
Marketisation, public services and the city: the potential for Polanyian counter movements

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Marketisation of urban service delivery gained renewed intensity in the crisis. Mobilising Polanyi's concept of double movement, we analyse how marketisation of public services both creates and constrains the potential for urban counter movements in the USA and Europe. We identify three main urban responses: 'hollowing out', where cities engage in service cut backs; 'riding the wave', where cities attempt to harness the market; and 'push backs', where cities and citizen movements oppose marketisation. Although the city is constrained by marketisation at national and international levels, we find evidence of push back and, in it, the potential for public service alternatives.

Keywords: public services, crisis, city, marketisation, double movement

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Introduction

Fiscal austerity measures pursued by governments in much of the developed world in the attempt to exit the ongoing financial and economic crises have been accompanied by deep, sudden and protracted public expenditure cuts. These cutbacks have been justified in policy debates at the national and international levels, which fundamentally question the role of the state in service provision and simultaneously promote alternative methods of injecting market forces into service delivery. This marketisation of public services during the ongoing crisis is not new; rather, it constitutes the latest phase

of a longer term drive to privatise urban service delivery which started in the late 1970s.

Polanyi (1944) argued it is utopic to expect a market economy can be unilaterally imposed upon society, since the market economy itself is socially embedded, requiring continued public intervention. His 'double movement' predicted that attempts to extend the market economy would be countered by societal forces aimed at social protection (Polanyi, 1944, 138). Polanyi has gained renewed relevance under neoliberalism and austerity because his methodological institutionalism allows us to look in historical and comparative terms across

multiple geographies (Peck, 2013). While some argue Polanyi is too mechanistic (Smith, 2013) and lacks an adequate theory of power or capital circulation to adequately understand marketisation and the dialectic sources of the double movement (Walker, 2013), we find possibilities in the double movement to explain the variegated urban response to austerity. Rossi (2013) has argued that two mutually contradictory responses are taking place: the state is easing restrictions on market while at the same time citizens are pushing back. We allow space for a third arena of activity, the city, and operationalise the double movement thesis to analyse the marketisation of urban service delivery and explore how cities across the USA and the European Union (EU) are responding in the context of the crisis.

The challenges of marketisation are felt especially acutely at the city scale—as this is the arena where people live. In the EU, cities are the key hub from which most citizens access essential services even though they may be social entitlements guaranteed by the state. In the USA, most social citizenship rights are devolved to the state and local level and secured primarily through engagement with market work (Katz, 2001). This gives cities more responsibility and autonomy to provide social safety net services but this has become more difficult in the recent era due to recession, high unemployment and local fiscal crisis (Lobao and Adua, 2011; Glasmeier and Lee-Chuvala, 2011). While privatisation and competition are generally promoted by international organisations and implemented by national or regional governments, cities feel the results of these policies directly on the quality of life of local residents. It is at the local level that policymakers and citizens see the impacts of policy choices and have the power to respond.

We find city responses fall into three main patterns. First, the renewed logic of marketising service delivery has furthered market penetration of the state and helped justify public service cutbacks in the ongoing crisis. This

contributes to further ‘hollowing out’ of public services which, especially across Southern Europe (most notably Italy, Greece and Spain), is leading to an unsustainable strain on social cohesion. Second, we chronicle efforts at both the city and citizen levels to push back, Polanyi counter movement style. Despite the crisis, the city has preserved some space to ‘ride the wave’, or even, push back. Some cities are using marketisation to find new ways of providing services. Many initiatives are at the local level and offer some promise for a revitalisation of a progressive municipalism even in an era of austerity (Clavel, 2010). In the EU, cities often have been forced to do so by citizen pressure, whereas in the USA, city leaders often have sought to do so despite citizen acquiescence. These differences reflect differing cultural conceptions of social rights, public services and the state in the USA and the EU (Shortall and Warner, 2010). Third, we examine instances of citizen response to the crisis and their efforts to articulate a counter discourse to ongoing marketisation of public services. In the USA but, particularly, across the EU periphery, we see citizen movements pushing back, using a counter discourse to challenge marketisation. Witness the outpouring of Occupy Movements across Madrid, Barcelona, Seattle and New York City in 2011 and 2012 (Hou, 2010).

Even within city leadership structures we find a Polanyian counter movement where cities attempt to secure social protection in the context of increased marketisation of public services. Fraser (2010) has expanded on Polanyi to articulate an ‘emancipation moment’ where new forms of cross sector collaborations (state, market and society) interact to push back against market encroachment and state oppression. This opens up new lines of action that both challenge and promote active citizenship. Sassen (2005) argues that citizens have the power of presence on the streets, and Purcell (2008) shows how this creates a space for more assertive citizenship at the local level. As citizens experiment with new alternative forms of

production that assert democracy and reclaim the market for social ends (Patel, 2009), the city becomes an important location for such action (Hardt and Negri, 2010). This is the promise that Fainstein (2010) sees in her calls for the 'just city'. These push back movements from the city and citizens create an opening for progressive action even in an era of retrenchment and austerity. Urban scholars look to the city region as a locus of policy and economic reform despite the challenges of neoliberal discourse (LeGales, 1998; Lobao and Adua, 2011; Jessop, 2002). But what are the limits imposed by national and international level policy discourse, and what is the power of cities to challenge or craft more progressive alternatives? That is the focus of our discussion.

