPAC report offered a detailed assessment of London's 'environmental impact', based around 111 key indicators designed to 'describe and monitor the state of London's environment and set a context for considering the effect of policies' (p.1.1). The analysis is placed firmly within the context of sustainable development as an international agenda, framed in terms of the work of the Brundtland Commission, the Rio Earth Summit, Local Agenda 21, as well as European Union and UK national legislation. Assessing London's impact on the climate and atmosphere, consumption and effect on water, land and minerals, the report found that London uses 1.7 per cent of all energy in the EU, a proportion equivalent to Portugal, Denmark or the Republic of Ireland (p.1.1).

However, despite this growing attention to environmental issues, the (1995) LPAC report was also typical of an approach emerging in London in the 1990s that downplayed the notion of environmental protection as a challenge to growth-orientated economic policies and the continued internationalisation of the London economy. Instead, the promotion of improved environmental quality was portrayed as a central element of maintaining economic success and securing London's world city status. Thus, while the extent of the environmental challenge facing London is made plain, the argument for tackling these issues is crucially underpinned with reference to the world city debate: 'significant policy changes are needed in London to help secure the quality of its environment and its future sustainability as a world city' (LPAC, 1995, p.4.6).

The general take-up of environmental issues among local authorities in London during the 1990s should not, moreover, deflect attention from a number of acute limitations to the progress in moving towards sustainable development. First, there have been enormous variations in the extent to which sustainable development emerged as a significant issue in the individual London Boroughs. It was generally the

outer-London authorities that advanced the furthest with Local Agenda 21 strategies, with Boroughs such as Sutton, Merton and Croydon winning widespread recognition of their efforts to promote sustainable development. Similarly, as table 9.3 shows, recycling rates among the London Boroughs in the mid-1990s varied from between 1-2 per cent in inner-London authorities such as Southwark, Tower Hamlets, Islington and the City of London, to 17-22 per cent in the outer-London boroughs of Croydon, Sutton and Richmond. Second, due to the lack of a strategic governmental authority for London in the 1990s, attempts to produce a Local Agenda 21 for Greater London as a whole were almost doomed to fail (Jopling, 2000). While the leader of Merton Borough Council, Cllr Tony Coleman, was instrumental in driving the Association of London Government to establish a working group for a Greater London Agenda 21, the end document lacked an institutional advocate to take it forward (Jopling, 2000). Third, even in those Boroughs where greatest progress was made towards implementing Local Agenda 21 and other local environmental policy initiatives, the tendency was for sustainable development to rank as a subordinate policy concern, often consisting of a collection of 'laudable' projects, but rarely challenging, or even informing, the overriding local policy goals (Wilks and Hall, 1995).

Table 9.3 London Borough recycling rates, 1994/95

<i>Borough</i>	<i>% waste recycled</i>	<i>Borough</i>	<i>% waste recycled</i>	<i>Borough</i>	<i>% waste recycled</i>
Richmond	22	Harrow	8	Wandsworth	4
Sutton	18	Greenwich	8	Lambeth	3
Croydon	17	Lewisham	8	Barnet	3
Bromley	15	Hounslow	7	Barking & Dagenham	3
Kingston	11	Ealing	6	Redbridge	3
Bexley	11	Enfield	6	City of London	2
Merton	11	Camden	6	Islington	2
Westminster	11	Waltham Forest	6	Brent	2
Kensington & Chelsea	10	Hammersmith & Fulham	6	Tower Hamlets	2
Havering	10	Haringey	6	Southwark	1
Hillingdon	8	Hackney	5	Newham	1

Source: Atkinson and Murray (1996), p.126.

The Local Agenda 21 (LA21) process in the London Borough of Croydon provides a valuable illustration of the restricted impact made even within the London authorities that made greatest progress in taking up environmental concerns post-Rio. Croydon was one of a relatively small number of local authorities to respond immediately to the recommendations of the Rio Earth Summit, convening the first meeting of an Agenda 21 Sub-Committee in July 1993, with a view to completing a LA21 strategy by the proposed deadline of 1996 (London Borough of Croydon, 1997a). Under the leadership of the sub-committee, extensive public consultation was undertaken via a total of almost 50 community workshops and a questionnaire survey, a number of specific project groups were established, and an environmental audit of Croydon carried out (see figure 9.2). On the basis of this work, the borough was one of the first UK local authorities to complete a LA21 strategy, finalising the document in December 1996, and publishing it in January 1997 (London Borough of Croydon, 1997a, 1998). The strategy offers a consciously 'idealistic vision of a sustainable future, where environmental, social and economic aims are in harmony' (London Borough of Croydon, 1997a, p.2), while also outlining a detailed action plan in nine priorities areas (pollution, waste, energy, etc) detailing objectives, concrete actions, institutional responsibilities and timescales for their implementation. The detailed strategy was also supplemented by a 'popular version' made available to residents throughout the borough (London Borough of Croydon, 1997b) that 'sets out almost 250 actions for the Council, businesses, local organisations and residents' (p.1).

In comparison to other local authorities that are restricted to a single LA21 officer, Croydon council opted to establish a team of four to work specifically on LA21 issues within the Directorate of Environmental Health and Trading Standards (Interview with Don Boon, December 1999). As a result of this work, and the institutional commitment it represented, Croydon has been regarded as one of the leading local authorities in implementing Local Agenda 21 (Interview with Don Boon, December 1999). Moreover, it was one of a number of local authorities worldwide to be recognised as a 'success story' at a special session of the General Assembly of the United Nations held in New York in June 1997 to review and appraise the implementation of LA21, (United Nations, 1997). Yet, despite such recognition, those leading the LA21 process within the council were less sanguine about its prospects, particularly within the context of the growing emphasis placed on economic

development and regeneration policy within the borough (Interview with Don Boon, December 1999). It was noted that the multi-agency Croydon Partnership, in particular, is heavily biased towards economic development, with local businesses exerting considerable influence in its adoption of a strongly pro-growth agenda that posed a genuine threat to the principles underlying the council's Agenda 21 strategy (Interview with Don Boon, December 1999; Interview with Brian Irving, December 1999). The council officer representing LA21 on the steering group of the Croydon Partnership underlined these views, suggesting that only through a recognition of such tension and conflicts between competing objectives could sustainability issues be kept on the agenda at all (Interview with Brian Irving, December 1999). Yet, rather than recognising such conflicts, the approach adopted by Croydon council has, instead, been to gloss over them by advocating that economic competitiveness, social cohesion and environmental sustainability are mutually compatible and mutually reinforcing policy goals (London Borough of Croydon, 1999).

Figure 9.2 The development of Local Agenda 21 in the London Borough of Croydon, 1993-97

April 1993	Croydon council decides to start work on producing a Local Agenda 21 strategy.
July 1993	Initial meeting of new Agenda 21 Sub-Committee.
October 1993	First meeting of Energy Project Group.
January 1994-December 1994	Initial meetings of Project Groups on 'Natural Environment', 'Transport', 'Waste and Pollution', 'Work and Economy'.
May 1995	First of 27 community consultation workshops held.
June 1995 August 1995	Publication of Croydon Environmental Audit Almost 4000 responses to 'You and the Environment' questionnaire survey of local residents received.
May 1996	Completion of first draft of Local Agenda 21 strategy and instigation of 22 community workshops to consult on the document.
December 1996	Completion of Local Agenda 21 strategy.
January 1997	Publication of Local Agenda 21 strategy.

Source: London Borough of Croydon (1997b), p.59.

The experience of LA21 in Croydon is typical of that across London as a whole. Reviewing the evidence on the outcomes of Local Agenda 21 throughout the London Boroughs, Jopling (2000, p.69) notes a number of achievements suggesting that 'much useful, and very varied, work has been done in London boroughs under the LA21 umbrella...numerous plans have been made and numerous small projects have been inspired or assisted. Most councils admit to LA21 having some influence'. However, Jopling fails to find evidence of a fundamental shift in local policy-making or of the profound, holistic re-evaluation of policy priorities that the adoption of sustainable development implies. Instead, Local Agenda 21 has remained a small-scale activity operating largely at the lower tiers of local government:

However, the tremendous potential of the novel process called for by Agenda 21 has not been realised because in the vast majority of London boroughs the process has not received the backing it requires at either political or senior officer level. The idea that a local authority should have a dialogue with and seek to learn from local people is completely foreign to local authorities. Taking LA21 seriously would have required a complete revolution in the attitudes of both officers and members and the introduction of new processes (Jopling, 2000, p.69).

Sustainable development and environmental policies in Frankfurt

Ecological policy goals became a central concern to Frankfurt City Council following the election of the red-green coalition in 1989, prior to which, environmental concerns had received little or no attention in city politics (Keil, 1995a). The accession of the Greens to political office in Frankfurt was to have a major impact on the city's approach to environmental politics and policy and much of this shift was engineered by the Green Party's Director of Environmental Policy, Tom Koenigs. A committed internationalist, Koenigs immediately took a global perspective on Frankfurt's environmental policy. Both the European Green Paper on the Urban Environment and the Brundtland Report were assimilated into the policy discussion by the city's *Umweltforum*, which carried out research and outreach work for the *Umweltamt* (Office for Environmental Affairs) of the city council (Interview with Roger Keil, May 1995). This approach was clearly underpinned by Koenigs' personal endorsement of the view that environmental policy involves new forms of governance connecting the global and the local (Interview with Tom Koenigs, June 1998). Indeed, in his memoir reflecting on his early experience as a Green politician in Frankfurt, he states:

I believe that, at some point, there will only be two relevant governmental tiers in environmental protection: the EU or an even bigger international organisation will determine the policy frameworks, and local authorities, most of all city authorities, the implementation (Koenigs, 1992b, p.151).

The period after 1989 was characterised by a diverse range of attempts to promote new forms of environmental policy-making, both within Frankfurt and beyond. With regard to the latter, it is notable that the chapter in Koenigs' memoir from which the above quotation is taken is entitled 'Foreign Policy' (*Außenpolitik*). Under Koenigs' leadership, Frankfurt city council was instrumental to the establishment of an International Climate Alliance between 14 European local authorities, which has since grown to a membership of over 1000 (see section 9.4). Meanwhile, efforts to promote sustainability within Frankfurt itself focussed particularly on the attempt to introduce new principles in urban planning. While the ambitious attempts to 'reinvent' urban planning in Frankfurt around a progressive red-green agenda largely failed, the coalition nonetheless left two lasting legacies from its initial emphasis on sustainable development in planning policy.

The first of these legacies was the completion of the Frankfurt green belt. Although proposals for a green belt around Frankfurt date back to the 1920s and appeared in the 1983 land-use plan, no previous administration had taken the idea forward. Led by Koenigs, the city council formally approved the decision to develop the green belt in January 1990, and the Green Belt Project Office was established in March that year, with a total budget of DM 300 million (GrünGürtel Projektbüro, 1991). Within the context of the coalition's wider agenda the green belt was advocated as a means of responding to the negative consequences of Frankfurt's role as the centre of a major European growth region, and a pro-active response to the additional development pressures likely to arise from accelerating European integration (Koenigs, 1991b). Following disagreements as to whether the task of assembling the green belt should rest with Koenigs' Department of Environmental Affairs, or the SPD-run Planning Department, Koenigs eventually acquired the responsibility. Thereafter, the completion of the project was characterised by a series of trade-offs within the coalition, including the decision by the Greens to permit the building of two skyscrapers in exchange for adding land previously earmarked for development to the green belt (Koenigs, 1992b).

