



## The grounded city

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## The grounded city: from competitiveness to the foundational economy

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### Abstract

This paper develops the distinctive concept of the grounded city, drawing on historical insights from Tilly and Braudel to argue that the development of cities can be analysed through specific accelerators and stabilisers. The city is grounded through its relation with a hinterland which provides resources and revenues and thus governs city development. The nature of any hinterland is as much political and social, as economic and helps explain the specific forms of city development and decline. In modern cities property development is an increasingly important accelerator which shapes what is built and where. At the same time, the foundational economy – which meets the everyday needs of citizens for housing, utilities, food and mobility – is a stabilizer providing large scale employment but one that is vulnerable to financialisation. The grounded city therefore provides an alternative view of city dynamics to the competitive city; and its implications for policy suggest a direct focus on controllable internal accelerators and stabilisers to improve the quality of foundational provision to improve welfare, rather than a promoting a view of cities competing for resources to pursue success through agglomeration.

### Keywords

Foundational economy, grounded city, hinterland, city development,

## **The grounded city: from competitiveness to the foundational economy**

Cities are the absence of physical space between people and companies. They are proximity, density, closeness. [...] [D]uring the last thirty years ... newer cities have grown because technological change has increased the returns to the knowledge that is best produced by people in close proximity to other people. [...] In America and Europe, cities speed innovation by connecting their smart inhabitants to each other.

Edward Glaeser (2011) on cities, 2005, pp.6-7.

The municipality (which already provides gas, water, markets, baths, washhouses, slaughter houses, parks, botanic gardens, art galleries, museums, libraries, tramways, 'houses of refuge', and industrial and other schools) having demolished vast areas of 'slum property (has now)..... itself built large blocks of dwellings for the poor, let at 'moderate' rents.

Sidney Webb on the city of Glasgow, 1890, p.108

### **1. Introduction**

This paper outlines a new and different concept of city dynamics with the aim of opening an agenda of urban policies that could make a difference and have wide appeal. The conceptual shift is to displace the idea of the competitive city, because that disconnects cities from their histories, hinterlands and social fabrics. Our aim is to move things forward by focusing on the scope for developing shared social well-being by fostering what we call the foundational economy. This depends partly on recovering and refurbishing an earlier, forgotten concept of the city as a space of collective civic provision which meets social needs. This is the point that is made by the contrast between the two opening quotes.

The first quote, by Edward Glaeser in 2011, represents the current new urbanist orthodoxy derived from an abstract, universal economics about cities (all cities) as machines with internal dynamics that generate income and output. Glaeser's cities are about 'proximity, density, closeness' at a point where the abolition of internal space in cities produces productivity increases through agglomeration. Cities are then like firms, machines that combine inputs to produce outputs while they are engaged in a competitive struggle 'red in tooth and claw' (2011, p.250). Although it is an invention of

recent date, this concept has naturalized itself so that it is seldom questioned by the political classes or the media.

The second quote, from Sidney Webb in 1890, represents an earlier *civic provision* framing of the city from the heroic era of municipal enterprise by cities across Europe and North America. Webb's city is about the collective provision of the social and economic infrastructure (libraries, parks, gas and water), which directly sustains a safe and civilised life for citizens in households and indirectly supports the enterprises that meet their everyday needs. This concept reflects the late 19<sup>th</sup> century reinvention of cities as spaces of collective provision and citizen entitlement to everything from free public education to cheap tap water and sanitation. Glasgow's collective provision of the 1890s was, at the time, a revolutionary recent development, though common place in other European urban communities. As Cohn (1910, p.62) notes, in the German Empire of 1909, 93% of the waterworks and 65% of the gasworks were municipally owned and operated.

It is this civic provision concept of the city that we want to bring back (without assuming municipal enterprise should necessarily deliver the goods and services). The question is how to make 'the economy' work in ways which connect economy and society and thereby underpin the polity. And this requires us to develop new concepts like the foundational economy and the grounded city (Bowman et al., 2014; Engelen et al., 2014) and propose a radical policy shift towards developing the foundational economy instead of pursuing the chimera of competitiveness. In our view, the city is a space where we can collectively and accessibly provide for everyday needs by improving the quantity and quality of foundational goods and services in areas including health, education, care, housing, food supply and retail banking. The question then is how to do this in new ways for the 21<sup>st</sup> century.

As a preliminary to this policy shift, in the three central sections of this article we develop an argument about how cities are grounded. First, cities are *grounded* because each city has a bond of dependency and co-development with a hinterland (a link that mainstream theories have repressed). From our point of view, instead of measuring how internal density effects raise productivity, we should try to understand how the hinterland provides input and output for city goods and services and thereby governs city development. Second, cities are *grounded* because a major accelerator for the development of cities is the rising value of urban land, which is socially produced. From our point of view, financialised calculation should not determine what gets built and where. Rather, land should be related to social needs directly, as the basis for housing citizens, and indirectly, because in most cities land is an undertaxed source of public revenues. Third, cities are grounded because every city has a foundational economy which acts as a stabilizer, insofar as it meets the everyday needs of all households and

typically employs around 40% of the workforce in all kinds of cities (successful and unsuccessful, superstar and failing). From our point of view, solid and long-term well-being is underpinned not by boosting market incomes and hoping it diffuses but by building the foundational economy which is the socio-economic infrastructure of social cohesion.