This paper is divided into four sections. Firstly, we set out our approach, which examines marketisation and the urban response through the prisms of policy reform and its associated discourse. Secondly, we critically and comparatively analyse the marketisation of service provision and citizenship in the USA and the EU in sections two and three, respectively, showing how this helped limit city power to regulate its own activities. Thirdly, we analyse the urban response, from the city and its citizens. Finding evidence of a counter movement, we tease out why this has taken different forms and intensities in the USA and the EU.

Policy, discourse and push back

Our exploration of public service marketisation and the potential for push back across cities in the USA and the EU is organised through a comparative analysis of policy reform and discourse used in both jurisdictions. Policy and its discourse are tightly interlinked because the words we use help set the parameters whereby policy can be imagined. It is particularly important to analyse the contours of policy reform as well as its discourse in order to set the scene for our analysis of the counter movement. From the city level, the counter movement comes in

the form of alternative policy responses by cities (such as reversing outsourcing, or harnessing the market for service delivery in innovative ways) and a counter discourse often articulated by citizens. In our analysis of the counter movement we will capture how the city and citizens articulate their positions using as a reference point the mainstream policy and discourse used by larger national and international forces in a multi-level governance system (LeGales, 1998; Jessop, 2002).

As regards policy, we focus on privatisation and competition, which became increasingly influential in the reform of service delivery from the 1970s. Rhodes (1994) argued these policies helped to 'hollow out' the role of the state: this metaphor is useful since it suggests the core functions of the state were emptied, but an outer shell was left intact, giving an external coherence, legitimacy and purpose to the state's role in service delivery. Cities try to maintain this shell, though national and international level policies make this increasingly difficult. For the 'hollowing out' metaphor to hold, the reduction of state functions should be reversible in the future, so that services and functions that had been previously privatised or eliminated can be transferred back to the public domain.

This ability to push back is illustrated by both economic and political processes. Take the case of outsourcing, which was promoted at the national and international levels, first across the Anglo-Saxon world, then to most of the rest of the world (Hodge *et al.*, 2010). Empirical research shows that privatisation has failed to deliver cost savings over the longer term (Alonso *et al.*, forthcoming; Bel *et al.*, 2010). In the USA, pragmatic concerns with service quality have led localities to push back by insourcing previously outsourced services (Hefetz and Warner, 2007; Warner and Hefetz, 2012). In the EU insourcing is more political and a new word, remunicipalisation, has been coined (Hall *et al.*, 2013). In the developing world, where privatisation was imposed by international funders

such as the World Bank, reversals (insourcing, renationalisation) have been much more political, forced by street protests as citizens view public services, such as water, as a human right (Spronk, 2007; Pigeon and McDonald, 2012). It is at the local level, where citizens and city leaders see the direct impact, that push back originates. When cities fail to accommodate residents' demands, the push back takes the form of insurgent citizenship, a form of civil disobedience that asserts the rights of citizens over the marketisation of public goods and creates pressure for a counter hegemonic form of insurgent city planning (Miraftab, 2009).

For policy discourse, we examine how marketisation has challenged the public content of policy, undermining the legitimacy of public values language (Dahl and Soss, 2012). While the legitimacy of public action may be challenged at the national and international levels, cities are caught between economic, social and political imperatives that force a higher degree of responsiveness to citizens than is found at higher levels of governance, which are more shielded from direct democratic and popular opposition. The power of presence of citizens on the street evokes a city response that can be militaristic or seek accommodation and we have witnessed both in the wake of the Occupy and other popular movements (Hou, 2010; De la Llata, 2012). We have also witnessed the rise or strengthening of non-centrist political parties, such as in Italy, Greece, France and the Netherlands and citizen movements which support state retrenchment—such as the Tea Party in the USA (Skocpol and Williamson, 2012).

We place the city at the centre of our analysis of public service marketisation and the counter movement. Progressive municipalism that some cities pursued as a form of local protest and progressive alternative in the 1970s and 1980s (Clavel, 1986), gave way to embracing concepts such as regeneration and entrepreneurship (Jessop, 1997) as cities throughout the USA and the EU began to reinvent themselves as 'tourist cities' or 'cool cities' (Florida, 2002; Frug and

Barron, 2008), a trend reflected both in policy labels as well as in architecture (Siemiatycki, 2013). In parallel, urban economic development policy shifted from a concern over growth centres and support for lagging regions to a narrower focus on competitive cities (Porter, 1995) and the creative class (Florida, 2002). This marketised focus privileges private market investment logics and actors over broader community interests and is found in both USA and EU policy (Shortall and Warner, 2010).

