UNIVERSITY OF AMSTERDAM

UvA-DARE (Digital Academic Repository)

Regulating urban office provision : a study of the ebb and flow of regimes of urbanisation in Amsterdam and Frankfurt am Main, 1945-2000

Ploeger, R.A.

Publication date
2004

Link to publication

Citation for published version (APA):
Ploeger, R. A. (2004). *Regulating urban office provision : a study of the ebb and flow of regimes of urbanisation in Amsterdam and Frankfurt am Main, 1945-2000*. [Thesis, fully internal, Universiteit van Amsterdam].

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: https://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, P.O. Box 19185, 1000 GD Amsterdam, The Netherlands. You will be contacted as soon as possible.

UvA-DARE is a service provided by the library of the University of Amsterdam (https://dare.uva.nl)
Download date:10 Oct 2026

2 THEORETICAL PERSPECTIVES ON "ACTUAL" URBANISATION

The city as a node of accumulation

2.1 Introduction

This dissertation examines the relationship between the accumulation of capital through investments in the built environment and the ebb and flow of urbanisation, assuming that this relation is mediated by processes of sociospatial regulation, both on the platform of the state and on that of the economy. This asks for an understanding of three phenomena: the phenomenon of office development, that of sociospatial regulation, and that of urbanisation. The obvious interrelations between the three make it peculiar that they have barely been investigated together.

In research, spatial regulation is often confined to spatial/urban planning. Recent planning research is mostly geared toward the reframing of the multidimensional process of plan making, and the optimising of this planning process in a complex development arena through mechanisms of public-private governance. Section 2.2 of this chapter aims to shed broader light on the position of the urban planner in complex processes of urban change and development. Subsequently, section 2.3 aims to illuminate the structural relationship between economic change and urban change. Although the material manifestation of functions in cities and urban agglomerations differs from location to location, it was argued in the previous chapter that all too often the evolution of urbanisation is theorised in generic terms. This is a result of the long-lasting dominance of unilinearism in urban research. These studies are very helpful in understanding the general underlying causes of urban development, but as said, they rarely problematise the link between, for instance, economic change and urban (spatial and functional) development. Recently, within the disciplines of urban geography, economic geography, and regional economics, a number of "location" theories have gained momentum. These theories aim to link economic change and urban development by trying to understand the locational preferences of companies. Although not aiming to give a complete and coherent overview off all theories, section 2.2 discusses the relevant theories on urbanisation and office location derived from this line of work.

Subsequently, section 2.4 presents a first step in the unravelling of the real processes at hand in the making of cities in the secondary circuit of capital, by introducing the agencies involved in the actual development of real estate, as well as a method of ordering and evaluating their interrelations. In Chapter 3, the social relations that can be derived from these theories will be integrated into a theoretically informed research model that will guide the reader through almost 60 years of office development and office planning in both Amsterdam and Frankfurt.

2.2 Urban planning and urban development

Planning theory's emerging paradigm

As an outgrowth of the practice of theoretically confining the regulation of urbanisation to practices of urban planning, there has been a long-lasting tendency in planning theory and practice to overvalue the role of urban planning and urban planners in processes of societal and urban change. This led to the genesis of a theory of planning that was mainly concerned with finding rational ways of planning (cf. Den Hoed *et al.*, 1983; Salet, 2000), and practices that emphasise spatial categories instead of decision-making agents (see De Vries, 2002: 310), leading to the drafting of encompassing plans that should be integrally implemented (see Wissink, 2000: 217). Although the emphasis has shifted away from theories about the planner as a rational technocrat, toward theories that see the planner – including the urban landuse planner – as one among many agents influencing the spatial development of an area, this tendency to overvalue planning has not disappeared. According to Yiftachel and Huxley (2000a), the new attention in planning theory to emerging forms of collaborative planning, recently labelled the "communicative turn" (see Healey, 1996), has revived the search for best ways of rational planning as an end in itself. In this new stance in planning theory, interactionism, which claims intersubjectivity instead of subjectivity, is dominant.

So, debates in planning theory revolve around the planning subject. The new theories normatively provide new ways forward for urban planners, in order to deal with complexity in issues of real future planning, thus underlining the future-oriented identity of the planning profession. Obviously, the emphasis on strategic actor behaviour and on the different positions that are manifest in the real-estate provision process gives communicative planning theory an important institutional flavour. However, in contrast to the "institutional turn" that has invaded studies of urban and regional development recently, aiming to explain urban development in

new ways (MacLeod, 2001), the institutional turn in planning theory did not lead to a grand shift away from the path of prescribing best planning practice in an instrumental way. Rather, scholars in planning theory set out to find new ways of planning with even greater enthusiasm than before (see, e.g., Innes, 1995; Sager, 1994), without critically reflecting on the position of subjects in the wider political and economic arena: Intersubjectivism explains the world of planning from the viewpoint of dedicated actors.

By focusing on planning as a procedural field of activity, communicative planning theory remains detached from the "messy political and economic realities of urban and regional development," in the eyes of Yiftachel & Huxley (2000a). It obscures such fundamental questions as "Why are things as they are?" and "What are the underlying material and political processes which shape cities and regions?" (cf. Yiftachel & Huxley, 2000a). However, since this is a conscious choice in planning theory – which positions itself as a normative, forward-looking discipline – it cannot be blamed for not doing things it did not set out to do in the first place. Therefore, other disciplines are better suited to both ask and answer these questions.

