Full Title

Australia's shifting global engagement: the stuttering rise of financial services and city-based competitiveness.

Abstract

A key theme of *Global Restructuring* (Fagan and Webber 1994) is the dramatic rise of financial capital flows into and out of Australia commencing with the financial deregulation measures of the early 1980s. The book's concern is with the impacts of this deregulation on the materials sectors of the Australian economy, chiefly on the food, manufacturing and minerals sectors. In the book's back story, the Australian banks emerge as institutions able to appropriate value from the overall package of changes. This paper looks at aspects of the Australian financial sector twenty years on from the Fagan and Webber analysis. Reflecting on data collected after 1994 the paper outlines key changes in the industry mix within the Australian economy and, in particular, the rise of financial and business services. In so doing it assesses the shifts in the financial and business services sector that have occurred since the time of *Global Restructuring* and presents an analysis of these shifts in the context of the rise of international financial services centres especially in the Asian region. Based on these findings and assessments, the paper proposes a research agenda for scholars interested in the competitiveness of Australian firms, especially in the context of opportunities for financial services growth within the wider region.

Keywords

Financial services, financial centres, restructuring, circuits of capital, economic geography, Australian economy

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1. Introduction

“Capitalist development must negotiate a knife-edge between preserving the values of past commitments made at a particular place and time, or devaluing them to open up fresh room for accumulation. Capitalism perpetually strives, therefore, to create a social and physical landscape in its own image and requisite to its own needs at a particular point in time, only just as certainly to undermine, disrupt and even destroy that landscape at a later point in time. The inner contradictions of capitalism are expressed through the restless formation and re-formation of geographical landscapes. This is the tune to which the historical geography of capitalism must dance without cease.” (Harvey 1985 p.150)

While Fagan and Webber do not reference David Harvey in *Global Restructuring*¹ (1994) in accounting for the changes underway in the late twentieth century Australian economy, like Harvey they draw heavily on the style and mood of economic geography at the time (for comprehensive review see Scott 2000). Economic geography back then chronicled the displacement of labour and its communities by the re-scaling of the world economy and the striving by all sorts of groups – capital, labour, communities, the state, national economies – to stem economic crisis and cobble together a new time-space fix; or, in Harvey’s words, a “structured coherence” where the competing yet necessarily co-existing elements of an economy and its society could “hang together” in some sort of stable spatial formation (Harvey 1985 p.146).

Fagan and Webber make no obvious assessment of whether the Australian economy had arrived at a new time-space fix by 1994. Certainly at the time of publication of *Global Restructuring* the Australian economy was a long way short of being prosperous, having only just emerged from deep recession in the early 1990s. And it was impossible to know that the restructured Australian economy Fagan and Webber were describing would not have again confronted recession by the time of our writing this piece. Perhaps the extraordinary component of what might now be termed a robust time-space fix for Australia is that this long period of economic growth and prosperity – whatever the merits of its distributional outcomes – has been driven by two key sectors: mining, and financial and business services, with the latter being the most consistent contributor.

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¹ We use this phrase throughout to refer to the Fagan and Webber (1994) text.

This is one of two reasons we make the rise of the finance and business services sector the focus of our article. The other is that the finance sector is seen by Fagan and Webber in their book as something other than an economic sector capable of driving genuine growth and prosperity. We examine each of these observations in this article by asking three questions: *first*, how is it that finance emerged as a core producer in the Australian economy; *second*, to what extent has the finance sector become a conduit for Australia's engagement with economic globalisation; and, *third*, how has this dramatic sectoral shift re-scaled Australia's time-space economic fix?

We address these questions in four parts below. In the first part we explore the text of *Global Restructuring* to position the finance sector in the economic geography of the mid-1990s. We do this in a deliberately ambiguous way: on the one hand we examine the presence of the finance sector in the Australian economy in a descriptive sense; on the other we explore how the finance sector is positioned by Fagan and Webber in their economic geography approach to the spatial and economic restructuring they chart and assess. In the next section we then present new research that assesses the pathway undertaken by Australia's financial services sector since the mid-1990s and the extent to which the sector has emerged as a genuine generator of external earnings in a competitive world economy. We follow this section with discussion of our findings in relation to *Global Restructuring* and then conclude with comments about the direction of economic geography research into financial services with some recommendations for future action.

