London between Global Narcissism and National Responsibility

* A story of the global financialization of a national capital at the expense of its nation

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DEMOLOGOS London Case Study

Delphine Ancien* and Frank Moulaert
IFRESI-CNRS, Lille, France and Newcastle University, UK

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“[London has] become something unique. If the rest of England doesn’t like us that much, we’re happy to be independent, we’ll be a Singapore of the west” (London Mayor Ken Livingstone interviewed for Prospect Magazine, Issue 133, April 2007)

“The issue is that of the ‘London deficit’ – the argument that London has been subsidising the rest of the country and can afford to do so no longer (or certainly not to quite the same extent. […] This role of being the capital city is thereby constructed as a burden […]. But it ignores the more complex geographies within which these monetary flows [from London to the rest of the country] are embedded. […] It obscures the benefits that accrue from simply being the national capital” (Doreen Massey, 2007, pp.131-133, emphases in original)

1 Introduction

From a dependent small urban economy in the early Middle Ages, today London has become a global urban economy specialized in international finance and other global corporate services. Its ‘national’ economic urban region now stretches through most of Southeast England. Through division of labor linkages, socio-political affinities, land and housing markets, and a growing identification with ‘the global’ (expressed in grand projects and discourses), the economic London region has become a territory whose relations with the global economy ‘out there’ have become more important than with (e.g.) the North of England. Criticisms of the lack of Southern investments in the rest of the United Kingdom

* PhD Candidate - Graduate Teaching Associate, Department of Geography, The Ohio State University.
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(UK) – except maybe in the oil producing parts of Scotland, the absence of a real regional policy or regional decentralization – loudly veiled by a devolution discourse and the creation of national parliaments in (e.g.) Scotland and Wales make many observers wonder if London is still assuring its role as the political and economic capital of England and the UK. Most worrying is that regional devolution is not coupled to delegation of major strategic powers such as fiscal autonomy and major investment policy.

To verify this ‘proposition’ or ‘hypothesis’ the relationships between London, the UK and ‘the rest of the world’ are analyzed according to a triple periodization, each represented by an emblematic moment. The first period is roughly that of the Victorian era extended to the first decade of the 20th century until the outburst of World War I. This period corresponds not only to Britain’s imperial apogee, but also to the development of “gentlemanly capitalism” (Cain and Hopkins, 1993), a very peculiar mode of accumulation that led to a growing disconnection between industrial and financial capital in the UK, emblematized by the defeat of the Tariff Reform movement in 1906. The second period starts with World War I (1914-1918) when the forewarning signs of the dismantlement of the British Empire and Britain’s imperial grandeur arose, and ends in the late 1970s, after Britain lost its Empire and its industrial leadership while London reassessed its role as national capital within the new European context and as a global financial center on the rise again. Britain’s 1973 membership to the European Economic Community (EEC) is an emblematic moment in this second period (Williams, 1996). Finally, the third period, emblematized by the so-called 1986 ‘Big Bang’ – i.e. the deregulation of financial markets in the UK – focuses on the neoliberalization of Britain’s public policy and administration. This period starts with the 1979 return to power of the Conservative Party and the election of Margaret Thatcher, and is characterized by the greater-than-ever financialization and internationalization of London, and its increasing detachment from the rest of the UK, economically and politically speaking.

What strikes us in the conjunctural and structural analysis of socio-economic development of London within its broader spaceness is the transformation of the spatial articulation from one period to the other. Whereas in the imperial period there still was a ‘division of labor’ between the various primate English cities, with significant trade and production networks involving colonies and British cities – with London one amongst many industrial and trade cities, but of course the political capital city of both the Empire and the Nation –, with the decline of the empire and end of the colonial period, these trade and production networks died out, to leave only the trade, corporate organization and financial relations between London and the rapidly transforming former colonies. The postcolonial
period meant hard restructuring for most of the other primate UK cities, which for several decades after WW II could still count on active intervention policy from the (London-based) national government. However with the advent of neoliberalism, the Thatcher rule, curtailing the power of (especially the local) state, abandoning national regional policy and making an explicit choice for a neoliberal economic policy, privileged the development of finance-related economic activities unrolling at the global level. These, often termed ‘FIRE’ activities (i.e. finance, insurance, real-estate) – risky but possibly extremely profitable thanks to high rates of return. From this perspective the Nation-Territory became London or rather the South English Territory instead of England or even the UK as a whole.

This did not change under the New Labour government that took power in 1997. In the subsequent period, London and its economy have become even more financialized and internationalized, with limited resources going to other British regions that are still struggling with restructuring. With the regional problem already significant after WW II, protests against the economic divide of the country have intensified recently. After the war, class struggle has taken on a strong regional dimension. However, with the provisional victory of the neoliberal agendas, including the disempowerment of counter-hegemonic forces – such as the unions, which were crushed under Thatcher – and the empowerment of international corporate actors in the City of London, supported by the local and national governments, alternative strategies to regional development and the search for a new role for the capital city – as the heart of a more decentralized space economy and polity - are very much needed.

2 Analytical and theoretical frameworks for the London case study

2.1 ‘ASID-cum-CDIH’: a meta-analytical framework

The meta-analytical framework that we will use in this case-study is a mixed ‘DEMOLOGOS product’: the ‘ASID-cum-CDIH scheme’, the acronyms respectively standing for “Agency, Structure, Institutions, Discourse” developed in TSP1 (Moulaert and Jessop, 2006) and “Culture, Discourse, Ideology and Hegemony” discussed in TSP4 (Sum, 2006). The ASID scheme stresses the importance of time-space path dependencies in explaining particular development trajectories, and places methodological emphasis on the
exploration of interconnections between agency, structure, institutions and discourse so as to understand patterns and processes of socio-economic development “[…] in particular, spatio-temporally-delimited empirical contexts” (Moulaert and Jessop, 2006, p.19, original emphasis). This “[…] case study-specific space-time” (ibid.) analytical approach will be used for the study of London’s economic development from the mid-19th century until now. Particularly important is the way how the ASID frame connects to the role of spatial scales as structures of development, as territorialities of institutions and ambits of identity building and strategy-making. Our meta-analytical framework articulates the ASID scheme with the CDIH scheme, which puts a lot of emphasis on discourse analysis (e.g. colonial and imperialist discourses, global city discourse, neoliberal discourse of urban competitiveness …etc), which is already one of the four pillars of ASID. Sum (2006) argues, in particular, that the social production of cultural meanings and geographical imaginaries is crucial in understanding the hegemony of certain development discourses and strategies at certain periods of time and in particular places, and how they change (or not) over time and across space. The insights provided by CDIH as an analytical tool are very useful for applying the ASID scheme to the London case study, insofar as CDIH helps us integrate the role of discourse to our understanding of the production of different development paths through its articulation with agency – “discourse as an outcome of agency” (Moulaert and Jessop, 2006, p.11) –, structure – “discourse as dimension of structure” (ibid.) –, and institutions – “discourse as an institution” (ibid.) that plays a role in the reproduction and regulation of social forces that produce socio-economic development models (TSP3, Swyngedouw and Jessop, 2006).

2.2 Elements of a theoretical framework

Within this metatheoretical framework, our analysis will be theoretically informed and enriched by some literatures that will now be briefly reviewed. Historical geographical materialism as explained in a DEMOLOGOS ABC paper (Swyngedouw, 2005) provides the theoretical foundations of an understanding of capitalist development as fundamentally spatially uneven. In addition to the insights provided by theories of imperialism on uneven spatial development (which are the object of another DEMOLOGOS ABC paper by Novy, Tripl and Vilker, 2005), historical geographical materialism constitutes a key theoretical thread for the London case study.
Based on Marx’s founding work on the necessary unevenness of capitalist accumulation, Harvey points out, in particular, that the accumulation process takes place in different places and is shaped by geographically differentiated contexts, which are in turn endlessly re-invented by the accumulation process itself and its contradictions. One of the most important contradictions, according to Harvey, is the one between fixity and mobility of capital (1982; 1985). While the former is related to the social and physical built environments that embed capital in particular places, the latter refers to the fact that, once produced, value can circulate and does not have to be re-invested in the place where it was produced. Given that the very logic of capitalist accumulation is the maximization of profits, capitalists tend to re-invest in places and sectors of the economy where profit margins and rates of return on investments are the highest (Harvey, 1996). The intrinsic spatial unevenness of capital is a prime factor in explaining strategies of economic development in different places, which compete amongst each other (ibid.) – even more so in an era of increased globalization, neoliberalization and deregulation, financialization and mobility of invisible revenues, which are all important explanatory elements in our study of London. Translating this basic principle of uneven development in capitalist accumulation to the role of strategic agency (mainly capitalist) within the ASID model and how it interacts with spatial scale (in the different meanings cited above), we observe that through the three periods different types of agency-with-links to structure and institutions can be distinguished.

