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Abstract

This paper discusses the forces generating social-spatial change in Australian metropolitan areas. The external forces associated with the internationalisation of capital need to be disentangled from the internal policy changes associated with the adoption of 'economic rationalist' policies. The former are intensifying various forms of spatial competition while the latter exacerbate tendencies to urban 'market failure'. The manifestations of these structural political-economic changes are increasingly evident in Australian cities, including greater social-spatial inequalities. Effective urban planning is increasingly difficult in these conditions, compounded by the fiscal crisis of the state, the political pressures arising from the proliferation of urban social movements and the effect of international regulatory influences. The paper posits an alternative which shifts from beggar-thy-neighbour spatial competition to a more balanced economic, social and environmental strategy suited to Australian conditions and having potentially more widespread application.
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GLOBALISATION AND CITIES: 
AN AUSTRALIAN POLITICAL-ECONOMIC PERSPECTIVE

Frank Stilwell

‘Globalisation’ seems to be the buzz-word of the 'nineties. As in many other countries, Australian politicians, business leaders and media commentators recurrently talk of it as both inevitable and desirable. We are called on to accept the logic of closer international integration and to make the appropriate adjustments in economic and social structures.

It is pertinent to ask what is the nature of ‘globalisation’ and what are its implications for the economy and society. For a nation like Australia, with a highly urbanised population distribution, it is particularly important to ask what are the urban impacts. To what extent are Australian cities being reshaped by the forces of ‘globalisation’? Can, and should, anything be done to control the processes of change?

These are big issues and this paper does not purport to provide a comprehensive analysis. It explores some of the conceptual issues, empirical difficulties and political considerations involved in coming to grips with contemporary structural-spatial change. In this way it develops a framework of analysis for seeing ‘globalisation’ from a more critical political economy perspective.

Illustrating some of the surface appearances of current urban restructuring is not difficult — the next section of the paper does so with particular reference to Sydney. Identifying the changes in the Australian economy which have been associated with its increased integration into international production, trade, investment and finance is rather more complex, particularly because there are problems of distinguishing recent developments from more long-established processes, as the following section of the paper notes. The conceptual difficulty which then arises is how to relate the two aspects — urban spatial change and structural economic change. This is a major analytical problem: precedents exist in the development of regional studies (e.g., Stilwell 1980, Dicken 1986, Peet 1987, Fagan & Webber 1984) but there is no generally accepted framework of analysis.
Figure 1 provides the model which is used for organising the development of the argument in this paper. It is a framework for analysing how changes in international and macro-economic conditions interact with 'the urban', drawing attention to some contradictory political-economic aspects of the interactions. Subsequent sections of this paper then work through each of the 'boxes' in Figure 1. In this way we explore (i) the nature of 'globalisation' and its connection with 'economic rationalism', (ii) the forms of increased spatial competition, (iii) how 'market failures' impact on the intensity of urban problems, (iv) political responses to those urban problems and (v) some implications for urban planning, and the processes of regulation in general. First it is appropriate to set the scene by looking at some of the visible manifestations of urban restructuring.

Figure 1: Framework for Analysing 'Globalisation' and Cities
Urban Change: The Surface Appearances

Dramatic changes are evident in Australian cities, both in their physical form and their socio-economic structures. Sydney is a striking case in point. The 'mini-Manhattan' skyline of its Central Business District (and its neighbour across the bridge in North Sydney) seems to be subject to continuous transformation. More modest buildings are periodically replaced by taller office towers — concrete and glass structures which accommodate the institutions of finance capital and symbolise its ascendancy. The nearby docklands host the comings and goings of container cargo ships but, since the development of the larger and more modern port facilities twelve kilometres south at Botany Bay, the bulk of the traffic no longer comes there. The traditional industrial facilities near the docklands are also disappearing rapidly as a result of deindustrialisation, decentralisation and urban renewal. Some warehouses have been converted to expensive apartments, with views over the beautiful harbour on which Sydney is situated. International capital features prominently in these re-development processes.

In the areas adjoining the CBD the processes of change are also strikingly evident. The Darling Harbour area, formerly comprising storage facilities and railway yards to link with the port, has been redeveloped for retailing, recreational and tourist amenities, convention and exhibition centres, and new international hotels. It is not dissimilar in character to dockland redevelopments and 'waterfront' leisure areas in many other cities — Baltimore, Boston, San Francisco, Cape Town, and so forth. The adjoining Ultimo-Pyrmont peninsula is currently the focus of Australia's largest urban redevelopment project, a former working-class residential and industrial area being converted to mixed commercial and residential uses, with a huge casino promising to be its major money-spinner.

Tourism — both domestic and international — is evidently a major element in Sydney's urban restructuring. Darling Harbour and the casino are just a couple of points on a well-established 'tourist trail' connecting principal points of interests for the growing ranks of international and interstate visitors. A focal point is the downtown Circular Quay area, bounded on either side by the Opera House and the Rocks and with numerous shops nearby featuring signs in Japanese. The Rocks district, saved from commercial redevelopment by resident action groups and progressive trade
unions in the 1970s, now presents the image of ‘old colonial’ Sydney (with an ersatz refurbishment). It illustrates the commodification of heritage.

A little further afield, a ring of suburbs surrounding the inner city has been undergoing rapid gentrification, as more well-educated and highly-paid professionals displace the traditional working class residents and the various immigrant groups who had formerly lived there. The lower density suburbs beyond spread up to 70 kilometres across the coastal plain to the Blue Mountains. It is in those western suburbs that much of the industrial employment is located, although the overall proportion of Sydney’s workers who have jobs in manufacturing industries continues to decline. The socio-economic characteristics of these suburbs, and the contrasts with more affluent areas north of the harbour and in eastern harbourside suburbs, is well established, although individual suburbs are often quite varied socio-economically and bio-physically. The sustainability of the characteristically low density suburban form is of increasing concern because of the cost of the peripheral urban development, its infrastructure requirements, the associated social and environmental problems and the loss of agricultural land. As with cities in general, there is an uneasy relationship between the forces of inertia — the historical legacy and the spatial form of the existing built environment — and the forces of change.