The second significant legacy of the attempt to introduce environmental discourses to the planning process in Frankfurt was the *Commerzbank* tower. The *Commerzbank* development was, in many ways, deeply symbolic of the philosophy, and the

dilemmas, of the new urbanism in Frankfurt. Comprising a total of 100,000 m² of space, the development consists of a 300m, 53 storey office tower (the tallest in Europe) and a number of perimeter buildings. Designed by Sir Norman Foster, the development is characterised by its strong emphasis on natural ventilation, previously unknown in skyscraper construction, in part facilitated by the inclusion of 'sky gardens' in spirals around the buildings perimeter (Lambol, Davis and Davies, 1997). Extensive use is made of energy saving technologies, enabling its occupiers to claim that it is at least 30 per cent more energy efficient than similar office towers built during the same period (Moore and Brand, 2003). The development includes restricted parking provision and is located close to U-Bahn stations to encourage use of public transport. In addition, the complex also reflects a more inclusive social interpretation of its function, in line with the coalition's aims of linking office and housing development. It is not restricted to office-use, and instead seeks to advance a mixed-use concept through the inclusion of 4,500 m² of residential space, shops, a restaurant open to the public at ground level and a public lecture hall. Given the extent of the departure from traditional high-rise office block design, it has been argued that the *Commerzbank* development constituted the 'reinvention of the skyscraper' (Moore and Brand, 2003, p.15). Indeed, it has widely been heralded as the pioneering example of a new urban form – the eco-skyscraper or 'ecological high-rise' (Lambol, Davis and Davies, 1997).⁴

Despite its enormous symbolic importance, and significance as a model of ecological design, the longer-term significance of the *Commerzbank* development for planning policy in Frankfurt is harder to gauge. On the one hand, it set a standard and a tone for future high-rise developments, with many of the same ecological principles being adopted in subsequent projects, such as the Main Tower, completed in 2000. In this sense, it can be argued that the *Commerzbank* negotiations shifted the terms of local planning discourse towards sustainable development: 'just as the banks vie for the highest tower and the most recognizable crown, they also vie to publish the lowest energy consumption rates in order to gain favour at city hall (Moore and Brand, 2003,

⁴ More recently, Foster has applied many of the same principles to the construction of 30 St Mary Axe (popularly known as 'the Gherkin') for Swiss Re on the site of the former Baltic Exchange in the City of London. Similarly conceived of as a mixed-use building, with public access on the ground floor, the 40-storey tower is designed to encourage natural ventilation and wind conditions in the surrounding area. It has been described as 'the capital's first environmentally progressive tall building' (Foster and Partners, 2004).

p.16). On the other hand, as was noted in chapter 7, the *Commerzbank* development has done little to challenge the logic of market-responsive planning policy in Frankfurt, and may even have provided the crucial precedent for a new phase of high-rise construction in the late 1990s.

The decision to draw up a Local Agenda 21 document for Frankfurt did not occur until January 1996. However, while Frankfurt's delay in reacting to the outcome of the Rio Summit compares unfavourably with London, the city was no slower to react than other German local authorities.⁵ By early 1996 it was estimated that a total of 30 councils in Germany were engaged in some form of LA21 activity although there were still no completed strategies by this point in time (Kuhn et al, 1996). Frankfurt, as one of these 30 local authorities, was regarded within Germany as having made significant progress by mid-1998 and its LA21 process was portrayed as a potential model for other German cities, particularly with regard to business involvement (Wagner, 1997). As figure 9.3 shows, Frankfurt city council formally began the process of drawing up a Local Agenda 21 strategy in early 1996, convening a series of fora on specific issues over the following year, leading to the agreement of a 'common platform' in April 1997. This process brought together city officials with representatives from environmental organisation and business leaders, with the latter including several of key business interests in Frankfurt, such as Hoechst AG and the Frankfurter Flughafen AG.

⁵ It was not until 1994 that Köpernick, a district of Berlin, became the first German local authority to initiate the Local Agenda 21 process (Tageszeitung, 1995b). By November 1995 Köpernick had been joined by just nine other German local authorities (Tageszeitung, 1995c).

Figure 9.3 The development of Local Agenda 21 in Frankfurt, 1994-97

June 1994	German Parliament (<i>Bundestag</i>) agrees to support the development of Local Agenda 21 by local authorities.
25 January 1996	<i>Magistrat</i> of Frankfurt City Council asked for its plans regarding the implementation of Local Agenda 21 in Frankfurt.
16 February 1996	<i>Magistrat</i> of Frankfurt City Council announced decision to implement Agenda 21 in Frankfurt.
20 June 1996	Convening of first Local Agenda 21 Forum on 'Energy and Climate Control'.
September 1996 – April 1997	Convening of a further eight Fora on topics such as 'sustainable waste management', 'green and open spaces' and 'sustainable water management'.
29 April 1997	Agreement of a 'common platform'.
June/Jul 1997	First meetings of the five working groups, convening every 4 weeks thereafter.
17 July 1997	Report from <i>Magistrat</i> to City Council adopting the common platform

Source: Stadt Frankfurt am Main (1998).

From its inception, the development of Local Agenda 21 in Frankfurt was framed with specific reference to the wider context of globalisation and Frankfurt's articulations with the international economy. In the common platform, Frankfurt's role as a global city is interpreted as implying particular responsibilities as well as particular challenges for the city's policy-makers:

Through its internationally-orientated corporations, the Messe, airport, banks and stock exchange, Frankfurt earns a great deal of money from the world, but it also experiences much greater social upheaval than other cities. It is therefore particularly in the interests of Frankfurt am Main to find political answers to the acceleration of globalisation (Projektgruppe Lokale Agenda 21, 1998, p.1)

Similarly, the common platform clearly defines the development of Agenda 21 in Frankfurt as a local response to global issues. It begins by noting the scale of contemporary global environmental challenges and the importance of the Rio Earth Summit as a response to these challenges. It interprets the development of Local Agenda 21 in Frankfurt as part of a wider 'politics of "global partnership", intended to protect the resources of the planet' (Projektgruppe Lokale Agenda 21, 1998, p.1). In addition, the document lays particular emphasis on the significance of Frankfurt working towards sustainable development, given the city's European and international articulations. The wording of the 'common platform' outlines an ambitious notion of how economic, environmental and social goals can be part of an integrated policy response.

As the centre of the Rhein-Main Region and as a European financial centre, the City of Frankfurt has a European and worldwide significance. Through nationally and internationally-orientated corporations, and as a nodal point of diverse transport and communication networks, the city is connected to the entire globe. This demands an awareness of global integration, with a view to a common future. [...] The goal must be that the concept of sustainability becomes the basis for action in the city. Such a concept of sustainability involves thinking about how medium- and long-term economic, ecological and social goals can be brought into a unified approach. For this reason, new ways of living and trading need to be developed at the local and regional levels. Only in this way can economic development, ecological sustainability and social equality be secured in the city over the long-term and the quality of Frankfurt as a business location and its role in an international context maintained (Projektgruppe Lokale Agenda 21, 1998, p.9).

However, in Frankfurt, as elsewhere, there has been an enormous mismatch between this ambitious agenda to integrate economic, social and environmental objectives around a common agenda of sustainability, and the reality of LA21 strategies in action. In order to secure as wide a consensus as possible, Koenigs encouraged partners in the LA21 process to focus on the introduction of specific projects (Interview with Johannes Wagner, June 1998). These included the selling of shares to plant a new forest in the city's green-belt, setting a target of 50 local companies to

undertake 'ecological audits' and encouraging local residents to repair, rather than dispose of, electrical and mechanical goods via a project called 'Frankfurt repairs itself' (Interview with Tom Koenigs, June 1998; Interview with Ingrid Wentzell, June 1998). While this approach was widely endorsed by those engaged in the LA21 process, it was recognised by one business representative that the overall contribution to sustainable development was 'relatively modest' (Interview with Johannes Wagner, 1998). Moreover, this focus on generating consensus was suggested to be problematic by some participants. In the view of an NGO representative, issues with a significant bearing on environmental sustainability, such as the proposed expansion of Frankfurt Airport, were consciously kept off the agenda by the City Council for fear that they would generate a polarisation of views (Interview with Harald Wolf, May 1998).

As such, the approach taken to LA21 was essentially one of using it as a banner for bundling together existing local authority and community-based projects (Interview with Ingrid Wentzell, June 1998). It has not challenged the fundamental assumptions of local political or economic decision-making. In interview, Harald Wolf argued that the city council had invested only minimal resources in the initiative while economic and business interests 'send their people more or less as an alibi. They're there to make sure that they don't miss anything, that social changes don't pass them by, but not to invest anything' (Interview with Harald Wolf, May 1998). This critical perspective was confirmed by the attitude expressed by the Director of Frankfurt's Economic Development Corporation, who reported that the Corporation's representative on one of the working groups 'goes there, but doesn't take it very seriously' (Interview with Hartmut Schwesinger, June 1998). Moreover, the extent of wider business involvement appeared to be equally tokenistic. The principal Chamber of Commerce representative in the LA21 process reported that several business representatives had already dropped out, indicating that the Chamber's involvement was also likely to be short-lived: 'It's not the task of the Chamber of Commerce to be permanently involved in such a process. This is about things that only concern the Chamber of Commerce at the margins' (Interview with Johannes Wagner, June 1998). More surprising, however, given the emphasis in Local Agenda 21 on promoting social cohesion as a key facet of sustainable development, was the absence of the city council's *Sozialamt* from the process in Frankfurt. Indeed, the Head of the *Sozialamt*, Ingo Stayman, indicated in interview (June 1998) that he had no knowledge of the

LA21 initiative even taking place in Frankfurt. Clearly, then, despite the range of organisation notionally involved in LA21 in Frankfurt, it had become little more than a marginal policy initiative in the city.

The picture that emerges from the experience of LA21 in London and Frankfurt therefore reinforces the interpretation of social policy in the first section of this chapter. While local authorities have been seen as the crucial bodies in relation to furthering sustainable development, particularly in the urban context, the policy networks that have emerged around such concerns have found themselves on the margins of policy debate in world cities. The contrast between the sense of urgency with which senior politicians and business leaders have committed themselves to economic development goals, and the engagement of the same actors with sustainable development issues, is clearly evident in both cities. Given this context, there is some evidence to suggest that policy-makers seeking to challenge the dominant world city discourse have attempted to deploy alternative conceptions of globalisation rooted in transnational governance, thus underpinning the notion of globalisation as an instrumental element of wider political struggles (*viz.* hypothesis 6b). It is to these issues that the analysis now turns.