2. Where was finance in 1994?

Figure 1 charts the dramatic structural changes in the Australian economy since the start of the twentieth century. It shows a pre-WW2 economy led by the production of agricultural commodities and a post-WW2 economy where manufacturing became dominant. By the early 1960s, however, the relative contribution of manufacturing to Australia's GDP started to fall such that by the early 1990s manufacturing contributed less than 15% of the value of Australia's total annual production, down from nearly 30% in the early 1960s. Two sectors have dominated ever since: services, especially financial and business services, and mining. Recently-retired governor of the Reserve Bank, Glenn Stevens, says beyond these shifts nothing much has changed in the Australian economy at a broad structural level in over thirty years (Stevens 2008).

[Figure 1 about here]

Fagan and Webber released *Global Restructuring* in 1994, right at the point shown in figure 1 where manufacturing loses its historical economic dominance to the services sector. The authors fill out the governor's rather crude observation with empirical detail, especially the story of the fall of manufacturing and the broader political economy that gave the fall its context. What we now add is the detail of what economic displacement since 1994 looks like, in particular those elements involving the finance sector and its intersection with the spatial economy. Here we note that for many policy makers (and lobbyists) the financial services sector has become a primary instrument for the creation and appropriation of economic value for the Australian economy (for example Committee for Sydney 2015). In this light, we examine the perceptions of finance as a strategic economic sector and how these marry to the changing contribution of the sector to the national economy. Understanding how this came to be and how the financial sector is now constituted are important guides to the sort of policy formation that can underpin a resilient, just economic system.

Table 1 disaggregates the dimensions of the two-decade shift in the Australian economy from an economic geography viewpoint. The Fagan and Webber account is used as the basis for the political economy insights shown in the table's left hand column. Three assertions about finance were captured in *Global Restructuring* and these drew heavily from Marxian accounts of "circuits of capital", an insight that helps our understanding of the Fagan and Webber text two decades on.² Dicken (2003, pp200-1)

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² An exposition of the circuits of capital approach can also be found in a parallel piece by Fagan co-authored by Richard Le Heron (Fagan and Le Heron 1994)

describes the circuits of capital approach as a way of tracking the creation and circulation of economic value through an economy over time. Three categories are used in the circuits of capital approach: capital as productive assets, as commodities, and as money or finance. These three forms of capital correspond, respectively, to the moments when economic value is created, when value is locked up (as a commodity) ready for use, and when value has been liquefied (most often by being converted to actual money at the point of consumption). The *financial* circuit of capital bears particular mention given it is the central concern of this paper. The importance of the financial circuit is that it gives liquidity to economic systems, meaning economic value is able to be transferred readily through space and time.

A central tenet of a Marxian circuits of capital view of economy is that the financial circuit is an unproductive, merely distributive, process because it involves the conversion of value (usually held in commodity form) into money (or a form of money such as a tradeable security) to enable the *transfer* of economic value between sites of production, exchange and consumption. In contrast, when capital is lodged as productive assets (like heavy machinery) so that value can be generated in the form saleable commodities, actual productive activity takes place and, thereby, the creation of value and an expansion of aggregate wealth can ensue. By using the circuits of capital approach, then, Fagan and Webber are predisposed to see the rise of financial activity in the Australian economy as a pathway for stripping value away from those circuits of capital where value is created, that is, from productive spheres like manufacturing, agriculture and mining seen to be at the core of a modern economy. In contemporary economic geography, by contrast, as can be observed in the right hand column of table 1, the finance sector is presented as more than a non-core productive pursuit. Policy makers and academics are now much more likely to acknowledge the importance of the services economy in generating income and employment. This means finance is seen as a core sector of production with a distinctive set of productive assets (buildings such as banks, equipment such as computers and ATMs) and specialist professional staff generating saleable commodities (such as banking, insurance and pension services) which consumers (be they households, government agencies or firms) are willing to purchase (through interest rate payments, fees and commissions). A productive circuit of capital with internally generated, realisable value can thus be demonstrated, one with equivalence to the production and sale of manufactured goods, minerals or agricultural commodities. Financial production is thus seen relatively unproblematically as having a legitimate place as a core producer of value in an economy.