Sydney, more than any other Australian city, has established a claim to the status of a ‘global-city’ (Searle, 1996), a claim evidently enhanced by its selection as the venue for the Olympic Games in the year 2000. This makes it a particular focus for studying the impacts of ‘globalisation’ on the complex interconnection of commercial, industrial, transportation, recreational, residential and tourist land uses. But the forces of structural economic change and urban redevelopment are felt throughout the whole Australian urban system. The other major metropolitan areas — Melbourne, Brisbane, Adelaide, Perth and Hobart — also are experiencing striking changes to their cityscapes and patterns of land-use. This raises some key questions. What are the forces generating these changes? Can we systematically relate the changing patterns of urban land-use and socio-economic structure to the forces of ‘globalisation’? To address such questions requires us to step back a little from the immediate concern with ‘the urban’ in order to clarify the nature of ‘globalisation’, both as a material process and as an ideological influence.
‘Globalisation’ and ‘Economic Rationalism’

Internationalisation is not novel. Australian economic history, for example, is one chapter in the more general story of the global spread of capitalist relationships, involving processes of imperialism and dependency, and of increasing interregional and international interdependence. The initial establishment of the colonies of New South Wales, Victoria, Tasmania, Queensland, South Australia and Western Australia was a manifestation of the British state’s territorial ambitions. The subsequent patterns of urban and regional development ‘down under’ have been a product of that colonial history, the initial urban settlements serving as focal points for colonial administration, commerce and trade. The exploitation of resources from the urban hinterlands imparted a very distinctive role to the cities in managing the generation and disposition of an economic surplus — as it still does today. Perth, for example, is a city serving as a focal point for capital engaged in the extraction of Western Australia’s vast mineral wealth (Harman 1986). The major urban areas of the six colonies became the capital cities of the six States after the new nation adopted its Federal constitution in 1901. Each has maintained — and further entrenched — its position of metropolitan primacy. With the development of a broader array of manufacturing and service industries in the twentieth century the cities have themselves become focal points for surplus generation, integrated through trade, investment and financial linkages into a broader international grid of production, exchange and consumption.

The point here is to emphasise that Australian cities have always been linked to international political-economic impulses. This is not unusual — as Sassen (1991) notes, ‘for centuries the world economy has shaped the size of cities’. However, the linkage has been particularly pronounced in the Australian case because urbanisation was not preceded by an established pattern of rural settlement, as was the more typical European case. The development of cities moulded by international capital required no transformation of a pre-existing peasantry although, of course, it did entail the forcible displacement of the Aboriginal people.

Topographical, political and local economic factors have also been important in shaping Australian cities, of course, and would need to be taken into account in a more comprehensive history. In the twentieth century, for example, rapid immigration, manufacturing industry growth behind protective tariff walls, suburbanisation, the influence of the ‘roads lobby’
and the pattern of government expenditure policies have been important in the consolidation and expansion of the metropolitan areas. Indeed, one might argue, somewhat schematically, that the post-war ‘long boom’ in particular was a period during which ‘internal factors’, including the influence of domestic economic policies, were relatively more important; and that the impact of ‘external factors’ in the late twentieth century is quite consistent with the longer term relationships of the local urban economy to the international economy. Over time it is the changing form of the interaction between intra-national and international forces, rather than the ascendancy of the latter over the former, which has been instrumental in shaping and re-shaping the cities.

More generally, it is pertinent to emphasise that capitalism as an economic system knows no national or local loyalties. The quest for profits, wherever they may be derived, has always been its driving force and the source of its dynamism. Of course, there is a recurrent potential for conflict between such an unbounded economic system and the geographically bounded political spaces which constitute nation states. The attempt by governments to control their economies — distinctively emphasised in Keynesian economic principles and practices — makes those potential conflicts more evident. It is the widespread withdrawal from that official policy commitment, both in Australia and elsewhere where ‘neo-liberalism’ has been ascendant, that most clearly distinguishes the two decades since the ‘long boom’ petered out in the 1970s.

So what sense, if any, can be made of the proposition that ‘globalisation’ is now the major force generating urban spatial change? Evidently, that depends largely on what is meant by ‘globalisation’ and what distinguishes it — quantitatively or qualitatively — from the long standing international interconnections which have moulded the patterns of urban development.

Perusal of the literature reveals that ‘globalisation’ is a contested concept (see, for example, Gordon 1988, McEwan & Tabb 1989, Horsman & Marshall 1994, Sklair 1995, Hirst & Thompson 1996). At one extreme, it can be seen as the collapse of the significance of nation-states as units on which global political-economic processes are based, (see, for example, Ohmae 1996). In the light of the foregoing reasoning this does not seem to be a tenable position: it unnecessarily burdens the definition of ‘globalisation’ with contentious implications about markets and states. A more cautious stance is to define ‘globalisation’ in terms of the
intensification of international economic connections. This view combines a continued emphasis on a world of nation states with a recognition of the forces leading to denser networks of internationalisation through production, trade, investment and finance. Each of these four aspects of internationalisation is of long standing: production involves integration of manufacturing process in different nations; trade involves the movement of goods and services; investment involves the movement of capital; the international integration of finance involves banks and other institutions rearranging the ownership of assets, (such as shares, bonds, foreign exchange, futures and other derivates) on a global scale. What is distinctive is the four elements coming together, a fusion/interlocking which may be regarded as the essence of ‘globalisation’ [see the Appendix for a more formal model of this process]. This is the sense in which ‘globalisation’ may be regarded as an empirically significant phenomenon. It has been a particularly distinctive feature of the last two decades.

Some of the precipitating forces of ‘globalisation’ are obvious enough. The effects of technological change, for example, may be regarded as a significantly ‘external’ force in that, irrespective of the policies of national governments, these are powerful forces fostering stronger international linkages. Modern computer, communication and transport technologies generate enormous potential for what David Harvey (1989) calls ‘time-space compression’. An increasing array of industries have also become relatively ‘foot-loose’, lacking locational ties to particular sources of raw materials or even close proximity to markets. The capacity for processes of production and distribution to be internationally integrated — the development of ‘world industries’ (Dicken 1992) — is an evident consequence. This is important in the Australian case because ‘the tyranny of distance’, both in terms of distance from other industrialised nations and internal distances between the major cities, had been a hitherto significant source of partial insularity. Alongside these economic aspects of ‘globalisation’ are significant cultural elements too, leading towards the homogenisation of social values through modern mass communications technology and advertising. As Leslie Sklair (1995) argues, paralleling the ascendancy of the transnational corporation as the key institution of the modern economy is a more closely integrated international capitalist class and a powerful culture-ideology of consumerism.