In the first period, the rise and heyday of the Empire, until World War I, leading capitalist strategies in London were in trade and distribution, some industrial production related to printing and the Docks activities (e.g. shipbuilding), and the first stage in the rise of the City through “gentlemanly capitalism”, a concept developed by Cain and Hopkins (1993) to explain British imperial expansion as a way to spread out investments possibilities for London-based financiers and the British ruling land-owning rentier class. “Gentlemanly capitalism” complements the survey and critical assessment of theories of imperialism by Novy, Trippl and Vilker (DEMOLOGOS ABC paper, 2005). Their review provides key elements of an understanding of the imperial state as an agent of capitalist expansion and class domination, making explicit reference to the case of Britain when reviewing Hobson’s work, for whom “[…British] imperialism was in the interest of a few fractions of society, but against the national interest” (ibid., p.9), thus creating core-periphery patterns at the global scale as analyzed by world-systems theories (reviewed by Baark, Chen, Ngai and So, in a DEMOLOGOS ABC paper, 2005), but also at the national scale as we discuss in this paper. It is important to note the role of discourse (emphasized by the DEMOLOGOS ASID-cum-
CDIH analytical framework, Moulaert and Jessop, 2006; Sum, 2006) in legitimizing this imperial quest to the nation, which, again, did not benefit from it as a whole. This was done for instance through great exhibitions (held in 1851 and 1886 in London) that acted as showcases of the British imperial grandeur, stimulating national pride and ‘putting to sleep’ potential class-driven protests. Indeed, although internationalization of trade, production and government systems are part and parcel of empire building, the role of the national and local space systems should not be underplayed. In its Imperial period Britain itself remains a territory of capitalist uneven development, fully integrated in the spatial dialectics of empire building, with London as the multi-functional, multi-scale oriented economic and political capital.

The second period stretches from the first signs of the decline of British imperial power in the inter-war period, to the deindustrialization of Britain in the post-World-War-II period (for an overview see Martin and Rowthorne, 1986) parallel to the revitalization of London as a major world city and its transformation into a so-called global city through the revival of the City starting in the 1960s. This second period, also covers Britain’s accession to the EEC in 1973 and London’s attempt to reassert its role as a national capital by lobbying with the EEC for channeling funds to the deindustrialized and increasingly depressed areas in the UK in the 1970s. This upward state rescaling (Brenner, 1998), or this upward rescaling of regional policy by the British government can be considered as a rather ambiguous repositioning of London as a national capital in this new global context (‘global’ being understood in its relative meaning, i.e. the EEC as a new global), insofar as somehow this change in the institutional context also meant preparing the ground for a disengagement of the British state from regional policy, after more than a decade of active government’s industrial policy focusing on manufacturing rather than the advanced producer services and financial sector (Jessop, 1979) upon which London’s “reinvention” (Massey, 2007) started to rely in the same period.

The third period starts with the advent of Conservative Prime Minister Margaret Thatcher (1979-1990) and continues until now. This is the contemporary period characterized by a neoliberalization of British politics and an ever-increasing financialization and internationalization of London’s economy. Since the 1980s, London’s role as a national capital city has become increasingly ambiguous. Relevant leading agencies here involve ‘City makers’ (finance, advanced producer services, the bureaucratic elites from the Corporation of the City of London as well as from the Greater London Authority and from the Treasury…etc), party leadership and the counter-hegemonic agency. The ‘conflict of scales’
materializes through the tension between two trajectories: on the one hand, London reproducing its role as a major center in the continuously developing world urban hierarchy; on the other hand, London as the political capital of a regional restructuring process and policy-making process. The former is well addressed in the literature. London’s economy has been recurrently analyzed in the literatures on urban hierarchies, world cities and global cities. Beyond the study of (e.g.) large cities, imperial cities and primate cities, which study was often justified by demographic and/or economic concerns, Friedmann and Wolff, inspired by Hall’s avant-garde book on world cities (1966), drafted the “world city hypothesis” (Friedmann and Wolff, 1982; Friedmann, 1986). A main feature of the so-called contemporary world cities is the increasing share of higher-order services within a bifurcated service industry (Friedmann, 1986) and of “global [commanding] functions” (Cohen, 1981) in “alpha” cities (Beaverstock et al., 1999). Since this founding argument, the focus on sectorial and occupational structure has remained at the heart of world city research (see Sassen, 1991; many publications through the GaWC\(^1\) – Globalization and World Cities – project and network, including Taylor, 2004). The latter trajectory (i.e. London as the political capital of a regional restructuring process and policy-making process) sends us back to decades of theoretical debate on economic restructuring, regional development and the role of the state or other public agents. Moulaert and Mehmood (2007) give a very useful survey of these models that can be used to analyze regional development: the neoliberalization of regional policy in the UK (Massey, 2007) in this third period, as well as the industrial policy focusing on ‘saving’ British manufacturing toward the end of the second period, in the 1960s and early 1970s.

The third period also meant the abandoning of regional policy altogether; after being a champion of European regional policy in the 1970s, the British government, under Thatcher, gave up regional redistribution as something that should be dealt with by the state. The strategic agencies of the global economy, stressed above, have become predominant, and a growing literature on the regional impact of advanced producer services (APS) investments shows how the top tier cities cum APS economy, show poor multiplier effects in the ‘offshore’ regions. The geography of advanced producer services is one of very unequal distribution characterized by very significant clustering patterns in general (Moulaert, 1991), and, at the national scale, Britain is no exception, with a growing concentration of advanced

\(^1\) GaWC is a “[…] study group and network focuses upon the external relations of world cities”, according to the official website (http://www.lboro.ac.uk/gawc). It is based at the University of Loughborough, United Kingdom. Major theoretical contributions, in addition to Taylor 2004, include for example: Clark, 2002; Beaverstock et al., 1999; 2000; Faulconbridge, 2004; Smith, 2003; Taylor, 1999; Taylor et al., 2003.
producer services firms in London since the 1970s (Daniels, 1995): as soon as 1971, over one third of all employment in producer services was located in London (ibid., p.125); during the 1970s decade of economic recession, and growing unemployment, the proportion of increase in producer services in London (3.28%) remained above the national average of 2.42% (ibid., p.127). Today, as we will discuss, the advanced producer services sector in Britain is dominated by so-called ‘FIRE’ (finance, insurance, real estate) activities. The concentration of these very-high-rates-of-return activities in the British capital participate in the growing socio-economic gap between London and the rest of the UK. The cutting of the links by ‘metropolitan’ London development seeking its ‘endogenous’ developments within its privileged top tier urban networks, leads other UK regions to intensifying territorial competition, agents in different localities organize to attract or retain inward investments, through various public policies of local economic development and growth coalitions for instance (Cox, 2004), in a context where the state is increasingly withdrawing from its role of mitigating the uneven geography of economic growth through regional redistribution policies amongst other things. This has been the case in Britain for at least the past three decades.

All these literatures are of great use in understanding the economic structures and dynamics of so-called world cities based to a great extent on an increasing share of advanced producer services and especially FIRE activities, in establishing hierarchical schemes according to their level of ‘globalness’, and in explaining the contradictions related to their development paths at the local scale (Massey, 2001; 2006; 2007; Moulaert and Scott, 1997). However, they could be further developed in a way that would make the link between strategies for growth based on an increased globalization and financialization of local (and regional) economies and the national economy and political space which they belong to. In our case, the insights provided by these literatures will be mobilized to understand the growing disconnection between London and the rest of the UK, the “glocalization” (Swyngedouw, 1997) of the British capital’s economy, and the increasing failure of London to fulfill its national political responsibilities and to remain a national capital in effect.