[Table 1 about here]

In the second row of Table 1 we depict Fagan and Webber privileging finance as the primary conduit for economic globalisation which they see as a set of processes with origins largely external to Australia's national boundaries. Thus powerful organisations from outside the national economy, especially transnational corporations (TNCs), are portrayed as the perpetrators of novel configurations of productive capital and divisions of labour in arrangements that minimise returns to national "fractions" of capital and local labour and, therefore, steer circuits of financial capital in ways that enable accrued value to be realised in offshore locations. This view of how globalisation is sourced and enacted was a common one at the time – with Fagan and Webber, like many of their contemporaneous economic geographers in Australia, aligning closely with the University of Sydney political economy school: Dick Bryan's (1987) analysis of the rise of international capital to usurp the power of the nation state being one important text drawn on significantly in *Global Restructuring*. Interestingly, urban geographer Maurie Daly's earlier accounts of the penetration of global circuits of capital into Australia's urban property markets (Daly 1982, 1984) can be read as a much less hierarchical positioning of the Australian national economy and its agents in the global world of finance. While referenced by Fagan and Webber in *Global Restructuring*, Daly's flatter view of the substance of globalisation and the 1980s penetration of global finance into non-traditional economic sectors (like urban property investment) isn't embraced in the Fagan and Webber text, just as it was pretty much ignored by economic geographers in Australia more generally³.

Twenty years on, it is remarkable that, in contrast to the disappearance of much of the Marxian lexicon of analysis in academic social science research, the language and images of financial circuits of capital as underpinning globalisation are very much mainstream, in use by both free market and progressive economics writers. In state and federal economic planning documents, for example, the idea of the financial circuit of capital is commonly used as a device to promote ways for Australian enterprises to engage successfully with the global economy especially by focusing attention on finance as a transactional service linking a range of economic players including producers, commodity traders, savings managers and investors. The finance sector is thus promoted as an sector capable of generating export earnings through the sale of domestically-produced services to overseas users (e.g. Financial Services Council 2016), as central player in the sale of domestic education services to foreign nationals

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³ Of 119 citations of Daly (1982) recorded in Google Scholar as at 21 March 2017, only 3 were by Australian economic geographers prior to 1994, the year of publication of *Global Restructuring*, compared to 21 by 1994 from Australian urban geographers. Of 56 citations of Daly's subsequent article (1984) recorded in Google Scholar as at 21 March 2017 only 8 were by Australian economic geographers prior to 1994 with Fagan responsible for 4 of these and his Macquarie University colleague David Rich responsible for 3 of the other 4.

(e.g. Deloitte Access Economics 2015), for the international transfer of models of pension fund management (e.g. Lateral Economics 2007), and as a vehicle for generating gains from the disruptive, digital economy (e.g. Committee for Sydney 2014).

Finally, in the third tier of Table 1, we recognise the elevated position given in *Global Restructuring* to finance and the newly emerging global financial institutions in the evolution of a supranational sphere of accumulation controlled in often tense partnerships with TNCs with expansive interests across all three circuits of capital. In such a world *Global Restructuring* saw Australia's domestically-based enterprises and its domestic economy as worse off economically as a consequence.

Two decades on, however, there is considerable debate over the claims that a globalised sphere of all-powerful financialised enterprises has been established and whether global capital is capable of freeing itself from the constraints of local geographies (see O'Neill 2012). Rather, finance is now seen as a set of heavily textured flows (Clark 2005) where high value-adding emerges in a myriad of places within the circuits of capital; for example, where flows of venture capital intersect with the digital disruption of the provision of retailing services. There is also less, or an absence of, interest or judgement as to whether such value is genuinely produced or merely distributed (see Pike and Pollard 2010, Sokol 2013). A consequence of a textured, always-embedded view of finance is that rather than sub-national regions being disarmed by distant external forces as a matter of course, new economic agglomerations (especially CBD and inner-city economies and their agglomerations of professional services workers) are seen as sites where external forces co-mingle to generate and appropriate economic value (e.g. Sassen 2001, Storper and Venables 2004). These accounts are a significant inversion of the way economic power was seen to be spatialised and scaled in the *Global Restructuring* account. Our final observation from Table 1, then, is that the last two decades have seen the arrival of the city as an economic force in its own right: not just as the core productive site of a modern services-based economy but as a spatial level or unit jostling with the nation state for effectiveness as the primary driver of competitive economic conditions and the delivery of effective governance mechanisms (Taylor, 2004; Sassen, 2001).

