

# Comments on *The City* by Deborah Stevenson

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## Introduction

I am very glad to have been asked to comment on Professor Stevenson's *The City*, which offers a useful overview of, among other things, the contemporary Marxian perspective on the relation between capitalism and the city. The book of course covers a wide range of issues that deserve a thoughtful response, but since I have been given the liberty to discuss aspects of my choosing, I will focus chiefly on two topics that are admittedly somewhat tangential to the main thesis of the book, but that are of particular interest to me: the financial crisis of 2008 and the Chicago School of Urban Sociology.

## “Neoliberalism”

Before doing so, however, I need to say something about Stevenson's use of the terms “neoliberalism” and “neoliberal,” which are more common in Europe although they are used in the United States more and more. To be honest, they put me on my guard when I see them, just as I am sure progressives or social democrats become wary when they read terms like “statist” or “collectivist” in academic writings.

Stevenson begins by characterizing neoliberalism fairly enough as:

underpinned by the belief that economic freedom and, in particular, the system of private property is the prerequisite for other forms of freedom...neoliberalism advocates small government, free markets and the rights of the individual (29).<sup>2</sup>

But as Stanley Fish pointed out a few years ago, “Neoliberalism is a pejorative way of referring to a set of economic policies based on a strong faith in the

beneficent effects of free markets.” Not surprising then that to my knowledge *no one anywhere* self-identifies as a “neoliberal.”

It seems to serve as a convenient catch-all that includes anyone “on the extreme right,” whatever the speaker wants that to include. So using “neoliberalism” and “neoliberal” prominently and frequently in ideologically mixed company is a good sign either of the author’s desire to provoke or that she operates in an ideological bubble: Provocation aside, you probably would not use a pejorative to label a person or group unless you were pretty sure no one within earshot would object to being labeled that way. (Again, libertarians do this too when they use “statist” in public venues.) Thus, while Stevenson says she has written her book for “an interdisciplinary readership,” it is clear that she is assuming her readership also shares her ideological outlook. That is unfortunate.

Such “bubble talk” may nurture a winking intellectual coziness among some, but it needlessly puts off people who, like me, have a different ideological perspective but who might otherwise find a lot in Stevenson’s analysis to challenge their own ideological assumptions.

### **The Financial and Housing Crisis of 2008**

Moreover, habitually labeling one’s intellectual opponents pejoratively breeds an unhelpful tendency to caricature, even mis-represent, them in other ways. Thus Stevenson’s ideological outlook appears to bias her analysis of the housing and financial crisis of 2008, the entire responsibility for which she places on “neoliberalism.”

As Stevenson describes it:

Central to the neoliberal approach is the deregulation of industry, finance and labour; liberalization of trade and markets; winding back the welfare state; and selling public enterprises and utilities. Neoliberalism is also associated with increasingly entrepreneurial approaches to urban governance whereby the concern is not the usual activities of the local state...but local economic development and attracting capital investments (30).

But “neoliberalism” is then blamed for the housing crisis and subsequent financial meltdown, owing to the common view that “the free market” and deregulation enabled and inflamed unbridled greed. Of course, that view is not unique to Stevenson or to progressive critics of the free market; it is the default position of the mainstream media in the United States and elsewhere. Unfortunately, in a book that is well-researched in other ways, there is no trace

of any attempt to seek an alternative explanation of those events other than “the free market.

To cite an example of one alternative explanation (Horwitz & Boettke 2009: 2):

We do not live in a free market. We live in a mixed economy. The mixture varies by industry. Technology is primarily free. Financial Services is primarily government. It is not surprising that the most government regulated and controlled segment of the economy, financial services, experienced the biggest problems. These problems were created by actions by the Federal Reserve combined with government housing policy (especially the government-sponsored enterprises—Freddie Mac and Fannie Mae). Misguided government interference in the market is the real culprit in laying the foundation for the Great Recession.

Horwitz and Boettke then go on to document and analyze federal legislation and policies from the New Deal up to the recent crash that cumulatively created the conditions for the failure of the real-estate and financial sectors.