3 Imperial London: from Victorian grandeur to the forewarning signs of Britain’s colonial decline (mid-19th century – WWI)
3.1 Victorian London in the great era of British colonization, industrialization, and “gentlemanly capitalism”

3.1.1 Britain’s second Industrial Revolution (1840s-1860s) and the first globalization (1870s-1914): the early disconnection between Britain’s economy and London

Through imperialism and formal colonization, the British state put its military and political power at the service of the British economy, and more particularly at the service of the British industrial and mercantile bourgeoisie. The size of its Empire allowed Britain to take the lead of the second Industrial Revolution of the mid-19th century, providing British cities with an abundance of raw materials from its colonies throughout the world, as well as exclusive overseas markets in addition to neighboring European ones where competition with French, Belgian and German products was fiercer. This second Industrial Revolution strengthened industrial development in various British cities such as (e.g.) Manchester, Leeds or Liverpool. These cities remained world-class industrial centers until the mid-20th century, and helped secure London’s global politico-economic leadership for the next few decades as the capital of the most successful industrial country. In 1851, London’s Hyde Park was the site of the Great Exhibition where Britain’s economic, industrial, political and military supremacy was displayed to over 6,200,000 visitors.

However, if London was the capital of the industrial world leader, Britain, it was by no means an industrial capital itself. Indeed, the British space economy was largely configured around the coalfields in the 19th century, which is where most industrialization occurred and where the most important industrial centers emerged. Moreover, these industrial centers were also major commercial centers: by the beginning of the 19th century, Liverpool, a main gateway for European emigration, had already become the main textile importer in Britain, ahead of London (Misselwitz, 2004). What constituted “industrial Britain” was often opposed to “metropolitan Britain” (Mackinder, 1914) or “consumer Britain” (Hobsbawm, 1984). The latter focused on London, which industrial development was relatively backward compared to other British cities (Jones, 1971). Some industrial production did exist in London in the mid-19th century, mainly in the form of home or small workshop family production – with a higher concentration around the Docks area, London being the world’s largest port. There were a few exceptions, however. Printing was already a major industry in London, one sustained by London’s growing press. Shipbuilding was important in East London where Thames Ironworks remained the largest employer until the beginning of the 20th century. Industrial
flour mills also blossomed in the London Docks in the second half of the 19th century. Nevertheless, despite the existence of some industrial activities in the capital city, Britain’s 19th-century industrial geography was undeniably characterized by an asymmetric development of London’s industrial structure and output compared to other urban centers in the country.

3.1.2 Imperialism, shareholding and industrialization: the 1886 Indian and Colonial Exhibition in London as a celebration of 19th-century “gentlemanly capitalism”

Under the reign of Queen Victoria (1837-1901) the British Empire kept expanding from East Asia – in China for instance, the Opium Wars (1839-1860) allowed Britain to take control of Hong Kong, until 1997 – to Africa. In 1877, Queen Victoria became the Empress of India after abolishing the British East India Company’s ruling over India in 1858 and replacing it by a colonial administration receiving orders directly from London. India became the ‘Jewel of the Crown’, as reflected in the naming of the 1886 international exhibition in London: the ‘Indian and colonial exhibition’, where Indian artifacts and sceneries represented about one third of the whole exhibition. This extravagant display of colonial and especially Indian artifacts was a celebration of London’s global politico-economic power. Victoria’s second world-class London exhibition, echoing the 1851 Great Exhibition, reminded the rest of the world that Britain was still the leading industrial and colonial power. Having the exhibition in London at a time when other British cities such as Manchester, Birmingham or Liverpool were far more industrialized than London was also a way to reinforce the fact that the capital of Britain was still the political command post of the largest empire in the world.

Undeniably, colonization played a crucial role in the development of Britain’s economic power throughout the 19th century. However, the same could apply to an analysis of the links between colonization and the development of the French or German economies. What made Britain’s 19th-century imperial accumulation process peculiar, and what greatly participated in the growing disconnection between British industrial and financial capital throughout the 20th century, was what Cain and Hopkins have termed “gentlemanly capitalism” (1993). Gentlemanly capitalism refers to the preeminence of the financial and rentier interests of the aristocratic land-owning ruling bloc in guiding Britain’s colonization and imperial policy. Industries’ needs for access to raw materials from the colonies and access

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2 Raw materials imported from the colonies allowed for the production of manufactured goods in Britain, and the colonies represented vast consumer markets for these finished products.
to new consumer markets were subaltern to the need for expanding the geographical realm for financial and commercial investments so as to increase rates of return and to protect the economic interests of the ruling “capitalist gentlemen” who had little interests in production per se, but rather in profits, according to the very logics of capitalism. Britain’s industrialization was thus, somehow, a ‘side-effect’ of Britain’s peculiar accumulation strategy. As long as Britain remained politically and economically unchallenged at the global scale, British industrialists – who were mainly located outside of London, as previously mentioned – benefited from long-term investments from these “capitalist gentlemen”. However, this relation between financial capital and industrial capital was very fragile: it was conditioned by the maintenance of Britain’s global economic dominance and expanding colonial hegemony, needed to guarantee the highest possible profits and rates of return from overseas investments and trade decided to a great extent in (the City of) London.

London rose to prominence as a world financial center in the course of what is sometimes referred to as the ‘first globalization’. It started with the Second Industrial Revolution in the mid-1870s and was interrupted by the beginning of World War I. This period was characterized by a dramatic expansion in world trade – to a great extent thanks to the development of the shipbuilding industry, especially in some British industrial centers such as Newcastle – and overseas investment – particularly in the bonds of foreign companies and governments. This takeoff in foreign investments was partly prompted by the adhesion of the major industrial countries, including Britain, to the Gold Standard monetary system. London, partly in virtue of its history and its political position as the capital of the largest existing empire, partly in virtue of the strength of the pound sterling, which was a reserve currency under this Gold Standard system, established itself as the major center for insuring shipping, for trade in international bonds, and for financing the trade of other nations.

The financialization of London’s economy in the last decades of the 19th century went hand in hand with the growing disconnection between the capital city and the rest of the country. This period corresponded to the beginning of the disarticulation between financial and industrial capital that characterized Britain’s accumulation history since the Victorian epoch. Indeed, the structure of British capital is very different from continental European capital, precisely because of this detachment of the (London’s) financial sector – whether private investors, banks and companies or public financial institutions such as the Bank of England – from British industries and the preeminence of its international linkages. This developing quasi-antagonistic relation became obvious in the late 1870s when the Bank of England, i.e. Britain’s central bank, declined the City of Glasgow Bank’s request for cash to
secure loans that were made to shipbuilders in Glasgow. The immediate effect was the bankruptcy and closure of the City of Glasgow Bank in 1878 (Rosenblum, 1933). The longer-term effect was much broader and sealed the division between British finance and British industries: after this episode, banks across the country refused to make long-term loans to companies and to sustain and secure the development and prosperity of British industries, which were increasingly challenged by German and US ones toward the end of the century and desperately needed to be financed to be able to compete and survive.

3.2 The defeat of the Tariff Reform movement (1906): an emblematic moment reflecting the polarization of Britain’s space economy through the internationalization and financialization of London’s economy

The debate around a possible Tariff Reform in Britain emerged as a main political issue in 1902, and got truly institutionalized when the Tariff Reform League (TRL) was created in 1903. The TRL was a lobby led by high-profile businessman and politician Joseph Chamberlain, who quitted his Colonial Secretary state position to fully commit himself to a national campaign in favor of ‘imperial preference’ and the imposition of high tariffs on foreign goods entering the British Empire. The objective of the proposed reform was to protect British industries from foreign competitors, from neighboring European industrial nations such as France, Belgium, and most importantly Germany, but also from the emerging US industrial power, by forming a single trading bloc at the scale of the British Empire, following the model of Bismarkian Germany. Although the economic depression that resulted in severe price depreciation and business closures across Western European countries between 1873 and 1896 was “[…] not great enough to frighten British industry into really fundamental change” (Hobsbawm, 1984, p.191), whereas it had led other imperial powers such as Germany and France to fall back on their imperial markets and to protect their economies with imperial tariff barriers, the decline of Britain as the world’s greatest industrial power had already started in the last decade of the 19th century.

The TRL was supported by a large portion of the Liberal Unionist Party, to which Chamberlain belonged, but also by the majority of supporters of the Conservative Party nation-wide, as well as many businessmen and industrialists from across the country, who provided the League with financial support. Overall, the Tariff Reform was sustained by

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3 The Conservatives’ grassroots support of the Tariff Reform and, thus, of British industries, at the beginning of the 20th century is worth noticing, given the growing connivance between the leaders of the Conservative Party
most of those who had an interest in the protection of British industries, including industry-owners as well as workers who wanted to protect their jobs. This had strong geographical implications, insofar as, as explained above, most of Britain’s leading industries, such as steel and textiles amongst others, were located in major urban centers outside of London. Accordingly, the interests of its businessmen, politicians and workers were somewhat different than those of the supporters of the Tariff Reform. Thus, the TRL counted many more opponents in London than elsewhere.