Despite these trends, some scholars argue there is still a place for progressive politics at the local level (Fainstein, 2010; Clavel, 2010). Although the reality of fiscal stress leaves cities less room for maneuver, state rescaling may offer the prospect of differences in subnational political action—providing space for local governments to explore alternative paths (Lobao and Adua, 2011; Mitchell, 2012). Although less urban attention is focused on securing social reproduction or social safety net services today, cities are not deaf to citizen demands.

Marketising public services

Uncovering the historical roots of this policy shift

Deep reform of service delivery began in the 1980s. Reagan's New Federalism in the USA and Thatcher's Privatisation in the UK set the conceptual stage for accelerated reform, which included a shift from national to local responsibility for service delivery.

Privatisation and liberalisation were leading forces driving service delivery reform. In the EU, privatisation involved the sale of public firms and outsourcing was used when sales were not feasible. Privatisation was spearheaded in the EU by the UK, and extended to public utilities, prisons, schools, social housing and hospitals. However, high profile reversals occurred. In London, the privatised Railtrack collapsed in 2001, after which it was converted into a not-for-profit infrastructure company with

statutory duties and government guarantees, whilst London Underground public private partnerships (PPP) projects were abandoned (Hodge *et al.*, 2010). Under Thatcher, privatisation was accompanied by an attempt to reduce the power of organised labour. In the UK, sectoral liberalisation of public service utilities was introduced in advance of EU directives. Competitive tendering was introduced gradually, first to National Health Services, then in 1988 to specific areas of local government, but was compulsory in the sense that councils could undertake work only if the in-house bid beat the external ones. The election of Tony Blair in 1997 signaled a shift back towards a more balanced position. Labour's 'best value' framework, implemented in 1999, recognised local governments needed to balance cost efficiency with other factors, including accountability and citizen engagement (Martin, 2002).

Privatisation in the rest of the EU boomed in the 1990s (Clifton *et al.*, 2003). Whilst privatisation in the EU was a prerogative of national governments, introducing liberalisation and competition were mandatory according to the requirements of EU membership. This was enforced at the sectoral level via liberalisation directives in telecommunications, electricity, gas, rail and post (Clifton *et al.*, 2006). Compulsory tendering in the EU was introduced from the 1990s following a different logic to the UK: in the EU, only when national or local governments decided to outsource did compulsory tendering become a requirement. The Commission has tried to push this agenda further to include most public services in 2011, but, in a historic turning point, backed down in 2013, eliminating water from the potentially affected services, after over one million citizens signed the European Citizen's Initiative (Clifton and Díaz-Fuentes, 2013). Citizen push back in the EU case was directed toward the supra national scale.

The US story is a little different. Here, privatisation generally took the form of outsourcing as there were few public enterprises to sell.

Privatisation was promoted by the Reagan Administration, but national policy has limited control over how local governments provide services. Thus competitive tendering, though actively encouraged in the USA, was never compulsory. But market ideology pervades US culture, and city leaders embraced privatisation and the New Public Management ideology of which it is a part. Despite strong ideological support for privatisation, however, actual levels of city privatisation remained relatively flat over the period (Hefetz, *et al.*, 2012). This has two explanations: contracting services was already commonplace in US cities prior to 1980, so scope for further experimentation was limited; and, city leaders were free to decide if outsourcing delivered the promised benefits (cost savings, customer satisfaction, etc.). When outsourcing failed to deliver the promised benefits, city leaders had the authority to reverse their decisions, bringing previously outsourced activities back in-house, a process that has increased over time (Hefetz and Warner, 2007; Warner and Hefetz, 2012).

But local action is not the end of the story. National and international policy continued to play a role in the redefinition of services and the promotion of competition and privatisation. This illustrates the critical importance of a multi-level governance analysis to understand the constraints within which cities operate. The European Commission plays a key role in all questions relating to anti-trust, cartels, competition and state aid where they affect European interests whilst, as World Trade Organization (WTO) members, the USA and the EU are subject to its trading rules. It is the international layer of policy reform, which straightjackets cities, to which we now turn.

Marketising public services: international forces

The EU and the USA present important contextual differences in their historical approaches to public services. In the EU from the 1990s, new

policy from Brussels brought about a convergence of Member States' prior traditions, and resulted in the strong marketisation of public services. This brought EU public service policy in line with the more marketised US approach.

The key change occurred in the 1990s. Since the 1957 Treaty of Rome, the Commission had competence over so-called 'Services of General Economic Interest' (SGEI), a term referring to public services deemed viable in the market. Despite this, public service liberalisation was not seriously embarked upon until the 1990s. Henceforth, the Commission derived from SGEI additional terminology: '(Social) Services of General Interest' ((S)SGI) meaning (Social) public services not deemed viable in the market (Krajewski, 2006). Because the categories were subject to interpretation, it was feasible that a sector could pass from being deemed SGI to SGEI (Clifton *et al.*, 2005; van de Gronden *et al.*, 2011). The important point is that a wider range of urban public services were now potentially subject for full liberalisation as SGEI. Liberalisation is now the default unless it can be proved this damages service provision (Clifton and Díaz-Fuentes, 2010).