3. Where is finance now?

Our paper now turns to an assessment of the extent to which the role and presence of the finance sector in Australia as per *Global Restructuring* are observable today. Specifically, our inquiry concerns the key elements of each of the three tiers of table 1: the presence of finance as a generator – not just a distributor – of income and wealth; the availability of the circuit of financial capital as a conduit for Australia's engagement with the global economy; and the emergence of the city as an aggregator of economic activity in a way that was formerly the uncontested responsibility of the nation state. In undertaking this inquiry we are mindful of the limits (for a single paper) imposed by the complexity of long term sectoral shifts in an economy and the many forces influencing cross-border capital flows and the delivery of financial services. One force, clearly, is technological innovation involving not just acceleration in the speed and fluidity of financial transactions but also the invention of new formats for money (and value) in circulation. Intriguingly, innovations in transactional efficiency and form are themselves financial services of worth to both financial and commodity traders because of their potential to lower the cost of capital through fees discounting and reductions in interest rate spreads. Hereunder, though, we simplify our surveillance of the contemporary financial services sector by a systematic sifting of available data to show the changing composition of financial transactions of relevance to the Australian economy so as to generate better understanding of finance as a productive sector, as a conduit for economic globalisation, and as the driver of new forms of economic localisation.

Our analysis is part of a wider project on the competitiveness of financial centres in Australia and Asia and involved three stages. In the first stage, we collected data on Australia's financial services sector using the Oxford Economics database.⁴ Oxford Economics was useful for this purpose because it segments economic data at a city level, thereby providing an opportunity to disaggregate national data to examine geographical differences within the Australian economy at relevant scales. The dataset was used initially to reveal the size and structure of employment within the Australian financial services sector, and its overall contribution to GDP. We examined these variables using time-series data, focusing on 1996 through to 2013, the years in the data base corresponding most closely to the post-*Global Restructuring* period.

In the second stage, we compared our Australian findings to a cohort of global cities, specifically New York, London, Hong Kong, and Singapore. These cities were selected based on their status as

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⁴ Oxford Economics aggregates databanks into one single platform covering 190 countries, 100 industries and over 2,600 cities and regions, with historical time series availability. See www.oxfordeconomics.com/

international financial services centres and, in the cases of Hong Kong and Singapore, as leading financial centres in Asia. By collecting data at the city level and comparing Australia's performance (for Sydney and Melbourne) with other global cities, we were able to assess the relative importance of the financial services sector to Australia through the framework of the nation's key urban centres rather than through the framework of the entire nation, a critical scalar differentiation as we discuss further below.

Finally, in the third stage we analysed financial performance data to reveal how financial service sector performance within these cities is composed. For more complex understanding we triangulated the analysis of Oxford Economics data with data from the Dealogic service.⁵ Here we extracted historical data on fees earned by investment banks, supplemented by estimates of missing data using a procedure explained in Wójcik, Knight and Pažitka (2017) and Wójcik, Knight, O'Neill and Pažitka (2017), in order to make more detailed claims about the nature of cities as centres for international (as opposed to domestic) financial and deal-making activity. In pursuing this analysis, we focused on two issues in particular. First, we were interested in the extent to which bank fees were earned in relation to domestic versus cross-border activities. Second, we traced the origin of these cross-border activities by geographical region. By examining these characteristics, and comparing them across global cities, we were able to gain insight into the international character of a city's financial services activities. We now report on our findings according to the themes we expose in the three tiers in Table 1.