As said before, this dissertation aims to enter a field relatively untouched by planning theory, but central to most other studies of urban and regional development, by answering questions such as the ones posed above, which can be summarised as "How does urban space come about?" (cf. Yiftachell & Huxley, 2000a). By doing so, this dissertation ranks with those planning theorists who look at planning from a sociological institutionalist perspective (see, e.g., Bolan 2000; Kreukels 1997; Salet 1999, 2000; Hajer 1995). These scholars propose that the strategic power of planning efforts made by planning agencies can benefit from the appreciation that spatial planning practice is only one amongst many forces in the processes that ultimately shape urban space. Their contributions focus on the question how planning can make a difference in a disorganised multilevel world that includes many opposing interests and diverging development processes. Therefore, a first task is to look for the origins of planning, and for the position of the urban planner in processes of urban change.

Urban planning: between minimalism and utopianism

Theoretically, the constitution of the built environment and, relevant to this dissertation, office provision, is a private process on the free market, where individual development profits are sought. If indeed the development process were to be left to the price mechanisms, the negative excesses of urban development

would be abundant, since the development that promised the largest private (money) return would prevail over the development with the largest public (social) return. The distribution of land between competing uses would inevitably lead to a race to the bottom between short-sighted private developers seeking development gain, and only a small and affluent proportion of society would reap the benefits of such urban development. Moreover, since much of what we call "the urban" is a non-marketable commodity (Scott, 1980), capitalists encounter formidable barriers to switching capital into the built environment (the large scale, the long term, the difficult pricing, and the oftentimes collective use character) and tend to cause underinvestment in the secondary circuit of capital (Harvey, 1985: 7).

State institutions, such as urban planning frameworks, were introduced long ago in order to overcome this problem, and to regulate the struggles over land between competing uses. A certain amount of "control over the layout and design of urban settlement" has been exercised since the days of early civilisations, and ever since then, planning has been a matter of the "reconciliation of social and economic aims, of private and public objectives" (Rattcliffe & Stubbs, 1996: 2-3), in which the tools of planning derive from civic actions in the realm of sanitation (sewage, water supply, housing), the overcoming of poverty and social problems, public housing, and urbanistic quality.

To secure such reconciliation, the state usually provides institutional barriers to unbridled urban development, by way of urban planning regulations to which private agents have to adhere. Through these regulations, public authorities seek to "direct and control the nature of the built environment in the interests of society as a whole" (*ibid.*: 6). However, because the structure of the state differs from location to location – as does, for instance, the political and/or economic embeddedness of urban planning, or the local history of the planning profession – the role of planning in processes and structures of office provision differs from location to location.

This position can be minimalist/reactive, in that planners only aim to prevent or correct market failures, coping with bottlenecks as they arise and mainly engaging in infrastructure planning (Scott, 1980: 61). In order to do so, a judicial basis for intervention in landuse patterns and in landownership is necessary. In this way:

> "... state intervention takes the form of a political/legal intervention [...] Building regulations, for instance, place legal limits on the actions of [...] builders rather than alter the social relations of provision. The same is true

> for most planning controls. Zoning regulations, for example, are akin to other building controls" (Ball, 1986: 161).

Because of this intervention in landownership/property rights, planning is a conflictive undertaking, over which many struggles occur.

Post-war planning practice

Let's take a look at twentieth-century planning practice. We find that through struggle over planning regulations and their legal foundations, the authority of planners and their tasks description was stretched: Urban planners did more than just guide investments in the urban environment in such a way that private and public objectives were matched. As Harvey (2000, in MacLeod and Ward, 2002) observes: "Most of what passes for city planning has been inspired by utopian modes of thought." The so-called socialist utopianism of the post-war urban reform movement is rooted in the imagined urban spaces (cf. Baeten, 2002) of famous pre-war city planners like Ebeneezer Howard (Garden City) and Le Corbusier (Radiant City), who did more than weigh the public and private interest in urban development (see Hall, 1996). They saw the development of the city and of "good city form" as a way to create a better future for all. Their plans encompassed comprehensive programs of radical reform, both social and spatial, leading to a world in which social solidarity could be the norm (MacLeod & Ward, 2002).

Post-war planning practice was characterised by the increasing influence of planners on the development of the city, and by a functionalist belief in separate urban realms for separate urban functions. The broad definition of tasks that planners gave themselves in these years was generally backed by their dominant legal position on the land market and their tight grip on the provision of housing. The period of deindustrialisation of the 1970s and 1980s and the suburbanisation of high-income households forced municipal governments to think of new ways of managing the progress of their city, because urban planners no longer controlled the development process: Funds were lacking, land markets and housing markets were liberalised, and social problems became insurmountable. Slowly, the idea of competitiveness took root, which meant that mobile capital in the post-industrial area was "out there" and had to be captured by cities, so that new investments in fixed capital would be made on their territories.

However, to attract these investments in waterfronts, offices, shopping centres, science parks, and the like, local planners had to change their way of

working and become more active in pursuing investments (Hall & Hubbard, 1996). This new urban entrepreneurialism replaced the old habits of urban managerialism and produced "developers' utopias" (Harvey, 2000).