These developments brought EU policy much more in line with that in the USA, where public services are characterised by greater market provision at the local level and universal service obligations are limited. Further convergence between EU and US policy is being pursued at the international level through the General Agreement on Trade in Services (GATS).

The establishment of the WTO heralded the extension of trade rules of General Agreement on Tariffs and Trade, which had been designed for manufactured goods, into the services. GATS stated free trade was applicable to all service sectors except for those "which are supplied neither on a commercial basis, nor in competition with one or more service suppliers" (WTO, 1994 Part I Article 3A-C). Raza (2008) showed the perceived relationship each service has with the market was the factor that

determined whether a service was subject to free trade rules.

From the US side the current GATS negotiations during the Doha Round represent the logical extension of the privileging of private investors over social rights first articulated in the North American Free Trade Agreement (NAFTA) in 1994. NAFTA moved beyond traditional trade liberalisation by articulating provisions which elevated foreign investors to nation state status, removing domestic court jurisdiction over international trade cases, and redefining property (for foreign investors only) to offer compensation for 'partial takings' due to state and local regulation (Gerbasí and Warner, 2007). GATS revisions currently under negotiation take these NAFTA provisions and broaden them to include traditional public services (such as water delivery and treatment, schools and prisons) unless on a short list of excluded sectors. While Doha is still being negotiated, experience from the NAFTA shows the critical importance of asymmetrical power between foreign investors and state and local governments. Private investors have sued Mexican municipalities over basic land use controls and building permits (and won), sued California over air and water quality standards (and lost) and are currently suing the Canadian Royal Post for subsidising rural package delivery (Warner and Gerbasí, 2004).

Local government authority over public services is significantly constrained by these national and international trade rules. Both the NAFTA and GATS reinterpret basic local government regulations as 'regulatory barriers to trade' subject to investor challenge under the 'partial takings' clause (Gerbasí and Warner, 2007; Warner, 2009). Whilst NAFTA, the WTO and the European Commission are equipped to eliminate regulation as a trade barrier, they lack competences to implement new, social regulation. So, while these international bodies are actively promoting the market's expansion, they are weak when it comes to defending the state's regulatory role. It falls to local and

national governments to design and uphold social regulation. But to what extent are they left with this power? It is this tension between local and national efforts to determine the proper role for the state in the provision of public services, and the international pressures to marketise services, which threatens the very capacity of cities to regulate and provide services. Conservative legal scholars argue that these investor clauses were designed precisely to limit government from regulating service providers—by requiring compensation for regulatory takings (Epstein, 1985). Estimates of current claims, just under NAFTA, range in the billions and, if resolved in favor of private investors, would bankrupt local governments in the USA (Kendall *et al.*, 2000).

Marketising citizenship

Next we turn our attention to the marketisation of citizenship. Katz (2001) argued the USA is now characterised by variegated citizenship rights due to decentralisation, privatisation and deregulation. In both the USA and the EU, the New Public Management movement was instrumental in conflating the traditional concept of citizenship with that of the consumer. A new category, the ‘citizen-consumer’, would enjoy greater choice at a lower price once service provision monopolies were broken—either through contracting to private providers or through vouchers to consumers, or both (Root, 2007; Pollitt and Bouckaert, 2011).

Part of the neoliberal turn has been the emphasis given to consumer sovereignty through privatisation and voucherisation of services. Vouchers have been pushed for job training, child care and public schooling. Even in the Netherlands, despite its long tradition of vouchers for social services, recent policy has promoted for-profit providers at the expense of community level non-profits and government (Noailly and Visser, 2009). Job training is a crucial service for cities facing high unemployment and the voucher schemes promoted in both

the USA and Germany have been designed in part to break the close contracting relationships between cities and providers (Hipp and Warner, 2008). Information asymmetries and preference alignment have led to problems with both quality and access for job seekers. Theorists have challenged the consumer sovereignty foundations of privatisation and voucher systems (Lowery, 1998), and scholars have shown the negative side of these policies for child care and job training (Hipp and Warner, 2008; Warner and Gradus, 2011). However, political pressure to individualise public services through vouchers continues unabated.

Marketising citizenship is not just driven by government; it is also promoted by urban developers and citizens themselves. For example, most new housing construction in the USA now takes the form of private neighbourhoods, which privatise traditional public services (recreation, roads, garbage collection and security) to the neighbourhood and finance them through the maintenance fee attached to the home mortgage (Nelson, 2005). These gated communities and condominium associations are now an urban phenomena worldwide (Glazze *et al.*, 2007). Because these private communities pay for their own services, local governments prefer this kind of development as it relaxes their fiscal obligations. These ‘private neighbourhood governments’ are based on commercial, not civil, law and thus are not subject to the broader free speech and due process protections citizens enjoy under public local government (McCabe and Tao, 2006). Whilst some scholars herald the economic efficiency and innovation these private voluntary schemes allow (Webster and Lai, 2003), others warn of the challenge to the city of building communities across neighbourhoods that are both geographically and fiscally fragmented from the city as a whole (Warner, 2011a). With the housing foreclosure crisis, these ‘privatopias’ are discovering they do not have sufficient scale to maintain their financial viability with private maintenance fees and many are now

asking to be reintegrated into public city service networks (McKenzie, 2011). These forms of financialising homeownership are at the root of the current crisis (Rossi, 2013).