Cities as centres for the production of financial services

Storper and Scott (2016) explain the rise of cities as the globe's primary sites of wealth generation and of scientific, cultural and social innovation. Moreover, they show how globalisation is driven by the flows of ideas, people, finance and materials across the worldwide network of cities. Importantly, say Storper and Scott (ibid, especially p.1119), the urban-centred nature of the 21st century economy means that the social and cultural conditions embodied in thriving cities sustain them as economic generators; in contrast to the industrial concentrations of previous eras where social and environmental conditions (especially of workers) undermined these territories' enduring economic capacities. In very much a parallel piece, Scott and Storper (2014) show the importance of cities as "complex congeries of human activity" (pp.6-8) where agglomeration processes can be intensified

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⁵ Dealogic is a financial markets information and data platform aggregating performance data from financial firms integrated by geographic zone through time. See www.dealogic.com

without the risk of crippling, negative externalities. The importance of this argument for this paper is that rather than financial services being seen as a process of value extraction layered over the productive economy, as is the pervasive view in *Global Restructuring*, the sector has become integral to the generation of jobs and wealth at the scale of the city worldwide, the desirability of this embeddedness notwithstanding. Our work elaborates this transformation in the Australian context.

Our data analysis reveals that over the last 15 years, Sydney and Melbourne have grown significantly as producers of financial services. Figure 2 shows our analysis for Sydney and Melbourne as well as for New York, London, Hong Kong and Singapore, all cities with established reputations for the provision of global financial services. The figure reveals the contribution of financial services production by each city to national GDP. Each time series has a common base year 2007 (equal to 100), selected because of its significance as the year preceding (and therefore unaffected by) the global financial crisis. Our observation is of rising importance of the financial value generated in each city not just in absolute terms but also in terms of the value of financial services produced in these cities as a proportion of national GDP.

[Figure 2 about here]

While the data behind figure 2 highlight the growing importance of financial services to Sydney and Melbourne, they also demonstrate the strong growth worldwide of financial services activity within leading financial services centres. Measured against the leading global centres – London and New York – the two Australian cities show a relatively steady financial services performance through time. Yet when the performance of Sydney- and Melbourne-based financial services activity is measured against sector performance in cities within the same or adjacent time zone, the Australian centres can be seen to have grown less significantly. Hong Kong and Singapore in particular show growth levels well ahead of those generated by Sydney and Melbourne.

Financial services as stable but not growing source of employment

Likewise, while financial services have been an important generator of *value* (as measured by contribution to GDP) within the Australian economy, the contribution of the financial services sector to total employment has been modest. Figure 3 reports on the share of financial services employment as a percentage of total employment. We see that financial services employment in Sydney and Melbourne represents between 4% and 7% of total employment, which is comparable to the levels in

Singapore and Hong Kong, although significantly lower than the concentrations of financial services employment found in London and New York, which is not surprising given the global status of these centres.

[Figure 3 about here]

In terms of absolute employment growth, however, Sydney and Melbourne underperform the employment growth rates of their Asian counterparts. In figure 4, which shows the change in financial services employment in each city, again using 2007 as the base year, we see that Singapore not only experienced superior growth prior to the global financial crisis compared to Sydney, Melbourne and Hong Kong, it also maintained this superiority after the crisis. In turn, Hong Kong has exceeded the employment growth rates of the Australian cities since the global financial crisis, the stuttering performance of Sydney and Melbourne in financial services employment showing the limited flow-on effects to employment in the sector following the substantial impetus provided by Australia's fiscal policy to temper the effects of the crisis on the national economy (see Wetenhall 2011).

[Figure 4 about here]

The domestic orientation of Sydney and Melbourne's financial services

A key concern in Fagan's and Webber's book was how Australia would enhance its economic competitiveness and capacity to address current account imbalances in the absence of traditional earnings strength in agriculture and manufacturing. In response we explored the extent to which Australia's financial services have become as a generator of export revenues. Our proxy from the Dealogic database for exploring this question was investment banking fees. Figure 5 reports on the structure of earnings from fees across a panel of cities, where 'cross-border' refers to fees earned from services to foreign clients and 'domestic' refers to fees earned from services to domestic clients. The figure shows fees earned between 2000 and 2014.