The position of the landuse planner

If this entrepreneurial approach to urban governance has become hegemonic, is a planner more than an instrument for capital accumulation? If so, does this mean that urban planning has become an uninspiring undertaking of the management and attraction of capital investments? The planner, as an extension of politicians, had to design institutional armatures that obliged agents in the urban development process to act partly through the platform of the state. The ways in which this objective of planning is met vary over time and space, but it is clear that, as a relative outsider in the provision of real property, the urban planner has acquired a pivotal position amidst the agents whose main concern is to maximise private profit. The problem in planning theory has been that this pivotal position was taken too seriously, as though urban planners rather than the agents in real-estate provision create the urban environment. However, we described the role of the state and of landuse planning practices as only one of the processes that lead to the production of space. Therefore, the urban planner is treated as an agent that has to "conquer" its position, by creating or upholding arrangements that drag the agents in real-estate provision from the platform of the economy to the platform of the state, and by mediating the organisation of a balanced flow of individual capital investments in the secondary circuit of capital.

The following section explores a number of theories on the structural relations between processes of economic and urban change. Although these general theories usually do not aim to provide an explanation of contrasting developments in real spaces, they do provide us with a broad understanding of structural processes in urbanisation.

2.3 Theories of structural urban economic change

Of all the elements that impact on a city's evolution – which range from demographic transitions, culture and history, via urban planning to basic morphology – the impact of economic change on urban development has received the most widespread attention in recent debates. The exploration of the structural relations between radical transformations in the way the economic system

functions and the spatial organisation of economic relations in real metropolitan areas is central in theories of economic location. The basis of much reasoning in these theories is the notion that capitalist accumulation is a phased process in which different industrial paradigms[1] succeed each other.[2]

Building from this notion, the observation that different industrial paradigms demand different kinds of spaces leads to the premise that every period of capitalist accumulation can be associated with a certain built-up urban structure.[3] In this tradition, the process of urbanisation is conveniently summarised by Knox:

> "Each new phase of capitalism saw changes in what was produced, how it was produced and where it was produced. These changes called for new kinds of cities, while existing cities had to be modified" (Knox, 1993, p.10).

The line of reasoning in such theories of urban change starts from the notion that during the early phases of capitalism, the locational demands of businesses could be met within the borders of the cities. During these periods, cities became centres of rotation for functional economic activities. Although these activities were not necessarily bound to urban environments, their clustering brought about surplus value for these activities. Consequently, the city became the point of concentration of living and working. Today, it is argued that in the current era of economic globalisation, economic activity is becoming increasingly detached from central cities, but that cities remain important because, for instance, "the basis of the comparative advantage of financial centres is based upon agglomeration economies" (Budd 1995: 359). Gradually, functionally varied concentrations of economic, cultural, and social activities originate outside the central city. These new concentrations become competitors for old centres in these central cities. They have received many labels and names, ranging from "minicity" to "technoburb." The term that gained most popular acceptance is "edge city" (Garreau, 1991).

In many cases, several intersecting processes made the decentralisation of economic activity necessary, possible, and inviting. Most explanations place the

---

[1] Industrial paradigm: "model[s] governing the technical and social division of labour" (Jessop, 1997: 291).

[2] See for instance Knox' (1993) analysis of the "evolution of capitalism," in which he distinguishes between three subsequent phases of capitalist accumulation, namely competitive capitalism, organised capitalism, and disorganised capitalism.

[3] See, for instance, Soja's (2000) depiction of the evolution of urban form, based on American cities: mercantile city – competitive industrial capitalist city – corporate monopoly city – Fordist regional metropolis – postmetropolis.

logic of the becoming of "new urban economic configurations" in the light of new demands on space exercised by companies that are active in the new economy, the push factors of congested urban cores, and the possibilities of new communication and transportation technologies. In this section, three related theories on the relationship between structural economic change and urban development are briefly reviewed, in order to provide an understanding of the general processes of urban change that are central in this dissertation. These are the "new industrial spaces" literature, the global city/world city literature, and the Fordism - post-Fordism literature.

Firstly, scholars from the California School (e.g., Scott 1988a and b; Storper, 1992, 1994; and Soja, 1989, 2000) make the link between changes in the organisation of capitalism, the rise of new economic sectors (e.g., new media, telecommunications, air trade) and their demands on space, and urban form. Ultimately, these authors argue, the process of spatial economic urban development is steered by trends such as the rise of new, flexible organisational forms and production techniques, the increasing importance of the internationally connected global economy, the crucial role of cities in this respect, and the coming into being of "edge cities" and the like (Hall, 1998). Such location theories reason from the idea that the social setting of a company is key to that company's functioning . The majority of these types of contributions to the debate with relevance to urban office development discuss "the rise of locally agglomerated production systems" (Amin & Thrift, 1992). Such contributions lean on the industrial district theory put forward by Alfred Marshall (1910, 1961). Authors like Scott (1988b) and Amin and Thrift (1992) use Marshall's name as an adjective to make clear what they mean when talking about post-industrial economic spaces; for example, the "Marshallian industrial district," which consists of a tight network of connected companies in a relatively small geographical area. The new growth poles of the economy, as these districts are also named, are located outside the old centres of Fordist mass production. Correspondingly, Scott (1988a, 1988b, 1993) speaks of "new industrial spaces."