By conflating the citizen with the consumer, discourse effectively privileges market demand over participation in a polity. This ‘market citizenship’ (Root, 2007) fundamentally alters the avenues for citizens to interact with government. It weakens direct citizen claims on the state, and simultaneously establishes citizen channels via the market mechanism. Theoretically, privatisation and outsourcing could lead to greater choice, lower prices and higher consumer satisfaction. However, recent scholarship has shown consumers in the EU are not more satisfied with private services than their public counterparts (Bacchiocchi *et al.*, 2011): moreover, evidence is mounting that service marketisation may be leading to a ‘two-track’ Europe, where the so-called ‘vulnerable consumers’ (the elderly and young, unemployed and less educated) are more likely to be dissatisfied with public services than their peers (Clifton *et al.*, 2011). Whilst the marketisation of citizenship facilitates the marketisation of the state, it also opens the possibility for the state to intervene in the administration of markets as a quid pro quo for channeling state subsidies (Blanchard *et al.*, 1998). Adding market mechanisms as new avenues for engagement for both cities and citizens broadens the possibilities for channeling and harnessing the market and creates the opening for a range of city responses as we outline in the section that follows.

City responses

We identify three alternative responses from cities in the face of crisis: a) ‘hollowing out’, where the city reinforces and accelerates the marketisation of citizenship by cutting back or vouchering services so that cities become in effect ‘vending machines’ where, primarily, citizens with means have rights to services, b) ‘riding the wave’, whereby cities take on an active

role in market design and management in an attempt to raise revenue for public services, and c) ‘push back’, Polanyian counter movements where citizens directly challenge the marketisation of public services by attempting to rearticulate public values and reinsert them into city practices, and cities attempt to harness market forces to social ends. Rather than case studies, we use survey data to show that these three responses have relatively wide occurrence. Cities are not just exhibiting one type of response; many are doing all three—simultaneously. This shows the experimental and fluid nature of the city response.

Hollowing out

US cities are in fiscal crisis. Declines in property tax revenues coupled with reductions in state aid destined for cities (since states are also in fiscal crisis), have forced cities to cut back. Service cutbacks, furloughs and increases in user fees were the most common responses to the fiscal crisis chronicled by the International City/County Management Association (ICMA) in its 2009 national survey of 2214 cities and counties across the USA (ICMA, 2009). Eighty six percent of respondents reported they were moderately to severely affected by the financial crisis with an average 8.25% shortfall in their 2010 budgets. The most common city responses included: deferred capital projects (60%), increased user fees (46%), frozen salaries (43%), eliminated positions (40%) and reduced services (35%). Cities sought to meet their balanced budget requirements without fundamentally restructuring services or their labour force in a process of cut back management (Scorsone and Pierhopes, 2010). Congressional deliberations opposing subsidies to state and local government in the American Resource and Recovery Act of 2009 were, in part, an effort to use the crisis to fundamentally restructure local government away from traditional public service obligations. The media has been especially strong with attacks on public

sector wages and pensions as being too generous (Mitchell, 2012). Drops in pension values due to stock market losses led to dramatic escalations in pension contributions for local government, making it difficult to balance budgets without severe service cutbacks (Snell, 2011). At the state level, the crisis has been used to push through ‘pension reforms’ that both individualise and reduce pensions, shifting from guaranteed benefit to guaranteed contribution schemes, even though economic analysis shows these approaches actually increase cost to government (Picur and Weiss, 2011). Over 500,000 local government workers have been laid off nationally (Pollack, 2010). Persistent unemployment is mainly due to public sector layoffs (Glasmeier and Lee-Chuvala, 2011), as private sector employment actually rose in 2012.

Cities first cut first discretionary programmes such as recreation and library services. Police and fire, usually considered immune to cutbacks, are now being targeted in the most fiscally stressed cities such as Camden, NJ, which laid off half its force in 2011. As cities fall into bankruptcy, state takeovers impose financial control boards, which bypass local democratic processes, the most recent example being Detroit in 2013. To avoid this total loss of local control, cities seek other means to raise revenue and cut costs. This has led to creative approaches to refinancing debt, new public private partnerships for service delivery and increased marketisation to individualise public service finance through increases in user fees.