[Figure 5 about here]

One of the striking trends from the analysis is the heavy reliance by Shanghai, Beijing and Seoul on domestic transactions. This suggests that financial services activity in these cities is focussed to a large degree on domestic deal activity. On the other hand, Hong Kong and Singapore are significantly more

exposed to cross-border transactions, relying on business from outside their national borders in the operation of their financial services sectors. In the case of Hong Kong, cross-border transactions are boosted by its role as a key financial broker for mainland China. While Sydney and Melbourne (with Tokyo) perform better on off-shore activity than Shanghai, Beijing and Seoul, the Australian cities exhibit heavy reliance on fees generated by domestically-based transactions, with off-shore financial services activity in Sydney and Melbourne responsible for less than 30% of fees generation in each instance.

Figure 6 disaggregates cross-border revenue flows by geographical origin in order to provide insight into the regional mix and spread of the selected cities' financial activity. Our analysis shows that business links to north Asia are an important source of economic activity for both Hong Kong and Singapore with links to southeast Asia highly significant for Singapore as well. On the other hand, business transactions involving parties in north and southeast Asia contribute little to investment banking revenue in Sydney and Melbourne. Surprisingly, given the focus on Asian economic intersections by Australia's economic strategists since *Global Restructuring* (see Capling 2008), Sydney and Melbourne depend largely on traditional ties to Europe and North America for the sale of economic services rather than on any sort of deep engagement with cities in the Australia-Asian time zones. In this respect, Tokyo, as one of the major financial centres of North Asia, is similarly inclined to North American and European financial activity rather than activity in its own region, while Seoul and Beijing attract financial activity from a range of geographies, albeit in relatively smaller proportions than Hong Kong and Singapore.

[Figure 6 about here]

4. Discussion

Fagan's and Webber's work captured the major economic changes at the end of the twentieth century using the political economy lens that dominated economic geography at the time. Their book focussed on the upheaval of the nation-state settlement of the post-war era when the factor supply conditions for labour, capital and land were tightly coupled (see Kelly 1992). Our work here seeks to answer a part of the question: what has happened since? So what do our findings say about the dynamics now underpinning the sectoral composition and competitiveness of the Australian spatial economy?

Compared to Australia's economic trajectory in 1994, the growth of financial and business services is now more significant both in absolute and relative terms than Fagan and Webber were able to imagine. Rightly troubled by the economic headwinds confronting the agricultural and manufacturing sectors, *Global Restructuring* missed the economic tailwinds of the business services sector. Our findings provide some insight into the subsequent two decades, showing how the business services sector has not only expanded significantly, but has tracked the growth of the sector around the world. A concern, however, is that Australia's finance sector, while immersed in the global flows of financial capital, is dominated by the management of inflows of capital rather than outflows. This is reflected in the consistently poor earnings by the sector for the export of financial services. Indeed, Department of Foreign Affairs and Trade (2016, calculated from pp 23-24) shows that (for 2015) finance, insurance and pension services generated only 21.4% of the total value of the nation's services exports and only 3.8% of all exports.

The circuit of financial capital, then, is very oriented to Australia's continuing need to import capital. It should be noted that the growing flow of foreign capital to Australia was identified by Fagan and Webber as central to the way restructuring of the Australian economy was proceeding especially in respect to the nature of direct and indirect investment in the nation's manufacturing sector. Twenty years later the significance of foreign capital has expanded. The stock of foreign investment has more than doubled as a proportion of GDP (Australian Trade and Investment Commission, 2017 p.42) with annual net foreign borrowing rarely falling below 20% of GDP annually (ABS 5206.0; ABS 5302.0). The significant change, of course, is that the flow of foreign capital is now heavily weighted towards credit needs that are not manufacturing based; rather, they are generated by demand from the mining and urban-residential property sectors. The financial sector is therefore failing in its anticipated role as a significant generator of foreign earnings for the Australian economy and in this respect continues to act in a distributional rather than an accumulation role in the nation's circuits of capital.