Although such theories are mainly associated with flexible industrial production because of the great number of case studies that focus on that sector, it has also been applied to the service sector. Amin and Thrift (1992), for instance, characterise the city of London with its financial headquarters as a Marshallian district, combined with global networking. The characteristics of a Marshallian district in the service sector are (1) the fact that most needs can be satisfied locally, despite the external linkages, and (2) a strong, "thick" social interaction and

collective consciousness. Together, these form the points of departure for the development of a CBD: A "social centre of the global corporate networks of the financial service industry" (*ibid.*).

Secondly, the global cities and world cities thesis of Sassen (1991) and Friedmann (Friedmann & Wolf, 1982; Friedman, 1986) is an attempt to theorise urban spatial economic development as a response to structural changes in the economy. A central thesis in this work is that, because of global financial flows, control functions of the global economy cluster in certain places. Sassen calls these cities "global cities," while Friedmann speaks of "world cities." These control functions, the ideal of many cities, demand spacious and appealing locations, which has its effect on urban space.

Friedman calls world cities the bases of international capital. This international capital, Friedman argues, has created a complex hierarchy of cities. Sassen uses a more functionalist way of reasoning. She argues that the global cities are the material manifestation of the structural process of globalisation. In the words of Smith (2001: 55):

> "Global cities, as command centres, locations for financial and other specialized producer services, sites for the production of financial and technological innovations, and markets for these innovations, are seen [by Sassen] as 'required' by the 'new global dynamic' because they concentrate control over vast resources."

These kinds of theoretical notions are open to both empirical and theoretical testing, and subsequent refinement. Firstly, Sassen's theory about global cities was tested theoretically, for instance by linking it to the industrial agglomeration thesis discussed above. Secondly, quantitative and qualitative analyses have recently been conducted. In the quantitative tradition, academics are searching for proof of the existence of agglomeration economies, for models that combine the determinants of service sector agglomeration economies and the like (O hUallachaín 1989; Suarez-Villa, 1988; in D'Arcy & Keogh, 1997). In the more qualitative approach to Marshallian agglomeration economies, industrial districts have a central position.

A vast number of contributions have focused on constructing taxonomies, developing lists of world cities, and finding ways for cities to compete in this world-city race. In 1995 Friedmann looks back at the debate that followed on from his work, and regretfully observes that scientists as well as urban planners and policy makers primarily tried to bring new candidates for world-cityness into the

race. In their view, global/world city formation is a functional process that has spatial consequences. When the global/world city is seen as a functional entity, in which global command centres concentrate in a limited space, the question remains which are the processes that transform urban space to accommodate "the economy" with the concrete urban environment it needs. This cannot be regarded as just an apolitical adjustment or adaptation process, leading to the natural order of things, because there is no natural order of things.

The third relevant contribution to this overview comes from the Fordism - post-Fordism debate. Explanations of urban change in this debate emphasise the new demands on space resulting from the transition to a post-Fordist/flexibly specialised/disorganised form of capital accumulation. There is a variety of manifestations of the Fordist phase of organised capitalism. Although Fordism is generally associated with an urban form dominated by large-scale industrial estates housing extensive industries (e.g., the steel industry, car industry, chemical industry, and the electrical equipment industry), Fordism's influence on cities is much broader: It is characterised by large-scale traffic development schemes, the depopulation of inner cities, functionally specialised areas, and the extension of inner-city branches of the economy (cf. Esser & Hirsch, 1989).

As Esser and Hirsch (1989: 79-80) argue, facilitated by new technologies in production, information, communication and transport, the globalisation of production processes and management and control operations took off, which caused the deindustrialisation of Western metropolitan regions. Several issues have confronted cities since this decline of manufacturing and the rise of unemployment, with the unavoidable polarisation between the excluded and the "better-off" (Jewson & MacGregor, 1997: 2). For a long period after the crisis in manufacturing, the city was the setting for struggle and conflict. The resulting deregularised and more flexible labour market, geared toward white-collar and high-technology sectors of industry, with globally competitive innovative companies, is often called the postmodern or post-Fordist city. The authors witnessed the development of expansive urban administration centres as nodal points of connection between internationalised production, circulation, and finance (global cities). The existing stock of offices from the Fordist phase of urban development was too small and unable to accommodate the demands of the new service economy. The new phase of economic development brought with it a new type of user of offices, and also a new type of demand for office environments. Also, existing "office holding functions" grew rapidly, already during the Fordist phase, which created considerable demand.

In overview, these three theoretical debates provide some understanding of the structural processes at hand in urban change and development. The growing importance of agglomeration, also in the services sector, shifted the factors producing an urban environment away from "natural conditions of location" toward "economic strategies" (cf. Esser & Hirsch, 1989: 80). Moreover, the new CBDs of the new flexibly specialised global economy are in need of new locations. These are the "neo-Marshallian nodes" that Amin and Thrift talk about, Storper's "flexible production environments," Scott's "new industrial spaces," and Sassen's "global cities." Therefore, users look for new environments that can fulfil these needs.