The threefold argument in the central sections of the paper is prefaced by an opening literature review which covers geography and historiography and, in the final section we consider policy implications. Given the limits of journal space, we cannot present a full-blown comparative study, based on in-depth case studies of a variety of cities, with all that entails in terms of representativeness and internal and external validity. Instead, the argument is developed by drawing on a range of illustrative evidence from various cities in different periods, subject to the caution that all cities are different and the illustrations provide no basis for a theory of the city.

## **2. Literatures on the city**

the concentrating force of talent and economic activity is simultaneously an engine of urban growth and a driver of inequality.

Richard Florida, *The New Urban Crisis*, (2017).

Richard Florida's 2017 book marks a significant shift because here a leading new urbanist recognises that 'the much-hoped-for urban revival has turned into a new kind of urban crisis' (Florida, 2017, p.3). Florida argues that 'the revitalization of our cities and our urban areas that I had predicted was giving rise to rampant gentrification and unaffordability, driving deep wedges between affluent newcomers and struggling long-time residents' (p.xvi). Thus, contemporary urban development is lopsided and unequal because 'a relative handful of superstar cities, and a few elite neighbourhoods within them, benefit while many other places struggle and fall behind' (p.xvii). But the concession here is all about effects and results with very little else changed from his earlier work: clustering is still seen as the driver of economic progress (p.8) and the process is competition through which a few superstar cities capture the talent and the profitable activities.

In his understanding of effects, Florida has now caught up with the radical geographers whose work has consistently accentuated the negative and piled up critiques of how the capitalist and financialised system generates losers (without ever explaining practically how cities could be organised differently to diffuse prosperity). The line runs from Massey's (2007) questioning of 'trickle-down economics' through Long (2010) to the

recent deconstruction of new urbanism by Peck (2016). And, just as in more radical work, Florida's analysis is more developed than the policy prescriptions. The political classes in national or city governments are effectively encouraged to do more of the same: fix 'the new urban crisis' by investing in infrastructure, people and places, including now building more affordable housing in central locations (p.11).

In this paper, we pursue a critical strategy which challenges these assumptions about clustering and competition and their associated fixes. Our alternative draws on earlier geographical and historical understandings in two steps. First, we build on an older geographical literature which conceived of cities in relation to each other and to a hinterland. Second, we draw on a rich historiography, which considers the complex and contingent basis of city success. In particular, Fernand Braudel and Charles Tilly's contributions provide resources to challenge the neo-mercantilist view of the city embedded in the new urbanism, by developing an account of the external 'governors' and internal 'stabilizers' that determine relative urban success over time.

An older, classic literature in geography emphasises the importance of urban networks or the relations between cities. Christaller (1966), in his central place theory, famously conceptualized cities as being embedded in hierarchically structured trading spaces, where the top city housed not only local market places but also regional, national and even international market places). His insights complement those of Weber (1909) and Lösch (1940) who conceived of these markets as linking different spaces of production and consumption based on economies of scale and scope, transaction costs, effective demand and the interaction effects between them. These themes are taken up in a more sophisticated and more politically sensitive way by Charles Tilly, as we will show in the next section.

Another relational take on the urban was developed by the Canadian political economist Harold Innis in his 'staple thesis'. Here the economic development of Western Canada depended crucially on its access to a large hinterland which provided its cities with staple goods such as fur, wood, mined metals and fossil fuels; these were exported, providing its cities with the means to offer social services to its residents and citizens (Innis, 1946). Dicken and Lloyd's 1972 book on *Location in Space*, developed a more schematic, box-like approach to urban economies at the hightide of Atlantic Fordism and its Keynesian mode of regulation. They recognised city clusters, the interlinkages between cities and their hinterlands as well as the external political economic institutions that determined those interlinkages. Developments in subsequent years undermine many of the book's claims as well as its box-like approach, based on assumptions of national economic self-sufficiency. Nevertheless, Dicken and Lloyd (1972) stands out for its stress on the systems-like relationships between cities and their hinterland, conceived as a space for exports.

Again, this provided the key inspiration for Peter Taylor's emphasis on networks of cities in the post-Fordist era, an insight which has been at the root of the impressive amount of empirical work now collected by the Globalization and World Cities (GaWC) research network. The key insight here is that cities are linked to one another at different scalar levels. This provides access to revenues generated in extra urban spaces that no longer need to be located in proximity to the city borders, as was still the case in Christaller's nested market theory or Innes' 'staple theory' of urban economic development, as well as in more sophisticated inflections of that same thesis that were spawned since the mid-1950s under the umbrella of city regions theory (Taylor, 2004; 2013). It is not hard to trace similar kinds of conceptualizations of the urban and its non-territorial 'hinterland' in the work of Sassen (2001) and Friedmann (1986). It is a vision of urban economies which is strikingly different from the new urbanist vision: cities and their hinterlands do not compete but are instead complementary to one another.