On the other hand, other pressures towards ‘globalisation’ are relatively more ‘internal’ to the nation state in the sense that they result from
government policy decisions. A case in point is the decisions by successive Australian governments in the last quarter century to dismantle many of the elements of financial regulation and trade protectionism which had previously been distinctive characteristics of the Australian economic policy regime. This is a change in policy stance which has been fuelled by the acceptance of particular economic ideologies, stressing the beneficial effects of free trade. Michael Pusey (1991) has ably documented the general influence of such ‘economic rationalist’ ideologies in the Federal government bureaucracy in Australia. The term ‘economic rationalism’, widely used in Australia to describe what is elsewhere commonly called ‘neo-liberalism’ or ‘economic fundamentalism’, denotes an ideological attachment to free market principles. Of course, this is not exclusively or even distinctively Australian, governments in many other capitalist countries having similarly embraced these ‘new right’ ideologies, based on a vulgarisation of the neoclassical economic theory of the market economy. Indeed, by comparison with neighbouring New Zealand, Australian governments seem to have been quite moderate in this respect (Kelsey 1995). However, the posited ‘external’ imperative is a common factor. The leaders of both major Australian political parties, like political leaders in many other countries, have argued that neo-liberal policies are a necessary response to the forces of ‘globalisation’. Indeed it is in this respect that ‘globalisation’ can be regarded as an ideological construct, designed to legitimise, or at least make appear inevitable, particular patterns of structural economic change and social-spatial change. This is what Marcuse (1995) terms ‘glossy globalisation’. More pejoratively it can be called the ‘globalisation steamroller’, or simply ‘globaloney’.

This is not to posit that ‘globalisation’ is an ideological construct with no material basis. On the contrary, the economic policies which it has underpinned are the source of major changes ‘on the ground’. Nor should the argument be taken to imply that the nation state is made redundant by the internationally-generated processes of urban restructuring. On the contrary, it is evident that nation states are typically drawn into the ‘globalisation’ process in order to enhance competitive advantage (Bryan 1995). In that sense, nation state governments implementing ‘economic rationalist’ policies are active agents in the promotion of ‘globalisation’. It is the distinctive combination of the further internationalisation of capital, together with a role for the state which is increasingly shaped and constrained by those forces, which changes the balance between the
institutions of private and public power. The result is that the local economic fortunes and social/environmental character of cities and regions are increasingly tied to a process of intensified spatial competition. Because the generation, distribution and disposition of the economic surplus is increasingly transnational in character, there are strong pressures for the major cities in particular to redefine their role as competitive players in a world system.

The distinction drawn here between 'external' and 'internal' aspects of globalisation is not altogether sharp. To label the effects of technological change, transnational institutions and consumerist ideologies as 'external' is not to deny the important nurturing role played by institutions internal to the nation-state. Still less is it to posit their inexorable character as forces swamping more localised concerns. As Jane Marceau (1995) notes, "the effect of major change in the physical productive technologies will not of itself have major effects on the economic life of the city": it depends on the organisational forms of the firms concerned and the strategic responses of governments, both national and local. The 'internal' aspects, by the same token, are not to be regarded as free-floating political choices, unconstrained by concerns about the mobility of capital or conformity to the values of international institutions. Rather, the point is that some aspects of 'globalisation' involve material conditions while others operate more in the realm of ideology. To conflate 'globalisation' with 'economic rationalism' — notwithstanding their close association in practice — is to obscure this distinction: it is to deny the scope for alternative political responses in the light of changing economic conditions. Of course, that is precisely the point of the so-called TINA syndrome — the view that there is no alternative (to the combination of 'globalisation' and 'economic rationalist' policies).

A more systematic examination of the scope for alternative political responses at the national and/or urban scale requires, first and foremost, an analysis of how the increased internationalisation of capital affects spatial competition.

**Intensified Spatial Competition**

Spatial integration —overcoming the tyranny of distance as a result of technological change and the development of transnational institutions — provides greater scope for both cooperation and competition. In respect of
capital, the driving force of the capitalist economy, the most obvious outcome is the intensification of spatial competition. Nations, and cities within them, compete to attract mobile capital, but it is a process of global and regional competition which also stimulates particular forms of spatial differentiation. Drawing on earlier work by Harvey (1990) and Huxley & Berry (1990), we can identify at least four principal dimensions of this spatial competition: for productive capital, for consumption expenditures, for command functions and for public resources.

Competition to attract firms producing goods and services (and the associated employment opportunities) is an aspect of 'globalisation' associated with increasingly complex spatial divisions of labour. Where this sort of competition prevails the employment base of cities comes to depend increasingly on their capacity to attract and retain firms producing goods and services for global markets. This creates strong pressures to simultaneously lower workers' wages and raise productivity. In the Australian case this has been manifest in a push by employers' organisations and governments concerned to 'reform' the distinctive wage-setting institutions. Compulsory arbitration rather than collective bargaining has been the norm in Australia, providing some cushion against the instability and income inequalities generally characteristic of capitalist labour markets. Such 'labour market rigidity' is anathema to the advocates of 'economic rationalism'. It is currently in the process of being dismantled, notwithstanding widespread social concern about the dangers of such a transformation creating a substantial 'working poor' as in the United States. This latter concern is particularly significant in Australian cities because the geographically most proximate nations are the low-wage countries of SE Asia, like Indonesia, the Philippines and the People's Republic of China. International competition against these newly industrialising countries with cheap labour and 'export processing zones' is an unwelcome prospect for the workforce in Australian cities. Brecher and Costello's phrase, 'race to the bottom' has a strong local resonance.

This chain of reasoning is not synonymous with the much-debated 'new international division of labour' thesis (see, for example, Frobel, Heinrichs & Kreye 1980 and the critique by Fagan and Webber 1995). Certainly, spatial competition may give rise to urban and regional deindustrialisation as jobs are lost because of industrial capital shifting to developing regions. Spatial differentiation may involve increased urban/regional specialisation in different stages of the production process, with correspondingly distinctive
occupational patterns and hierarchies. But the intensified spatial competition may take other forms — sub-contracting, for example, which leads to more fluidity in labour market outcomes. It is also the case that cities and regions may differentiate themselves in this process through variations in the quality of labour, education, skilling and other non-wage factors. Competitive advantage is not reducible to wage-levels. Nonetheless, it is the dominant emphasis on wages as a cost of production which most distinguishes this form of spatial competition from the other dimensions.

The opposite case applies where there is spatial competition for consumption expenditures. The features that make cities attractive as production sites are commonly at odds with those that make them magnets for consumption, including tourist dollars. Not surprisingly, this tension is partly manifest in internal spatial specialisation. In Sydney, for example, the restructuring of the central area — as described near the start of this paper — evidently enhances its appeal for consumption activities. The dominant emphasis there has come to be on retailing, tourism and entertainment activities, together with gentrified housing. Industrial land-uses and working class housing on the other hand have to be 'out of sight' in areas like the western suburbs. An increasingly divided metropolis — spatially and socially — is a predictable outcome.