2.4 The actual shaping of cities

Although the theories described above hint at processes that are undeniably at hand, to a varying degree they lack an appreciation of the shifting power relations in the coming about of new metropolitan economic configurations. As Soja has indicated, the model should therefore not be read as a blueprint for post-industrial urban development. Although there is definitely a changed spatial order (Marcuse & van Kempen, 1998) both between and within cities, the production of "urban form after Fordism" (Keil, 1994) is hardly a univocal process leading to similar cities across the globe. Because cities are the product both of their past (past trends, prior investments, and social commitments that slow the pace of spatial change) and of present, contingently shaped processes, the impacts on cities vary.

Thus, the post-Fordist global city with its new industrial spaces is neither a general, univocal, generalisable spatial entity, nor a new kind of city that has no connections with the pre-existing urban form associated with Fordism:

> "The contemporary city is still under the influence of processes – decentralisation, agglomeration, property market dynamics – associated with the modern or Fordist city, and its form the result of overlapping historical events and forces" (Beauregard & Haila, 1997: 35).

Cities are shaped from the inside out: Real actions, by real agents, acting through real localised networks on local institutional spaces (local state, local markets), that contingently developed into specifically local structures, shape the spaces of a city. So, post-Fordist development/redevelopment and restructuring of urban spaces –

such as harbour waterfronts, former centrally located manufacturing areas, vacated brownfield locations, central city office locations, growing suburbs, exploding edge cities, and refurbished historic landmarks (Marcuse & van Kempen, 1997: 257) – is mediated through historically developed and path-dependent localised production cultures, political and social habits, conventions and structures, and spatiotemporally institutionalised modes of regulation, urbanisation, and accumulation.

The general theories on urbanisation and office location do not strengthen the knowledge on the why and how of real-estate development, because the availability of real estate is generally assumed to be unproblematic: It is there, or will be realised (Brouwer, 1994: 1; see also D'Arcy & Keogh, 1997). They do not give an explanation of "actual" urbanisation, namely the real development of objects in space that causes the further change of a city or metropolitan area. Therefore, a study of office development, sociospatial regulation and urbanisation should combine the mentioned notions on general economic and urban change with a theory of local interaction and institutional change. The following section emphasises the local interaction part of this combination.

Real-estate theory

With regard to the constitution of the built environment, an approach that focuses on the realisation of the real object is called a physical approach (Brouwer, 1994). Real-estate theory offers such an approach. Real-estate theories try to answer the questions why and how a certain piece of real estate is created, and why and how supply fluctuates through time and across space. In this line of work, a multitude of real-estate theories, varying from macro-economic property cycle models to micro-economic provision models, can be distinguished. A central premise in these models is that a piece of real estate is only realised if profits can be made from it. The office is an investment object, or a source of wealth. In real-estate theory, the background of investment issues for real estate is investigated in three main ways (Ball *et al.*, 1998).

First, there are the macro-economic issues in property markets. Here, the emphasis is on the "role of commercial property in the economy, the possibility of 'crowding out' or overinvestment in property, property cycles and the need to model property market behaviour" (Ball *et al.*, 1998: 2). The main focus in such research is on finding the causes and consequences of property booms and busts, and here the link between macro-economic change and commercial property markets is central.

Second, the financial issues in commercial property markets have become more and more important. In recent decades, real estate has become an increasingly significant asset in the investment portfolios. Especially after the opening up of financial markets and the rise of international investment in the 1980s, which was a consequence of financial liberalisation and deregulation, the importance of discovering the origins of capital which finds its way into a metropolitan area increased. It became increasingly clear that the investment considerations were not only between different national locations, but also between international locations, and between real estate, stocks, and bonds.

Third, there are researchers who approach real-estate development from a micro-economic perspective. Insights from the first two perspectives meet in theories about the daily decisions made by individual agents on the various markets in real-estate development. These theories come closest to the daily decision-making practices related to investments in concrete objects in space. In the micro-economic approach, the decision-making on the production and consumption of real estate is investigated in many ways.

In the search for the processes that form the foundation for actual urbanisation, this dissertation makes use of institutional theories. These theories do not necessarily oppose the studies discussed in the previous sections, but add to their view of urban development processes. These theories argue that the existing built environment and the institutional structure of the local real-estate market decisively shape the spatial-economic development of metropolitan areas (e.g., Keivani *et al.*, 2001; Van der Krabben & Lambooy, 1993; Van der Krabben, 1995; D'Arcy & Keogh, 1997, 1999; Rattcliffe & Stubbs, 1996). Most of these contributions try to provide a clearer overview of the true relations between organisations that participate in the real-estate development process. Although many adherents of institutional theories react against the lack of appreciation of real dynamics which they witness in neoclassical/mainstream economic approaches, institutional analysis has also entered the world of mainstream economics and mainstream real-estate analysis (Ball 1998; Ball *et al.* 1998). Since there are not many examples of this work, the following section is restricted to the institutional real-estate analyses outside the mainstream economic literature. The main premise in these institutional theories is that there are many organisations in the real-estate development process that participate with varying and maybe multiple interests. This makes the process very complex, and invites strategic behaviour by the organisations involved (Ball *et al.* 1998).