9.4 Multi-level governance and transnational urbanism in social and environmental policy

The discussion so far suggests clear limitations to social and environmental policy-making in London and Frankfurt from 1986-96, particularly with regard to efforts to challenge the dominant discourse of world city formation and the promotion of economic growth. However, the period also saw the emergence of new forms of social and environmental policy-making at the local level, characterised by both vertical relationships with international governmental institutions and horizontal linkages to cities internationally. In the case of the former, the emergence of forms of multi-level governance associated with the European structural funds were of particular significance, especially in the case of London. The latter scenario was found far more readily in Frankfurt, where city politicians became active in promoting the formation of European networks addressing social and environmental issues.

During the study period, the EU played a growing role in local efforts to tackle poverty and social exclusion in European cities, principally through the European Regional Development Fund (ERDF) and the European Social Fund (ESF). This development is more clearly apparent in London than in Frankfurt, where local authorities were instrumental in persuading the European Commission of the case for allocating a portion of the structural funds to otherwise prosperous cities and regions exhibiting pockets of concentrated social deprivation (Bennington and Harvey, 1994; Atkinson and Wilks-Heeg, 2000). In 1990 DGXVI of the European Commission, responsible for regional policy, launched a series of Urban Pilot Projects (UPPs) under Article 10 of the ERDF regulations, with London and Marseille becoming the first two cities to receive funding under this programme. The London UPP, entitled 'The London Initiative', constituted an ECU10.2 million programme, of which 50 per cent was provided by the ERDF. It comprised 18 individual projects 'targeted at nine local authority areas characterised by high levels of social and economic deprivation' and which focussed particularly on the provision of training and enabling local residents to access employment opportunities (European Commission, 2004).

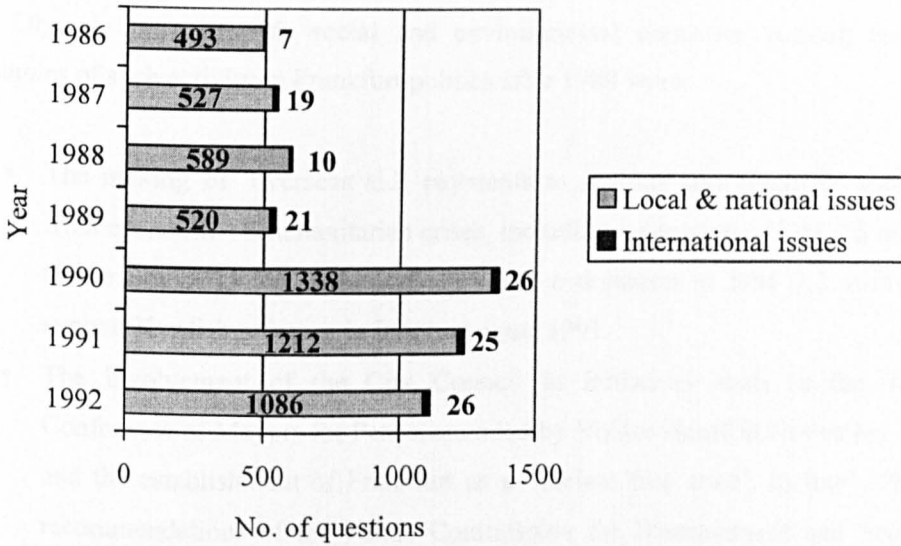
Following on from the London UPP, large parts of East London and the Lea Valley were awarded ERDF objective 2 status for regions suffering from industrial decline. The objective 2 programme for East London and the Lea Valley from 1994-2000 covered 6 London Boroughs⁶, resulting in an ECU18 million per annum allocation for regeneration initiatives in these areas and enabling increased access to ESF resources (European Commission, 1994). Even prior to the ERDF allocation, it was estimated that some £10 million of EU funding was supporting 250 projects in East London, of which £4million came from the ESF (European Commission, 1994). Moreover, by 1996, 20 out of 22 London Boroughs responding to a survey questionnaire indicated that they received some form of European funding (Mahler, 1996). However, it is important to put such developments into perspective. While European funding became increasingly important as a means of supporting specific local social policy and regeneration initiatives in London, it was dwarfed by the overall level of mainstream local and national government allocations for such activities. For instance, in 1992, the ESF provided just 2.3 per cent of all funding for voluntary

⁶ The six London Boroughs concerned - Enfield, Hackney, Haringey, Newham, Tower Hamlets and Waltham Forest - combined to establish The Lea Valley Partnership.

organisations in Greater London (Compass Partnership, 1993). Nonetheless, the growing significance of transnational policy-making to London local governance is underpinned by Mahler's (1996) survey, which found that 70 per cent of Boroughs responding had a dedicated European Officer, the vast majority working on European issues in a full-time capacity. Such data confirm the trend towards the 'Europeanisation' of British local government first pointed to by Goldsmith (1993).

A very different internationalisation of local governance was evident in Frankfurt during the first half of the 1990s. The 1989 coalition agreement between the SPD and the Greens included a section on international issues, with the coalition partners stating: 'we want to establish Frankfurt as a city of international understanding, within and beyond its walls' (SPD/die Grünen, 1989, p.34). This section of the coalition agreement went on to cite examples of activities that the new administration would engage in, including support for the 'Municipalities for Peace' initiative, the refusal of any requests for military exhibitions or parades in the city, and opposition to any form of support for the Apartheid regime in South Africa. The extent to which such examples of transnationalism became a feature of urban politics in Frankfurt after 1989 can be assessed via the records provided by the *Bericht des Magistrats an die Stadtverordnetenversammlung* ('Report of the Cabinet to the full City Council'). This source constitutes a weekly report of the questions put to the *Magistrat* (Cabinet) of Frankfurt City Council by elected local councillors, and the responses given. At the time the fieldwork was carried out, reports were available for the period 1986-92, providing details of a total of 5,899 questions put to the *Magistrat*. By recording the number of questions each year that contained an international element, as well as the details of the international issues concerned, these data were used to construct a quantitative measure of transnationalism in Frankfurt city politics in the period concerned, as well as a qualitative assessment of how transnational issues manifest themselves in the democratic political arena.

Figure 9.4 Questions put to Frankfurt City Council's 'Magistrat', by category, 1986-92



Source: Compiled from Bericht des Magistrats an die Stadtverordnetenversammlung (Frankfurt City Council), 1986-1992.

The results of this exercise are presented in figures 9.4 and 9.5. As figure 9.4 shows, while the total number of questions with an international element put to Frankfurt's *Magistrat* rose during the period from 1986-92, the proportion of questions with an international element remained very low throughout the period. Thus, the percentage of questions referring to international issues ranged from 1.4 per cent in 1986 to 3.9 per cent in 1989 (see figure 9.5). Nonetheless, there is clearly an absolute rise in the number of 'international questions' after 1989 (although the doubling of the number of questions submitted to the *Magistrat* after 1990, meant that international issues accounted for around 2 per cent of the total in each of these three years).⁷ Moreover, the increased prevalence of international issues after 1989 reflects the agenda of the 'red-green' coalition, leading not only to a quantitative increase, but also to a qualitative shift in the range of international issues addressed. In line with the aspirations expressed in the coalition agreement, this period saw the emergence of new forms of urban politics that are best captured by the term 'municipal foreign

⁷ The increase in the total number of international issues raised was not simply a function of the increase in the number of questions after 1990. The dramatic increase in the total number of questions submitted to the *Magistrat* from 1990 onwards was largely due to the strengthening of the role of the city's *Ortsbeiräte* (Area Committees) by the red-green coalition. This prompted a vast number of questions about individual neighbourhoods to be submitted to the *Magistrat* via the *Ortsbeiräte*.

policy' (c.f. Kirby et al, 1995). As figure 9.5 illustrates, a diverse range of international issues were raised in Frankfurt's council chamber during the period 1986-92, with a clear shift from a bias towards urban entrepreneurialism (especially the Olympic bid), towards social and environmental concerns. Among the key examples of such activity in Frankfurt politics after 1989 were:

- The making of 'overseas aid' payments to regions and countries suffering from economic or humanitarian crises, including a donation of DM 0.5 million to the Soviet Union in March 1990 and a donation of DM 0.2 million to support Kurdish refugees in Iraq in August 1991.
- The involvement of the City Council in initiatives such as the World Conference of Mayors for Peace, attended by Volker Hauff in November 1989 and the establishment of Frankfurt as a 'nuclear free zone', in line with the recommendations of the Palme Commission for Disarmament and Security Issues of June 1982.
- Hosting a meeting of major European cities and the Amazonian Indians in Frankfurt in 1990, focussing on environmental issues, particularly climate change and energy use. The outcome of the meeting was the signing of 'The Manifesto of European Cities for the Protection of the Earth's Atmosphere' and the foundation of the Climate Alliance, based in Frankfurt (see below).
- Actively networking with other European cities to promote a more multicultural city politics. This included Frankfurt's *Amt für Multikulturelle Angelegenheiten* organising and hosting a European conference on 'Multiculturalism in the City', attended by policy-makers from 100 cities in 20 different countries, in September 1991 (Council of Europe, 1991). The event led to the agreement of the Frankfurt Declaration for a new local politics of multi-cultural integration.
- Co-operating with other European cities on the issue of drug policy, starting with a conference held in Frankfurt in November 1990 and leading to the issuing of a joint resolution in August 1991.
- Playing a lead role in the World Health Organisation's Healthy Cities programme, leading the German network after a conference held in Frankfurt in June 1989, and becoming an active participant in the European network.

Figure 9.5 A breakdown of international issues addressed in questions to the *Magistrat* of Frankfurt City Council, 1986-92

<i>Year</i>	<i>No. questions with international element</i>	<i>% questions with international element</i>	<i>Issues addressed by questions</i>
1986	7	1.4 %	Territorial competition (1); International schools/language provision for children of non-German nationals (2); Olympic bid (1); multiculturalism & Kindergarten policies (3)
1987	19	3.5%	Olympic bid (6); international partner cities (2); international schools (3); US military use of Frankfurt Airport (2); sanctions against South Africa (1); German-French cultural summit (2); implications of EC tax harmonisation proposals for city's finances (1); Iranian governmental offices in Frankfurt (1).
1988	10	1.7%	Olympic bid (2); China Centre in Frankfurt (1); Territorial Competition (2); international terrorism (1); international schools (1); accommodation for refugees (2); WHO Healthy Cities programme (1).
1989	21	3.9%	WHO Healthy Cities Network (1), impact of European integration (2); provision for refugees (7); provision for non-German residents (1); local action on global climate change (1); international schools (1); Olympic bid (3);
1990	26	1.9%	WHO Healthy Cities programme (4); anti-racism/multiculturalism (3); provision for refugees (2); international aid (1); international schools/mother-tongue language teaching for non-Germans (3); withdrawal of American troops (2); territorial competition (2); Nicaragua (1); international peace initiatives (1); European integration (3); Olympic bid (3); international conference on drugs problem in European cities (1).
1991	25	2.0%	Withdrawal of American troops (2); international aid (1); international schools (4); local action on global climate change (1); building of 'Japan Centre' (2); international conference on multiculturalism (2); international co-operation on drug problems in European cities (2), WHO Healthy Cities programme (3); refugees/ethnic minorities/guest workers (5); European Monetary Institute (1); Frankfurt Airport (1).
1992	26	2.3%	international conference on drugs problem in European cities (1); school exchanges (1); cultural accord with Moscow (1); Frankfurt international film exchange (1); refugees and asylum seekers (8); withdrawal of American troops (1); multiculturalism (2); international schools (2); local action on climate change (2); international aid; (1) territorial competition (2); consequences of European integration (1); WHO Healthy Cities network (1).