The key insight that city success is determined by its access to its hinterland (however specified), has largely disappeared from the body of work that is known as new urbanism. A case in point is Scott and Storper's recent attempt to digest the post-colonial critique of stories from the Global North, while salvaging the sweeping explanatory ambitions of agglomeration theory (Scott & Storper, 2014). The result is new urbanism with only limited added causal complexity, through the 'urban-land' nexus (or what we below refer to as 'internal accelerator') plus five conditionalities. And while external relations in the form of trade networks are recognised, such relations do not play a sufficient role in the overall explanatory narrative. Indeed, it is hard to see how they can play such a role, given the dominance of mainstream economics in the new urbanism: the city, like the individual, the household or the firm in neoclassical economics, is conceived as a disembedded, decontextualized entity, which is at best related to other entities through anonymous market transactions.

Historiography provides rich resources for challenging narrow economic understandings of the city and narrow current debates about planetary urbanization. In much historiography, city success is (for the individual city) complex, precarious and contingent on extra urban factors (Pirenne, 1925; Hohenberg & Lees, 1995; Bairoch & Braider, 1991; Clark, 2009). Within this literature, Fernand Braudel and Charles Tilly are key references through work which is relevant and durable because it builds on specifics, avoids schematicism and takes the long view.

Fernand Braudel's great monument is his three-volume history of *Capitalism and Civilization* (1981; 1982; 1984). We have elsewhere emphasised the importance of Braudel's first volume history of early modern 'structures of everyday life' (outside the market economy) and his insistence that 'there were not one but several economies'

(1981, p.23; see also Engelen et al., 2014). That layer cake perception resonates, and allowed us to develop an analysis of a partly non-market 'foundational economy' producing welfare-critical goods and services like housing, education, childcare, healthcare and utility supply necessary for all citizens in the 21st century (Bentham et al., 2013). We will return to this theme in the fourth section, to argue that the foundational economy is the neglected stabiliser in both successful and unsuccessful cities.

But, if we wish to set the difference between the new urbanist's 'successful' and 'unsuccessful' cities in long perspective, we must turn to Braudel's third volume, titled *Perspective of the World* which is partly about the rise and fall of dominant cities: Venice, Antwerp, Genoa, Amsterdam, London and New York (Braudel, 1984). For Braudel, the 'literal boundaries' of the city at the edge of the compact built up area are an 'appearance' which spreads confusion because successful cities (like larger states) are always economically dependent on an 'outer zone of influence, an extra area' which 'ferried them along.' Here the city appears not as a self-enclosed, discrete and unitary object which mysteriously generates internal productivity effects but as the place where external space beyond the city walls is the source of inputs and the vent of outputs that are captured and valorized.

The history of these cities is one of rise and fall through displacement within successive regional 'world-economies' which typically have a dominant city and an organising state. The model is imperial insofar as there is always a relatively small, central, metropolitan site of accumulation and development and a large, provincial periphery which is unequal in terms of prosperity and authority. In this article, we use our own term 'hinterland' to denote the larger space within which cities function. This hinterland can be as large as what Braudel calls 'the world-economy' and should not be confused with the surrounding countryside - supplying food in the early modern period - or the city region - defined in our own time as a functional economic area by criteria such as the travel to work area. The hinterland of an individual city will also shift over time.

The underlying assumption is that cities (and city regions) are built on their conjunctural capacity to consolidate revenue from a much larger hinterland. In thinking about the governors of this process, Charles Tilly's work is helpful. Here, location is critical because each city's degree of integration with its hinterland (weak or strong) and its position within a Christaller-like market hierarchy (high or low) jointly determine whether a city follows a 'coercion intensive' or a 'capital intensive' trajectory (1990, pp.51-2).

Tilly (1990) identified two 'active governors' of revenue consolidation - political status and economic role - which are conceptually distinct but practically usually hybridized. The first governor is explicitly political, in the most traditional sense of the word,



because cities have status as imperial, national, provincial capitals, or as second cities or regional centres. Their status brings functions and tax revenues to sustain ministries, media, courts, company headquarters and so on, all backed by coercion through the rule of law and ultimately state monopoly of violence. This is what Tilly (1990) calls the 'coercion intensive' path of urban growth and its obvious metric is the extent of public sector employment in the urban economy, which is always relatively high in the absence of other more economic drivers. The second governor is an apparently economic one: much urban revenue is consolidated through the market by export of tradeable goods and services, or results from an entrepôt location on 'natural' breaks in trade routes.

The historical classics develop a discourse specific understanding of cities so that their history is not singular but plural and, on the long view, the trajectory of all great cities is of growth, decline, abandonment and recycling. But, as non-historians, we can learn much by building on Braudel and Tilly's arguments about how cities are strongly dependent on their political and economic hinterlands whose incorporation into the city economy is politically precarious and reversible.

### **3. Recognising the hinterland**

[A]round either a dominant territory or a dominant city, there is an outer zone of influence, an extra area which in the case of Amsterdam, Venice or Great Britain, was nothing less than a world-economy. [...] Cities and territories both attached themselves in identical fashion to an international economy which ferried them along and which they in turn helped to strengthen.

Fernand Braudel, *Civilization and Capitalism 15<sup>th</sup>-18<sup>th</sup> Century. The Perspective of the World* (1984) p.295.

Braudel sees long distance relations as dynamic causes of city rise and fall, with change at a distance as a disruptive force that cannot be directly controlled by city policy makers. So, cities ride a conjunctural wave of geo-political and geo-economic conditions which create constraints and opportunities not of their choosing. If so, this radically challenges new urbanist preconceptions about what is controllable and manageable through policy at the city level. While drawing on Tilly's work in understanding the governors of this process, we would argue that politics (not economics) generally has the leading role because it delimits the accessible hinterland.