In the face of fierce opposition from ‘consumer Britain’ and ‘financial Britain’, the TRL tried to rally as many supporters as possible by emphasizing the social reforms that would be made possible by the tax revenues generated by high tariffs on non-imperial imports – Chamberlain had planned a great old-age pensions scheme, aiming at improving the welfare of Britain’s working class –, and by arguing that increasing tariffs on foreign products would ensure the maintenance of low levels of domestic taxes. Despite Chamberlain’s enthusiastic promises and his intensive touring of Britain, the Tariff Reform movement was defeated in 1906 when the Liberals, indefectible supporters of free trade, won the general elections, mainly as a result of the rift created within the Conservative Party by the tariff issue, along with the relative political and electoral weakness of Chamberlain’s Liberal Unionist Party except in the West Midlands.

The defeat of the Tariff Reform movement was emblematic not only of the victory of ‘consumer Britain’ over ‘industrial Britain’, but also of ‘financial Britain’, i.e. London’s finance, over ‘industrial Britain’. The passing of the Tariff Reform would have restricted London’s international trade and financial activities by putting constraints on commercial relations with foreign (i.e. non-imperial) companies, thus hindering the City’s financial activities related to international trade, such as shipping insurance for instance. The defeat of the Tariff Reform movement initiated some long-term geographical and social trends of the British economy: on the one hand, it created a favorable situation for the development of the British finance industry that had already started to cluster in London; on the other hand, it prevented the decline of British traditional industries. As Hutton summarizes: “[b]y the First World War a pattern was clearly established: a national banking system disengaged from production: a risk-averse London stock market based on international investment; equity finance made available on the most onerous terms, heaping large dividend demands on British producers; a Bank of England concerned to preserve price stability and the international value

and London-based finance, which would give way to the deregulation of financial activities by the Conservative government of Margaret Thatcher, to the greatest benefit of financial firms in the City of London.
of sterling; and an industrial base losing ground to foreign manufacturers with higher productivity – and having to respond by bidding down wages to maximize retained profits, the only reliable and cheap form of finance” (1995, p.123).

4 Post-Victorian4 London: from imperial and financial decline to the reassertion of its national role in a new European-global context (WWI-1970s)

4.1 The empire shaken and the industrialization of London in the Interbellum

4.1.1 Political, economic and military challenges to imperial Britain

Forewarning signs of the future challenges the Empire would face did emerge before World War I. Several overseas territories, such as (e.g.) Australia or South Africa in 1910, started gaining independence from London. The independence of the latter deprived the British imperial government from important tax revenues generated by the mining industry in this gold-and-diamond-rich area. This loss of tax-revenues occurred at a very critical moment for a British government that was about to get involved in a four-year-long World War that considerably weakened Western European powers, including the UK. At the end of the war, the post-Versailles-Treaty’s materialization of peoples’ right to self-determination added to the decline of these powers: from then on, it became increasingly difficult for Britain and France in particular to hold their colonial territories together and to outdo an increasing number of local uprisings in their colonies.

While Britain was struggling to keep its empire together, in addition to being granted control over some additional territories such as Palestine and Iraq under the mandates system decided by the League of Nations in 1919, the United States (US) had proven to be a new key political and military world-class player during World War I. In the aftermaths of a war that had been largely financed by US capital, the US also went from being a debtor of European

4 Although Queen Victoria died in 1901 and was succeeded by her son Edward VII until 1910 and George V until 1936, we acknowledge the relative continuity between the reign of Queen Victoria and the pre-World-War-I decade and we identify the end of Victorian Britain with World War I and the important political and economic changes it induced for the United Kingdom.
countries to a creditor of these same countries – including Britain. The US undeniable military and industrial power was only to be confirmed when it took over the command of the Allied Powers during World War II and its industries provided Britain with the weapons, aircrafts and other military supplies necessary to face the German army, as well as the non-military basic commodities that could not be produced in Britain anymore nor imported from continental Europe due to the German embargo. As E.J. Hobsbawm observed, “[...] the traditional economy of Britain not only ceased to grow, but contracted” (1984, p.207). The industries that suffered the most were the traditional ones such as cotton textiles – which production went from 8 billions down to 3 billions square yards between 1912 and 1938 – or shipyards – which production declined by half between 1913 and 1938 (ibid.). These industries were mostly located in the main historical centers, which were not very diversified, i.e. for instance Manchester/Lancashire for cotton industries or Newcastle for shipbuilding.

4.1.2 The development of London’s industrial capacity and the City’s growing competition in the Interbellum

While Britain’s international political, economic and military power was challenged in the interwar period, its industrial geography also faced important changes at the national scale, including London’s transformation into a major industrial center. London became a major pillar of British industry in the 1930s. While some identified London as a corner of Britain’s industrial “coffin” (Hall, 1981) formed by Manchester, Liverpool, Leeds and the capital city, with Birmingham in the middle, in which the new consumer goods industries of the period, such as (e.g.) the automobile and small electric goods, prospered, the 1940 Barlow Report went even further by claiming that industrial activities were indeed starting to concentrate in and around London. The Barlow Report highlighted the first signs of the now-famous North-South divide when opposing London and the South’s growing industrial development to the North’s industrial decline or at least stagnation (1940 Barlow Report, mentioned in Hall, 1981).

By the mid-1930s, the industrial geography of Britain had totally changed. While the traditional industrial regions surrounding the historical industrial urban centers of Northeast England, Central Scotland, Lancashire and South Wales were still producing 50 per cent of the total net national industrial output in 1924, their share was down to only 37.6 per cent a decade later (in 1935), just slightly more than the new industrial regions that had rapidly developed in the Interbellum, including the greater London area and the Midlands.
Based on the observed growth unbalance between London and the South East, on the one hand, where new consumer goods industries were flourishing, and the North, on the other hand, where traditional industries historically emerged and took the lead of the Industrial Revolutions of the 18th and 19th centuries, the Barlow Report on the Distribution of the Industrial Population (1940) pointed out the risks of ‘overheating’ of the regional economy in the greater London area in particular. The report recommended a national planning strategy directly orchestrated by the central government so as to overcome this regional distortion through redistributive and public investment policies, as well as the building of new towns in the South East so as to avoid extreme industrial concentration in London in the future.

While London developed an industrial capacity in the interwar period, the internationalization and financialization of the city’s economy stagnated. The pre-war failed attempt to implement a Tariff Reform had led to the victory of consumer Britain and London finance’s international interests over the interests of an already-declining industrial Britain. However, the post-World-War-I rise of US military and commercial power alongside the strengthening position of New York as the new global stock exchange challenged the City of London’s as the international finance capital as soon as the 1920s. Although the City’s financial activities ‘survived’ in the Interbellum – mainly thanks to loans to the Empire in the 1920s (i.e. before the 1929 international financial crisis), and especially to Australia (Attard, 2004) – and despite New York’s growing dominance at the global scale, it did not re-emerge as a major contender before the 1960s.

4.2 Decolonization and the reorganization of British imperialism (WWII-1970s): redefining London’s political and economic role in the global economy

4.2.1 Decolonization: India’s 1947 independence and the 1949 creation of the modern Commonwealth

After World War II Britain lost more important colonies, India being the most important. In order to preserve its privileged commercial and financial relations with its former colonial possessions despite the loss of its political authority over these territories and their populations, the UK created the modern British Commonwealth in the 1949 Declaration of London. The modern Commonwealth originally included thirty-one member countries –
today they are fifty-three –, almost all of them former British colonies. Although its official mission was to promote cooperation and understanding amongst member-nations, the modern Commonwealth has in fact been a trade association that has (re)organized a certain geographical division of labor in which London had a privileged position as host to commercial banks, lobbying organizations, and firms’ headquarters in particular, i.e. the highest functions in the managerial hierarchy (Massey, 1984). London was no longer an imperial capital, but had become a sort of ‘headquarter’ – financial and commercial – of a large economic ‘zone of influence’ that was a shadow of what the British Empire once was. The loss of the empire was and still is a real trauma for some Londoner elites, that is echoed in the ‘neocolonial’ agenda of some contemporary politicians and high-ranked civil servants (Golub, 2002), as expressed for instance by senior British diplomat Robert Cooper explaining “why we still need empire” and advocating a “new liberal imperialism” (2002). One could understand the transformation of the former imperial city into a modern version of the imperial city – the neoliberal global city – somewhat as a response to this imperial nostalgia.