Source: Compiled from Bericht des Magistrats an die Stadtverordnetenversammlung (Frankfurt City Council), 1986-1992.

Transnational urbanism in action: the Climate Alliance of European Cities

Arguably the most significant outcome of this adoption of forms of transnationalism in Frankfurt city politics was the initiation of the Climate Alliance of European Cities, reflecting Koenigs' conviction that local authorities are critical to objectives such as reducing carbon dioxide emissions (Koenigs, 1992b). In August 1990, at Koenigs' instigation, the city of Frankfurt hosted an international conference on environmental issues, attended by representatives from 14 cities from across Europe, among them Vienna, Linz and Milan. The conference discussed the possibilities for greater exchange of information and experience on issues concerned with transport and energy policy (Interview with Tom Koenigs, June 1998). The conference was also attended, following an invitation from Koenigs, by representatives of the Amazonian Indians, led by Evaristo Nugkuag (Koenigs, 1992b). The event resulted in the signing of a climate alliance between the Amazonian Indians and the local authorities present, with Koenigs describing the event as a reflection of the philosophy of 'think globally, act locally' (Tageszeitung, 1990).

The following year, this alliance issued a 'Manifesto of European Cities to Protect the Earth's Atmosphere' (*Manifest europäischer Städte zum Erhalt der Erdatmosphäre*), pledging to instigate measures to protect the world's atmosphere and support the preservation of the Amazonian rain forest. Initiated by Frankfurt and signed by local authorities in Germany, the Netherlands, Austria and Italy, the manifesto committed its signatories to halving CO₂ emissions by 2010 and to cease the consumption and production of CFCs. In Koenigs' view, the manifesto represented 'a step away from traditional politics, towards a direct, democratic and equal association between the people of the first and third world' (Tageszeitung, 1991). The manifesto constituted the basis for the Climate Alliance to be formally registered as an association - *Klima Bündnis/Alianza del Clima e.V.* - in 1992, with its European Coordination Office based in Frankfurt. In line with the terms of the manifesto, the association formally defines its objectives as follows (Klima Bündnis/Alianza del Clima e.V., 1997):

- Halving CO₂ emissions by the year 2010 (against 1987 as the base year);
- Abstaining from the use of tropical timber;
- Supporting the indigenous peoples of the rainforest;
- Reducing emissions of all climate-endangering gases and phasing out CFCs.

From 1992 other European local authorities were invited to sign the manifesto, thereby committing themselves to the objectives of the association, and join the association in exchange for an annual membership fee of 0.01DM per inhabitant (Klima Bündnis/Alianza del Clima e.V., 1997). By 1997, 675 local authorities had joined the association, representing 40 million of Europe's inhabitants. With the European Co-ordination Office promoting and disseminating examples of good practice among its members, the association could boast a significant record in contributing to climate protection within 5 years of its foundation (Klima Bündnis/Alianza del Clima e.V., 1997). The steps taken by Frankfurt city council to contribute directly to climate protection include measures in energy efficiency, traffic policy and the green belt (Klima Bündnis/Alianza del Clima e.V., 1994). Frankfurt also made a full commitment to abstain from the use of tropical hardwood for park benches and playgrounds, as well as doors, window frames and furniture purchased for official buildings (Stuchlik, 1994). With such measures being adopted by other local authorities throughout Europe, the total impact of the alliance may prove substantial: by January 2004, membership had grown to 1033 European local authorities (Klima Bündnis/Alianza del Clima e.V., 2004).

9.5 Conclusion

The analysis in this chapter adds further weight to a number of the hypotheses advanced in chapter 3. First, it has been shown that, while growing concerns about social inequality and environmental problems ensured that such issues had a significant presence in policy debates in London and Frankfurt during the 1990s, economic policy goals were nonetheless dominant. These findings provide further confirmation of hypothesis 4, that economic development considerations constitute the key policy priority in world cities. Indeed, the analysis presented in this chapter goes further, suggesting that policy-makers rarely, if ever, sought to engage in debates

that suggested a need to recognise possible contradictions between world city formation and the promotion of social and environmental well-being. Instead, the reverse logic was applied, with social and environmental policy issues becoming part and parcel of an apparent policy 'consensus' that suggested that addressing social and environmental problems was part and parcel of maintaining world city 'status'. In London, in particular, a host of policy documents adopted this reasoning in the mid-1990s (CBI London, 1995; London Pride Partnership, 1995). Of these, the London Pride Prospectus, arising from the collaboration of business and local government interests was particularly influential, stating that:

Our vision for London is that it will head the league of world cities in the 21st century, not just by remaining at the leading edge of economic development worldwide, but by combining economic success with greater social cohesion, equality of opportunity and a high quality of life for all its citizens (London Pride Partnership, 1995, pp.4-5).

The cases of housing policy and Local Agenda 21, in particular, illustrate the extent to which policy-makers in both cities had limited capacity to challenge the dominant logic of economic development. The evidence presented in the chapter confirms the view, also expressed in hypothesis 4, that world city politics is characterised by a strong functional separation of policy networks, with actors concerned with social and environmental issues recognising their own marginalised status. The experience of LA21 in London and Frankfurt, in particular, highlights the enormous contrasts between the power resources that can be mobilised to promote economic policy initiatives and those available to proponents of sustainable development.

Such examples underline the extent to which urban politics in both cities lacks the scope for autonomous action within the conventional boundaries of inter-governmental relations. However, this chapter points to clear evidence of the emergence of new forms of trans-local policy-making in social and environmental policy that give weight to the notions of transnational urbanism put forward by hypothesis 5b. The Frankfurt experience, in particular, underlines how local policy-makers are able to engage with international policy issues that extend far beyond the concerns with territorial competition charted in chapter 8. Moreover, policy initiatives

such as the Office for Multicultural Affairs and the Climate Alliance of European Cities demonstrate how urban political actors seeking to counter the dominant discourse of globalisation in world cities have turned to alternative notions of internationalisation in order to secure greater legitimacy for their policy agendas. This evidence, although drawn entirely from the Frankfurt context, relates closely to the propositions put forward in hypothesis 6b regarding the instrumental nature of globalisation and world city discourses. Moreover, although outside of the study period, the priority given to international issues by Ken Livingstone after becoming mayor of London in 2001 indicates a wider tendency towards city politicians engaging as transnational actors. Likewise, the Frankfurt example also illustrates that, despite the evidence of growing business power, democratic elections continue to matter in world city politics. Although the red-green coalition that came in power in Frankfurt in 1989 was tightly constrained in its capacity to change the trajectory of local policy-making, it provided at least a partial challenge to the dominant boosterist discourse. In particular, the election of Green Party politicians to the city's *Magistrat*, a direct product of the popular protests against the policies of the governing CDU administration in the 1980s, proved to be highly significant to the emergence of a range of progressive social and environmental policy agendas. In line with hypothesis 6c, such moments do not fundamentally challenge the systemic power enjoyed by economic interests, yet they do underline the fact that political opportunities exist for those advancing alternative visions of transnationalism, however marginal they may seem in the face of the predominant economic logic of contemporary world city politics.

Chapter 10

Conclusion

This study began by asking the following question: how did the apparent acceleration of globalisation from the mid-1980s impact upon the politics and governance of London and Frankfurt as 'world cities'? In response, the preceding chapters have presented a detailed account of world city governance in London and Frankfurt during the ten year period from 1986-96, grounded in a theoretical framework derived from a critical review of existing literature on globalisation, world cities and urban governance. The analysis has been presented in three parts, beginning with a far-reaching critique of the dominant approaches to world city research, on the basis of which a multi-theoretical framework for the study of world city governance was put forward. This theoretical framework, derived from a synthesis of neo-Marxist state theory, neo-pluralist theories of urban politics, and rational choice-influenced accounts of political action, established the basis for a number of hypotheses regarding the impact of globalisation on the politics and governance of world cities. The second part of the thesis responded directly to the criticisms of the wider literature advanced in part one, by presenting a comparative account of world city formation and world city governance in London and Frankfurt rooted in an historically grounded, multi-level approach. The third part of the thesis constituted a detailed comparative analysis of politics and policy-making in the two cities, including in-depth case studies of the impact of globalisation and world city formation on a range of policy areas (urban planning, economic development, social policy, and environmental policy). In order to draw together, and review the significance of, the research findings, this final chapter summarises the key points raised in relation to each of the hypotheses presented in chapter 3 of the thesis.

H1. *The urban imprint of globalisation in the world city context will depend critically upon how transnational economic processes engage with and are mediated by national, regional and local political processes (c.f. Keil, 1998b; Smith, 2001). Given the contrasting political inter-governmental and constitutional arrangements in which London and Frankfurt operate, world city formation is likely to produce*

divergent social, economic and political outcomes. Accordingly, there is no a priori reason to anticipate a convergence of generic governance arrangements in London and Frankfurt.

Considerable evidence has been presented in this thesis to underpin the notion of national and sub-national scales as mediating influences on globalisation dynamics. Despite some significant commonalities in the analysis offered by academic and policy debates in the two cities, with globalisation dynamics being seen as the driver of urban economic and social restructuring, this thesis points to the need for a more nuanced analysis of the socio-economic outcomes of world city formation. In particular, the analysis of empirical data relating to patterns of socio-economic change in London and Frankfurt after 1986, presented in chapter 4, pointed to a number of deficiencies in Sassen's (1991) thesis, which suggests that world cities are characterised by convergent patterns of socio-economic change. While numerous convergent tendencies were noted in London and Frankfurt, for instance, in the dramatic decline of manufacturing employment, it was noted that this de-industrialisation is a function of the general decline of cities as industrial centres, not a specific feature of world city formation. Moreover, analysis of sectoral change measured by GVA demonstrates a significantly less dramatic decline in the significance of manufacturing to the London and Frankfurt economies, underpinning the view that factors such as the introduction of new technology have played the key role in the loss of manufacturing jobs. Moreover, in Frankfurt, in particular, the internationalisation of the metropolitan economy appears to have prompted a spatial reordering of industrial sectors, with manufacturing activity re-locating to the city's hinterland, but remaining an integral part of the functional urban region.