The operation of political and economic governors can be observed in the Dutch economy. In The Hague, for example, public employment captures almost half of total employment because this third largest Dutch city is the seat of national government as

well as a provincial capital; it is also the seat of the Dutch supreme court and host to more than 100 international organisations, including the International Court of Justice. Amsterdam, strategically located at the mouths of Amstel, IJ and Haarlemmermeer, thrived by taking a clip on trade and, increasingly, from the financing of trade in the early modern Dutch Golden Age (Kindleberger, 1974; Cassis, 2007); it remains Holland's largest city, with a significant commercial role including headquarters for ING, Akzo and Philips. In such cases, primitive accumulation provides capital for trade or industry and puts the city on a trajectory of growth (see also Walker, 2016).

In understanding the joint operation of the political and economic governors, we maintain there is a general process of hybridisation of the governors where politics is usually primary because the state sets the rules of market competition and delimits the sphere of competition within territorial boundaries. As Friedrich Engels indicated in *The Condition of the Working Class in England* (1844), Manchester and Lancashire's success was politically sustained and driven because its cotton factories depended crucially on the British empire and the political capacity to impose free trade on India and other long-distance markets where factory goods displaced indigenous handloom weavers. British navy-secured trading routes more generally underpinned the role of London, which was for Engels the 'commercial capital of the world'.

The same is true for the global production networks of today. Their revenues are consolidated in and controlled from what are now considered as 'global cities' (Sassen, 2001) or 'world cities' (Friedmann, 1986). But the trade in goods and services depends on taxes, legal prerogatives, material and immaterial infrastructures including international treaties and law. In short, trade and commerce-based cities live economically in the 'shadow of (often someone else's) hierarchy' (Scharpf, 1997) and hence depend crucially on political sponsorship and protection ultimately backed by the state's monopoly of violence. Pax Americana keeps the containers safe, maintains the global GPS system and hence sustains globalisation (D'Eramo, 2015; Levinson, 2006; Milner, 2016).

The city's hinterland is, therefore, a politico-social construct, rather as anthropologist Timothy Mitchell (2002; 2007) has argued for national economies whose size and scope are politically determined. The difference is that the Keynesian moment that Mitchell describes was sustained by the idea that national actors could manage national output and employment. But, city actors often cannot politically control a large hinterland where metropolitan city centres are often regarded as extractive and parasitic, or disregarded as part of larger calculations. Viable contemporary city states, like Monaco, Singapore or Vatican City, are exceptions defined by their control of a small dependent territory and reliance on the steady goodwill of a larger host.

Individual cities are beneficiaries of, or suffer collateral damage from, national or supranational decisions and processes; such decisions are taken elsewhere for reasons of state and are often completely disconnected from considerations of city welfare. City growth is thus a precarious bricolage around default hinterland access to input and output possibilities that arise from decisions taken outside. In our own time, what stands out is two-fold: first, the huge benefits of 'double causation' when political and economic governors work positively to reinforce each other. Thus, London gained high wage finance after the 1980s but always had the machinery of central government and administration including 75,000 central civil servants; from the private sector, it has half of the FTSE 100 corporate headquarters, as well as legal and accounting services, the media and advertising. By way of contrast, Detroit had no cushion when it lost blue collar employment in autos because Lansing is the (relocated) capital of Michigan, Ann Arbor has the state's research university and Chicago is the capital of the mid-West as well as the global centre of on-exchange derivative trade.

The contrast between Detroit and London also brings out another important difference in the material basis of exchange and revenue consolidation in different periods. The innovations of collective provision after 1880 (gas, water, electricity and telephones) had two spectacular effects: a dramatic increase in life expectancy and quality of life, which incidentally brought a boom in consumer durable production for households and sustained relatively high wage, mass blue collar employment on the assembly line. The digital technologies of the post-1980 period boosted finance, media and communications, which disproportionately benefited a relatively small number of working rich.

This point emerges clearly from the employment figures. Even in its diminished current state with high levels of import penetration and negligible exports, the US national market sustains an industry with nearly one million jobs in the manufacture of automotive vehicles and parts. By way of contrast, London has a large share of the most important global markets in finance. It has continuously ranked first on the global financial centres index (Z/Yen) since its inception in 2006. It functions as a huge entrepôt market in money trade with \$1,900 billion traded daily and a similar sum of overseas assets managed from London. It houses the largest international insurance market, the largest (off-exchange) derivative market, and it is the European capital for hedge funds and asset management. But overall, financial and professional services altogether have never employed much more than 600,000 in London (Ertürk et al., 2011); and, after removing retail banking and services to the non-finance sector, a large part of the world's financial business generates no more than 400,000 jobs in London.

This does not license defeatism if we take the argument one step further. Distinctive combinations of governors put cities onto specific trajectories but, as we will now argue,

secondary effects from internal accelerators and stabilisers are also important and ensure that the identity of winners and losers, successful and failed cities becomes blurred because both growing and declining cities have their problems and opportunities. These accelerators and stabilisers, which originate inside the city, are explored in the next two sections.