Cutbacks in the EU have also been severe, though this is particularly true in cities located in the EU’s periphery. One of the most comprehensive surveys of the impact of the crisis, which included responses from 131 EU cities, concluded “cities have often been the last to be consulted about major decisions” and yet are “on the frontline of the crisis” (URBACT, 2010, 3). Cities, facing sudden and sharp declines in tax receipts and cuts in budgets at the national and EU levels, have opted to abandon or postpone projects whilst a lack of co-financing

has prohibited some cities from accessing EU funds, leaving them in a vicious circle. Some city leaders have acknowledged they can no longer guarantee social protection or social benefits in the longer term (URBACT, 2010, 9). Eighty percent of cities acknowledged they had been severely affected by the crisis and those same cities cited high unemployment as the root problem. Unemployment, which negatively affects low-skilled, younger, female and migrant workers disproportionately, has a knock-on effect on family income and social cohesion. A subsequent survey conducted in fourteen EU countries confirmed what is palpable: cities remain in continued crisis as the number of households and small and medium-sized enterprises with difficulties accessing credit, general and youth unemployment, volume of unpaid loans, home repossessions, poverty, and business closures continue to rise (European Union, 2011).

Cities across the EU face severe cutbacks in the name of austerity. The situation is perhaps most dramatic in the cynically named ‘PIIGS’ (Portugal, Ireland, Italy, Greece and Spain). In response to the crisis, the so-called ‘Troika’ has been established, an alliance driven by the EU, led by the Commission and the centre-right government of Germany, together with the European Central Bank and the International Monetary Fund (IMF), and the so-called EU ‘fiscal compact’ imposes greater fiscal discipline and European supervision of national economic policy onto all signatories (Bird and Mandilaras, 2013). A series of Troika bailouts to Greece, Ireland, Portugal and Spain have been granted in exchange for tough austerity measures. Generally, these include extending privatisation programmes and deep cuts across all levels of public spending. In cities in Southern Europe, public amenities such as health clinics, social housing and libraries are being closed down, whilst controversial programmes to privatise hospitals are planned for Madrid and Valencia. Home repossessions are also on the increase. ‘Economic suicide’ — suicide as a result of losing a home or job — has increased in the

EU, most sharply by 17% in Greece and 13% in Ireland between 2007 and 2009 (Stuckler *et al.*, 2011). Across Spanish cities, cuts have been made to schools, hospitals and universities, new ‘co-pay’ systems have been instituted, and free medical care for illegal immigrants has been withdrawn. Spanish scholars warn of an imminent ‘humanitarian problem’ (Casino, 2012).

‘Riding the Wave’

Rather than acquiesce to market dominance, some cities are learning to ride the wave. We have already described how cities use privatisation as a two edged sword. They contract out but give keen attention to the need to create markets for public services, build competition by allowing competitive bidding from in-house teams, and carefully monitor to ensure service quality and cost savings (Johnston and Girth, 2012; Warner and Hefetz, 2008). They contract out to market and back in to public delivery creating a dynamic engagement with market over time. This reverse privatisation process has been measured carefully in the USA using International City/County Management Association surveys from 1992 to 2007, which find reversals equal the level of new contracting out (Hefetz and Warner, 2004; Hefetz and Warner, 2007; Warner and Hefetz, 2012). Remunicipalisation movements also have occurred across the EU (Chong *et al.*, 2012; Hall *et al.*, 2013). In France and Germany when the 25–30 year concessions came to an end in the water and energy sectors, cities opted to bring the service back in-house due to superior efficiencies and greater control (Hall, 2012). Remunicipalisation has also occurred in cities in the UK, Finland and Hungary (Hall, 2012). Faced with EU pressure to introduce competition, cities in Italy are engaging in ‘false’ competition by creating publicly owned firms to which they contract (Bognetti and Robotti, 2007).

Cities are becoming market makers. Increasingly we are seeing cities join together

in new forms of cooperative contracting—creating public markets with other local governments to gain scale and cost efficiencies (Holzer and Fry, 2011). These public markets of local governments offer the possibility of ‘cooperative competition’ that preserves public values and public engagement in the service delivery process (Warner, 2011b). Cooperation is now as common as contracting out to for-profit firms among local governments in the USA, and it offers greater efficiency and equity benefits (Hefetz *et al.*, 2012). Small municipalities in Spain use cooperation to gain scale and stronger negotiating power with private contractors (Bel and Mur, 2009).

Mixed market solutions are also on the rise. Cities recognise they must play a critical market management role (Girth *et al.*, 2012). One way to do that is through partial-privatisation where the city maintains a stake either through mixed contracting, which is more common in the USA (Warner and Hefetz, 2008; Bel and Fageda, 2010), or through mixed public/private firms, which are more common in the EU (Bognetti and Robotti, 2007; Warner and Bel, 2008).

Cities are not simply acquiescing to market; they are using markets, as one of the few tools left, to continue to provide basic public services. Three examples include: developer impact fees, Business Improvement Districts (BIDs) and Social Impact Bonds (SIBs). Surveys in the USA and Australia show cities inserting themselves in markets by requiring private developers to pay impact fees for services such as road and water infrastructure, parks, child care and libraries, although even these tools are being challenged by neoliberal policy discourse at the national level (Ruming, *et al.*, 2011; Rukus and Warner, 2013). BIDs, which invite local business investment to improve public services, are becoming more common across the USA and are on the increase in Germany, the UK, the Netherlands and Ireland, according to international surveys (DeMagalhães, forthcoming; Mitchell, 2008). While BIDs have been critiqued as privileging business over resident interests

(Schaller and Modan, 2005), they also create an avenue for promoting investment in public services (Warner, 2011a). SIBs, which attract private investors as a means to increase funding for youthful offender rehabilitation programmes, have been piloted in Peterborough, UK and New York City (Warner, 2013).