'Urban spectacles' can also be interpreted in this context as means by which cities compete in an increasingly volatile and transnationalised market-place. The list of major Australian examples is obvious enough: Brisbane’s redevelopment to host Expo, the America’s Cup and the redevelopment of Fremantle in Western Australia, the introduction of the motor racing Grand Prix to Adelaide and its subsequent ‘capture’ by Melbourne, and Sydney’s current preparations for the 2000 Olympic Games. The immediate impact of hosting such spectacles is typically to upgrade facilities and provide an 'urban facelift', but the long-term distributional consequences are of at least equal significance. There is growing evidence that the consequential rises in land and housing prices fuel inflationary processes which adversely affect the most disadvantaged groups (D’Arcy & Bounds 1994). More generally still, the effect of reorienting urban development around such intermittent spectacles is to impart greater inter-temporal instability as well as spatial inequality, while fuelling the general tendency to the domination of consumerist values. The 'commodification of social life' proceeds apace.
Capturing *command functions* is a third dimension of the intensified spatial competition. The inter-urban competition to accommodate the regional headquarters of transnational corporations is a case in point. Australian cities are generally not well positioned in this regard, being geographically peripheral within the Asia-Pacific region. However, there is evidence of some considerable competitive 'success', particularly in Sydney. As Stimson (1995) notes, by the late 1980s about 150 international institutions had their headquarters in Sydney, compared with 43 in Melbourne. Sydney outstripped Melbourne as the headquarters location 10:4 in commercial banking and 81:6 in merchant banking. The 'mini-Manhattan' skyline described earlier in this paper includes many such global regional headquarters. Therein lies the source of much dynamism in downtown urban property markets but also some dangers for the stability of the urban system. Command functions are not necessarily based on geographically proximate production processes. Their potentially transient character puts the local state continually 'on the line' to retain them, for example, by providing the infrastructure required by the relevant fraction of transnational capital. The intra-metropolitan concentration of the command functions, typically jostling for prestigious down-town office sites, also inhibits more balanced regional development. Decentralisation policies, commonly advocated but pursued with little vigour in Australia (see Self 1995), are a particular casualty of this linkage of the urban economy to spatially centralising institutions.

Finally there is spatial competition for public resources within the state apparatus. To note the existence of such competition within the Australian federal system — or any federal system — is hardly a novel insight. However, intra-state competition has evidently intensified as a result of increasing fiscal stress, partly due to the Federal government reducing the share of grants given to the State governments. In the 3-tier system of Australian government, the State and local governments are strongly dependent on transfers from the Federal government for the bulk of their income. As these Federal transfers have been cut back. State governments have themselves become increasingly pro-active in the application of 'economic rationalist' policy programs (Spoehr & Broomhill 1995). Increased competition between the State capital cities in these circumstances typically involves "competitive austerity".¹ There are strong echoes here of

¹ Two statements by the Premier of the State of New South Wales (currently the only Australian Labor Party government in an otherwise conservative political
the ‘bidding wars’ which are familiar in many other countries (see, for example, the classic study by Goodman 1979). However, the consequent pressure to abandon more socially-oriented expenditure programs is having particularly jarring effects in a nation where aspirations to a more balanced approach to economic, social and environmental objectives are widespread, in the realm of rhetoric if not reality. Beggar-thy-neighbour regionalism has major social costs.

Particular contemporary Australian urban developments may be interpreted within this framework. In the case of Sydney, the various intra-urban restructurings described at the start of this paper can be regarded, at least in part, as the local impacts of these intensifications of spatial competition. In a similar vein, the major expansion of Kingsford-Smith Airport, pushed through by the Federal government despite massive protests from local residents concerned about noise, health and safety, has evidently been intended to enhance the city’s appeal as readily accessible to international visitors. It is evidently tailored to serve the transport/tourism interests in a ‘globalising’ city. The competition for spatially footloose sporting-consumption activities is most vividly illustrated, of course, by Sydney’s successful bid for the Olympic Games, despite worries that, once the euphoria and celebrations have died down, major social, environmental and financial problems may result from being a ‘winner’ in that contest. The strong policy push for ‘urban consolidation’ through fostering higher residential densities can be interpreted, at least partly, as an attempt to steer capital investment away from housing into internationally competitive traded-goods sectors of the economy (for a more comprehensive critique of this issue see Troy 1996). These are just a few examples of urban restructuring in the context of increased spatial competition.

For each of the four dimensions of spatial competition, there is evidently a strong tendency for the assertion of the uniqueness of place. For a city to establish competitive advantage it needs to demonstrate particular advantages, if not unique characteristics, in respect of one or more of these monopoly) illustrate the point. “Global economic competition will intensify,” he said, “Low-debt States will be offering lower taxation to business. They will therefore be able to attract investment and jobs. States struggling with debt burdens will be less likely to win the race to attract employment” (Sydney Morning Herald 26.10.1995) This reasoning was used to justify a policy of fiscal restraint leading to eventual elimination of State debt. Immediately after his election, six months earlier, he had pledged “we’ve got to drive down the cost of investing in this State so that it can seize job-generating investment from the other States” (Sydney Morning Herald 31.3.1995).
dimensions. Low wages and/or a particularly skilled or compliant workforce to attract industrial capital? High disposable incomes to attract investment in the retail sector? Distinctive assets — either natural or manufactured — to attract the tourist dollars? Business ‘synergy’ (or golf courses) to appeal to the multinational business elite contemplating preferred locations for command functions? And a state apparatus willing and capable of managing these processes, marketing each locality and providing the infrastructure which is necessary to underpin the foregoing sources of commercial appeal? All of the above? It is a tall order, especially in view of the obvious incompatibilities (e.g., between the low wage and high disposable income strategies).

Reshaping metropolitan areas to the winners in the context of intensified spatial competition is doubly difficult in circumstances where ‘economic rationalist’ policies are creating themselves more intense problems of urban market failure.