Similar issues must be raised in relation to the evidence of growing social inequality in London and Frankfurt. It would appear that the principal outcome of world city formation is that it promotes inequality as a result of the dramatic growth of incomes at the top end of the income scale. The spatial impacts of this growth in highly-skilled and highly-paid employment are, in turn, exaggerated by the tendency for such employment growth to prompt increases in long-distance commuting. Thus, the impact of world city formation on social inequality relates far more to the tendency for functional world city labour markets to be expanded geographically than to a

process of occupational polarisation within these labour markets. In this sense, the structure and operation of London and Frankfurt as metropolitan regions crucially mediates the impact of global change associated with the concentration of high-order service functions. It was also noted in chapter 4 that social welfare provision impacts significantly on the extent of social division in European world cities. Moreover, the impact of national welfare state retrenchment during the study period, but particularly in the UK, must be seen as a key factor in explaining the growth of inequality in London and Frankfurt, as was further elaborated in chapter 9.

Likewise, while some common tendencies were noted in reforms of governance in London and Frankfurt during the study period, it has been argued throughout that to regard such trends as evidence of convergence would represent a highly simplistic analysis. The evolving character of governance in both cities is discussed in more detail below. However, it is important to note at this juncture that the research conducted for this thesis points to the fundamental importance of differential forms of inter-governmental relations and constitutional assumptions in shaping the politics and governance of world cities. In particular, the contrast between London's position as a fragmented set of local authorities in a centralised unitary state and Frankfurt's role as a unitary city council within a decentralised federal state has been shown throughout to have exerted a powerful influence on politics and policy-making. A key theme throughout this thesis has been the notion that the politics of world city formation in Frankfurt during the 1980s and 1990s were driven from below (i.e. the local state), while in London much of the intervention came from above (i.e. the central state).

H2. *Historical processes of world city formation indicate a significant degree of path-dependency, with specific past decisions or events having a powerful influence on current and future possibilities (c.f. King, 1990a; Abu-Lughod, 1999). It should therefore be evident that world city formation in London and Frankfurt constitutes a long-run historical process. In addition, notions of path-dependency should figure, even if only implicitly, in policy documents and in policy-makers' accounts of policy change and policy choices in the face of globalisation.*

The need for world city research to be historically grounded has been one of the central contentions of this thesis. The cases of London and Frankfurt suggest strong grounds to be sceptical about the notion (c.f. Sassen, 1991, 1994) that world cities have emerged as a result of the re-ordering of the global urban hierarchy associated with global capital concentrating its 'command and control' functions in a small number of global centres from the mid-1970s. The analysis presented in chapter 5 indicates strong grounds to contest the view that world city formation is the outcome of such specifically contemporary global capitalist dynamics. It was shown that the emergence of London and Frankfurt as international financial centres within Europe is the result of long-run historical dynamics, notwithstanding the apparent decline and resurgence of the two cities as international financial centres during the twentieth century. The evidence presented in chapter 5 of this thesis also demonstrated that national government policy and the contrasting political economies of Anglo-Saxon and Rhineland capitalism have played a crucial role in shaping the dynamics of world city formation in London and Frankfurt.

The significance of historical developments for contemporary policy-making found particular resonance in Frankfurt, where it is possible to trace the contemporary political economy of world city formation back to the late 1940s. The notion of path dependency therefore appears to have clear application in the Frankfurt case, a view that is confirmed by the analysis of the experience of the red-green coalition of 1989-96, which ultimately failed in its attempt to switch Frankfurt's development trajectory to an alternative path. This conception of path dependency is clearly underlined by evidence arising from the analysis of planning policy in Frankfurt presented in chapter 7. The London case reflects a more complex scenario. London governance since 1945 has been characterised by a far greater degree of instability and discontinuity than notions of path dependency typically allow for. Indeed, many observers suggest that the only continuous thread in the history of London governance is that of constant change and reorganisation (Hebbert, 1998; Travers, 2004). As such, London underpins the points raised in chapter 3 about the inherent instability of some governance arrangements and the need to recognise the existence of path breaking as well as path dependency. In this sense, the political struggles over London governance in the 1980s may be interpreted as being the product of competing attempts to 'path-

break', given the collapse of the consensus over post-war planned decentralisation policies.

H3. *Studies of individual world cities reveal that globalisation has become a defining, and also highly contested, aspect of policy debates (Machimura, 1998; Brenner, 1998). Competing interpretations of globalisation and world city formation are therefore likely to have become increasingly central to policy debate in London and Frankfurt after the mid-1980s. This trend should be particularly observable in debates surrounding strategic policy documents, key policy choices and specific high-profile development projects. However, drawing on discourse analysis, it is also likely that globalisation debates become an instrumental element of local politics in the world city context (see hypotheses 5a and 6b).*

The research conducted for this thesis provides ample evidence for the hypothesis that concerns with globalisation and world city formation became increasingly central to political debate in London and Frankfurt during the study period. The narrative account of politics in the two cities from 1986-96, presented in chapter 6, demonstrated growing attention to the urban implications of global economic change, as reflected in political debates and policy documents from that period. In Frankfurt this internationalisation of local politics constituted a consolidation of long-run policy choices, as highlighted above. By contrast, it is virtually impossible to detect concerns with globalisation in policy debates in London prior to the publication of *London: World City* report in 1990. The one exception is provided by the debate surrounding the City of London Draft Plan during 1984-6, as discussed in chapter 7, which paralleled the ideas expressed in the early academic literature on world cities, but had limited immediate effect in terms of influencing wider policy agendas within London. The conflict between pro-conservationist and pro-development perspectives in the City of London in the mid-1980s reinforces the view that this period saw the emergence of attempts to 'path-break' in London politics, a process that was subsequently underpinned by the growing significance accorded to globalisation discourse in London policy debates.

In both cities it is therefore possible to identify a number of prominent policy debates reflecting the substantial influence of globalisation and world city discourses. These

include the conflicts over office development, the creation of business-led promotional bodies and the growing significance accorded to territorial competition, including attempts to secure the ECB, in both London and Frankfurt. However, chapter 8 raised important questions about the role of such discourses, finding evidence that the stress prominent political and economic actors placed on the need to respond and conform to changes in the 'global market place' was rarely an accurate reflection of the actual challenges and choices facing policy-makers. This tendency raises important issues, discussed in more detail below, about the instrumental function of globalisation debates, particularly regarding the way in which such discourses relate to wider shifts in the balance of political power in the world city context.

H4. In response to (a perception of) far-reaching structural economic change, economic development has become a key policy priority in world cities. This shift in emphasis should clearly be evident in London and Frankfurt in relation to patterns of policy change and the introduction of new forms of governance (see hypothesis 5a). The growing stress placed on the promotion of economic growth is likely to foster a strong functional separation between economic, social and environmental policy networks.

The emergence of new forms of economic governance in London and Frankfurt during the study period has been illustrated throughout this thesis, particularly in chapters 6, 7 and 8. The character of these changes is discussed in detail below, in relation to hypothesis 5a. However, it may be noted at this point that the emphasis on economic development in London and Frankfurt does appear to have fostered the postulated separation of policy networks, with economic policy interests finding themselves in an increasingly ascendant position. This scenario was particularly apparent in the changing character of planning policy in London, where concerns to balance social, environmental and economic objectives increasingly gave way to a narrow focus on the latter. The case of Frankfurt represents a slightly different scenario, however. The promotion of economic growth via the planning system was shown to have been a long-run concern, casting doubt on the notion that world city formation in the 1980s and 1990s prompted a fundamental shift of emphasis in local politics. Nonetheless, the fate suffered by most of the ambitious social and

environmental agendas put forward by the red-green coalition in Frankfurt after 1989 underlines the extent to which actors promoting economic growth as the primary policy objective had become dominant in the city's politics.

The discussion of social and environmental policies in chapter 9 was particularly instructive in highlighting the subordinate position of social and environmental policy networks in London and Frankfurt. Policy-makers concerned with these areas of policy emphasised the limitations within which they operated, particularly given the virtual impossibility of challenging dominant economic growth agendas. The experience of Local Agenda 21 (LA21), the most directly comparable policy initiative in the two cities during the study period, underlines the extent to which concepts of sustainable development have been marginalised in a political context where the apparent threat arising from territorial competition dominates policy debate. Evidence from Frankfurt indicated clearly that participants representing economic interests in the LA21 process accorded very low priority to the initiative. Likewise, the case of the London Borough of Croydon demonstrated how even policy-makers able to lay claim to a 'flagship' LA21 document struggled to make any significant impact in a local political context where economic development had emerged as the central policy priority. Moreover, it is also apparent that actors propagating the dominant world city discourse have sought to neutralise criticism by absorbing social and environmental concerns in a relatively tokenistic way as part of an apparently more 'holistic' policy agenda. This is a scenario that offers risks as well as opportunities for those seeking to advance policies aimed at tackling social divisions and promoting environmental sustainability (see below).

H5a. It is likely that the prioritisation of economic development promotes the 'hiving off' of economic development functions to new governance structures that promote private sector involvement and are generally divorced from the democratic arena (c.f. Stone, 1989; Cheshire and Gordon, 1996). In line with existing theory, evidence from London and Frankfurt should reveal attempts to engage in territorial competition via the building of urban regimes/growth coalitions, and the introduction of city-regional governance arrangements designed to 'rescale' policy intervention. However, such forms of urban entrepreneurialism will be beset by collective action problems (see hypotheses 6a and 6b).

This thesis has shown in detail how the primacy of economic development concerns in London and Frankfurt triggered a series of new institutional forms and policy agendas in both cities. These tendencies were outlined in chapter 6 and discussed in depth in chapter 8 and may be summarised in relation to three key conclusions. First, the tendency towards the 'hiving off' of economic development functions to single-purpose bodies, removed or insulated from local democratic control, was evident in both cities during the study period. In Frankfurt arms-length companies have been created to enable economic development activities to operate semi-autonomously from the structures of elected local government. Such arrangements include the long-standing *Frankfurter Messe GmbH*, the Frankfurt Economic Development Corporation (established in 1987) and short-life organisations such as the *Olympische Sommerspiele Frankfurt am Main GmbH*, also established in 1987, but wound-up following Frankfurt's decision to allow Berlin to bid for the Olympics following reunification in 1990. In London a number of special-purpose economic development bodies were also created, most notably the London Docklands Development Corporation (LDDC) and the Training and Enterprise Councils (TECs). In contrast to Frankfurt, this process of transferring responsibility for economic development to quasi-autonomous bodies was driven by central government, generally provoking fierce opposition from elected local authorities. As creatures of the central state, the LDDC and the TECs operated with only the most indirect forms of local accountability and were designed to promote direct private sector participation in policy-making. Again, these contrasts underline the fundamental importance of differences in inter-governmental relations to world city politics in London and Frankfurt.