#### **4. Inside the city walls I: the accelerator of land and property values**

The town grows into a city: a St. Louis, a Chicago, a San Francisco. Its population gives greater and greater utility to the land — and more and more wealth to its owners.... This land now offers enormous advantages for the application of labor. Instead of one person farming a few acres, thousands work in buildings with floors stacked upon each other.... On this land — and no other .... is the center of population: the focus of exchange, the marketplace, the workshop of industry.

Henry George, *Progress and Poverty* (1879) pp.240-1.

The immediate post-1880 era was distinguished not only by collective municipal provision of utilities and amenities but by distinctive theories of value which justified taxation of land and property. As Kohn (2016) has reminded us, in France the solidarists argued that all value was socially created; at the same time, British and American radicals were reading George's (1879) *Progress and Poverty* on how landowners privately appropriated the increases in land price socially created by urban development. In the opening quote, George presents his central argument about how the growth of cities and population density mechanically boosts rents and land values so that the city is a machine that generates unearned increments.

All this has been lost sight of in the current discussions of agglomeration that focus on the rewards to individuals and capital, with wages and profits considered as the legitimate reward to talent and enterprise. Within this frame the emphasis is on identifying drivers and outcomes. For Glaeser, density itself is the driver because 'ideas spread more easily in denser places' (2011); whereas for Florida, a cadre of creatives is the basis for success (2004: 49-50). For both, the primary outcome is (not rents but) high market incomes captured in the standard metrics of Gross Value Added (GVA) whereby London's GVA per capita is more than twice that in Wales or the North-East. This difference is understood in new urbanism as a matter of competitive success, with subsidiary questions about how far size and scale boost productivity by GVA measures.

From a Braudelian perspective, the issue is instead about how revenues from a hinterland internally accelerate city growth. Here, we would now wish to recognize

Keynesian and Georgian circuits. Revenues from a hinterland are consolidated within cities before getting circulated internally to generate internal growth of market incomes, as well as asset appreciation (especially through bidding up land value and real estate which are the immobile assets). Acceleration works partly through a Keynesian circular flow with multiplier effects in successive rounds when revenue circulates several times inside the city walls as it meets demand at the level at which it becomes valorised. Thus, the success of 'global cities' is manifest in high-end restaurants, retail and flagship stores, while failed cities are given away by discount stores, cheap fast food and pawn shops. Cumulative causation means winners take socially exclusive and desirable activities, while loser cities are positioned down market.

But, behind this familiar appearance, are important effects on the capital side: we have an unearned accelerator from the process of urban development which attracts high income investors as well as developers or speculators. This boosts land and property values and rents which create new rental income sources and income withdrawal possibilities; both of these boost private consumption. Where cities can capture some of this activity through local tax revenues (and philanthropy), this provides a reinforcing effect through creation and/or maintenance of the public realm and civic amenities, including open spaces and cultural facilities, which poorer cities cannot afford. In doing so this increases the relative attraction of such cities to the mobile and resourceful.

What Crouch (2009) describes at the national level as property-based 'privatized Keynesianism' is thus the story of every successful city. Large scale development creates an internal property-based fund of value which is usually not taxed effectively and is generally a source of *longue durée* cycles of boom and bust, triggered by external shocks, especially political events. The Dutch economist Piet Eichholtz has famously traced the shifts in real estate values (in real – inflation-adjusted – terms) of a block of houses constructed along one of the canals of Amsterdam in 1650 from the late 17th century to the early 21st century. The timeline strikingly highlights how the ups and downs are caused by external events, creating 'undeserved' losses in between periods of 'windfall' gains, with wars and occupation explaining most of the losses (Eichholtz, 1997; Ambrose et al., 2013).

In this way, propulsion from internal sources becomes the development accelerator for cities drawing primary revenue flows from external sources. As long as primary revenue flows keep entering the city, secondary accelerators through property will work predictably; but, if that primary circuit fails, things quickly turn from bad to worse because it is then difficult to prevent reversal into deceleration. Just as rising land values and overspilling development effects are a driver of city growth in London, one major effect of decline is derelict buildings and wasted open space as in Detroit.

This explains why private, developer-led urban regeneration is so popular today. If the governor is external, the only way municipalities in an age of austerity can keep the flywheel of internal revenue acceleration going is through real estate development, dependent on private capital to drive up land values and real estate prices. City councils are generally short of resources to deliver services but can grant planning permissions to rebuild their city centre so that it earns more revenue and brings in newcomers of a socially desirable sort. Post-1980s, deregulated cheap credit made commercial projects fundable and profitable; and after the crisis cheap credit and liquidity from central banks (via quantitative easing) prevented any slowdown. The process is (up to a Minskyan point of over-borrowing) self-validating because central city property is usually a reliable source of increasing rentals.

In the 1960s, Jane Jacobs (1961) famously criticized municipally-led modernist planning for its failure to heed the economic and social 'needs of cities for a dense, intricate and close-grained diversity of uses'. In a perverse twist on Jacobs, developer-led regeneration now plays the same role in delivering private new towns in central city districts. The only variability is in the social formatting, which usually excludes poor, native city residents but changes according to the status of the city and the new town population it can attract. (Central) London is, as Burrows et al. (2017) describe it, the plutocratic city with Thames-view high-end flats for the global rich with several homes. Manchester is more of a lower middle-class city with private developers redeveloping derelict brown field sites directly adjacent to city centre for buy-to-let one or two bedroom flats priced at £150,000 or below. Amsterdam is in the middle, where 80 square meter apartments now top €400,000 and where the city council has recently granted permission to private developers to build a further 50,000 units in ten years within the beltway.

