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## ARTICLE REVIEW

# THE ROLE OF URBAN MARKETING IN LOCAL ECONOMIC DEVELOPMENT A POLITICAL ECONOMIC PERSPECTIVE

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### Abstract

The aggressive marketing of cities to attract private finance and capital is one important aspect of municipal neoliberalism. Urban marketing, as it is called, is said to be the surest way to deliver urban economic development. Using a political-economic framework, this paper provides an alternative analysis of urban marketing, and highlights other avenues for addressing the urban question.

**Keywords:** Political Economy, Cities, Markets, Economic Development

### 1. INTRODUCTION

Gabriela Stanculescu's article, „The role of urban marketing in the local economic development“ in *Theoretical and Empirical Researches in Urban Management (TERUM)* is relevant because of the current emphasis on entrepreneurial urban governance as a way to remedy the 'urban crisis' (Hall and Hubbard, 1998). Stanculescu (2009) argues that the only way to improve urban economic development is through a 'market-oriented local development' (p.116). To her, local communities should be promoted in the same way that any product or service in the private sector is marketed (p.115). If we are able to do this, Stanculescu argues, we would be able to attract new national and international companies, consolidate industrial infrastructure, expand tourism and improve transport and health services in cities (p.114). Drawing solely on neoclassical theory, Stanculescu (2009) argues that the market is 'the most suitable' approach to achieve urban economic development (p.117) and solve urban problems (p.114). It is important to consider other perspectives on this subject because of the charge that market theory provides a narrow view of the economy; poorly analyses oligopoly, fails to account for social developments, power relations and class concerns (Anderson, 2004). The alternative to neoclassical theory, the political economy perspective, would give the numerous readers of *TERUM* a balanced view.

From this latter perspective, I shall argue that though urban marketing may succeed in attracting businesses to the city, it could be counter productive in the long-run because it (1) leads to accumulation by dispossession; (2) fails to take into account the peculiar needs of the poor; (3) promotes underemployment and (4) unleashes inequality in cities. City managers planning to aggressively market their cities and heed the advice to 'think like a profit-oriented firm' (Stanculescu, 2009) should invariably expect possible unrests and social upheavals of the majority poor whose material lives are adversely affected by urban marketing.

## 2. ACCUMULATION BY DISPOSSESSION AND URBAN MARKETING

The preoccupation to attract capital into cities is wont with dispossession of various forms. First, capital is not attracted to a heavily regulated city. For this reason, urban marketing necessarily comes with the privatisation of city services like waste collection and water provision. But city services are not the only assets that common urbanites are denied as a result of urban marketing.

Personal assets, like land and housing, tend also to be lost through the attraction of businesses into cities. To cite one example, real estate companies in India are even buying hills to accumulate more capital after buying out the land of the poor (Naik, 2008). Such tendency to accumulate goes beyond cities, of course. According to David Harvey (2003, p.141), some form of 'outside' is needed to sustain capitalism. This 'outside' may be in the form of private capital (like businesses, corporations) moving from one country to another; one city to another; a town to a city; a city to a town or simply privatising assets/areas (e.g. education, healthcare) which were hitherto not 'capitalised'. Whatever it is, there is a tendency for capital to accumulate by dispossessing; a tendency towards monopoly. So multinational companies/supermarkets bypass traditional markets where smallholders sell to local markets and traders. These multinational companies control 60 to 70% of food sales in Argentina and Brazil, and are expanding rapidly in China and the whole of Africa. In 2004 the market share for the four largest agrochemicals and seed companies reached 60 % for agrochemicals and 33% for seeds, up from 47% and 23% in 1997, respectively. The concentration ratio<sup>1</sup> of the largest four (CR4) in biotechnology patents was 38%. With reference to subsectors, multinational control is much higher, with one company controlling as much as 91% of the worldwide transgenic soybean area (World Bank, 2007). These processes result in landlessness, parasitic urbanisation and urbanisation poverty for the majority of people and the accumulation of wealth by a few others. This imbalance is the nature of capital – '[It]

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<sup>1</sup> 'It is generally believed that when an industry's CR4 exceeds 40 %, market competitiveness begins to decline, leading to higher spreads between what consumers pay and what producers receive for their produce (World Bank, 2007, pp.135-136).

eschews no profit, or very small profit, just as nature was formerly said to abhor a vacuum. With adequate profit, capital is very bold. A certain 10 per cent will ensure its employment anywhere; 20 per cent will produce eagerness; 50 per cent positive audacity; 100 per cent will make it ready to trample on all human laws, 300 per cent and there is not a crime at which it will scruple, nor a risk it will not run, even to the chance of its owner being hanged. If turbulence and strife will bring profit, it will freely encourage both. Smuggling and the slave trade have amply proved all that is here stated' (Marx, 1976, p.926).

### 3. UNDEREMPLOYMENT AND URBAN MARKETING

Why would capital locate in a particular city? Many reasons may be identified, but the core motive is to make the highest profit and incur the least cost. Given that the value of labour is an important 'cost' to the capitalist, one way to market the city to attract capital is to keep wages low and use unemployment as a way to discipline labour into accepting whatever wage it gets. One way to force wages down is to reduce the size of the public service, and increase that of the informal sector. Invariably, maximising profits<sup>2</sup> could also mean cutting cost by the employment of capital-intensive methods of production or by employing people who are desperate for work and would offer themselves at lower wages while working longer hours in harsh conditions (Drakakis-Smith, 1992). This latter scenario is, evidently, the case in Indonesia, where lack of economic options forces a large army of workers to work to support the profit of Nike and GAP (Pilger, 2001). But the contradiction within the logic of capitalist businesses is that the very source of their profit -low wages, underemployment and unemployment – is also a source of their losses and, possibly, crisis. This latter point is also not difficult to grasp. When the majority of urbanites have low wages, are underemployed or unemployed, their effective demand is lowered. This inability to obtain their needs and wants could lead to a rise in crime and insecurity, which, in turn, may increase the cost of production of private capital (see Stilwell, 2006, chapter 29).