Structures of provision

Next to historical studies, Ball *et al.* (1998) distinguish four important applications of institutional analysis of the real-estate market. First, in "conflict institutionalism" the focus is primarily on the opposed interests of developers and the local community in real-estate development, and on the ways in which the goals of different groups in the development process can be brought together in large-scale redevelopment projects. Second, in "behavioural institutionalism" the emphasis is on the different behavioural characteristics/preferences that can be witnessed from various types of actors. These preferences are attributed to the different institutional frameworks. The third line of institutional real-estate analysis is "structure-agency institutionalism," as advanced by Patsy Healey. Central to this approach are the roles, strategies, and interests of agencies that are related to underlying structural sources, rules, and ideas. Finally, in the "structures of provision institutionalism" attention is paid to the concrete network of relations "associated with the provision of particular types of building at specific points in time" (Ball, 1998: 1513).

For our purposes, the structures of building provision (SoP) approach, developed by Ball, provides helpful analytical tools. SoP networks are empirically observable combinations of social agents involved in building provision. Ball (1986a: 158) warns against using his approach as an "exercise in taxonomy," and emphasises the central theme of his suggestions: "Most structures of [building] provision contain contradictions and tensions forcing change." The SoP approach consequently rests on two pillars: First, it aims to define a structure of provision, and second, it aims to explain its internal dynamic and the "components of change" (*ibid.*). For the first task of defining the structure of provision, Ball defines building provision as a "physical process of creating and transferring a [building] to its occupiers, its subsequent use and physical reproduction and, at the same time, a social process dominated by the economic interests involved" (Ball, 1986a: 160). This means that he delimits his direct analysis to those social relations that are of direct relevance to the physical process of production, allocation, consumption, and reproduction of a building, including only necessary relations, such as "landownership, relations of production, exchange agencies (where they exist) and [...] consumers" (Ball, 1986a: 160).

Because the notion of SoP is more than an exercise in taxonomy, Ball proposes some formulation of the nature of the relationships between the constituent social agents:

> "It is the economic interrelations between them that are central. Examining a structure of building provision consequently involves specifying the economic roles of particular social agents, their influence on each other, and evaluating the factors which determine those economic mechanisms" (Ball, 1986b: 455).

Because of this, "the social relations of building provision cannot be isolated from the wider social context in which they exist" (*ibid.*).

It is clear that the economic role of an agent inside the SoP is often defined outside the direct structure of provision. This does not mean that these agents are not part of the SoP. However, caution is necessary. Large-scale financial institutions, for instance, have recently become important owners of office property. So, while they are not in the SoP as mere financiers that have no direct relationship with the physical process of intervention, they are in the SoP as owners. But because their interests in ownership derives from their role as investor anticipating future property yields, they have an important influence on other agents in the SoP, even to the extent that offices may be provided before office demand is expressed (Ball, 1986b: 455).

State agents, such as urban planners, exert the same indirect influence on an SoP. Through struggles in the institutional realm of the state, landuse planning controls and building ordinances exert an important influence on the possibilities and types of office building at particular locations (*ibid.*). However, as a landowner or office user, state agents may be directly involved as a component part of an SoP.

Thus, explanation of the dynamics within an SoP is not delimited to the interrelations between the organisations responsible for developing, constructing, owning, and using the provided building, but also includes the institutional spaces of the market and the state, which have an important, contingent role in explaining an SoP and its changing nature. As Ball (1986b: 456) puts it, there are three forms of social struggle over building provision:

> "Conflicts between the social agents in a structure of building provision, [...] conflicts involving one or more of those agents and wider social and economic processes, [and] competition between agents in different structures of provision" (1986b: 456).

If we aim to understand the role of sociospatial regulation in urban development in general, and in office provision in particular, "the analysis of

structures of building provision is a means of ordering and evaluating particular sets of empirical material" (Ball, 1986b: 457).

Before trying to define the workings of the SoP and the contingent role of the state, we must first define the main necessary positions in office development. In the office provision process, at least specific agents must necessarily fill the following positions: the user, the landowner, and the developer. A fourth position, although not necessarily part of a structure of provision in Ball's terms, is that of the investor. This is dealt with in a final part of this chapter. The fifth position, that of the urban planner, has been dealt with in a separate section, because of its more ambiguous relation to the provision process.

2.5 Positions in the real-estate development process

The user

In order to understand the main focus in the user market, it is vital to understand that for users, the office is no more than a concrete time- and place-specific asset (means of production) in the course of being valorised. The simplicity of this proposition is striking, but hidden behind it are numerous social relations in as well as outside the purely economic realm.

Firstly, means of production can wear out. The description given by Ball *et al.* (1998: 20) of the user market puts the emphasis on this element of the user market:

> "In the user market, there exists a stock of offices, which house the activities of office users or are temporarily vacant. This stock may be owned directly by the users themselves, as owner occupiers, or rented from a property company or financial institution. The existing stock of offices is subject to wear-and-tear depreciation, requires regular maintenance, and becomes technologically obsolescent."