In most large cities, high-end residential districts and overcrowded slums have long coexisted with ecological segregation and gradations in between as classically mapped by Booth (1903) in *Life and Labour of the People of London*. Property developer-led regeneration reworks this internal segregation and creates new forms of spatially-articulated socio-economic polarization (Dorling, 2014; Musterd et al., 2015). The emerging problem, recognised by Florida as part of the 'new urban crisis', is that years of unregulated credit and low interest rates have inflated house prices in cities like London, Toronto and New York, making them increasingly unaffordable for the ordinary middle classes. Hence the renewed interest in stabilisers and the nature and extent of collective provision.

## 5. Inside the city walls II: the foundational economy as stabiliser

The collective principle asserts that the resources of medical skill and the apparatus of healing shall be placed at the disposal of the patient, without charge, when he or she needs them: that medical treatment and care should be a communal responsibility that they should be made available to rich and poor alike in accordance with medical need and by no other criteria.

Aneurin Bevan, *In Place of Fear* (1952) p.75.

Direct municipal provision of essential utility services and amenities was in retreat after 1930 in most high-income countries as the central state took responsibility for an enlarged range of provision (often by taking over and extending existing civic provision). The opening quote comes from Aneurin Bevan, who created a UK-wide national health service free at the point of use, modelled on successful civic experiments in the Welsh towns of Llanelli and Tredegar (Thompson, 2003). The enduring legacy of civic provision was the sense of citizen entitlement which it created: health and education should be free and utility services priced so that they were available to all. As Bevan (1952, pp.73-4) added, underdevelopment was then defined as a condition where such services were not universally available and 'small well to do classes' looked after themselves.

In high-income countries, an infrastructure of networks and branches now distributes goods and services which we call foundational because they are daily necessities, consumed by the whole population and necessary to the welfare of rich and poor alike. These will include providential services like education, health and adult care and the material infrastructure of pipe and cable utilities, food and retail banking (see Bentham et al., 2013). In new urbanism, the focus on competitiveness has encouraged a preoccupation with what is tradeable and glamorous and a neglect of these foundational activities which are both sheltered and mundane. But they are important in themselves because the welfare of the city population always depends on reasonably priced access to goods like decent housing and utility supply. They also act as an important buffer and stabiliser of the city economy because the foundational is a significant and steady element in many kinds of city throughout history.

In current times, in deindustrialised cities, foundational activities sustain a core of employment after tradeable goods production has collapsed. Growing, high income cities may tap external revenues but cannot do without their foundational goods and services; while cities in developing countries will be working round problems of foundational access and charging when many do not have utility supply or health care. In high income countries, foundational activities account for approximately 30 to 50% of city output and employment. For example, in the British declining city-region of

Liverpool, mundane foundational activities make up 44% of total employment; just as in the capital city, London, which is the embodiment of high GVA and a magnet for the world's rich, foundational activities still account for 32% of employment.<sup>i</sup>

For Glaeser, cities are 'a mass of connected humanity' (2011, p.43). But, within the new urbanist framing, the connective element of infrastructure is considered very narrowly and economically as what makes the (labour) market work better: in the austere version, this is schools and rail transit systems or, in the hipster version, bike lanes and a gay night life. Welfare critical social infrastructure, like the 400,000 beds in UK residential homes for the elderly, is quite invisible and much of the heavy infrastructure like sewer systems and household waste processing is taken for granted.

From our point of view, cities are internal space where the welfare of the whole population depends critically on complex and often capital-intensive foundational delivery systems. The village needs only a tarmac access road, a bakery and a butcher and some basic amenities for each dwelling; the city needs a networked rapid transit system of electric trains and trams with timetabled services and a logistically complicated chain that brings foodstuff to its citizens and collects and manages its waste. The functions are the same but the city involves a quantum leap in terms of technical and logistic complexity where the engineering of systems is mixed up with pricing decisions and larger political decisions about whether to provide providential services like health and education as public goods which are free at the point of use.

In Robert Gordon's *The Rise and Fall of American Growth* the 'networked house' in the city, with its five connections to sewers, water, electricity, the telephone and gas, was the basis for an unrepeatably revolution and an acceleration in economic growth that started in 1870 and petered out after 1970 (Gordon, 2016). From our broader point of view, the (American) physical foundational economy described by Gordon, needs to be set in the context of providential state provision of services like health and welfare which are so important in Europe. And the most important result was not a spurt in economic growth but an expansion in citizen entitlement. This creates ongoing problems which are most acute in the cities - failed and successful by new urbanist metrics - that have not solved their diverse foundational problems. Welfare of citizens depends on a broad distribution of affordable foundational necessities of decent quality, but both successful and unsuccessful cities have difficulty in making this provision.

The form of the foundational problems varies from city to city, depending on land prices (high or low), the availability of land (large or small), political organization (centralized or decentralized), available urban tax revenues (high or low) and the arrangements for provision of social services (local or national).