**Urban Market Failures**

Australian cities have not experienced the intensity of social conflicts for which many U.S. cities are renowned: there is no comparable equivalent to racially-segregated urban ghettos, while the crime problem, although of persistent concern, is relatively modest. Nevertheless, there has been an all-too-familiar array of difficulties — expensive land and housing, urban unemployment, transport problems, environmental stresses, social-spatial inequality and unequal access to economic opportunities and social services (see, for example, Badcock 1984, Stilwell 1993a, Collins 1993). There is evidence that this constellation of urban problems is becoming more pronounced in many respects as a result of the freer reign given to market forces as a result of ‘globalisation’ and ‘economic rationalism’ in the last decade. This should come as little surprise: even neoclassical economists have recognised persistent sources of ‘market failure’ (although recent years have seen them place more stress on problems of ‘government failure’, leading to a more negative view of the possibilities of reform). The problems of Australian cities can be (somewhat ironically) classified according to five problems of markets commonly identified in the neoclassical economic analysis — public goods, externalities, imperfect competition, economic instability and inequality. In each case there is a distinctive urban dimension.
First, there is the problem of the inadequate provision of public goods. Historically, infrastructure provision by both Federal and State governments has been a crucial means of shaping the pattern of Australian urban and regional development. This has even caused some social scientists to apply the label 'colonial socialism', albeit rather misleadingly in this respect (Butlin, Barnard & Pincus 1982). To the extent that intensified spatial competition, combined with fiscal austerity, leads to downgrading, this aspect of state expenditures, it undermines the scope for developing new towns and changing the patterns of regional development. Of course, this problem could be offset if infrastructure expenditure were used more extensively as a means of job-creation, as implied by the reasoning of one report to the Federal government (Taskforce on Regional Development 1993), but that has not been the dominant focus because it goes against the fundamentals of 'economic rationalist' policy. Instead, public goods are subject to a deteriorating quality in their provision as a result of the dominant expenditure-cutting response to the fiscal crisis of the state. J.K. Galbraith's (1962) famous warning about 'private affluence and public squalor' becomes yet more relevant in these circumstances. Pressure for more intense use of existing public goods in the cities enhances the drive for urban consolidation i.e., seeking to create more compact cities which can be better served by public transport. However, consequential rises in market prices for land have adverse effects on distributional equity and tend to reduce the land and housing space available to low income groups while not obviating the tendency for them to be concentrated in the other metropolitan areas (see Badcock 1995). More effective application of user charges for urban infrastructure and services (as advocated by Neutze 1995) can play a role in dealing with the problems of provision of public goods by the state, but the distributional implications of the more widespread use of such pricing mechanisms also tend to be problematic.

Externality problems are also becoming more acute as a result of 'economic rationalist' policies being implemented in the name of 'globalisation' and 'competitive advantage'. As with problems in the provision of public goods, these also have distinctive urban and regional impacts. The interacting problems of urban congestion and pollution are an obvious case in point. Australian urban transport problems are the characteristic ones of a car-dominated system — the relative shares of public and private transport in Australian cities converging more closely on the US 'model' than European cities (Newman & Kenworthy 1989). Urban
atmospheric pollution — and an ecologically unsustainable pattern of energy use — is the predictable companion. The case for decentralisation policy in Australia — breaking out of that colonial legacy of metropolitan primacy — has typically rested on arguments about these negative urban externalities (building on the foundations laid by Neutze 1965). It is a case which should, in principle, become more relevant in an era when those externality problems have been intensifying. However, it is evident that the planned development of decentralised new towns is rendered less likely because of the fundamental conflict between such an 'interventionist' approach to regional policy and the 'economic rationalist' doctrines. This is a fundamental paradox — the application of particular economic policies strengthening the case for decentralisation but simultaneously undermining the possibility of such spatial redistributions getting official support. The dominance of the latter aspect is reflected in the latest official plan for Sydney’s future which effectively abandons the decentralisation commitment posited (albeit not enacted) in all previous plans since the second world war (NSW Government, Department of Planning 1995).

A third set of problems concerns 'market imperfections' such as the influence of monopolistic and oligopolistic market structures. Here too, neoclassical theory provides an ironic basis for assessing the urban impact of more vigorous spatial competition and 'economic rationalist' policies. The neoclassical case for the market rests substantially on the posited connection between competitive structures and economic welfare. However, in practice, the structural economic changes promoted by 'economic rationalism' have led to a weeding-out of businesses, and a consequent concentration of capital. This has been particularly evident in Australia in industries for which tariff protection has been markedly reduced, like whitegoods, car manufacturing, and textiles, clothing and footwear. Such industries have been disproportionately concentrated in the metropolitan areas of Sydney, Melbourne and Adelaide. The increased internationalisation of capital has made the economic prosperity of these cities ever more dependent on transnational corporations whose decisions, including location decisions, are undertaken in the light of their global strategic objectives. The vulnerability of local regional economies has also intensified problems of economic insecurity for the working class and local service providers in some of the medium-sized Australian cities — such as the 'steel cities' of Newcastle and Wollongong.
Problems of economic instability in Australian cities have also intensified as a result of intensified spatial competition and the policy regime of 'economic rationalism'. The most obvious indicator is urban and regional unemployment. The official Australian unemployment rate has not been below 6% for over two decades, and was over 10% in the recessions of the early 1980s and early 1990s. It is currently 8-9% and would be higher but for dramatic rises in the school retention rate for teenagers. Particular localities have experienced persistently higher levels of joblessness. Sydney's western and south-western suburbs are a case in point (Stilwell 1993a: Ch. 1) although there is a complex mosaic of relationships between job growth/decline and the incidence of unemployment according to locality. Indeed, in circumstances of sharper spatial competition for mobile investment capital, even the more successful regions find themselves less able to capture locally-generated economic surpluses which might be used to finance job-creation schemes and infrastructure for more balanced urban and regional development.

Finally, it is pertinent to note that urban restructuring in the pursuit of competitive advantage has major implications for spatial equity. This is a concern that has a distinctively Australian character. Of course, Australian cities, like cities everywhere, have always had their social-spatial inequalities. However, egalitarian principles are embodied in popular beliefs about Australian society and have been previously reflected in some of the urban policies of Labor governments. This makes the impact of 'economic rationalism' and intensified spatial competition in Australian cities particularly jarring. 'Economic rationalism' emphasises efficiency goals as prior to equity considerations: structural efficiency first, redistribution later. Not surprisingly, the application of such policies — trade liberalisation, deregulation, privatisation — has been accompanied by general increases in the inequality of the overall distribution of income and wealth in Australian the last decade and a half (as documented for example, by Gregory 1992; Raskall 1993; Stilwell 1993b and Saunders 1994). That these distributional inequalities translate into greater spatial inequalities should also come as no surprise to urban and regional analysts (as noted by Badcock 1995). As the intensity of urban social-spatial differentiation increases, multiple deprivation is generated for the relatively disadvantaged. Gorz's (1985) image of "slum dwellers in the shadows of skyscrapers" comes to mind in this context, although in the Australian case the multiple deprivation problems tend to be more skewed towards the urban fringes.
Research by Hunter and Gregory (1995, 1996) indicates that the more disadvantaged suburbs in socio-economic terms have become yet more relatively disadvantaged (although, frustratingly, this research fails to illuminate the *spatial form* of the increased inequalities).