Secondly, the technical or technological obsolescence is not the only reason for users to look for new stock. The evolution of capitalist production paradigms continuously places new demands on the working environment. Increasing scales of production due to endogenous growth or mergers, and improved transport possibilities (for both products and employees) resulting from the growth of motorised traffic, cause spatial shifts of economic activities: Industries relocated to

outer city locations because of congestion in inner-city industrial districts and a bigger demand on space caused by changing production techniques, such as assembly line production. This initial flight from the cities by monofunctional industries was subsequently followed by more varied economic, cultural, and social activities. Certain locations exert particular push and pull factors on companies. The relocation of banks and insurance companies, for instance, generally occurs because of the growing need for accessibility, parking space, room for future expansion, and a suitably impressive/modern office environment. Since these qualities are found more often in new office parks than in central urban districts, office parks (and to a lesser extent, also mixed company parks) become more popular, while the popularity of the central urban locations slumps (cf. Beernink *et al.*, 1998: 8-12). A new working environment thus entails more than just the office. Social networks outside the office also play an important role.

Thirdly, it is clear that it is not only a question of users being inspired by considerations of internal efficiency or production processes: They often look beyond these purely economic profit calculations. Power relations outside the economic system are another important trigger for the decision to relocate or to embark on new development of economic activity in suburban spaces. More often than not, firms choose new suburban spaces that are politically independent of the central city and have a much smaller scale, while the services and facilities needed by inhabitants and economic activities stay available in the central city. As Ashton (1978: 65) notes, "this smaller scale makes the suburb much more amenable to domination by a single interest group (or coalition of interest groups) than a large heterogeneous city." This "possibility of dominance" is an important trigger for capital to locate in the suburban spaces of the metropolitan area, instead of in the central city, where many pressures challenge capital's interests.

Fourthly, the interests of the political representatives of localities in the user market for offices is a result of the perceived growing placelessness of capital, and the wish to capture some portion of this placeless capital, since it has to find its concrete space of production. This rescaling in the user market can best be illustrated by the concepts of deterritorialisation and reterritorialisation of office users.

The landowner

Land is more than a mere neutral space or container of activities and objects: It is an intrinsic part of the social relations shaping urban life (cf. Kivell, 1993).

Urban land is both a form of property and a structural resource for urban development.

When we look at land as a structural resource for urban development, conflict over space immediately comes to the fore. As Ball *et al.* contend:

> "Given the limited availability of land at any location, competition over land use generally exists. Existing offices have to compete with new office developments and other land uses for a plot of land" (Ball *et al.,* 1998).

Thus, the land question as a political issue is very complicated. As Scott (1980) argues, as the economic system moves forward, landuse patterns are in continuous flux. Different categories of landowning social fractions – such as finance companies, construction firms, and households – have different "functional orientations," and therefore conflict over future landuse generally arises. This is especially the case in a period of rapid changes in the processes of accumulation and technical change, which are identified by Scott as the fundamental mechanisms behind landuse change.

Secondly, land is a form of property, which has a certain value. It gives its owners great economic (and, in cases of important planning issues, also political) power. Land is owned by various fractions of owners, and an important question is whether the division of landownership between these fractions changes fundamentally over time, especially in relation to expanding urban areas, and what implications this has for land values. Massey and Catalano (1978), in analysing the (predominantly private) British land market, for instance, distinguish three subgroups of landowners: "former landed property," "industrial landownership," and "financial landownership." These groups have significantly different relations to the land that they own:

> "... in terms of history, present economic relation to the land, and prospects for the future. It is also the case that these differences in economic situation exist in the politics, and in the ideological context and base, of the different sub-groups" (Massey & Catalano, 1978: 62).

For these subgroups, land has a different economic significance. The authors use this notion to explain the growth of certain fractions of landownership, and the decline of others, by answering questions about the specifics of land rent form: Is land a goal in itself, or a means to reach other goals? What is the basis of the land

rent, and how is it collected? And how does a certain form of ownership correspond to the process of capital accumulation?

Not included in Massey and Catalano's research is public landownership, which grew markedly during the twentieth century. Land is an important basis of town planning, which is often said to balance an uneven distribution of power and to protect the interests of weaker groups. This naïve "Robin Hood" perspective is challenged by efforts in the field of urban renewal (where relatively weak local communities have been pushed aside by a collusion of local authority and property development interests) and pro-development policy (where the power of local and community interests have been downgraded) (Kivell, 1993: 8).

The developer

"Office building takes place in the development market. In this market, developers – in conjunction with construction companies – generate new office buildings to be owned by investors" (Ball *et al.*, 1998: 21). In the development market, the political and the economic system are closely intertwined, since this is where office construction in its most concrete form – the building of the actual piece of real estate – comes to the fore in all its guises. Three essential elements of office construction influence developers' daily behaviour: demand for offices (the building cycle), location of the development, and scale of the development.

If one looks solely into the economic system, the social relations that dictate the building cycle guide behaviour in the development market. The emphasis in the economic system is then on the exchange value of offices. Together, user demand and associated expected revenue cause the action on the development market. Fluctuations in the property cycle are the most obvious result of the direct actions in the development market. Ball *et al.* (1998: 196-197) distinguish five phases in property cycles:

1. *Business upturn and development*: In periods of high user demand, usually connected with upturns in the business cycle, available space is absorbed quickly and thus new development is needed. New development is also attractive for investors, because of lower interest rates and higher rents. The lag between demand and new supply creates even higher expected rents.
2. *Business downturn and overbuilding*: At the moment the new development comes on the market, real interests tend to rise in response to this boom, and the business cycle turns downward. As vacancy rates rise again, rents falter and

new development is postponed, although for some time new development keeps reaching the market because of the pipeline effect.