Here is another example. In his editorial essay in an issue of *Critical Review* devoted to the causes of the financial crisis, Jeffrey Friedman writes that perhaps the most important lesson to be learned from the crisis is the following:

Namely, that regulations designed to address *different* social problems may *interact* in unexpectedly disastrous ways... (Friedman 2009:168; emphasis added).

So while deregulation in certain areas of the financial sector did take place in the 1980s, a slew of regulations accompanied or quickly followed it that not only fattened the Federal Register but also generated complex, unintended, and unpleasant consequences.

It would be unfair of course to fault Stevenson for overlooking these particular examples of thinking outside the conventional box. My point though is that there is no evidence in *The City* of any awareness that reputable scholars may have offered explanations that do not begin and end with “neoliberalism.” Where she takes competing explanations seriously, the work is valuable and informative—Chapter 1 is a good example. Where she caricatures, the scholarship is superficial and mis-leading.

According to Stevenson, the same “neoliberalism” that promoted speculation in the housing and financial markets is also responsible for propping up banks in the developed world and, for good measure, is

stimulating the current housing boom in China, where it also justified the destruction of the *hutong* and the construction of unpopulated “ghost cities” (35-6). But the path of government intervention, Federal Reserve credit manipulation, and pure financial cronyism that led up to the economic crisis in the West (Horwitz & Boettke 2009) make actual free-market intellectuals recoil in horror.

Stevenson (29) cites F.A. Hayek as the intellectual authority for “neoliberalism” or what might be better called “crony capitalism.” That is strange, because anyone familiar with Hayek knows that he devoted most of his intellectual life (beginning with *The Road to Serfdom*) to arguing strenuously against legal privilege and the use of political power to deliberately favor some groups over others—including pro-business, pro-consumer, anti-labor government policies—in the service of expediency. Political expediency, as Hayek wrote in 1944, is the enemy of the Rule of Law (1944:72):

Stripped of all technicalities, this means that government in all its actions is bound by rules fixed and announced beforehand—rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances and to plan one’s individual affairs on the basis of this knowledge.

In any case, according to Stevenson, the earlier economic crisis of the 1970s opened the door for “neoliberal” policies:

The result has been the creation of a hybrid economic system whereby neoliberalism operates in tandem with centralization to support China’s increased involvement in the global economy (32).

Stevenson doesn’t seem to realize that once “neoliberalism” starts to work “in tandem” with government to deliberately advantage particular interests and squelch others, whatever free-market or libertarian elements there may be get shoved out the window. To her it’s all just “neoliberalism.”

### **The Chicago School of Urban Sociology**

But I thank Professor Stevenson for making me aware of the significance for urban studies of the Chicago School of Urban Sociology (CSUS) and of Louis Wirth’s pioneering essay “Urbanism as a way of life” (1938) in particular. Although I certainly cannot claim expertise in the CSUS, having read Wirth’s essay myself I believe Stevenson critique of his approach is

well founded. In particular, I can see why she takes exception to the high-level of abstraction that Wirth appeared to champion.

Thus, according to Stevenson (8):

...until very recently and irrespective of theoretical orientation, urban studies has attempted to explain the city and urban life with reference to overarching and universal concepts and assumptions. *Cities were seen as limited and knowable and as producing cultures and ways of life that were predictable* (emphasis added).

And further (11):

The city, for the Chicago School, was an ecological system or unity that adapted systematically and predictably in response to changes in population, demography and the physical environment....The Chicago School believed that, as with biological or ecological entities, urbanization and urban change followed predetermined patterns which were observable and, thus, predictable.

Indeed, in his 1938 essay Wirth (1938: 18) treated the city as merely a 3-variable problem:

On the basis of the three variables, number, density of settlement, and degree of heterogeneity, of the urban population, it appears possible to explain the characteristics of urban life and to account for the differences between cities of various sizes and types.

Such sweep and abstraction applied to complex social phenomena is consistent with what James C. Scott (1998: 4) refers to as the “high modernism” of the early 20<sup>th</sup> century, one of the hallmarks of which was to equate science with mathematical modeling, straight-forward empirical measurement, and statistical testing.