**Urban Political Responses**

The economic restructuring of Australian cities and the intensification of social-spatial problems have generated significant political responses. In part these responses have had a mainstream *electoral* focus, taking the form of intensified pressures on local, State and Federal governments for remedial policies to deal with the social and environmental problems of urban structural change. Non-metropolitan electorates have continued to emphasise the case for regional redistribution: the third largest political party has an almost exclusively rural and non-metropolitan base, and its permanent partnership with the Liberal Party means that issues of regional policy are recurrently on the political agenda. In part the political responses to the urban impacts of structural economic change have also been expressed in a proliferation of *urban social movements* concerned particularly with housing provision, transport facilities and urban environmental quality. These citizens’ groups commonly have had a reformist agenda, focussing their demands for remedial policies on the three tiers of government. Of course, there is nothing unusual about this: these are local manifestations of the more general phenomena to which Manuel Castells’ earlier research drew attention (as summarised by Lowe, 1986). Australian cities have long had their share of urban social movements. Indeed, Sydney in particular became renowned for the innovative community actions which took place in the 1970s: a series of ‘green bans’ brought building and demolition workers together with local community activists to obstruct socially and environmentally damaging urban redevelopment projects (such as that which threatened the Rocks, and which would, ironically, have destroyed its role as a focal point for tourism, as noted earlier in this paper).

What is most striking about Australian urban politics in the 1990s is the multiplicity and diversity of the citizens’ groups pressing for urban reform. There has been a growth in the number of ‘community independents’ and ‘green’ candidates elected to local government. The ‘No Aircraft Noise’ Party in Sydney was formed to protest at the expansion of Kingsford Smith airport whose location near the centre of the metropolitan area makes its
expansion an obvious violation of urban environmental quality. Environmental groups and anti-freeway protesters have also had significant influence in various disputes, challenging the legitimacy of the major political parties and forging cross-class alliances. The balance of power in the Senate of the Australian parliament has been held for many years by Green independents and members of the Australian Democrats, who are committed to environmental and social justice concerns which evidently have a lower priority on the 'economic rationalist' agenda of the two major parties.

What currently gives these various urban environmental and social concerns a harsh edge is the political-economic context of fiscal stringency. This is no accident. Severe fiscal restraint (well beyond what one would associate with Keynesian economic policy, for example) is an integral part of the 'economic rationalist' agenda: the principal political-economic goal is to restrict the activities of the state in order to extend the scope of market relationships and expand the possibilities for private capital accumulation. Urban policy in this context is particularly problematic.

**Urban Policy**

What scope is there for urban policy to serve a broader array of social objectives? A pessimistic view of the impact of 'globalisation' would conclude at this point by noting that the restructuring of Australian cities to serve the interests of international capital is necessarily at the expense of other social goals which might have been embodied in planning their future. However, the argument developed in this paper suggests *contradictions* in the process of urban restructuring which open up some policy options, albeit in difficult circumstances where the mobility of capital has become greater.

'Globalisation', as we have seen, is associated with the intensification of spatial competition. This is an objective condition — increased contestation between cities and regions for the capture of mobile capital — although it is accompanied and legitimised by 'globalisation as ideology'. Some such legitimation is evidently needed because intensified spatial competition, manifest as *competitive federalism* with pronounced beggar-thy-neighbour tendencies, undermines the fiscal resources available for the redress of urban problems. Yet many of these urban problems are intensifying as a result of the ascendancy of 'economic rationalist' policies which have accompanied the 'globalisation' process. The corresponding intensification of urban problems is leading to heightened demands for ameliorative
policies at the very time that intensifying spatial competition limits the capacity of the state to engineer urban policy solutions. This is not a comfortable ‘equilibrium’ situation.

It has been conventional to attribute the deficiencies of urban policy to problems of coordination (e.g., between different tiers of government in the federal system and/or between macroeconomic policy and spatial policies (see, for example, Neutze 1978, Troy 1995 and Stilwell 1994). The current political-economic conditions layer on yet more profound difficulties. Because the forces of ‘globalisation’ and the associated ‘economic rationalist’ policies involve the intensification of spatial competition and the accentuation of beggar-thy-neighbour tendencies, this bodes ill for the capacity to reconcile urban development processes with broader goals of social justice, ecological sustainability and community development. The more narrow focus on economic efficiency (which is itself increasingly narrowed to mean serving the interests of corporate profitability and/or minimising the role of the public sector) dominates. ‘Economic rationalist’ ideology provides apparent legitimacy for such prioratisation.

However, it is important to note that ‘globalisation’ also opens up possibilities for more progressive outcomes. This is the dialectical element in the process. The dominant aspect of ‘globalisation’, already emphasised, is manifest in the global reach of transnational capital and the push for liberalisation of trade, deregulation of finance and other measures to serve those corporate interests. The major Australian cities, like cities elsewhere, are being refashioned in that image. Concurrently though, ‘globalisation’ has also precipitated the development of some significant, albeit as yet embryonic, international regulations. International conferences and conventions have dealt with issues as diverse as global population pressures, environmental problems, urbanisation, labour, consumer and citizen rights, seeking to establish agreements and protocols which provide for regulatory principles and uniform standards in these various fields. ‘Social clauses’ in international trade agreements are another illustration. To be sure, these attempts to address global social concerns usually have not had the effective force to ensure compliance. This obviously limits their effectiveness in constraining the uses and abuses of capital. Nevertheless, this embryonic ‘global regulation’ sits uneasily alongside the neo-liberal aspects of ‘globalisation’: it evidently cuts sharply across the grain of the ‘economic rationalist’ trade liberalisation and financial deregulation agendas.
The implications of such regulatory measures for Australian cities — and for cities in general — need careful consideration. It is foreseeable, for example, that more emphasis will need to be put on redirecting transport use from private to public modes in order to meet internationally-agreed energy and environmental targets. Similarly, the form of housing provision will need to be reconsidered: the characteristically low-density form of traditional Australian urban housing sits uncomfortably with growing concerns about energy-inefficiency.

