Good urban governance: making rent gap theory *not* true

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[W]e wish the von Thünen theory of the urban land market to become *not* true. (Harvey 1973, 137)

Based on the belief that Sweden’s land policies, municipal ‘planning monopoly’, system of building provision and solidarity associated with the social democratic welfare state guaranteed a form of urban governance that made rent gap theory untrue, my studies of rent gaps in Malmö (Clark 1987; 1988) and Stockholm (Clark and Gullberg 1997) were commonly met in Sweden with incredulity and rejection. The view was that Neil Smith’s (1979) rent gap theory is not germane to Swedish contexts, where “progressive urban corporatism” (Harvey 1989, 16) prevailed. Highly debated even in the United States, the relevance of rent gaps in Sweden must surely be negligible. Yet robust measures and empirical analyses revealed rent gaps to be directing flows of capital into built environments across Sweden’s largest cities. I am reminded of this re-reading Harvey’s influential urban governance article where, in the closing paragraph, he notes that “there is something positive going on here that deserves close attention”, namely the “idea of the city as a collective corporation, within which democratic decision-making can operate” (1989, 16). This commentary considers the relevance of Harvey’s landmark article for understanding Swedish contexts, emphasizing a critical distinction concerning *investment* to frame the question: how might good urban governance make rent gap theory not true?

The assertion that Sweden is “an example of what might be called ‘circumscribed neoliberalization’” (Harvey 2005, 115) resonated well a decade ago. Much has happened since then. Now it seems plausible that the Nordic welfare state has offered more latitude for radical neoliberalization than in places where privatization, commodification and marketization had already transformed societies. Housing was the first sphere of the neoliberal revolution (Hedin et al 2012, Christophers 2013), followed by education and health care. A recent study by The Heritage Foundation (conservative U.S. think tank), commissioned by *Svenska Dagbladet* (large Swedish daily newspaper), concluded under the headline “World champion in liberalization” that for two decades Sweden has liberalized faster than any other country in the West (Eriksson 2012). The success of this neoliberal revolution in the heartland of the Nordic welfare state has *The Economist* (2013) parading “The next supermodel”, claiming that “Milton Friedman would be more at home in Stockholm than in Washington D.C.” With its large public fund of institutionalized commons in housing, education, health care, infrastructure and more, Sweden is an attractive target for global finance capital, ever in search of new spheres for profitable investment. With the helping hands of both social democratic and right-wing governments (more *aidez-faire* than *laissez-faire*; Purcell 2013), spheres of commons built up and institutionalized during the middle decades of the twentieth century have been rapidly privatized, commodified and marketized, while “exchange value considerations” (Harvey 2014, 22-23) have become the primary drivers of urban policy and development.

Harvey’s three broad assertions regarding the new urban entrepreneurialism (1989, 7) are easily recognized in Swedish cities, and examples of the four alternative strategies for urban entrepreneurialism (1989, 8-11) are not hard to find either (for instance, regarding Malmö: Dannestam 2009, Baeten 2012). Not surprisingly then, the implications Harvey outlines have become increasingly familiar in Swedish cities: enhanced “geographical flexibility with which multinational firms can approach their locational strategies” (11); a “general increase in problems of impoverishment and disempowerment” (12); priority to “creating the preconditions for profitable investment” (12); “emphasis on tourism, the production and consumption of spectacles” (13); and encouraging “the movement in of capital and of the ‘right’ people” (14; sometimes referred to as ‘the economically sustainable population’). Even in Sweden, “the ideology of governance … effectively masks the class and social relations that are redistributing wealth and income to the affluent through a networked and decentered system of organized political-economic power” (Harvey 2009, 71). Though the municipal ‘planning monopoly’ remains formally intact, “*investment* increasingly takes the form of a negotiation between international finance capital and local powers doing the best they can to maximise the attractiveness of the local site as a lure for capitalist development” (1989, 5, italics added).

*Investment* appears twenty-one times in the article’s fourteen pages, but remains ambiguous, with the exception of the distinction between investments “with the speculative construction of place rather than amelioration of conditions within a particular territory as its immediate (though by no means exclusive) political and economic goal” (8). The shift from managerialism to entrepreneurialism has thrived on, indeed discursively drawn upon, common mystifications of improvement and investment. Assumed to be universally positive (who in their right mind would wish to argue against improvement and investment?), critical examination of their historical usage reveals how problematic implications of some kinds of improvements and investments become hidden behind reasonably positive characteristics of other very different improvements and investments. Under the heading ‘‘Habitation versus Improvement’’, Karl Polanyi argued that ‘‘it was improvement on the grandest scale which wrought unprecedented havoc with the habitation of the common people’’, and consequently recognized the need for ‘‘legislative acts designed to protect their habitation against the juggernaut, improvement.’’ Elsewhere Polanyi acknowledges a more positive meaning of ‘‘improvements fixed in a particular place’’ (2001, 41, 191, 193). The key distinction is not in physical design and technological characteristics of an improvement, but in social relations underlying its production and, upon completion, regulating its use and income flows.