Before going further I should say that I sensed something very familiar in Stevenson’s critique. Specifically, her description and criticism of the CSUS has interesting parallels to the critique by ideologically progressive economists, e.g. the Post Keynesian economists such as Paul Davidson, of the approach to economic analysis associated with the Chicago School of *Economics* (CSE), e.g. the work of George Stigler, Milton Friedman, Gary Becker, and Richard Posner.

The issue that Stevenson draws attention to, namely the alleged futility of trying to capture the essence of a city in a single concept—the “What is a city?” question – and her suggestion that we abandon the attempt, resembles

the Post Keynesian (Davidson 1980) rejection of “equilibrium analysis”—of which many consider CSE to be the prime (but by no means only) representative—in favor of the study of disequilibrium processes and of actual social institutions.

Davidson (1980:171):

We have seen that the idealized state of the neoclassical model cannot exist, even as an ideal, in the temporal setting of the real world. Accordingly, Post Keynesian economists oppose neoclassical analysis as irrelevant to the macroeconomic problems of the 20<sup>th</sup> century.

The question of the usefulness of a unified concept of the city is obviously very different from the question of the usefulness of equilibrium analysis. But I believe the methodological issues are similar enough that drawing the parallel can help to explain why I think Stevenson’s rejection of the “What is the city?” question is unnecessary and indeed ill-advised.

Many Austrian economists (Boettke 1998) including myself are sympathetic to the Post Keynesian critique of CSE but maintain that it is not necessary to altogether abandon equilibrium as an analytical tool (although some Austrians do (O’Driscoll & Rizzo 1985)). First because, as Kirzner (1973) argues, under a regime of economic freedom, entrepreneurial discovery might at least partially offset the forces of error and radical ignorance that would otherwise drive the economic system far from plan coordination and keep it there. Second, if equilibrium is then a kind of central tendency, it may yet have some limited analytical utility. I hasten to add that that does not justify assuming so-called “tight prior equilibrium” in which agents “treat long-run equilibrium values of all endogenous variables as parameters” (Reder 1982: 18). An outstanding example is the model of perfect competition, an equilibrium construct that assumes among other things that agents possess perfect knowledge, i.e. knowledge sufficient to avoid *ex post* regret. Like Wirthian urban sociology, traditional CSE has a penchant for simple, testable models. Post Keynesians point out that this approach is abstract and simplistic to the point of being unhelpful in understanding the true nature of markets. Real markets are subject to radical uncertainty and error they argue (Davidson 1980: 158-61). Consequently, there is little room in Post Keynesian analysis for universally applicable theory to the extent that it relies on tight-prior-type thinking.

Austrians also recognize the presence of radical uncertainty and error in the real world but many posit (Kirznerian) entrepreneurship as a coordinating force in real markets, a force that Post Keynesians strongly deny. Such Austrians would say that entrepreneurial tendencies may indeed typically be

insufficient to bring the system completely back into equilibrium, or as they sometimes put it “full-plan coordination,” but the tendencies are strong enough so as to avoid theoretical agnosticism. Paris gets fed, and economic theory can help to explain how.

So, in the case of urban sociology, as in the economics debate, even if Stevenson’s criticisms are valid, the alternative is not necessarily to abandon the attempt at a unified theoretical approach to cities, but to adopt a *different* theoretical approach, one that addresses many of her core concerns with CSUS. I will argue furthermore that neglect of that possibility seems to have something to do with Stevenson’s cursory treatment of the work of Jane Jacobs, whose concept of a city as both an economic entity and as a largely self-coordinating order appears to support a unified theoretical approach.

### Jacobs Missing

On the one hand it is somewhat refreshing for a book about urbanism not to have Jacobs figure prominently. But her absence here may be the source of what I see as a major problem with the author’s approach: the failure to appreciate the city as, as I will explain in the moment, “a problem in *organized* complexity.” Given Stevenson’s rejection of a single, unifying definition of a city, I can understand why she might resist relying much on Jacobs’s insights, although perhaps it would have been even more uncomfortable not to mention her at all. Let me begin with how Jacobs might have articulated the problem Stevenson has with Wirth and the CSUS.