The dismantlement of the Empire had another impact on London, one that had to do with socio-economic demography. After decolonization, many well-off British colonizers, whether recent migrants or second-or-third generation settlers, came back from India and a lot of them settled in what are still known as ‘home-counties’, i.e. the group of wealthy conservative counties that border London. The settlement of these repatriated British traders and businessmen in the affluent home-counties of Southeast England was partly motivated by their willingness to invest their money into financial activities in the City of London and to live a rentier life. Thus, decolonization had the indirect side-effect of favoring the increased concentration of higher income groups in the London region and financial capital in the City.

4.2.2 The creation of the Greater London Council (GLC – 1963) and the revival of the City in the 1960s

Not only did the UK see its empire dismantled in the couple of decades following the end of World War II, it also had to deal with increased global economic competition: financial competition from the US and especially New York, but also industrial from Europe and later from former colonies. The forewarning signs of deindustrialization appeared in the 1960s
when some former colonies such as India started producing important amounts of steel, for instance, and manufactured consumption goods, much cheaper than in Europe.

The UK’s deindustrialization process, including locational and sectoral shifts, had its full impact in the late 1960s-early 1970s with employment decline in British traditional industries and a shift of investments from these industries to services (Massey and Meegan, 1982). It provoked a real trauma for many British people, both economically in terms of job loss, and culturally as a serious blow to Britain’s collective identity. After all, since the first Industrial Revolution took off in Britain in the late 18th century, the UK had been the industrial nation *par excellence*, as least until World War I when its status started being challenged by the Germany and the US. The industrial decline of the 1960s did not only hit the large manufacturing centers such as (e.g.) Manchester or Liverpool that are till today in the process of recovering from the unemployment and identity crisis provoked by deindustrialization, it also badly affected London itself, which had become an important industrial center in the 1930s and whose economy still heavily relied on manufacturing in the 1960s. In 1961, the manufacturing sector still employed 32.4 per cent of London’s labor force (Hamnett, 2003).

But by the 1960s, London’s industries, largely based on the production of consumer appliances since the 1930s – a relatively unstable market with relatively low value added –, were no longer sufficiently competitive to survive in an increasingly competitive international environment. Restructuring was necessary in order for London to regain the status of a major player in the world economy. This restructuring needed to be somehow coordinated. The creation of the Greater London Council (GLC) in 1963 came as a response by the Londoner capitalist elites and the national government – two social groups that overlap to a great extent – to the necessity to reorganize London’s socio-economic life in the aftermaths of decolonization, deindustrialization and increased global competition. According to the 1963 London Government Act, the GLC was bound to put together a Greater London Development Plan that covered a variety of key aspects of socio-economic development. The main objective of this Development Plan was to produce a coherent governance scheme for London and to reorganize the city’s space economy so as to adjust and to adapt to the changing global conditions and the increasing shift of capital investments in the service sector in advanced capitalist economies, including Britain.

At the same time, the 1960s corresponded to a period of revival for the City of London, which had suffered from the development of the New York Stock Exchange that paralleled the rise of US economic power in the interwar period. A major reason for the
restoration of the City’s importance as a world financial center was the quick development of
the Eurodollar and the Eurobond market, whose success was to a great extent stimulated by
the heavy constraints imposed by the US government on US banks in the 1960s, which turned
to London and its more flexible financial markets. American financial institutions started
opening branches in the British capital as early as the 1960s, thus prompting the first changes
in the ownership structure of the City (Schenk, 2004), changes that will be discussed in more
details in a further section.

4.3 Britain’s 1973 EEC membership: an emblematic moment of London’s reassessed
role as a national capital in a new global context… without challenging the City’s
interests

While Britain had lost its international grandeur in the immediate post-war period, by
the same token London had lost its global political, financial and economic world leadership.
It was time to reconsider the scalar focus of its politics and to reassert its role as a European
national capital as in the aftermath of the Napoleonic wars. In 1973, when Britain was granted
EEC membership, London not only became one of the largest EEC capitals, but also a
partisan of European regional policy, to the benefit of Britain’s depressed areas. The fear of
‘overheating’ in London and the South East – which was already at the heart of the Barlow
Report in 1940 – and the government’s will to redistribute employment and population away
from the capital’s region re-emerged in the 1960s-1970s. Although this fear was a bit
exaggerated (Allen, Massey and Cochrane, 1998), active regional policy helped to bridge the
socio-economic gap between the greater London region and the rest of the country in the late
1970s (Moore, Rhodes and Tyler, 1986). Without measures of regional redistribution, this gap
might have widened. Restructuring was already on its way in London, thanks to foreign
investments in the area’s developing technology-intensive activities, in particular from the
US; London was and still is a gateway for US investments in Europe, even more so after the
1960s development of the Eurodollar and the Eurobond market, as previously mentioned. The
shift toward technology-intensive activities, which intersect a lot with advanced producer
services such as banking or consultancy (Moulaert, 1991), was easier in London than in other
cities, due to the historical concentration of the basic elements of a knowledge-based
economy, including banks, domestic and foreign financial institutions, universities and
research laboratories, in situ highly-skilled workers … etc.
Turning to the European Economic Community (EEC) to obtain financial aid for Britain’s depressed areas and to fund industrial policy so as to encourage economic restructuring appeared to the British government as a solution to the impossibility or unwillingness to use monetary policy instruments (cheap credit, depreciation of currency value, money creation) to help Britain’s declining industrial centers. While neighboring France, for instance, stimulated its industries to mitigate the consequences of deindustrialization in the 1960s through strategic devaluation of the franc, Britain did not follow this path. The British government did not consider devaluation as an option because of the importance of maintaining the value of the pound sterling as a reserve currency and therefore to maintain the City of London’s status as a dealer in pound-sterling-denominated securities and as an international banker. The government’s refusal to use monetary devaluation as a tool for supporting Britain’s industrial production and employment is emblematic of the long-lasting strong connivance between the political ruling bloc and the British financial gentry – i.e. Cain and Hopkins’ “capitalist gentlemen” (1993) – and the preeminence of London financiers’ interests over the future of British industries.

5 Contemporary London: from neoliberal restructuring to a successful global city and a failing national capital (1980s – now)

5.1 The ‘neoliberal turn’ and the entrepreneurial public management of London ‘à la Thatcher’ (1979-1990): restoring the city’s global role at the cost of nationwide regional equity

5.1.1 The context: the transformation of British politics according to the new global neoliberal mantra

In the aftermaths of the 1973 energy crisis, a global recession struck most capitalist economies, including a British economy that was already struggling with issues of increasing uneven development. In order to cope with the post-oil-crisis recession and to adjust to the New International Division of Labor (NIDL) and to a new (post-colonial) international political order the world witnessed the reemergence of the liberal politico-economic ideology under its contemporary form: neoliberalism. This new mantra, theorized by famous
economists such as Nobel-Prize winner Milton Friedman as well as political leaders including US President Ronald Reagan or Chilean dictator Augusto Pinochet, advocated laissez-faire capitalism and increased competitiveness and contributed to shape the new global context of the late 1970s-early 1980s.

It was in this context of global neoliberal ideology that UK Prime Minister Margaret Thatcher, elected in 1979, vested the ‘neoliberal turn’ of British politics and the restoration of London’s global economic but also political role. Unfortunately, this restoration of London’s global political and economic power through nationwide neoliberal policies was engineered at the cost of even less regional equity. Thatcher greatly transformed the economic and social geography of Britain between 1979 and 1990, mostly during her second mandate starting in 1982. She did so through a series of measures aiming at reducing the direct role and involvement of the state in the economy and reducing the power of local authorities, alongside selective re-regulation policies. The Thatcher administration famously privatized public services and state-owned industries, weakened labor-unions through changes in labor laws, deregulated financial markets, and dismantled the public housing sector by selling large stocks of council houses. Furthermore, the Thatcher government abandoned every industrial policy and preferred focusing on policies aiming at increasing competitiveness – a key word of neoliberalism – in more profitable – again, a key word of neoliberal ideology – economic sectors than in traditional industries.

This new politics has had important consequences upon the economic geography of Britain. The most geographically apparent has certainly been the deepening of the socio-economic gap between the North on the one hand and London and the South East on the other. This increased North-South divide was also reinforced by the quasi-abandonment of interregional redistributive policies or policies aiming at interregional equity. In the absence of state support, what remained of the traditional manufacturing industries of northern British cities, such as Manchester and Liverpool, after the 1960s deindustrialization and the 1970s recession, totally collapsed, while London started to re-invent itself as a global city with its regional economy relying on higher-order services rather than traditional industries and manufacturing, and as a financial capital: not so much a capital of the UK anymore, but rather a major node in a global neoliberal economy. At the local scale, following the reconfiguration of power relations due to the Conservatives’ 1979 electoral victory, the neoliberalization of London aiming at developing the city’s competitiveness – including its ability to attract inward investments for higher-order service industries and finance capital – unfolded through
different policies of deregulation and re-regulation, as well as public urban entrepreneurialism.