Cities are walking along the knife-edge using economic development tools and logics but trying to engage them to enhance investment in public services. Is this a counter movement or acquiescence? We argue it is a strategic effort on the part of constrained city leaders to try to provide basic services in a time of austerity. By providing basic services city leaders build consensus and enhance power networks, but also develop more sophisticated forms of market management. While dependence on development sources of revenue strengthens private interests over policy agendas (both social and environmental), cities which 'ride the wave' are attempting to raise private revenue to ensure some basic level of service provision. While these initiatives originated in cities with more capacity and more development pressure, planners are now extending them to less advantaged cities and neighbourhoods.

Push back

The crisis has provoked significant social action from citizens across cities, which has been more sustained in the EU than in the USA. The push back movement from the EU emerged principally from major cities in the periphery: Madrid, Barcelona, Athens, Rome, Dublin, Lisbon and beyond. Social responses are diverse and our discussion must be selective. The '15 May' movement broke out in 2011 across Spanish cities, most importantly, Madrid and Barcelona, initially leading to a 'semi-legal' occupation of public spaces from the 15th of May to the 12th of June, when it was peacefully disbanded. Since then, occupations have been shorter but highly symbolic, such as repeated blockades of Parliament in Madrid to peacefully prevent politicians going home and marches and

occupations during weekends. The 15 May movement offers a clear counter discourse to marketisation, its main motto being 'We are not commodities in the hands of bankers and politicians', whilst they practice 'direct peoples' democracy', petitioning for 'Real Democracy Now!' These movements are unified by their resistance to link up with any political parties or trade unions. Their whole-scale rejection of traditional politics and their being the 'outraged' ('*indignados*') (De la Llata, 2012), was exacerbated recently by the uncovering of financial scandals among both major political parties at the expense of ending the crisis.

New, professionally based protest movements have also sprung from cities. In Spain, because health policy is decentralised, Madrid and Valencia, governed by the conservative Popular Party, are implementing a programme to privatise hospitals. In response, a popular movement formed of doctors, nurses and citizens took to the streets, becoming known as the '*marea blanca*' ('white tide', due to their uniforms). Again offering a counter discourse to service marketisation, they claim 'We are up for sale', 'health is not for sale' while banners made of sheets display from hospital windows 'We want to be patients, not clients'. In the EU, the citizen push back is more directly political than in the USA, in part because the target of action is primarily the state, not the city. Wide-scale protests by professional groups in Madrid, Valencia and London—by doctors, nurses, teachers and so forth, go beyond job protection—their message centres on protecting essential public services from encroaching marketisation.

Meanwhile, as unemployment rises, peaking at 56% among Spanish youth, voluntary organisations are on the rise in cities, providing soup kitchens, emergency breakfasts, food banks and night shelters, across cities in Greece, Spain and the UK. Europe is also home to the expanding social enterprise movement, which envisions a different kind of market, harnessed to social aims (Fecher and Lévesque, 2008).

This reflects the new forms of cross sector collaboration described by Fraser (2010) to push back against market encroachment and state oppression, and new forms of insurgent citizenship chronicled by Purcell (2008).

In the USA, the Occupy Movement, with its focus on the '99 percent', was short lived and counterbalanced by the well-funded Tea Party, which enjoys strong urban and rural roots. The Tea Party is seizing the financial crisis as a moment to fundamentally limit government and social rights. The movement is dominated by economically displaced middle-aged white men who harbour great animosity toward the more diverse younger population and toward President Obama (Skocpol and Williamson, 2012). What both the Tea Party and the Occupy Movements share is a profound mistrust of government and formal democratic processes because these prove vulnerable to capture by elite financial interests. In this scenario, a progressive citizen view has been drowned out. Instead, there is a passive citizen acquiescence to the loss of basic services and public service functions, justified by the metaphor of a household taking control of its debt and balancing the budget. This individualised view makes Keynesian policy prescriptions unimaginable to the average citizen.

Such prescriptions are within the imagination of city mayors and managers however, but they must proceed cautiously by appealing to citizen desires for fiscal restraint and by privileging economic development logics. A January 2013 meeting of the progressive Mayors Innovation Project in Washington DC borrowed the 'triple bottom line' logic of sustainable business enterprise to justify attention to economic development, environmental protection and social equity in a common framework. Keenly aware of the need for a policy architecture to facilitate their work, they have created the American Legislative and Issue Campaign Exchange (ALICE)¹—a progressive city-focused forum to share policy approaches and counteract the conservative American Legislative Exchange

Council (ALEC) that has pushed neoliberal policies nationally (Peck, this issue).