Looking back to Figure 1, these ‘international regulation’ issues are represented as a separate category, indicating that a further set of constraints are thereby imposed on the urban policy process. In effect, 

*urban policy can be seen as being in a 3-way squeeze between the effects of spatial competition for capital, local citizens‘ political demands and international regulatory standards.* The first of the three is currently the dominant force, but the latter two ensure that the regime of capital is not uncontested.

A further set of considerations which counter the ‘globalisation steamroller’ thesis concern the nature of spatial competition for capital. The dominant effect of spatial competition, as already argued, is to make individual urban economies increasingly dependent on their capacity to attract mobile capital. However, alongside this there may be increased *local dependence* of capital on the cities. This can be explained in terms of Storper and Walker’s (1989) distinction between ‘weak competition’ and ‘strong competition’. The former involves the quest for cheap labour, raw materials and so forth (as considered in the earlier discussion of inter-urban and international competition for mobile productive capital). The latter is rather more sophisticated, involving “competition to discover new ways of revolutionising production by introducing new technology and transforming business practices” (Low 1995). This ‘strong competition’ may lead to local dependence as the firms become effectively anchored in these places which have the features conducive to such dynamic outcomes.

The concept of *industrial districts* which has been the focus of much discussion in the literature on urban political economy is relevant in this connection. Industrial districts (in this context) are regions which have demonstrated the capacity to foster economic growth based on inter-linked industries, external economies and some degree of cooperative capital-state-labour relations which is conducive to sustained capital accumulation. The ‘third Italy’ and California’s ‘silicon valley’ are popularly cited cases,
although the specificity of their regional-industrial characteristics and the portability of their structures remain contentious. Australia has as yet no comparable examples. However, pursuing urban and regional policy based on nurturing industries where these spatial-social-organisation factors are important could be an alternative to trying to attract capital by the offer of cheap labour. It is not an outcome that will arise from ‘economic rationalist’ policies to promote a ‘level playing field’. On the contrary, it suggests the need for urban policy to be linked with particular policies for industry promotion, research and development. Policy initiatives in this direction have been extremely timid in Australia and completely unconnected to urban policy (see, for example, the industry policy chapter on the Federal Government’s ‘Working Nation’ policy statement of 1994).

A yet more positive and pro-active policy response would redress the dominance of economic over social and environmental aspects in the processes of spatial competition. As already emphasised, the currently dominant forces of ‘globalisation’ and ‘economic rationalism’ involve economic levelling-down as a result of greater competition for capital through reduction in wage rates, taxes, and business regulations. However, spatial competition can also be in terms of the ‘quality of life’, particularly where competition is for consumption and for command functions, rather than for investment in manufacturing production processes. The places with most appeal in these contests tend to be those with the most ‘livable’ residential environments, taking account of factors such as crime and personal security, the availability of leisure/recreational facilities and environmental assets. The quip about the quality of golf courses being more important than labour costs as a determinant of business location decisions has enhanced relevance in an era when higher-order managerial and R & D facilities are typically located separately from routine manufacturing processes. Therein, of course, lies a considerable opportunity for Australian cities and, more generally, for Australian society. The local Australian ‘comparative advantage’, almost invariably noted by international visitors, is precisely in that balancing of economic, social and recreational concerns, rather than in a maximising of the more narrowly economic.

What all this suggests is the existence of a significant area of political choice between alternative futures for Australian cities. The broad strategic options are to engage yet more vigorously in the process of spatial economic competition, as described in the main body of this paper, or to emphasise a more qualitative social-environmental basis for development, as canvassed in
the preceding paragraph. The former means further reductions of wages, taxes and regulations, maybe increasing international investment and employment generation (at least until the capital moves on to a newer, lower bidder), but at the expense of creating more intense externality problems and greater economic inequality. In this scenario an increasingly pronounced urban dualism, such as that already evident in the contrast between the affluent and poorer sub-regions of Sydney, can be expected to mirror the economic-social dualism consequent upon the acceptance of a narrowly constructed 'logic of capital'. The alternative strategy of emphasising the social/environmental advantages of Australian cities, precisely in order to avoid those characteristics, has evident appeal. Can it be made an effective option?

It is not usual for political-economic analysis to conclude with open-ended appeals to 'political will'. Indeed, that is normally symptomatic of inadequate analysis of the state. Certainly, the dominant characteristics of the Australian state are not propitious for the implementation of a more vigorously reformist agenda. Local government has neither the resources nor the spatial scale to provide resolution of the problems of urban 'market failure'. Competitive federalism is a pervasive structural problem at the level of State governments. The national government must necessarily provide the focal point for any radical change in the direction of public policy. Yet the main sources of economic information and advice within the Federal bureaucracy — the Treasury and the Industries Commission (now incorporating the former Bureau of Industry Economics and renamed the Productivity Commission) — are steeped in conservative economic orthodoxies. As already emphasised, the two major Australian political parties have both been wedded to the TINA syndrome, emphasising narrowly constructed 'economic rationalist' policies. However, such values are not hegemonic. The minor political parties continue to give voice to broader community objectives, while social-democratic concerns recur in the critical community responses to urban planning proposals. The preparations for hosting the 2000 Olympics in Sydney are already becoming a focal point for a wider debate about urban futures: the official commitment to a 'Green Games' provides opportunities for debate on an array of energy, housing and transport policy issues with potentially much more general application. To adapt the famous dictum of the British political economist Joan Robinson, the answers to most urban problems turn out to be political questions....
Conclusion

The analysis set out in this paper is exploratory. It constitutes, in effect, an attempt to construct a research agenda and a policy agenda for dealing with contemporary structural-spatial changes affecting Australian cities. In respect of research it indicates the need for a more systematic ‘unpicking’ of the nature of the ‘globalisation’ process and more detailed empirical investigations of how the changing patterns of capital flows and capital-labour-state relationships are impacting ‘on the ground’ in the various cities and regions. Identifying the ‘winners’ and ‘losers’ requires detailed micro-level analysis of data about socio-economic conditions. In respect of the policy agenda, the argument suggests the need to consider alternatives to prevailing ‘economic rationalist’ policies, and to explore how those alternatives can build on the potentially progressive features of ‘globalisation as international regulation’, on the fostering of industrial districts which are less vulnerable to the mobility of capital and on ‘bottom-up’ concerns raised by urban social movements. Of course, these research and policy agendas are interlinked. Most generally, the argument here is for confronting the issues in terms of political economy, thereby illuminating the interconnections between changing material economic conditions, competing interests, policy responses and prevailing ideologies.