5.1.2 Public urban entrepreneurialism and urban renewal policy: the embodiment of neoliberal politics in London’s urban landscape

One of the most visible – thus striking – manifestations of how Thatcher’s neoliberal government encouraged public urban entrepreneurialism in the capital city took the shape of urban renewal. We will now turn to the example of the revitalization of the London Docks to illustrate this point. In the 1970s, some former key areas of industrial Britain suffered not only from deindustrialization and growing competition from former colonies, but also from the country’s access to EEC membership at a time when British industry was not very competitive compared to that of its neighbors. This competitiveness deficit was due to a great extent to the fact that British industries were highly protected from outside competition by the ‘imperial preference’ imposed by the government (Broadberry and Crafts, 1996) – i.e. privileged trade relations with former colonies. In 1970, the ratio of duties to total imports were 34.3 per cent in Britain compared to only 6.5 per cent in the US and a mere 2.6 per cent in Germany (Broadberry, 1997, cited in Rollings, 1998, p.445). The Department of Trade and Industry was created in 1970, so as to help British firms to become more competitive, in anticipation of heightened competition arising from Britain’s future EEC membership. Another competitiveness issue that had made the UK reluctant to join the EEC since its creation in 1957, was the necessary reconsideration of the so-called imperial preference due to EEC commercial rules imposing the same high tariffs for any goods and services from outside of the EEC. Importing goods from Commonwealth member-countries became much more expensive because of these mandatory tariffs. To mitigate this increase in import costs and to optimize the shipping process, the shipping industry turned to container technology. However, many British ports were not large enough to host container-ships, especially those located on rivers such as the Port of London on the River Thames. Consequently, the London Docks suffered from the loss of trade with former colonies subsequent to the UK entrance in the EEC. Port activity dramatically declined in the late 1960s-early 1970s and many parts of the London Docks were quickly abandoned.

In order to revive the Docklands area and to avoid ‘hosting’ a sort of port brownfield area within London – the London Docks are centrally located and adjacent to the financial heart of London, i.e. the City –, a large state-sponsored urban renewal project was launched in
1980-1981 with the regeneration of Canary Wharf (from 1988 onward), a neighborhood on the Isle of Dogs in the borough of Tower Hamlets that has been successful in attracting financial firms since the 1980s. This urban regeneration project was orchestrated by the central government through a quango, the London Docklands Development Corporation (LDDC). And the 1982 creation of a tax-free enterprise zone prompted a quick property boom in this docks area. It is worth pointing out that the Docklands urban regeneration project was highly criticized from the beginning, because it favored pricy residential and office property developments rather than affordable housing for the locals, and it did not have a significant positive effect on local unemployment issues (Church, 1988). The success of Canary Wharf in the late 1980s revealed the fast expansion of FIRE activities, the financialization of the London’s economy since the City’s revival in the 1960s, and even more so in the train of the 1986 ‘Big Bang’, an emblematic moment to which the next sub-section is devoted. Canary Wharf was thought of as a solution to overcome the lack of space provided by the City for the large amount of new higher-order service companies – domestic, or, most importantly, international – that were willing to operate in London. Although the City or Square Mile remains London’s most notorious financial center hosting the offices of some of the oldest and most powerful financial institutions in the world such as (e.g.) the Royal Bank of Scotland (present in the City since 1874), Chase Manhattan International, Baring or Goldman Sachs, Canary Wharf, with over 90,000 employees (compared to over 300,000 in the City) has become home to major banks and law firms specialized in finance. Some of these are historical British firms (e.g. Barclays) or more recent ones (e.g. Clifford Chance, the largest law practice in the world), but many of them are foreign institutions (e.g. Credit Suisse from Zurich, Switzerland) and especially American (e.g. Citigroup, Bank of America, Lehman Brothers Holdings, Morgan Stanley, all of them with headquarters in New York).

5.2 1986: the City’s ‘Big Bang’ and the abolition of the GLC

One of the first steps taken by the Conservative Thatcher government toward the neoliberalization of London was to implement financial deregulation so as to support the City’s renaissance as a leading global financial center. Exchange controls were abolished as early as 1979 (including direct investment controls, portfolio investment controls, and currency exchange controls), allowing British residents and UK-based institutions to invest capital abroad through (e.g.) direct foreign investments without special permission from the
Treasury. The lifting of restriction on exchange controls in the UK contributed to the internationalization of Britain’s stock markets (Artis and Taylor, 1989), including of course the biggest of all, the London Stock Exchange. In 1982, in order to maximize the benefits (in terms of profits) of the abolition of currency control in Britain, the London International Financial Futures Exchange (LIFFE) was created, following the US model of the Chicago Board of Trade and the Chicago Mercantile Exchange. LIFFE was a stock exchange that allowed for making short-term high-risk bets on the future value of commodities and currencies. The London Stock Exchange was deregulated four years later, on October 27th, 1986, when fixed commission charges were abolished, and electronic screen-based trading was adopted to replace old-fashioned open-outcry methods. These changes opened the way to an ever-increasing internationalization of London’s economy and profound and rapid changes in the structure of London’s financial market. First, the deregulation and modernization of the London Stock Exchange attracted a lot of international firms, amongst them a lot of American companies, who were much more (if not exclusively) interested in international banking – facilitated by the lifting of barriers to financial flows in the UK – rather than in servicing the needs of the British economy, let alone British struggling industries.

Second, the social composition of the managerial elite in the City of London started changing a lot in the mid-1980s. Birth into an established family from the capitalist gentry – the ruling bourgeoisie that had modeled the peculiarity of the British accumulation process since the 19th century through so-called ‘gentlemanly capitalism’ (Cain and Hopkins, 1993) no longer provided the automatic entry to the City. On the one hand, the switch to electronic screen-based trading in the London Stock Exchange has opened opportunities for foreign-trained stockbrokers who did not necessarily have the socio-cultural background and networks required to be accepted by the established Square Mile community, but who did not need this ‘pass’ anymore. As summarized by Pryke, “[…] to ensure it survival in the financial league tables of the late 1980s and beyond, not only did the City have to deregulate its securities markets, it had to deregulate its social space” (1991, p.197). On the other hand, as previously mentioned, the lifting of constraints on financial flows attracted a lot of American firms after the ‘Big Bang’; in these American companies, employees’ socio-cultural and socio-economic backgrounds do not matter much, what matters is their ability to make good investments and to maximize the firm’s profits. So, since American FIRE companies arrived en masse in London after 1986, careers in the City have been open to more upward mobility, sometimes even for people of quite humble backgrounds. But again, the increase in foreign stockbrokers and agents who did not have any link to the British economy at large or even other sectors of
the London economy (including the remaining residues of the manufacturing sector) has meant an increasing globalization of London’s finance (and, more generally, of FIRE activities). This reinforced the disjuncture between financial and industrial capital in the UK, between London’s endogenous growth and the development of the national economy, and between London and the rest of the country in general.

Interestingly, the same year financial markets were deregulated, in 1986, Thatcher abolished the Greater London Council (GLC). As soon as 1981, when the left-wing Labour GLC administration was voted into office, it established a clearly hostile relation with the Conservative central government, an ideological and political antagonism that only became more visible when Ken Livingstone – nicknamed “Red Ken” for his leftist politics – took the lead of the GLC in 1984. In addition to conflicts over various neoliberal policies at the local scale, such as the suppression or reduction of central government’s subsidies for (e.g.) local employment policies, social housing provision or minority groups projects, as well as a fiscal policy considerably restraining the possibility of raising local revenue through taxes (Tomaney, 2001), the GLC Labour administration opposed the deregulation of firms’ location in the London’s region and the deregulation of financial activities, by fear of negative externalities in the metropolitan areas\(^6\). The GLC’s opposition was seen by Thatcher as a major infringement to her laissez-faire capitalist politics and could hamper her plans for the British capital. At this point, one might wonder: what capital Or, even more clearly: whose capital? Somehow, London’s role as a national capital seemed almost non-existing, after the regional redistributive apparatus had been dismantled, only to be replaced by “significant elements of “national” policy making [emphasizing regional competitiveness] effectively function as an unacknowledged regional policy for the South Eastern part of England” (Amin, Massey and Thrift, 2003, p.1; see also Massey, 2007).