Citizen push back in the USA is less political and more likely to be found in the practical aspects of daily life. A new form of collaborative consumption is emerging which attempts to challenge the commodification of life and build a world based on sharing rather than competition (Botsman and Rogers, 2010). This is seen in car shares, local food and agriculture and land trusts. This movement cuts across progressive/conservative political differences because it is rooted in the local connections people have to place. Citizens are practicing what Patel (2009) calls the 'living politics of the city', or what Rossi (2013) terms the 'biopolitics of resistance', that Hardt and Negri (2010) argue is possible because the commons are more visible at the city level.

Polanyi anticipated market expansion would be met by a counter movement inspired to reduce the damage done by the market to reproduction. We argue cities are engaged in a subtle Polanyian counter movement with regard to marketisation today. We see this both in housing foreclosure and economic development strategies. The push back in the USA often involves multi-sectoral coalitions of citizens, non-profits and government as described by Fraser (2010). For example, citizens in Burlington, VT have spearheaded a national movement focused on community land trusts as an alternative approach to housing development (Davis, 1991). Started by residents, and supported by city government, these land trusts offer an alternative model to land and home ownership that preserves affordability over the long term. The land trust model is now being used to address the foreclosure crisis as cities such as Cleveland, OH use their power of foreclosure and the city treasury to recapture housing and preserve its affordability for the long term (Dewar, 2013).

Cities are embracing an entrepreneurial stance and pursuing market strategies, but they are doing this to achieve both economic and

social ends. Cities across the USA are using economic development logics to justify increased investments in child care—thereby broadening economic development policy itself to include social reproduction concerns (Warner and Prentice, 2013). For example, Tompkins County, NY pressured its major employer to institute a child care subsidy as an employee benefit and got local bankers to argue successfully for increased public subsidy from the State. This effectively tripled the amount of subsidy available to families in the region (Warner and Prentice, 2013). In this way cities are inserting social goals into economic development policy, and facilitating a slight redefinition of the market.

Conclusions

Cities are on the frontline as the crisis has accelerated a renewed wave of market-oriented policy for service delivery. The marketisation of policy is complex and multi-layered: while public services in the USA have long been subject to market-driven logics, in the EU, marketisation has been more recent, with closer alignment to the USA emerging since the 1990s. Marketisation is further reinforced at higher scales: the EU, the NAFTA, and the WTO.

Mobilising Polanyi's double movement thesis, we identified three major responses from cities: the hollowing out of urban service delivery; attempts to harness markets in the direction of providing services; and finally push back, particularly from social movements that spring from cities. Beyond this, we noted how, in the USA, harnessing the market to deliver services was considerable at the city level, whilst citizen movements faded or became neutralised by counter-counter movements. In contrast, in the EU, it is the counter movements organised by citizens, particularly from cities in the periphery, which reassert claims to social rights.

In the EU, market-oriented policy during the crisis is driven by the 'Troika', led by Germany, which is pushing top-down, inflexible austerity

measures, especially onto the periphery. Cities have some space to respond but strong citizen counter movements have emerged, particularly in conservatively-run cities where political elites have been perceived to adopt austerity measures for ideological reasons, such as Madrid and Barcelona. That citizen movements are more sustained here may be explained in part by the EU's long-term traditions of social democracy, public service and the policy salience of social inclusion.

In the USA, cities, due to their greater fiscal and service autonomy, have more experience in harnessing the market to their ends, since marketisation has long dominated public service policy in the USA. New forms of urban service finance—the private neighbourhood and BIDs—began in the USA and are now being exported to the EU. Because US citizens are reluctant to pay more taxes (and many states limit the authority of cities to raise them), city managers have both engaged markets through strategic market management and encouraged greater direct resident investment in city services through new means of co-production. Given the limited social citizenship rights in the USA, the initial spark generated by social movements was quicker to die out. Whereas in the EU, the counter movement found its voice in disenchanting citizens' movements, expressed through clear anti-marketisation discourse, in the USA, city leaders maximised market leverage to provide basic services. 'Riding the wave' and 'push back' strategies merge into a creative synthesis of city, citizen and market action to experiment with new service provision alternatives.

We see in these urban strategies the continued evolution of Polanyi's double movement at work. In the USA local government 'riding the wave' shows acquiescence to market but an attempt to harness it, which, ironically may further enhance marketisation. Cities in the EU may respond to citizen resistance by harnessing the market, but that will lead to more marketisation. So in the end marketisation

will continue to penetrate cities but the double movement offers creative opportunities for city response.

These responses challenge the IMF-style austerity prescriptions and present a wider range of solutions that both moulds and challenges the current policy discourse and offers a potential way forward for public service delivery. While there are limits to the ability of city leadership to challenge policy frameworks articulated at the state and international levels, the important point is that urban responses provide a glimpse into an alternative narrative—from hollowing out to harnessing the market toward more public ends.

Endnotes

¹ ALICE is an informal collaborative of law students, city officials and professors who are assembling a web-based library of policy regulations and draft model laws to serve as a tool kit for progressive state and local policy (see www.alicelaw.org) for mayors, planners and citizen activists to use.

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