Second, this tendency towards increased private sector involvement in governance was further confirmed in the analysis of local economic policy presented in chapter 8, which considered the role of business-led organisations such as London First and the Economic Development Initiative Frankfurt/Rhine-Main. It was noted that while such initiatives may, at first sight, appear to underpin the notions of urban regimes and state rescaling discussed in chapter 3, closer inspection reveals a number of factors constraining the emergence of such forms of governance. As such, the thesis finds

grounds to recommend the application of regime theory only with a number of significant caveats. Certainly, there is plentiful evidence of increased collaboration between public and private sector actors and of the central involvement of typical growth machine actors – including banks, property developers, major landowners and other economic interests - in a variety of organisational arrangements and development projects. However, despite concerted attempts to promote greater public-private collaboration, there is little evidence to support the notion that either London or Frankfurt witnessed the emergence of unitary urban regimes with a stable membership and a continuous purpose. The case studies of local economic policy presented in chapter 8 underlined the extent of tension between public and private interests, demonstrating that relationships were neither stable nor consensual, with overt conflict being far more in evidence than agreed common agendas. Thus, while a general picture does emerge of such actors increasingly working together with the aim of promoting growth, it is evident that there have been a number of factors constraining the formation of regimes in London and Frankfurt, particularly where attempts have been made to construct such regimes on a metropolitan scale. Likewise, while the discussion of planning policy in chapter 7 revealed growing business influence in urban politics, it suggested that planning policy continues to be characterised more by neo-pluralist bargaining than by the urban regime formations advocated by elite theorists.

Third, arising from the above, the evidence presented in this thesis suggests that it would be also too simplistic to infer that globalisation leads directly to state rescaling. Certainly, forms of state rescaling have clearly been advocated in both cities as a means of underpinning national and sub-national competitiveness. However, whether such advocacy is interpreted as a logical or ideological response to globalisation, rescaling proposals persistently fall at the same hurdle - what is actually politically achievable. While the rationale for state rescaling in both cities is well-established, and widely accepted, it does not follow that actors respond accordingly. The mismatch between governance arrangements and the functional city-regions represented by the London and Frankfurt economies is a problem that has intensified as the respective spatial reach of the two cities has continued to grow. But there is only limited evidence of state rescaling taking place in response, with local political

rivalries and collective action problems presenting major hurdles for those seeking to recast state intervention at a larger geographical scale. In the case of London, the scale of the city has prompted competition within the metropolitan area as much as it has motivated the mobilisation of activity across the urban region as a means of competing with other city-regions. As Newman and Thornley (1997) point out, the sheer scale of London is such that the emergence of a single regime is highly unlikely, a point backed up by the existence of numerous sub-economies and sub-regional partnerships within the city. The experience in Frankfurt raises similar issues. Certainly, over the course of the 1990s, corporate interests and Frankfurt City Council found a degree of common ground in making the case for a strategic authority for the Frankfurt/Rhine-Main metropolitan region. However, competition among local authorities in the metropolitan region served continuously to undermine attempts to construct a Frankfurt/Rhine-Main region deemed necessary to engage in territorial competition. Such collective actions problems are discussed in more detail below.

H5b. *Globalisation triggers the emergence of forms of governance that increasingly connect urban politics with actors operating beyond the boundaries of the nation state (c.f. Keil, 1998b). While highly uneven across policy areas, these developments are consistent with the notion of 'transnational urbanism' (c.f. Smith, 2001), and indicate that the impact of globalisation on world city governance reaches beyond economic development and territorial competition.*

That world city formation connects urban politics with international economic actors is perhaps self-evident. For instance, efforts to promote inward investment inevitably prompt greater engagement between local policy-making and transnational corporations. However, the analysis of such policies in chapter 8 suggested that the implications for the roles of city politicians and senior officials can be profound, prompting urban political actors to regard themselves as operating on an international, as well as a local, stage. Moreover, it was also argued in chapter 8 that such transnational relations in economic development policy often have a 'spillover effect', resulting in significant impacts upon other aspects of local politics. Thus, it was shown how concerted efforts to strengthen Frankfurt's economic ties with businesses

in South Korea had resulted in plans to build a Korean School in Frankfurt, requiring close liaison between Frankfurt City Council and the Korean Ministry of Education.

Moreover, chapter 9 pointed to numerous examples of 'transnational urbanism' arising in the context of social and environmental policy. While such evidence in London mainly concerned relations between urban political actors and the EU, which arguably are best captured by concepts of multi-level governance, political developments in Frankfurt during the early 1990s strongly confirmed the notion of urban policy-makers operating across national boundaries. In particular, the instigation of a number of initiatives based upon networking and policy cooperation between local authorities internationally, with the Climate Alliance of Local Authorities constituting the most successful example, confirms the notion of cities engaging in forms of 'municipal foreign policy' (c.f. Kirby et al, 1995).

H6a. Despite the priority given to economic development in world cities, collective action problems will limit the scope of urban entrepreneurialism. The difficulties inherent in persuading private companies to contribute to a quasi-public good (local economic growth) will render urban regimes highly unstable and frequently ephemeral (c.f. Cheshire and Gordon, 1996). Likewise, however powerful the case for forms of state rescaling in the world city context, attempts to rescale governance will be tightly constrained by power-dependencies in inter-governmental relations and the difficulty of achieving collective action among local authorities.

It is not difficult to find evidence of attempts at urban entrepreneurialism in London and Frankfurt after 1986. Numerous examples of public-private collaboration in London and Frankfurt during the 1980s and 1990s were reviewed in chapter 8, including the London Olympic bids, London's City Promotional Panel, the Frankfurt European Bank Working Group and the *Industriepolitische Leitbild* in Frankfurt. However, the limitations of such attempts at coalition building were equally apparent. Several high-profile initiatives failed, often because they primarily served to create tensions between those taking part in them. Those that did succeed in their objectives were often short-life coalitions put together to pursue specific short-term goals.

Moreover, the character of these interventions appears to flatly contradict the notion of state rescaling as an attempt to enhance metropolitan competitiveness. The direct intervention of a central government strongly influenced by neo-liberalism in London governance could be argued to be consistent with the institutional dynamics suggested by Brenner's state rescaling thesis. However, attempts to rescale economic development activity in London from 1986-96 in the absence of a pan-London strategic authority were characterised by a tendency towards actors engaging in *intra*-metropolitan rather than *inter*-metropolitan competition. The absence of a strategic authority for Greater London led individual boroughs to view each other as their principal competitors (Fainstein, 1994), suggesting the emergence of an essentially zero-sum approach to local economic development (c.f. Cheshire and Gordon, 1996, 1998). The fragmented system of London governance in the 1990s contributed significantly towards fostering this intra-metropolitan competition, and was widely condemned for the problems it created in relation to promoting London as a world city. Yet this rivalry among local authorities was the direct product, and intended outcome, of neo-liberal policy prescriptions that were sceptical of the value of metropolitan policy co-ordination. Thus, to the extent that London politics in the period 1986-96 was concerned with issues of state rescaling, it was as a result of attempts to overcome the serious shortcomings created by the neo-liberal agenda that had abolished the metropolitan structures represented by the GLC.

Meanwhile, the experience of global city formation in Frankfurt/Rhine-Main stands in sharp contrast to the views that state rescaling has been initiated either as a central state crisis-management strategy or by Land governments intent on exploiting the competitive advantages of metropolitan growth. The 'rescaling' represented by Frankfurt/Rhine-Main needs to be seen in the longer-run historical context of Frankfurt's growth and the forces that have both driven, and opposed, the geographical expansion of the city's sphere of influence. In particular, the case of Frankfurt/Rhine-Main indicates that, however persuasive the case for mobilising critical mass on a city-regional scale as a response to globalisation, the parochial politics of local government still exert an enormous constraint on state rescaling. The politics of world city formation in Frankfurt is crosscut with a more prosaic, but no less influential, urban-suburban conflict that has rendered institutional change virtually impossible. Pressure for a city-regional authority has come overwhelmingly

from the core city itself, supported increasingly by major economic interests in the wider metropolitan area. Yet, this case for state rescaling in Frankfurt has been shown to be characterised by severe collective action problems, particularly in relation to securing collaboration among local authorities; the rational response to globalisation for many local authorities in Frankfurt/Rhine-Main has been to seek to 'free-ride' on the core city's economic development efforts. Meanwhile, with significant unease apparent among the districts in the wider Rhine-Main area, the Land government has had to negotiate a careful position between promoting Frankfurt as the state's key economic centre and maintaining relative harmony among its constituent units of local government.

H6b. *In the wider context of policy and institutional change, globalisation discourses become instrumental to wider political struggles (c.f. Smith, 1998; Machimura, 1998). Proponents of world city formation seek to overcome the collective action problems associated with regime formation via recourse to a globalisation discourse that exaggerates the threats and opportunities arising from territorial competition. Conversely, social and political actors seeking to regulate or contain world city formation deploy alternative discourses of globalisation, rooted in transnationalism, in an attempt to furnish otherwise marginal social and environmental agendas with external legitimacy.*

If the cases of London and Frankfurt highlight the problems of collective action in world city politics, they also suggest that world city discourses have been deployed to help mobilise public and private sector actors at multiple spatial scales. Nonetheless, it is also evident that such discourses are as unstable as the coalitions of interests they seek to mobilise. Chapter 8 charted the shifting nature of the globalisation discourse in both London and Frankfurt, particularly in relation to territorial competition, which was shown to be characterised by a tendency among leading political and economic decision-makers to constantly rewrite the list of cities regarded as the principal rivals. Moreover, it was argued that a significant mismatch was apparent between the claims made in policy debates regarding the implications of capital mobility and inter-metropolitan competition on the one hand, and the actual impact of resultant inward investment activity on the other. Thus, as chapter 8 highlighted, the growth of Asian investment in Frankfurt after the mid-1980s was initially seen as confirmation of the

growing importance of the Asian Tiger economies for European world cities and evidence of Frankfurt's competitive success in attracting Asian firms to the city. However, the subsequent, rapid withdrawal of Asian companies from Frankfurt following the Asian financial crisis of 1997/8 was found to have only negligible impact on the city's economic performance. Likewise, despite the constant reiteration of the importance of inward investment promotion to London's prosperity, it was shown that the London First Centre, the city's high-profile, private-sector led inward investment agency, can claim to have exerted influence over less than 1 per cent of total employment in Greater London.

As such, world city formation is founded upon a highly contested political economy of globalisation. To some extent, the deployment of this 'exaggerated' world city discourse has also resulted in the counter-mobilisation of actors around alternative agendas. Indeed, one of the few convergent tendencies in London and Frankfurt politics during the 1980s was the heightened controversy and conflict surrounding economic development initiatives. During this period, Greater London became the key battleground in the wider conflict between Thatcherite national policies and the new urban left, with resistance to the activities of the LDDC offering the starkest example of popular protest against economic development policies. Meanwhile, Frankfurt politics became dominated by protests against office and airport development, resulting in the emergence of a powerful new left grouping that was highly influential in the formation of the red-green coalition after the 1989 elections. However, somewhat paradoxically, with the growing significance of globalisation debates during the 1990s, popular protest became increasingly muted in both cities. The absence of a strategic Greater London authority in the 1990s increasingly prompted citizens' groups and leftist parties in London to campaign for more coherent approach to economic development. At the same time, the new left in Frankfurt became increasingly marginal as a political force, appearing to decline as rapidly as the red-green coalition it had helped bring about reverted to pro-development policies.