5.3 London: an apparently successful restructuring from an industrial imperial world city to a global city-region

\(^6\) For the GLC Labour administration, lifting restrictions on firms’ location and on financial activities would increase congestion, pollution and rent levels in the metropolitan area, while depriving other British regions of the employment opportunities created by the legal obligation for some firms to locate elsewhere than in London and by the constraints imposed upon the free development of financial activities.
5.3.1 London’s global economic success: “globalness”, competitiveness, wealth

According to statistical indicators that are commonly used in the global-city or world-city literature – for instance in the quantitative works related to GaWC (Globalization and World City, see footnote number 5), London definitely is a successful world city with global functions (Cohen, 1981; Friedmann, 1986; Sassen 1991), a former industrial imperial world city that has become an economically successful “global city-region” (Scott et al., 2001). Whether measured in terms of competitiveness or in terms of what we might call ‘globalness’ – a measure based in particular on the amount and importance of financial and communication flows (Meijer, 1993) – London almost never fails to be ranked number-one in the European urban economic hierarchy (for an overview see Taylor, 2004, table 2.2 pp.40-41; for the European context see also Krätke, 1995, cited and schematized in Brenner, 1998).

According to a study conducted for the Institute for Urban Planning and Development of the Paris Ile-de-France Region (IUARIF), based on several data sets on population, employment and output growth, as well as on unemployment in the late 1990s, the most competitive city-region in western Europe appeared to be the British South East, followed by the Randstad region in the Netherlands and the greater Dublin area in Ireland (Lecomte, 2003). Moreover, London is not only the most competitive city in Europe according to these surveys, it also appears very competitive at the global scale, so competitive indeed, especially in higher-order services, that “[t]he mayor of New York has warned that his city is in danger of losing its title as the world’s financial capital […to London]” (The Guardian, 23 January 2007).

London definitely is the major global financial center in Europe with the highest “[… concentration of a wide variety of international financial businesses and transactions in one location”, as highlighted by a report published in 2005 by the Corporation of London itself (Yeandle, Mainelli and Berendt, 2005). Dicken (2006) points out that London is still the leading financial center at the global scale, ahead of New York and Tokyo in terms of international financial flows. Financial and more broadly FIRE activities are what makes “[t]he richest corner [of the EU], inner London, generate more than three times the wealth of the EU average” (The Guardian, 11 June 2007).

5.3.2 Sustaining the ‘globally embedded endogeneity’ of London’s growth strategy through world-class and mega-projects

In order to feed this successful economic restructuring, or, simply, this economic success, on-going world-class and gigantic projects have been developed so as to increase
London’s global visibility alongside dealing with the very problems induced or exacerbated by the city’s development into a global city since the Thatcher years. The Thames Gateway and the 2012 Olympics bid along with the creation of ‘Startford City’ provide two significant illustrations of these mega-projects which objective is twofold: economic as well as social. First, the Thames Gateway is a huge project of residential and office development to the East of the city, which has benefited from a lot of publicity since it was initiated in 2004. The Thames Gateway project refers to a 40-mile-long area of mainly farmland and brownfield along the Thames River, from East London to the Thames estuary, which is being transformed into the site for a mix of commercial and – very importantly – new residential developments: 120,000 new homes are to be built by 2016, so as to help solving London’s (affordable) housing crisis that threatened the sustainability of London’s growth. By its own admittance\(^7\), this is the most important project of local and regional economic development led by the central government at this point, through a quango, the Thames Gateway London Partnership, controlled by the department of Communities and Local Government.

Second, hosting the 2012 Summer Olympic Games is a great opportunity for London to display its many assets as a global city thanks to 24/7 worldwide broadcasting. In addition to strengthening the city’s global image, one very important underlying objective that was put forward in order to gain popular support for the Olympics bid was that the infrastructures that would be built for hosting the Games would be located in these localities of the metropolis that were the most deprived – mostly in the eastern part of the city –, in order to mitigate socio-spatial exclusion within the metropolitan area. The borough of Newham in particular will greatly gain from the infrastructural improvements prompted by Olympic venues: the Olympic Park and part of the Olympic Village are being built there, along with public transportation facilities that will improve accessibility to East London’s new world-class business center – called Stratford City. It seems quite safe to point out that the Stratford City project participates in the continuation of the ‘FIREization’ of London’s economy. The long-term socio-economic benefits associated with organizing such an event had already been highlighted in the two consecutive failed Manchester bids for hosting the 1996 and 2000 Olympics (after Birmingham failed to win its 1992 Olympic bid as well). According to some observers, the Manchester bid’s failure is partly due to the lack of (financial) support from the central government, once again accused of favoring London at any cost, alongside a widespread hostility of London-based media. Whether these claims are right or not, it is very

\(^{7}\) Retrieved in June 2007 from: http://www.communities.gov.uk
likely that the occurrence of the 2012 Olympiads in London will direct even more central
government’s attention and funds to London rather than the rest of the country.

5.3.3 Governing the global city-region of London: the GLA, the central state and
neoliberal urbanism

London cannot be dissociated from its wider metropolitan area: the latest census
indicates that, in 2001, 723,000 people from the British South East commuted into London on
a daily basis to go to work (London Development Agency, 2007). The continuing and
sustainable growth of such a large metropolitan region as an integrated economic space that
faces important structural challenges related in particular to transport and housing requires an
integrated approach to the governance of its further economic development. Therefore, the
Greater London Authority (GLA) was established by the New Labour government under Blair
in 1999 as “a unique form of strategic citywide government for London”8, more than a decade
after the dismantlement of the Greater London Council (GLC) by the Thatcher administration.
The GLA comprises an elected London Assembly – a greater London’s municipal council –
and the Mayor of London, who is also elected. Alongside the GLA, four new functional
bodies were created, including the London Development Agency (LDA)9, so as to enhance
the coherence of London’s governance and to promote socio-economic and environmental
development through coordinated citywide strategies.

In 2004, Mayor Livingstone – the first elected Mayor of London, and also the last
head of the Greater London Council before it was dissolved in 1986 –, after consulting with
the London Assembly, the London boroughs and various organizations with expertise in
different aspects of London’s development, put together his “London Plan” (first published in
2001; in a revised version in 2004), which is very much growth-oriented, with a great
emphasis on maintaining and enhancing a business-friendly environment for the financial
sector in particular. This imperative of protecting the international business base of London,
especially the financial sector – what makes it a “world city” for many, although an extremely
limited understanding of what a world city is, according to Massey (2006; 2007) who
emphasizes also its cosmopolitanism as well as the impact of its global-city economic strategy
upon other places in the world and its “responsibility” for the creation, perpetuation and

8 According to the official GLA website: http://www.london.gov.uk
9 The other three organizations forming the GLA Group are: Transport for London (TfL), the London Fire and
Emergency Planning Authority (LFEPA), and the Metropolitan Police Authority (MPA) headed by the Mayor
himself.
deepening of poverty and socio-economic inequalities in other countries and cities across the world – was recently highlighted again by Mayor Ken Livingstone’s claim that “[f]ailing to put full weight behind the international promotion of London would therefore be a disastrous mistake for the jobs and income of Londoners” (Greater London Authority press release, January, 17th, 2007). This “global city rhetoric” (Gordon, 2004), which emphasizes the global functions of London as the basis of its prosperity and sustainable development – again, a misunderstanding according to Massey (2001) – is to be found across most, if not all, policy documents and reports produced by the GLA.

However, it is interesting to point out that the national dimension is not absent from this discourse. Although Livingstone claimed in an April 2007 statement in Prospect Magazine that “[i]f the rest of England doesn’t like us [i.e. London] that much, we’re happy to be independent, we’ll be a Singapore of the west”, his discourse is usually one that emphasizes the benefits of London’s economy for the rest of the country. This is the case for the 2012 Olympics for instance, which have been promoted by the GLA and the central government as an event that will generate profits from business and tourism to all of the country rather than to London alone – although no study so far has evaluated the future extent of this impact. These shared benefits between London and the British regions are actually supposed to be symbolized by the Olympics official logo disclosed to the public in June 2007.