- Growing and successful cities often generate unequal access to foundational goods instead of providing every resident with a minimum standard that is good enough. Income from employment is unequally distributed and rising incomes do not in themselves solve the problem of access to housing or adult care, which require public planning and provision and social innovation. This can be seen in the case in London where schools have been improved but the average price of a house is £500,000, much social housing has been sold-off and public expenditure on adult care has been cut back.
- Failing cities have difficulty in funding the foundational: a collapsing tax base results from declining income and increasing expenses in the form of unemployment benefits and social support. The point is that city managers cannot postpone funding for foundational services like health care or education, where physical rationing, means-testing or residual public provisions are all problematic. As a result, unsuccessful cities like Greater Manchester are dependent on tax transfers, receiving more in national government expenditure than they receive in local taxes.
- Moreover, in many cities foundational services have been privatised or outsourced to financialised providers in ways that complicate matters. In the UK, the utilities could be privatised because they had paying customers; while waste management, adult care, child care and much else were subsequently outsourced to providers who were funded by tax revenues (Bowman et al., 2015). As argued by Burns et al. (2016), in adult care, private equity and PLC conglomerates then apply their high risk, high return business models to what should be low risk, low return activities.

The city's perennial and changing problem is about mass access to (foundational) welfare and the distribution of welfare amongst the city population. These issues are obscured by current metrics and, specifically, the new urbanist adoption of aggregate activity measures (not tangible welfare measures) as the yardstick of city and city region success and failure. Standard activity measures include GVA (per capita), employment growth, population size, new business formation and inward investment. Hence, the UK Centre for Cities' widely-reported league table, which ranks 64 UK urban areas by four activity indicators – population growth, net job creation, number of new businesses and housing starts – with just a nod to distributive issues and fairness through some attention to affordability (Centre for Cities, 2016).

Within Europe, the super-ordinate regional and city region activity measure is GVA (ONS, 2015). But GVA per capita is an output measure whose rise can conceal a skewed distribution of income from employment, which then structures market demand and may coincide with supply-side failure of provision of social housing and the many other

foundational goods and services, which require planned provision. Countries like the UK have deregulated labour markets and downward pressure on wages at the low end of the wage scale where there is significant immigration, so that very little of the city's success ends up in the wage packet of the bottom quintile of households. In the UK, for instance, almost half of the income gains between the mid-1990s and 2010 ended up in the wallets of the top 20% of households, with the bottom 20% gaining a mere 4.2% share.

Success and failure as defined by GVA is much less important than policy makers assume. Urban citizens would be better served by a dashboard of tangible welfare indicators (like social housing new builds and housing waiting lists) as part of a policy reset and a new language for thinking about good cities, which invokes values like security, robustness, protection and inclusion. This is explored in the final section of the paper.

## **6. From competitive cities to well-grounded cities**

a competitive city is a city that successfully facilitates its firms and industries to create jobs, raise productivity and increase the incomes of citizens over time.

Kilroy et al. *Competitive Cities for Jobs and Growth*, World Bank, (2015) p.2.

The World Bank's *Competitive Cities* report sums up the current preoccupations of policy makers. The competitive cities are the top 10% of world cities which are increasing GDP per capita, number of jobs and disposable income by 10% or more; and, in 2012, 'job creation in the average city brought to the level of the top quartile would have created 19 million jobs' (Kilroy et al., 2015, p.17). The lessons from case studies are that high performance by these measures comes from a local 'growth coalition' of private and public interests onto the job of developing 'tradable goods and services' (Kilroy et al., 2015, pp.12-13), partly by capturing inward investment.

It would be wrong to disparage growth of income in cities of the global South where income is low, but the disparity between GDP and the United Nations Human Development Indicator (HDI) rankings<sup>ii</sup> shows that the attainment of higher income levels is no guarantee of citizen access to providential services like health. And, in high income countries, the disparities of income within and between cities can hardly be managed by the now-standard policies of investing in skills and infrastructure and offering incentives for inward investment. Neo-mercantilist competition between cities and city regions is likely to be self-defeating and, if so, policy may end up as a way of rationalising persistent inequality in a world where the successful are enjoying 'well-

earned' rewards while the unsuccessful have been told what they need to do, and have failed to act on it.

In its 2014 program the Welsh Government stated as its goal the construction of 'a skills system in Wales that supports our future competitiveness' (Welsh Government, 2014, p.4). The Cardiff City Region got a metro project to put Treherbert – a former coal mining community at the head of the Rhondda Valley, some 42 km from the Welsh capital – within 30 minutes of Cardiff. Change the place names and similar policies could be found right across Europe, usually backed by a supplicant posture towards foreign firms and investors bringing inward investment.

Again, better education and connectivity through infrastructural investment should not be disparaged because they are desirable in themselves, but there is no evidence that these policies are powerful levers for raising GVA in laggard cities and regions. Likewise, it is not clear that higher PISA scores attract mobile firms. As for infrastructure improvement, this is usually justified by the middle class standard of journey time saved, not the more relevant standard of fare affordability. Oldham to Manchester city centre takes around 30 minutes by tram but costs £5.40 for a return ticket which takes most of the first hour's wage<sup>iii</sup> for low wage workers.

Our alternative approach starts by accepting that external governors cannot be controlled at the city level and that policy should therefore focus on the internally controllable stabilizers and accelerators. Specifically, constructive public policies would then attend to the supply of foundational goods and services (material utilities and providential services like health and care) for citizens, and fund improvements partly by taxing the unearned increment in land value and property prices. The shift is from a focus on city vs city competition to capture mobile resources, to a different focus on mass welfare through mobilisation and reorganisation of internal resources within each city.