Yet, the 1990s arguably represented a shift towards a more pragmatic, reformist set of political goals among critics of the dominant politics of world city formation, rather than a simple abandonment of such concerns. As such, if the primary function of world city discourse is to maintain economic development efforts of dubious impact,

it is also apparent that alternative globalisation discourses have become an integral element of environmental and social policy agendas in world cities. Thus, as chapter 9 illustrated, the response of 'realo' Green politicians to world city formation in Frankfurt was to seek simultaneously to embrace and redefine the world city discourse, by advancing new internationalist agendas associated with multiculturalism, climate change, drug misuse and other issues. These attempts to re-make the globalisation discourse 'from below' confirm the value of Smith's (2001) notion of transnational urbanism.

H6c. Globalisation and world city formation underline and reinforce the conflicting pressures that Shefter (1985) suggests face city governments seeking re-election. The logic of world city development is critically underpinned by the 'systemic power' of economic interests that continues to dominate world city politics, a tendency that is reinforced by new forms of governance. However, pressures on elected city governments ensure that there will be opportunities for political gains to be made by those advocating alternatives to the predominant globalisation discourse.

While this study has not found grounds to confirm the notions of formalised business-power associated with regime theory, it has provided clear evidence of significant business influence in the policy process. However, the research also raises important issues in relation to democratic control in world city politics that cast a degree of doubt over the applicability of Shefter's more traditionally pluralist assumptions. The enormous systemic power enjoyed by business actors in both cities was underlined in the analysis of planning policy in chapter 7, particularly in relation to the politics of development control in the London and Frankfurt banking districts. It was shown that attempts to restrict office development in the two cities were overturned as a result of fierce resistance and lobbying from the financial and property sectors, raising serious doubts about the extent to which policy was being driven by a democratic mandate. In the Frankfurt case, a red-green coalition, elected following its opposition to specific office tower developments, was forced to retract its policies in the face of legal threats from developers. The London case again presents a more complex scenario: the two key organisations driving office development in London during the study period, the City of London Corporation and the LDDC, were more or less entirely insulated from democratic recall on the part of local residents.

Nonetheless, the analysis of social and environmental policy in chapter 9 suggested that to assume that city politicians are entirely powerless in the face of world city formation would do little more than to return us to the assumptions of the narrowly structuralist readings of world city politics which this thesis has set out to critique. Political actors in London and Frankfurt have found some opportunities to challenge the dominant world city discourse, whether by drawing on transnational networks to advance their cause, as was the case in Frankfurt, or by seeking to stress the importance of social and environmental factors within the dominant world city paradigm, as was the approach taken by the Association of London Authorities and the London Planning Advisory Committee within London politics during the 1990s.

In view of the complex forms of interplay between urban, metropolitan, national, European and transnational scales that this thesis has demonstrated, its implications for world cities research can be summarised in a single sentence. In an era of accelerating globalisation, local politics matters as much as ever.

Appendix 1: Research strategy, methods and sources

The research strategy adopted for this study comprised desk research as well as extensive fieldwork in London and Frankfurt. The research involved a mixture of quantitative and qualitative methods, with the former being used principally to ascertain key trends and to establish the policy context, while the latter were used to explore politics and policy-making in depth. Rather than drawing a rigid distinction between primary and secondary materials, the research strategy was informed by the view that interweaving primary and secondary sources would constitute the most effective means of addressing the study's research questions. Consequently, the literature review was augmented significantly by quantitative data gathered from primary sources. Similarly, the analysis of London and Frankfurt as world cities and the detailed consideration given to politics and policy-making drew on a combination of primary and secondary materials. Despite these caveats, it is nonetheless appropriate to present the research strategy as consisting of a sequential set of activities, beginning with the review of the existing secondary literature and moving to primary data collection and analysis.

1) Review of Secondary Literature

The research is informed by a comprehensive review of secondary literature available in English and German. This review was primarily carried out during 1997-99, although the rapidly evolving nature of the literature has necessitated constant updating of the material considered. The secondary literature consulted encompassed theoretical and generic accounts of globalisation, world cities and governance as well as research papers and monographs on London and Frankfurt. As part of the literature search, regular use was made of bibliographic databases such as the Web of Science and the Bath Information Data Service (BIDS). In addition to the University of Liverpool's Sydney Jones Library, extensive use was made of the following university and public libraries in the UK and Germany: the British Library of Political and Economic Science (BLPES) at the London School of Economics; the South Bank University Library; the Guildhall Library (City of London); the *Stadtbücherei Frankfurt (Zentralbibliothek)*; the *Universitätsbibliothek* and the

Fachbereichsbibliothek Gesellschaftswissenschaften of the University of Frankfurt; the *Universitätsbibliothek* and *Bereichsbibliothek SB II* of the University of Mainz.

2) Primary Data Collection and Analysis

The empirical content of the thesis is based on extensive fieldwork carried out in London and Frankfurt. Given the significant differences in scale and governance arrangements in the two cities, some adjustment had to be made to the fieldwork strategies in each. In the case of Frankfurt, the principal research focus was on the City of Frankfurt and the elected city-regional body, the *Umlandverband Frankfurt*, with more limited attention given to the role of the federal state of Hessen. In the case of London, the scale of the city and the complexity of its governance arrangements necessitated a different approach. In addition to analysis of London-wide policy frameworks and institutional arrangements, the fieldwork concentrated on undertaking detailed research in three distinctive areas of London with different forms of connection to the global economy: the City of London (the financial centre), the London Docklands (the principal focus of redevelopment during the 1980s and 1990s) and the London Borough of Croydon (the principal 'suburban' office centre). The fieldwork was carried out during four main periods. Initial research in London, which formed the basis for my original research proposal, was carried from 1994-96, during which time I was resident in the city, and focussed principally on the London Docklands. Additional fieldwork in London was carried out during December 1999 (focussing on Croydon) and during November 2003-January 2004 (concentrating on London-wide policy and the City of London Corporation). By contrast, the Frankfurt fieldwork took place during a single period, from February-July 1998, although some additional material was gathered via a return visit in December 2000. A number of the methods deployed (detailed below) involved extensive use of specialist libraries and archives in the two cities including those available at: The City of London Public Records Office, the British Library of Political and Economic Science, the Croydon Public Library (all London); the libraries of the *Industrie- und Handelskammer Frankfurt*, and the *Institut für Stadtgeschichte* (both Frankfurt).

The primary research was undertaken using a number of methods and sources, beginning with a largely quantitative approach and then moving to more qualitative

methods. First, considerable use was made of a range of statistical sources to establish the policy context in which decision-making took place over the period concerned. To this end, selective data were used to assess the economic and social background against which policy decisions were made and, where possible, to assess the outcomes of key policies. The available data were also used to analyse the extent to which there is evidence that globalisation has affected the respective urban economies since the early 1980s. In both cases particular attention was given to identifying significant temporal changes and spatial variations in the data sets employed. Data for Frankfurt were collected primarily from a range of publications issued by the city's Office for Statistics, Elections and Census Data (*Amt für Statistik, Wahlen und Einwohnerwesen*) and supplemented by data for the wider Rhein-Main region provided by the *Umlandverband Frankfurt*. Data for London were drawn primarily from *Focus on London*, a detailed statistical digest produced by the Office for National Statistics in collaboration with the Government Office for London and the London Research Centre. Additional data were drawn from the publications of the London Research Centre, the London Planning Advisory Committee, the Greater London Authority and, to a lesser extent, from individual London boroughs.

Second, comprehensive use was made of the print media, particularly the quality daily newspapers available on CD-Rom. Using CD-Rom, newspaper searches were carried out for three main purposes: to research the main contours of political debate and policy change in the two cities, to identify key policy-makers and to gather more detailed background information on key policy developments. In Frankfurt, significant use was made of *The Berliner Tageszeitung*, which at the time the fieldwork was carried-out, was the only German newspaper available on CD-Rom for the entire period 1986-96. Although based in Berlin, this newspaper includes regular coverage of Frankfurt politics and proved a valuable source in charting the main currents of political and policy change in the city. Additional information was obtained from the *Frankfurter Rundschau* (then available on CD-Rom for the period 1995-7), which includes detailed, high quality coverage of local political issues. I also consulted the full run of the monthly journal of the Frankfurt Chamber of Commerce and Industry from 1986-96, which provided detailed information on policy developments in Frankfurt and on the position taken by the Chamber in relation to these policies. The principal print-media source for coverage of London politics

during the study period was the Financial Times, available on CD-Rom for the period 1988 onwards. This proved a rich source of information, particularly in relation to the City of London, strategic London-wide policy issues and the role and view of the private sector. Additional coverage of London politics and governance was obtained from other quality daily newspapers available on CD-Rom, including The Guardian/Observer and The Times (both 1990 onwards).

Third, considerable attention was devoted to consulting a range of official documents and research reports: the so-called 'grey literature'. Identifying such sources was inevitably easier in London, given my greater familiarity with policy debates in the city. Fortunately, it was possible to compensate for this possible bias by identifying relevant official documents and research for Frankfurt using the *Hessische Bibliographie*, an annual bibliographical source for the German state of Hessen that includes a comprehensive listing of publications concerned with Frankfurt. In total, more than 60 official publications were examined during the course of the research. Illustrative examples of the sources consulted, which included research reports on urban social and economic change, strategic policy documents issued by various tiers of government, and policy statements issued by political parties, are listed in figure 1.3. These sources were analysed on several levels with attention principally being paid to the following: evidence of the extent to which concepts of globalisation and world cities had become an integral element in policy analysis; identification of the key elements of globalisation discussed in the documents; and an assessment of the role of the documents as discourse markers and/or as catalysts for wider policy change. Particular consideration was given to identifying significant changes in the language of policy analysis and to the emergence of policy shifts that became influential thereafter.

Fourth, interviews were carried out with a number of central policy-makers in the two cities (for a full-list, see appendix 2). These interviews were used to add detail to both the general narratives of governance and policy change and the case studies of policy areas in and to facilitate interpretation of some of the key events identified. Careful attention was given to the selection of people for interview. In both cases, key policy-makers during the period being studied were identified from the secondary literature and media coverage, with particular attention given to those active in the areas of

policy that formed the case studies. Given my relative lack of knowledge of politics in the Frankfurt area, initial 'framing interviews' were carried out with expert academics and journalists to obtain a general overview of developments in the city since the mid-1980s. In addition, the views of these 'expert observers' were used to 'cross-check' the provisional list of interviewees in Frankfurt, resulting in the addition, removal and substitution of a number of names. A total of 25 people were interviewed (13 in Frankfurt and 12 in London). It did not prove possible to secure interviews with a number of potential interviewees, reflecting the general difficulty of gaining direct access to decision-makers. Particular problems were experienced gaining access to senior representatives from the private sector, British central government and the State government of Hessen. In some cases where interviews were declined I successfully sought to arrange interviews with advisors or assistants to the individual in question.