3. *Adjustment*: Because the peak in supply and the fall in demand coincide, vacancy levels rise rapidly and rents fall gradually. Money is taken out of the property market.
4. *Slump*: All the characteristics of the adjustment phase are continued and intensified in the slump phase.
5. *The next cycle*: In a new upswing of the business cycle, vacancies are filled again, and if necessary, new supply is started, and the process starts all over again.

In theory, developers will only be tempted to take a piece of real estate into production when they see a profit with low risk. This will only be the case if there is a fair chance that the office will be bought after completion, for instance by an investor, or when an end user commissions a developer to build a new office for its personal use. This rational decision-making, however, is not what guides development behaviour completely. Developers seem to fail to learn from past experience (Ball *et al.* 1998: 212) and each boom period sees the same speculative behaviour.

Second and third, considerations on both location and scale are essential in the face of the use value of an office, and therefore its marketability. For developers, choosing the right location and the right scale and format for new projects is an important source of the future income generated by a project. In the development process, location selection, finding financial solutions, programming, and physical designing therefore go hand in hand. This is where social relations from outside the economic system enter the development market. Location selection and physical designing are, of course, essential for the future exchange rate of the office, but at the same time these issues are part of larger political debates, since they affect life inside many political communities, from the local to the global.

The investor

In the financial asset market, the emphasis is on the exchange value of offices. Ball *et al.* (1998: 21) put it like this:

> "... a stock of offices is [...] a set of financial assets to those owning it. If owners are economically rational, they will compare the risks and rewards of property ownership with those of holding other financial assets. The

> behaviour of the markets where property is a financial asset consequently is driven by the opportunity cost of the capital invested in offices."

As a financial asset, an office has to compete with other investment categories on the financial markets. In comparison to other financial assets, property is good for long-term returns, and as a hedge against inflation (Moricz & Murphy, 1997). To a certain degree, nothing is more interesting for investors than long-term steady returns. These are offered by sound property investment. On the other hand, many risks that are alien to other investment categories are associated with real-estate investments: The object is bound to a certain place, it has a high capital value, and usually it is financed on credit, which makes the setting of the lease price difficult because of changing interest rates.

Since the 1980s, financial markets have become increasingly liberalised from previous regulatory constraints by national institutions.

> "Markets have opened, exchange controls have been removed, interest rates have become more volatile and financial institutions have become among the most important arbiters in the global political economy." (Tickell, 2000)

Although international investment in offices has grown (especially pension funds and insurance companies, in their search for balanced investment portfolios, search for investment opportunities in more than only their home locality), this liberalisation of financial asset markets does not free investment in offices from national or even local embeddedness in non-economic systems. As opposed to other financial assets, investing in real estate is very much carried out in complex and regulated environments. Therefore, it is better not to view offices as purely financial assets, but rather as quasi-financial assets (Coakley, 1994: 701, in Moricz & Murphy, 1997). In order to protect their investments, institutional investors in real property try to increase their market power by, for instance, collaborating in specific projects, and in that way forming a gigantic power on an urban real-estate investment market – a power that competing investors will find hard to beat and that is difficult to control by public intervention.

2.6 Conclusion: toward a theoretical research agenda

Offices are vital elements of the temporal spatial fix underlying capitalism's current and future expansion. Through offices, the accumulation of capital is facilitated, both because of their use value and because of their investment value. As we saw, these offices are produced through social relations that encompass a variety of institutional spaces: In the previous chapter, four markets in office provision were distinguished, and the process of planning, as well as the production of urban planning regulations, by nature partly unrolls on the platform of the state. The structure of the local state, and the local structure of the various markets in office provision, help to determine the configuration of agents in the structure of office provision.

Now that we have defined the main positions in office provision, and have browsed the theories on the relation between urbanisation, office provision, and the planning profession, we can abstract a first theoretical understanding of the office provision process. First, office provision originates in incentives. These incentives derive from private interests that are expressed in the economic realm (profits for landowners, financiers, and developers, and means of production for users) and from the common interest as expressed by planners and politicians in the political realm (exactly how these common interests are defined on the platform of the state is the subject of the following chapter). Second, these incentives cause agents in various pivotal positions of the office provision market to engage in contact with one another. The form these interactions take is called a structure of office provision (SoP). The form of this SoP is defined by the specific characteristics of the various agents that have filled the positions in the office provision process, their embeddedness in the institutional spaces of the market and the state, and their mutual interrelations and interactions. Such an SoP carries with it some major sources of contradiction and struggle, so that its form is defined only temporarily. If the causes of contradiction and struggle take the upper hand in a specific period in time, new rounds of office provision may be in need of a new configuration of agents that take on the various positions in an SoP. A specific SoP creates specific types of offices at specific places in the urban structure. A different configuration of the SoP would create other types of offices in possibly other areas of the urban structure. Therefore, the structure of the SoP and the spatial manifestation of the urban structure are linked. The challenge for the next chapter is to tease out the real dynamics behind the becoming of an actual SoP, and to develop a theory of interaction on the various levels of abstraction discussed above.