This new policy agenda is to build a 'grounded city' which we define as a city that manages the mundane, sheltered activities of the 'foundational economy' for the benefit of all citizens to ensure their material well-being, security and socio-cultural participation. There is scope here to turn the city stabiliser into a real lever for welfare improvement in all kinds of cities: every city has foundational problems when economic development and rising income transform rather than abolish these problems. Brazilian favelas or African shanty towns have issues about lack of sanitation and paying for electricity, while London and Paris lack reasonably-priced family housing for lower income workers with jobs in the central city. The solution is not growth, jobs and a vague hope for redistribution of income, but practical reorganisation for material security in a grounded city.

Such reorganisation has to start by engaging city specifics and delivering locally-relevant betterment because each city has a bundle of very particular needs, assets and opportunities. Different topographies and histories, different levels of income and inequality, different means of delivering (and financing) foundational goods and services, and different existing infrastructures all mean that London is not Amsterdam, Wuppertal is not Manchester, and Liverpool is not Johannesburg. Foundational policies thus start from some measurement of local foundational deficiencies and assess how best to serve the basic needs of all and, in doing so, tie rich and poor alike into a new city-level social contract. This means the priority could be lowering transport fares in one city, providing de-commodified childcare in another, and good social housing for all in the next, while remembering Richard Titmuss' principle of 'anti-discrimination', based on the insight that services for the poor always end up being poor services (1976). This means decent housing along the lines of 'red' Vienna anno 1920/1930 (Novy, 1982), not second-rate housing for the poor as in the Parisian banlieus since the 1970s.

The grounded city focus would replace the fixation on technical innovation for productivity gain with social innovation to meet basic need. Developing model arrangements for care of older people is a challenge to our ingenuity and a litmus test of our civilization, like the quality of public school meals. If this kind of foundational is specific and local, it can be relatively easily scaled up towards a more encompassing national and international vision of a society that is fairer to all, along the lines suggested by Roberto Unger (2015). And this leads towards a new dashboard of measures to determine policy success, drawing inspiration from the work of Amartya Sen and Martha Nussbaum on a plurality of basic capabilities which have 'reiterative universalist' characteristics in that they are needed by all while their quantity differs over space and time (Nussbaum & Sen, 1993; Walzer, 1989).

A policy shift from competitiveness to strengthening the foundational has quite specific economic and political conditions of possibility. Above all in the sphere of taxation, because mass welfare requires a large tax base intelligently spent on public goods and services. Here it is essential to break with 'race to the bottom' tax cuts and instead raise hypothecated taxes for providential services, find new ways of taxing land values in growing cities and defending national settlements around declining cities This would break with the competitive city strategy of cutting tax rates to attract and retain mobile big business. Instead, in the grounded city businesses which draw benefits from the city's social overhead expenditures should in return pay a fair share of their costs. And, businesses like utilities and supermarkets whose networks and branches root them in the city, should be subject to social license where social obligation is made explicit (Bowman et al., 2014).

In all this, there are limits to stand alone city policies because some declining places, like Detroit, Liverpool or Wuppertal, face problems that cannot be solved from limited local fiscal sources, whatever the tax base of the city council. Nested levels of government, subsidiarity and institutionalized forms of solidarity based on shared identities become more, not less, important in the era of the well-grounded city. Glaeser sees such transfers as a waste of resources but we see them as a buffer which allows the foundational to keep functioning so that the city and its inhabitants can survive another contingent cycle of boom, bust and, perhaps, boom again (Engelen & Musterd, 2010).

We should recognise that there is no privileged institutional form or scale: community, city region and national levels are all relevant in a multi-level governance system and different technical systems present diverse challenges which sometimes require centralised provision, and other times require local initiative. But one of the opportunities of our decade is to re-communalize or remutualise pipe and cable utilities and the providential organisation of care in city regions, drawing inspiration from the municipal socialism of the 1880-1930 period. Cities like Vienna (for housing) and Hamburg (for utilities) provide us with interesting templates of how to do this (Novy, 2011; Hall, 2012; Provost and Kennard, 2014). More generally, within a new politics the public and third sectors are a source of experiment and legitimacy in cities and city-regions which possess the financial resources, the local knowledge and the democratic legitimacy to demand and sensibly lead large scale social change which takes us towards the grounded city.

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## Notes

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<sup>i</sup> Calculated using ONS data for 2014, where foundational employment includes health, care, education, utilities and transport (private, public and state-supported). Total employment in Liverpool City Region was 591,892, of which 259,881 were employed in foundational activities. In London, 1,477,639 million out of a total of 4,732,414 were in foundational employment.

<sup>ii</sup> The UN HDI rankings are based on a composite measure that reflects health, education and income ([http://www.nationsonline.org/oneworld/human\\_development.htm](http://www.nationsonline.org/oneworld/human_development.htm)).

<sup>iii</sup> In April 2017, the national minimum hourly wage was set as follows: £7.50 for aged 25 and over; £7.05 for age 21- to 24; £5.60 for age 18 to 20; £4.05 for under 18 and £3.50 for apprentices.