In his brief essay on ‘improve’, Raymond Williams explains that in ‘‘its earliest uses it referred to operations for monetary profit, where it was often equivalent to *invest*, and especially to operations on or connected with land, often the enclosing of common or waste land. . . . The wider meaning of ‘making something better’ developed from C17.” He goes on to note ‘‘the sometimes contradictory senses of improvement, where economic operations for profit might not lead to, or might hinder, social and moral refinement’’ and emphasizes that ‘‘the complex underlying connection between ‘making something better’ and ‘making a profit out of something’ is significant when the social and economic history during which the word developed in these ways is remembered’’ (Williams 1985, 160–161).

Among noteworthy analyses of financialisation and rent-seeking behaviour proliferating in the aftermath of the financial crisis, Andrew Sayer revives the distinction between earned and unearned income, contributing to the insights of Polanyi and Williams by distinguishing between two profoundly different forms of investment. Sayer sees a ‘‘fundamental slippage in the use of the word ‘investment’’’, and identifies:

‘‘two radically different uses:

(1) Use-value/object-oriented definitions focus on what it is that is invested *in* (e.g. infrastructure, equipment, training)

(2) Exchange-value/’investor’-oriented definitions focus on the financial gains from any kind of lending, saving, purchase of financial assets or speculation – regardless of whether they contribute to any objective investment (1), or benefit others.

The standard move is to elide this distinction and pass off the second as based on the first’’ (Sayer 2012, 171).

Under the sway of investments [2], allocational efficiency (the legitimizing function of land rent and rent-seeking behaviour) is understood in terms of ‘‘where expected rates of financial return are highest’’, regardless of ‘‘neutral or negative effects on productive capacity – through, asset stripping, value-skimming, and rent-seeking’’ (*ibid*., cf. Harvey 1982, 368-9). Neoliberal varieties of urban entrepreneurialism open up spaces of ‘opportunity’ for profitable investments [2] through commodification, privatisation and marketisation of the environment, facilitating processes of accumulation by dispossession (Harvey 2006) by bringing urban governance “into line with the naked requirements of capital accumulation” (Harvey 1989, 15). The shift from managerialism to entrepreneurialism manifests the broader variegated process of neoliberalization, involving the construction of a world in which “certain truths stand out as self-evident, chief of which is that everything under the sun must be in principle and wherever technically possible subject to commodification, monetisation and privatisation. … Exchange value is everywhere the master and use value the slave” (Harvey 2014, 60).

In calling our attention to “something positive also going on here … potentiality for transformation into a progressive urban corporatism”, Harvey (1989, 16) gestures towards an urban governance characterized by egalitarianism, meaningful participatory democracy, social practices of commoning and institutionalised right to the city (Harvey 2012), more conducive to the propagation and integrity of investments [1]. Likewise, urban governance that regulates land use and financial activities in ways that promote investments [1] over investments [2] – emphasizing use values over exchange values – are more conducive to egalitarianism, meaningful participatory democracy, social practices of commoning and institutionalised right to the city. The implications for urban governance are crucial.

This frames my question, spurred by re-reading Harvey’s transformation article. How might urban governance contribute to making rent gap theory *not* true? It seems that even the relatively advanced level of progressive urban corporatism established in Sweden during the middle decades of last century did not make rent gap theory untrue, although Swedish cities were arguably more just, displayed less of a tendency towards “an incoherent and frenetic game of musical chairs” (Harvey 1982, 393), and have taken better care of those displaced by urbanization and urban redevelopment than most capitalist cities. This is certainly less pronounced today.

Where land is commodified, privatized and marketized, tensions between potential and actual uses of land clearly manifest in the exchange values of potential and actual land rents, forcefully directing flows of capital into built environments, even in societies with relatively large public sectors, where wealth and income are relatively evenly distributed, and where public investment decisions are largely use-value driven. In recent research into revanchist urbanism and gentrification in Taipei, colleagues and I concluded that unless democratising forces manage to tame the singular power of landed developer interests (Harvey 2010, 180-181), effectively claiming the right to the city, “the successes of progressive movements, be they environmental, cultural, social or economic, will be valorised through the mechanisms of property markets: those who created the values in urban space will be displaced, dispossessed, the values accumulated by the architects of neoliberal urban politics – finance and real estate capital” (Jou, Clark and Chen 2014, 14). For urban governance to succeed in making rent gap theory untrue it will have to “eliminate those mechanisms which serve to generate the theory” (Harvey 1973, 137). To do so, at the very least, it will have “to reinstate the use values (actual or potential) of the land, streets, buildings, homes, parks and centres that constitute an urban community” (Slater 2014). But it will also have to effectively limit exchange value driven investments associated with accumulation by dispossession. This requires developing legal frameworks, institutions and social practices of commoning that can bring land and built environments into the sphere of urban commons, where use value driven investments can be democratically anchored.

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