### 4. INEQUALITY AND URBAN MARKETING

The fact that the capitalist city is managed along the lines of class, with differences in how capital and labour earn their reward, means that inequality is inherent in capitalist urbanisation. What urban marketing does is to accentuate this inequality. It is useful to analyse why this may be the case.

Gabriela Stanculescu (2009) notes that urban marketing benefits not only a few private entrepreneurs but also the ordinary people (p.115). However, her own analysis shows that the relationship between

<sup>2</sup> Note that if productivity rises, the benefits may be shared between capital and labour i.e. some goes to profits per se; and the rest goes to wages. It is an empirical question of how (or if) this division occurs in practice.

capital and labour in the 'urban marketing' project is not an arms length one. According to her, the marketing arrangements 'have to benefit [or profit] the complex practices of the private sector', if it would work (p.115). So, urban marketing deepens an already unequal relationship between labour and capital.

We can find this a priori situation in South Africa where cities like Johannesburg are said to be in the top 2 positions in the world's best centres of commerce (MasterCard, 2008). However, in a detailed study of one of its cities, Cape Town, David McDonald (2008), finds that 'Despite the pro-poor rhetoric of local and national government in post-apartheid South Africa, Cape Town has arguably become the most unequal city in the world, due in part to a 'world city syndrome' that deepens these inequalities and plagues its urban planning'.

## 5. URBAN POVERTY AND URBAN MARKETING

Urban marketing does not address poverty in cities. Rather, its 'fruits', dispossession by accumulation, unemployment and inequality, have adverse effects on urban poverty because they serve as a brake on urban economic growth and, by interacting with factors like race, sex and class, cause urban poverty (Sackrey, 1973). Recent econometric study of global data from 1977 to 2004 by Augustine Fosu (2009, p.738) shows that 'for all three poverty measures – headcount, gap and squared gap – the impact of GDP growth on poverty reduction is a decreasing function of initial inequality. [Also], higher rates of increases in inequality tend to exacerbate poverty'. So even though Cape Coast, the former capital city of Ghana, has been aggressively marketed as an international city of tourism, it is still one of the poorest cities in Ghana (Agyei-Mensah, 2006). Urban marketing, therefore, could make people too poor to grow (see, for example, Lopez and Servén, 2009).

Urban marketing is not the answer to urban problems as Stanculescu (2009) suggests. Its internal logic - that *urban problems* arise out of insufficient finance and job opportunities in cities - is off the mark, and its prescription - that the state should provide the means of collective consumption in the form of supporting infrastructure for business - is the very basis of further contradiction. We need to elaborate these conclusions further.

## 6. PUTTING THE URBAN QUESTION IN PERSPECTIVE

To understand urban economic development and the limitations of urban marketing, we need to understand the urban question. The 'urban question' denotes how the means of collective consumption (e.g. housing, roads and schools) is provided, managed and distributed in cities (Castells, 1978).

As cities grow, accumulation of capital intensifies and labour is drawn into the centre of this large pool of concentration. With concentration comes the need to provide collective goods like roads, schools and hospitals. Such collective goods, Castells notes, provide the motor for the maximisation of profit. Yet, capital would not undertake the production and management of these goods, not because these goods are not essential, but because they may be difficult to be appropriated and run in a way to maximise profit (Castells, 1978). The state tries to mitigate this contradiction by producing, managing and distributing the means of collective consumption. However, '...as an expression of a class society, the state in practice acts according to the relations of force between classes and social groups generally in favour of the hegemonic fraction of the dominant classes' (Castells, 1978, p.2). Dissatisfied with such contradictions and their repercussions on their material life, social movements arise. According to Castells, these movements are 'a certain type of organisation of social practices, the logic of whose development contradicts the institutionally dominant social logic' (Castells, 1978, p.93).

There exist many recent cases of protest against the attempt to turn over cities to private capital through the vehicle of urban marketing. In Africa, such cases have been witnessed in the Niger Delta area in Nigeria (Okonta and Douglas, 2003); Ouagadougou in Burkina Faso (Harsch, 2009) and Accra in Ghana (Essel, 2009). So have there been protests in other regions like Latin America where Veronica Crossa's recent study in Mexico shows how street vendors have struggled to challenge the attempt to rid them off the streets (Crossa, 2009).

## 7. CONCLUSION

Ultimately, the question is not whether or not we should market cities or how we should do it. The question should be: how do we ensure liveable cities, equitable cities and environmentally friendly cities? How do we ensure that there is harmonious interdependence of the economy, ecology and society (Stilwell, 1995)? These questions are not easy to answer here. However, raising these questions, as we have done, is an important step in finding lasting answers and solutions to urban problems. We also need to reconfigure the framework with which we analyse cities. Here, we have seen the inherent weaknesses of the neoclassical theory of markets: its failure to understand that the economy is embedded in society and hence its narrow view of the economy. We should embrace a broader political economic framework which presents a coherent view of the economy and society. There is also the need, beyond asking the right questions and choosing a broad framework, to change track, in terms of vision. In this regard, 'democratic socialism as the principal rival set of ideals and practices to liberalism will necessarily continue to be on the agenda in some form or the other' (Stilwell, 1995, p.211).

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