Given that the purpose of the interviews was primarily to fill gaps in, and facilitate interpretation of, data gathered from the primary and secondary sources listed above, a standardised questionnaire was felt to be inappropriate. Instead, the questions put to each interviewee were carefully tailored according to the policy area(s), time periods and nature of their engagement in the policy process. The majority of interviews (17), particularly the 10 carried out in German, were recorded to enable detailed and accurate notes to be made following the interview. Only a small number of key interviews were transcribed in full. A minority of interviews (8) were not recorded at all, either because it was believed that this would encourage the interviewee to be more frank, because the interviewee objected or because the interview was carried out in an environment which made recording impossible. Given the strongly contrasting structures of governance in London and Frankfurt, it was neither possible nor appropriate to seek to restrict interviews to individuals engaged in directly comparable roles in the two cities. However, given the detailed focus on specific policy areas in both cities, close attention was paid to ensuring that individuals with as similar roles and levels of seniority as possible were interviewed in roughly equivalent organisations in the two cities.

Figure A.1: 'The Grey Literature': A Sample of Policy Documents and Research Reports Consulted

Type of Primary Source	London	Frankfurt
General Policy and Strategy Documents	<ul style="list-style-type: none"> London Pride Partnership (1995) <i>London Pride Prospectus</i>. 	<ul style="list-style-type: none"> SPD/die Grünen (1989) <i>Koalitionsvereinbarung</i>.
Policy documents (urban and metropolitan planning)	<ul style="list-style-type: none"> City of London Corporation (1986) <i>Local Plan</i>. 	<ul style="list-style-type: none"> Stadt Frankfurt am Main (1995) <i>Bericht zur Stadtentwicklung Frankfurt am Main</i>.
Research Reports (the metropolitan economy)	<ul style="list-style-type: none"> London Chamber of Commerce and Industry (1991) <i>London's Economy: Trends and Prospects</i>. London TEC Council (1996) <i>An Economic Profile of London</i>. 	<ul style="list-style-type: none"> Umlandverband Frankfurt (1997) <i>Statistik-Trends: Region Frankfurt/Rhein Main</i>.
Research reports (financial services)	<ul style="list-style-type: none"> Brealey, R et al. (1994) <i>The Competitive Position of London's Financial Services: final report of the City Research Project</i>. 	<ul style="list-style-type: none"> Bauer, G. and Spahn, P. B. (1991) <i>Chancen und Risiken des Finanzplatzes Frankfurt im Gemeinsamen Europäischen Binnenmarkt</i>.
Research reports (individual policy areas)	<ul style="list-style-type: none"> London Planning Advisory Committee (1995) <i>State of the Environment Report for London</i>. London Planning Advisory Committee (1994) <i>Decentralisation of Offices from Central London</i>. 	<ul style="list-style-type: none"> Bartelheimer, P. (1997) <i>Risiken für die soziale Stadt: erster Frankfurter Sozialbericht</i>. Bundeministerium für Raumordnung, Bauwesen und Städtebau (1996) <i>Lokale Agenda 21: Stand und Perspektiven der Umsetzung von Kapitel 28 in Deutschland</i>.
City-Marketing/Promotional Material	<ul style="list-style-type: none"> Department of the Environment (1993) <i>London: Making the Best Better</i>. 	<ul style="list-style-type: none"> Business and Economic Development Corporation, City of Frankfurt-am-Main (1992) <i>Frankfurt: The Natural Choice</i>.

Note: This sample constitutes less than 25 per cent of the total number of policy documents and research reports consulted.

Using these four principal methods, the empirical research focussed on developing a detailed narrative account of governance and policy change in the two cities during the period from 1986-96 as well as detailed consideration of four case studies, which were taken to be indicative of the growing significance of globalisation to local politics. Wherever possible I sought to use the data gathered using these distinctive methods and sources as a means of 'triangulation'. The case studies involved detailed analyses of the following policy areas:

- Urban planning and development
- Local Economic policy
- Social and cultural policy
- Sustainable development and environmental policy

A significant outcome of this process of cross-referencing findings was that the length of duration between the events being considered and the date on which interviews took place was seen to have a significant effect on the nature and quality of the data obtained. In particular, globalisation appeared to be accorded much greater causal influence by policy-makers when accounting for very recent or contemporary policy change than as an explanation for past policy decisions. In addition, interviewees that continued to play a key role in policy-making in the two cities appeared to be influenced heavily by a contemporary reading of policy debates, rather than the more historical concerns that constitute the focus of this research. Where the events being discussed were a number of years in the past, there were inevitably some problems experienced with the selective memories of interviewees, as well as a strong tendency to offer post-hoc rationalisations for past actions. However, several of the most frank and revealing interviews were carried out with informants that had retired or moved on from the particular role being discussed. The interviews came to form an integral part of the research evidence in three main reasons:

- There were a number of instances where interview data confirmed wider evidence or helped to interpret that evidence.

- The interviews were a valuable means of identifying and obtaining additional primary sources, such as policy documents, media coverage and relevant research reports.
- Interview evidence, some of which at first seemed contradictory, proved to be invaluable in charting the significance of the evolving world city discourse in the politics of London and Frankfurt.

Appendix 2: List of interviews conducted

- Mr Don Boon, Director of Environmental Health and Trading Standards, London Borough of Croydon. Interview conducted face-to-face, 8 December, 1999 (unrecorded, notes taken during interview).
- Mr Michael Cassidy, Chair of Planning and Communications Committee (1985-89) and Chair of the Policy and Resources Committee (1989-97), City of London Corporation. Interview conducted face-to-face, 21 January 2004 (recorded on cassette).
- Dr Udo Corts, Director of Economic Affairs (CDU), Frankfurt City Council, Interview conducted face-to-face, 23 May 1998 (recorded on cassette).
- Mr Claus-Jürgen Göpfert, Editor of Frankfurt Section, Frankfurter Rundschau, 6 May 1998. Interview conducted face-to-face (recorded on cassette).
- Mr Geoff Hammond, Economic Development Officer, London Borough of Croydon and Lead Officer, South Wandle Partnership. Interview conducted face-to-face, 8 December 1999 (unrecorded, notes taken during interview).
- Mr Bernd Hausmann, Planning Officer, City of Frankfurt. Interview conducted face-to-face, 5 May 1998 (recorded on cassette).
- Mr Brian Irving, Local Agenda 21 Officer, London Borough of Croydon. Interview conducted face-to-face, 14 December 1999 (unrecorded, notes taken during interview).
- Dr Roger Keil, Employee at the Frankfurt Grüngürtel GmbH, May 1990-September 1991, conducted via e-mail, May 1998.
- Mr Klaus Klip, Director, Office for European Affairs (*Europabüro*), Frankfurt City Council. Interview conducted face-to-face, 5 June 1998 (recorded on cassette).
- Mr Tom Koenigs, Director of Environmental Affairs, Frankfurt City Council. Interview conducted face-to-face, 17 June 1998 (recorded on cassette).
- Dr Michael Kummer, Office Manager and Personal Assistant to Martin Wentz, SPD Director of Planning, Frankfurt City Council, 1989-2001. Interview conducted face-to-face, 26 May 1998 (recorded on cassette).
- Dr Peter Noller, Institute for Social Research, University of Frankfurt. Interview conducted face-to-face, 13 May 1998 (unrecorded, notes taken during interview).
- Mr Peter Rees, Head of Planning, City of London Corporation. Interview conducted face-to-face, 21 January 2004 (recorded on cassette).
- Dr Lorenz Rautenstrauch, Head of Planning, *Umlandverband Frankfurt*. Interview conducted face-to-face, 4 June 1998 (recorded on cassette).

- Mr Michael Rooney, Chief Operating Officer, London First. Interview conducted face-to-face, 22 January 2004 (recorded on cassette).
- Dr Hartmut Schwesinger, Director, Frankfurt Economic Development Corporation. Interview conducted face-to-face, 10 June 1998 (unrecorded, notes taken during interview).
- Lord Allen Sheppard, co-founder, London First. Interview conducted face-to-face, 22 January 2004 (recorded on cassette).
- Dr Strak, Degussa AG, Frankfurt. Interview conducted face-to-face, 20 May 1998 (recorded on cassette).
- Mr Ingo Stayman, Head of Social Services, City of Frankfurt. Interview conducted face to face, 12 June 1998 (recorded on cassette).
- Mr Dean Sutton, Chartered Surveyor at Stile Harold Williams, Croydon, and co-founder of the Croydon Professional Group. Interview conducted face-to-face, 9 December 1999 (unrecorded, notes taken during interview).
- Mr Peter Turlick, Senior Operations Manager, London Docklands Development Corporation. Interview conducted face-to-face, 23 November 1995 (recorded on cassette).
- Mr Gerd Wagner, Economic Policy Speaker for the SPD Frankfurt. Interview conducted face-to-face, 3 June 1998 (recorded on cassette).
- Mr Johannes Wagner, Frankfurt Chamber of Commerce and Industry, Interview conducted face-to-face, 16 June 1998 (recorded on cassette).
- Mr David Wechsler, Chief Executive, London Borough of Croydon. Interview conducted face-to-face, 9 December 1999 (unrecorded, notes taken during interview).
- Ms Ingrid Wentzell, Office of Environmental Affairs (*Umweltamt*), Frankfurt City Council. Interview conducted face-to-face, 23 June 1998 (recorded on cassette).
- Mr Harold Wolf, *NaturFreunde* (Friends of the Earth) Frankfurt. Interview conducted face-to-face, 20 May 1998 (recorded on cassette).

Appendix 3: Comparison of local government structures in the UK and Germany

Table A.1 Structure of Sub-National Government and Number of Units, Germany

	<i>No. Units</i>	<i>Population Range</i>
Länder	16	667,965 – 17,975,566
Landkreise (Counties)	323	51,800 – 662,300
Kreisfreie Städte (Urban Districts)	112	36,015 – 1,216,467
Gemeinden (Districts)	14,987	1,000 – 500,000

Source: Price Waterhouse Coopers (2000), p.44.

Table A.2 Structure of Sub-National Government and Number of Units, England

	<i>No. units</i>	<i>Population range</i>
County Councils	36	283,200 – 1,329,700
Metropolitan District Councils	36	132,400 - 977,091
Unitary Authorities	46	34,600 - 380,600
London Boroughs (and City)	32 (+1)	147,600 – 330,688 (7,186)
District Councils	237	24,457 – 194,500

Sources: Atkinson and Wilks-Heeg (2000), p. 115; ONS (2002).

Table A.3 Total Number and Average Size of Local Authorities

	<i>No. local authorities*</i>	<i>Average population</i>
Hessen	426	14,319
South East England**	100	151,726
Umlandverband Frankfurt	43	34,883
Greater London	33	217,334

* Excluding County Councils/Landkreise

** Includes Greater London

Source: Calculated from ONS (2002).

Table A.4 Sources of Income, Local Authorities in Germany and England & Wales, 1996

	<i>Germany</i>	<i>England & Wales</i>
Local Taxes	31%	11%
State grants	35%	51%
Fees & charges	15%	11%
Other	18%	37%**

** Includes National Non-Domestic Rate

Sources: Atkinson and Wilks-Heeg (2000), p. 87; Council of Europe (1999), p. 35.

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