First of all, the CSUS appears to involve what to Jacobs is an error of mis-classification. In the final chapter of *The Death and Life of Great American Cities*, Jacobs (1992 [1961]: 428-48), borrowing from Warren Weaver, Jacobs distinguishes three kinds of scientific problems. The first are “problems of simplicity,” which deal with situations of a few independent variables that can be handled algebraically. That is evidently how Wirth conceptualized the city in his theory of urbanism. The second are “problems of disorganized complexity,” having to do with phenomena that involve so many independent variables that their interactions produce random variations with no discernable patterns, for which formal statistical analysis might be entirely appropriate. The third are “problems of organized complexity” that involve numerous elements (though far fewer than in problems of disorganized complexity) so that, while the consequences of individual elements may not be predictable, patterns are nevertheless discernable. Examples include market prices in economics and the common law in jurisprudence.

Jacobs cautioned that the attempt to use methods appropriate to one kind of problem may cause serious misunderstanding when applied to one of

the other classes of problems. In the context of Jacobs's book, which was a critique of mid-20<sup>th</sup> century urban planning in the United States: "The theorists of conventional modern city planning have consistently mistaken cities as problems of simplicity and of disorganized complexity, and have tried to analyze and treat them thus" (Jacobs 1992 [1961]: 435). Urban planners with concrete visions of what an ideal city should look like tried to use really existing cities as their canvas; and the results were usually disastrous.

If for Wirth, a city is understandable as a function of three population variables: size, density, and heterogeneity, then from Jacobs's perspective, Wirth errs in treating a city as a problem of simplicity, when it is actually a problem of organized complexity. Or, following F.A. Hayek, I would apply the term "spontaneous order," a set of complex social relations that are the orderly but unplanned result of human interactions (Hayek 1967: 96-105).

Again, Stevenson's (8) critique of Wirth is radical:

...until very recently and irrespective of theoretical orientation, urban studies has attempted to explain the city and urban life with reference to overarching and universal concepts and assumptions. *Cities were seen as limited and knowable and as producing cultures and ways of life that were predictable.* It is now accepted, however, that such totalizing explanations are unsustainable. Not only are cities *diverse and unpredictable*, but so too are the cultures that form within urban space. Explanations of urban processes must take account of the *networks and circuits* that link different cities as well as different spaces within the same city. They must also be open to *explanations forged at the micro level of the lived and the everyday...* (emphases added).

I strongly agree with this passage and it appears to be a fair assessment of the Wirthian branch of the CSUS. I am very much in tune with Stevenson (9) when she observes:

Cities are the hard physical spaces of built infrastructure, architecture and planning as well as the soft spaces of representation, imagination and everyday life – simultaneously material, imagined and lived.... They are constructed through discourse, theory and use as well as at the interface of nature and culture (reference omitted).

A basic point, but one that many urbanists overlook.

But one can agree with Stevenson (168) on these points and yet disagree with the following:

The ‘what is the city?’ question cannot be answered simply or with reference to a single set of theories and assumptions. It must be recast, and at issue is not the concept of the city *per se*, but a range of different questions that urban researchers now ask about cities and urban life and the theories, methods and concepts they bring to this task.

Not necessarily. While no single definition of city may simultaneously satisfy an economist, sociologist, geographer, anthropologist, ecologist, or political scientist, that does not imply that for each or some subset of these disciplines, a definition of a city is not useful; indeed, such definitions may even reveal important truths about urban life. Moreover, one need not divvy up the city as Stevenson does according to its “material, everyday, dark, etc.” in order to get a handle on it. I do not think there is anything wrong with doing that, but I do think it is constructive to try to answer the “What is the city?” question.

Jacobs herself thus “transcendently” defines a city for her purposes as “a settlement that consistently generates its economic growth from its own local economy” (Jacobs 1969: 262). Her economic definition is in good company, including Max Weber (1966). Note the difference between Jacobs’s definition and the one Stevenson (49) cites (and implicitly criticizes) from Richard Sennett: “...a city is a human settlement in which strangers are likely to meet.” This captures something important about a great city, but does contain enough to generate anything approaching a complete analytical framework.