Structural-spatial restructuring in Australian cities is not purely the product of market processes. It reflects complex changes in relationships between market, state, class and ideology as interacting determinants of economic and social order. ‘Globalisation’ involves, among other things, the emphasis on market relationships transcending national and regional boundaries, extending the scope for capital accumulation by transnational institutions. Concurrently, ‘globalisation’ is linked to, but is not synonymous with, changing the character of national economic policies (e.g., of the Keynesian type) towards ‘economic rationalism’ and the promotion of international competitive advantage. The tendency is for ‘market responses’ to be the dominant concern in the formulation of policy, including urban policy. An institutional expression of this tendency in Australia is the evident power of ‘financial markets’ as a constraint on government policy and the recurrent concern by Federal and State governments to satisfy the criteria of the international credit-rating agencies (Hayward & Salvaris 1994). The ascendancy of finance capital as the dominant fraction of capital is a pervasive phenomenon. What is happening
in the cities can be interpreted, in part at least, as the product of this changed balance in the institutional structure of contemporary capitalism. Thus, the physical changes to Sydney, described at the start of this paper, can be seen as manifestations of more profound political-economic changes.

It follows that policy responses, if they are to be effective, must also address those profound issues of economic power. It is a daunting prospect, certainly beyond the conventional concerns of urban planning. But the social consequences of contemporary structural-spatial change also generate political opportunities. The legitimacy of restructuring the cities to serve the interests of global finance capital comes increasingly into question.

The identification with place and with nation has been a significant element in how the legitimacy of the socio-economic system has been constituted. In the Australian case, the vast distances between the major cities have been a significant additional force fuelling local identity. The notion of a common interest in a particular locality (or nation) has been one of the beliefs conducive to social stability (albeit always at odds with a class perspective). However, as the accumulation process has become 'globalised' such locally-constituted ideologies are now more out of kilter with 'economic reality'. Therein lies a tension and a major challenge for the promoters of 'globalisation' — a challenge to create focal points of 'global identification' as new sources of legitimisation and social stability. The concept of 'global city' or 'world city', starting to be applied to Sydney, can be interpreted in this context as a means of trying to legitimise what are for many people painful economic-social dislocations. Meanwhile, the same processes generate a rather different challenge for those who are uncomfortable about the cities — and society in general — being restructured in the interests of transnational capital. The tensions described in this paper leave some significant political space for positing and developing alternative political responses.
Appendix: Globalisation and the Circuit of Capital

The significance of the intensification of international economic interconnections through (i) investment (ii) production (iii) trade and (iv) finance can be seen in terms of a model of the circuit of capital.

In a capitalist economy, capital moves through various stages in the process of self-reproduction and expansion. This can be represented as

\[ M \rightarrow C \rightarrow [P] \rightarrow C' \rightarrow M' \]

where \( M' > M \)

\( M \) represents capital in a monetary form (e.g., in the hands of a new business, capital that may have been acquired variously through thrift, inheritance, theft or indebtedness)

\( C \) represents capital in a commodity form (e.g., as labour power, raw materials or other means of production which can be assembled and used for making goods and services)

\( P \) denotes the production process (put in brackets here to indicate that this is the stage in the circuit of capital in which the expansion of the value of capital occurs, i.e., through the generation of surplus value)

\( C' \) denotes capital in a commodity form (as the physical outputs of the production process)

\( M' \) denotes capital in a monetary form, resulting from the sale in the market of the physical outputs of the production process (i.e., the realisation of surplus value in a monetary form as profits)

\( M' > M \) is a necessary condition for capital accumulation to occur

If \( M' < M \) then the circuit of capital will cease as no profit is being generated. Where \( M' > M \), surplus value is being both produced and realised in a monetary form as profits. The excess of \( M' \) over \( M \) can be used to expand the scale of production, i.e., to generate economic growth.

The dashes (e.g., \( M-C \)) denote movement of capital: they are not minus signs. The point of the analysis is to show the role of capital and its transformations in the normal functioning of capitalist businesses (and, by extension, in whole regional, national or global economies). The circuit of
capital is most easily interpreted in terms of the production of manufactured goods but it applies in principle equally to the production of services.

Each stage in the process of capital accumulation can occur at different spatial scales: locally, nationally or internationally. This is where the significance of globalisation enters the story — as changing the scale at which each element in the circuit of capital operates.

Internationalisation of the M-C step in the capital accumulation process involves drawing on raw materials, labour power and the means of production from beyond the confines of the nation-state, i.e. international mobility of capital and labour and the international sourcing of raw materials. *International investment* is a key feature of this process.

Internationalisation of the C ... [P] ... C' step involves synchronisation of various production processes in different countries to produce a composite product, such as a ‘world car’. This is the essence of *international production*.

Internationalisation of the C'-M' stage of the process involves transportation and marketing of the produced goods and services. This is manifest as *international trade*.

Finally, there is internationalisation of the reproduction and expansion of the process whereby capital expands. *Internationalisation of finance* can facilitate this. (However, it only does so to the extent that these financial institutions serve the needs of productive capital. This caveat is important because of the recurrent possibility that these international financial institutions divert capital from productive to speculative activities).

*Globalisation* can be considered as the product of the four simultaneous internationalisations. Its sectorally and spatially uneven character can be interpreted as the effect of the four dimensions being unequally developed. For example, a disproportionate emphasis on the internationalisation of finance (empirically the most striking feature of the globalisation process in the last two decades) is associated with a changing balance between the various ‘fractions of capital’. This can be expected to take a spatial form e.g., through the ascendant fraction of capital ‘capturing’ prime urban spaces (as in the CBD). This analysis of the circuit of capital also draws our attention to potential contradictions arising out of the impact of globalisation on capital accumulation, e.g., international production raising the rate of surplus value more rapidly than is compatible with the possibilities for
realising that surplus as profits through the expansion of international trade. Such contradictions — and their spatial manifestation in terms of uneven development — cannot be simply 'read off' from this model. Rather, the purpose of the model is to draw attention to the multiple components in the process of capital accumulation and, by extension, of globalisation. Setting up the analysis in this way indicates that globalisation, even as a purely *economic* process (setting aside its social, political and cultural aspects), is a multi-dimensional and potentially contradictory phenomenon.

For a rather different exposition of the relationship between capital’s circuits of production, realisation and reproduction in the international economy, see Fagan and Le Herron (1994).
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