Despite some major oppositions and tensions between former Labour-member Mayor Ken Livingstone and the New Labour government, both act as key proponents of London’s global-city growth strategy and both deploy a very similar global-city discourse to support a sort of ‘London first’ development strategy, justified by a legitimizing discourse of ‘what is good for London is good for the UK’, following a typical trickle-down logic of neoliberal economics. This overall global city strategy supported by both the local and central governments, alongside the “new state selectivities” (Brenner, 2003) of the latter – prioritizing London’s growth at the cost of regional equity and redistribution –, is an illustration of “actually existing neoliberal urban” development (Brenner and Theodore, 2002; Brenner, Peck and Theodore, 2005, DEMOLOGOS ABC paper). It sheds light on the continuity between the Thatcherite governments of the 1980s and 1990s and the New Labour ones since 1997.

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10 For instance, the marketing of the London as the most global financial center (London is the world’s largest stock exchange for international equity trading, international funds and cross-border lending) so as to encourage even more foreign financial services companies to list in London, is expected to seduce the growing number of investors from China and India, or even Russia, who might be willing to invest in British businesses.
5.4 London’s global strategy: who benefits from it?

5.4.1 The Wimbledonization of London’s FIRE economy

As explained earlier in this paper the deregulation of the London Stock Exchange provoked important changes in the social composition of the City’s firms. The geographical origins and nationalities of the key private actors and companies in the Square Mile, and, later on, in Canary Wharf, also changed a lot. The 1986 ‘Big Bang’ attracted a large amount of foreign and especially US financial and related businesses willing to take advantage of the great liberalization of financial activities in Britain, thus changing the ownership structure of the City of London. This significant increase in foreign-owned banks and FIRE firms, parallel to the undeniable global economic success of these two main financial and business centers, is commonly referred to as the ‘Wimbledonization’ of London’s economy: “it doesn't matter if you don't own the winners - as long as you host the tournament. So, don't worry that Wimbledon tennis does not produce a UK victor – just count the money coming in. […] Similarly, don't fret that Big Bang – which liberalised the City – ended up with the square mile being foreign-owned: just think of the enormous wealth and employment generated in the south-east as a result” (The Guardian, 19 June 2004). In brief, although Londoners benefit from the financialization and internationalization of London’s economy that boost local businesses and employment, the biggest winners of London’s global financial development strategy are mainly foreign companies, given their dominance of financial services in London, despite the presence of very few ‘national historical leaders’ such as Barclays investment bank in Canary Wharf or Lloyd’s of London insurance company or the Bank of England in the City.

The case of Canary Wharf with its many foreign banks and law firms has already been discussed in a previous section. The City is also increasingly dominated by foreign firms, American firms in particular. Moreover, the remaining British financial firms in London have most of their investments outside of the UK rather than at home. In 2000, the only two UK-based institutions listed in the world’s top 25 transnational banks, Standard Chartered and HSBC (founded in Hong Kong under British rule), respectively held 79.2 per cent and 62.2 per cent of their assets overseas (The Banker, February 2001, p.42, cited in Dicken, 2006, p.455). This pattern of increased foreign ownership has been reinforced in the past few years, especially since the 09/11 terrorist attacks in New York and the subsequent federal restrictions imposed on (international) financial flows in the US by the Patriot Act – so as to control the
potential funding of terrorist activities against the US – alongside the Sarbanes-Oxley reporting standards imposed by the US government in 2002 after the Enron scandal. A lot of companies, including American ones, have redirected their activities from New York toward London to avoid these restrictions and heavy reporting constraints.

5.4.2 London’s political ambiguities and its alleged subjection to US interests

Given the dominance of American firms in the London’s FIRE economy, it is not surprising that Britain’s subjection to American corporate interests, coupled with a British government’s junior partnership with the US government (to a great extent precisely to protect these interests at the global scale), has led many observers and European politicians to remain doubtful of London’s allegiance – London being understood as the national capital here, i.e. the British government – to the European Union’s common objectives, and of its commitment to EU-wide economic development, in particular through regional policy. Britain’s ‘loyalty’ to the European Union (EU) has been questioned since its early days in the Union, because of its very close links with the US – which are often qualified of unequal relations due to the apparent subjection of the British government’s decisions to US politics (Dixon, 2004). This UK-US relation has not changed very much since the Thatcher-Reagan era (Dixon, 2000). Britain’s ambiguities with regard to its international partnerships remain, as well as the assumed inexorable conflict between European ambitions and so-called ‘Atlantist’ ones, i.e. a closer politico-economic tacit or informal alliance with the US.

These so-called ‘Atlantist’ ambitions go along with the revival of an emergent neoliberal imperial discourse in Britain since the 09/11 terrorist attacks against the US in 2001 – and even more so after the 7/07 London Underground bombings in 2005. This neoliberal imperial discourse, supported by politicians, academics and highly-ranked civil servants close to the Blair government such as senior diplomat Robert Cooper – who has publicly defended his explanation of “why we still need empires” (Cooper, 2002) –, emphasizes the desirability and wholesomeness of some kind of unique imperial power at the global scale, a US or (preferably?) Anglo-Saxon global hegemonic power. According to its proponents, this new imperial order would secure world peace. However, most importantly, securing world peace is a means to a much more important end from a neoliberal standpoint: securing peace at the global scale would allow the establishment of a more secure environment for commercial exchanges and financial investments, thus creating the conditions for increased profits in places where the bulk of financial and commercial deals are made: London and New York.
Moreover, in line with the same neoliberal globalization credo, Britain remains a strong member of the EU and a champion of a rather neoliberal version of the Union. The Thatcherist neoliberal heritage has oriented the New Labour government to privilege informal strategic alliances with particular countries within the EU through political support to their leadership, depending on the ideological trajectories favored by their governments.

6 Concluding remarks: counter-hegemonic strategies and struggles around the future of a failing national capital

Although actively promoted by the London corporate community (including domestic and foreign firms), the Mayor of London and the central government, the globalization and financialization of London’s economy is not based on a metropolitan and regional consensus, let alone a national one. At the national scale, there has been a strong opposition to the central-government-sustained megapolization of the greater London area in the past few years, because the contemporary global financial center strategy is likely to deepen the (in)famous socio-economic North-South divide in the absence of a real regional policy that would encourage regional redistribution of activities and employment across the country. This concern has been increasingly articulated since the mid-1990s. In a report published in 2002, “[…] Brian Robson, head of Manchester University’s urban policy centre, said that London was […] creating twice as many jobs as the core cities”; according to his 2002 study of growth patterns in the UK in the 1990s, “[…] while employment growth in London rose by 17.4% in the late 90s alone, the core cities showed a rise of under 10%”, (The Guardian, 12 April 2002). The so-called ‘core cities’ are Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Their city councils started working together in 1995 around a politico-economic agenda that aimed at increasing the visibility and the role of ‘other’ cities in Britain – i.e. other than London – at the regional level as well as at the national scale, by attracting firms, workers as well as governmental functions. Through this coalition now known as the English Core Cities Group, local politicians and Northern (New) Labour MPs have voiced their concern regarding the super-emphasis on the development of London and Southeast England at the expenses of other British cities and regions.
Despite some embryos of new regionalism through regional devolution reforms and projects of interregional economic cooperation supported by the government such as the Northern Way, in practice the central government keeps emphasizing London and the Southeast as the main engine of the national economy’s competitiveness in the context of the EU and at the global scale. For instance, the Northern Way – which refers to a framework for economic cooperation between three northern regions and is the object of another DEMOLOGOS case study – have received a lot of publicity but ridiculously small amounts of government’s funding – £100 million for the Northern Way policy initiative (Cameron and Gonzalez, 2007) – compared to the extent of the economic gap between the North and the South. The limitations of such attempts at mitigating the socio-economic imbalance between London and the rest of the country are related to the fact that “[…] no re-imagination of regional economic strategy will succeed without sustained action from the centre to combat regional inequality and the London-bias of the national policy framework. This includes a commitment to new ways of dispersing economic activity to the regions, as well as comprehensive decentralization of government and public sector bodies and projects” (Amin, Massey and Thrift, 2003, p.2, emphasis added).

Political representatives and scholars have provided counter-arguments to the global city rhetoric that underlies the central government’s megapolization plans for London. Such a politics is believed not to be sustainable in the long run and will create or exacerbate important socio-spatial inequalities amongst regions and amongst the population. In order to solve the issue of labor shortages in London that was mentioned before – shortages of so-called public sector key workers in particular –, what is needed is a “longer-term structural decentralization of the economy” (Massey, 2001) so as to slow down the concentration of economic activities and population in London, at the expense of other regions in the UK as well as the less affluent part of the London population itself. Local and national issues are interrelated.
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