Indeed, Jacobs, perhaps one of the most influential urbanists of the late 20<sup>th</sup> century, derives a rich analysis of the emergence and operation of cities based on their essentially economic character. And not only great cities of the capitalist era, but cities going back to the earliest urban settlements, some ten-thousand years ago (Jacobs 1969:3-48; Balter 2006). Moreover, using Jacobs’s definition as a unifying principle does not “flatten local complexity” as Stevenson claims. On the contrary, that definition is the starting point from which Jacobs derives, over the course of several important books, a finely grained, social-network-based, micro-foundation for the analysis of the complex social order of a living city.

### **Cities and Markets**

Further, Stevenson (25-6) maintains that “neoliberalism” has produced a new kind of city:

As...explained in the previous chapter, the processes of contemporary urbanization are driven substantially by the imperative of capitalism—in particular, by the requirement to attract investment, maximize profit and

absorb capital. These priorities, and the processes and principles they inform, are very different from those which prompted the development of the 'pre-modern city', and in turn, they shape distinctive spatial forms and urban cultures.

Jacobs has explained in some detail that all great cities, from pre-historic times to the present, are and have been the creatures of trade (Jacobs 1969: 3-48). It is a unifying theory, although it does not imply predictability, nor I think does it "flatten" or over-simplify. On the contrary, it sheds light on an essential *aspect* of a living city, and makes it intelligible, though perhaps not in a way that would satisfy high-modernist Wirthians.

At the same time, however, Wirth writing in 1938 (1938:7) seems to anticipate Stevenson's claim when he writes,

It is particularly important to call attention to the danger of confusing urbanism with industrialism and modern capitalism. The rise of cities in the modern world is undoubtedly not independent of the emergence of modern power-driven machine technology, mass production, and capitalistic enterprise. But different as the cities of earlier epochs may have been by virtue of their development in a preindustrial and precapitalistic order from the great cities of today, they were, nevertheless, cities.

The anthropologist Guillermo Algaze (1881: xvii) appears to support Wirth on this point:

Throughout this book [*Ancient Mesopotamia at the Dawn of Civilization*], I explicitly assume that processes of urban and regional development in the modern world are similar in essence, although certainly not in detail or intensity, to pertinent processes in antiquity.

And Algaze (Ibid: 14-15) also appears to be on the same page with Wirth, Jacobs, and perhaps Weber insofar as the universality of the principles of urban emergence based on trade is concerned:

Accordingly, this book invokes the work of economic geographers and developmental economists who seek to understand why, where, and how cities emerge in the modern world and how they grow, in order to generate testable propositions that will help us better interpret what evidence we do have for the much earlier processes of urban emergence and growth in the Uruk period of Mesopotamia. These scholars

commonly acknowledge the key ideological and administrative roles that cities often play in the areas in which they arise, but take it as a given that trade is a crucial factor in their initial evolution....

Finally, the noted Belgian historian Henri Pirenne (1952: 130) has observed:

In no civilization is city life evolved independently of commerce and industry. Neither antiquity nor modern times show any exception to this rule.

Of course authority should not be the final arbiter of the truth of a paradigm, but what I am try to argue here is that searching for an answer to the “What is a City?” question can, as it has at least in the case of Jacobs, been the starting point for a rich and fruitful journey.

### **Concluding Thought: Missing Spontaneous Order?**

While I do not think Stevenson is naïvely arguing that a small group of people can and does consciously direct complex macro-social outcomes, she may not fully appreciate the implications that a city is a spontaneous order: “the result of human action but not of human design” (Hayek 1967). That could explain what I would regard as the simplistic attribution of modern urban developments to “neoliberalism”—a straight-forward line of causation running from a dominant idea (“neoliberalism”) through a set of consciously adopted policies (“the free market”) that are intended to serve the narrow interests of global capitalism. In its own way, theorizing of that sort rivals Wirth’s three-variable approach.

#### **Notes**

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<sup>2</sup> Page references to Stevenson’s *The City* will appear as numbers alone in parenthesis (...) in the body of the text. References to other works will contain author, year, and page number.

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