5. Conclusion

This paper has not sought to explain to any great extent the drivers behind the changes it reveals in the Australian economy, aiming chiefly to expose trends in an aggregate sense and give them context. We have done this with the benefit of hindsight, arguing not so much that the analysis of economic change in *Global Restructuring* was misplaced but that the trends it identified played out in circumstances that became vastly different to those apparent to Fagan and Webber in 1994. We now know the rise of China as a manufactured goods exporter undermined the power of transnational industrial corporations, the economic powerhouses that *Global Restructuring* saw as poised to dominate the globalising economy. We know too that new international geographies of capital surpluses and deficits emerged differently to the petroleum-charged capital flows of the 1970s and 1980s highlighted in *Global Restructuring*. And we now that at the turn of the century power and wealth moved quickly away from industrial to financial circuits of capital, and therefore in favour of the globalised financial houses – the banks, the funds, the professional services firms – that became the masters of a new form of worldwide capitalism.

Some things that politically charged the text of *Global Restructuring* became remarkably uncontested in Australian politics subsequently, notably the demise of domestic manufacturing and its regional economies, the deregulation of labour markets, and the centrality of the state in sectoral planning, such as by co-investment strategies. Perhaps public acquiescence with this loss of national things came with the economic gains from the prolonged mining boom – Australia's upside from the rise of China – and from the emergence of the financial sector as a site of high-quality jobs and sustained wealth acquisition, a development not coincidental to the emergence of Australian cities as among the most desirable places on the planet to live and do business. The wealth delivered to Australia from its globalised embrace of the mining and finance sectors was largely invisible in the frame of *Global Restructuring*, and probably imperceptible through any lens.

New circumstances and contexts necessitate new research frameworks. We would like, therefore, to scope three research directions which merit attention two decades on from the Fagan and Webber analysis.

The first responds to the need for a more informed understanding of not just global flows of finance but their composition in respect to their qualities as produced services. The broader question requiring attention here is the extent to which financial flows are the result of value-adding production delivered

by actual firms and institutions in real cities rather than (only) distributional events serving particular social and geographical interests. Our largely descriptive work in this article demonstrates how little is known in economic geography about production and trade in financial and related professional services. Then, at a meso-level, we need a better picture of financial stocks and flows and of the trade in financial services that appears to be propelled by direct city-to-city (rather than nation-to-nation) linkages; and here we can look to Coe, Lai and Wójcik (2014) and the concepts surrounding global financial networks for guidance. As we show in this paper, there are now rich data in the proprietary datasets, such as Dealogic, which track financial transactions with much empirical detail.

A second direction flows as a matter of course and relates to cities and firms as significant levels of analysis. As we discuss above, *Global Restructuring's* analysis of the economy was largely framed in the context of the state as prime-mover, at least in a legacy sense. As a consequence, an assumption in the book is that the national economy is the natural organisational entity where economic crisis plays out, with the nation state as the natural source of intervention strategy (see also Webber and Rigby 1996, e.g. p. 91). In many ways these positionings drew strongly from the success of Australia's economic reform strategies of the 1980s driven in particular by a succession of ALP-ACTU accords and associated social compact approaches (Weller and O'Neill 2014). Now, the power of the nation state is deeply contested globally (Jessop 2007), with micro- and macro-economic reforms in Australia and elsewhere since the 1990s placing emphasis on firm-level strategy and city-level coalitions to construct the conditions for economic competitiveness. Cities are recognised increasingly as the sources of the logics underpinning economic production (Sassen, 2001; Scott and Storper 2015). Cities are not only constellations of firms and individuals, but places where the conditions of production are increasingly defined by infrastructure, variegated labour markets, and planning and governance institutions. In advancing a greater emphasis on cities as a level of research analysis, we also recognize a growing body of research interested in regional innovation that recognizes how cities grow and prosper (e.g. Storper and Scott 2009). This work has tended to look beyond the state as the primary instrument of power, to explore the importance of the conditions of the local built environment, the quality of life for labour, the importance of culture and aesthetics, and the supportiveness of the local political community.

Again, another research direction, our third, becomes obvious. There is the need for a practice-based focus on how firms and firm actors realise strategic interests, especially in the context of internationalisation. A practice-based agenda in economic geography research has been proposed elsewhere (Jones and Murphy, 2011; Knight and Wójcik 2017) as offering a powerful means to capture the dynamic, political and precarious nature of geographical change. Rather than assuming that it is

national regulation that primarily shapes geographical activity, a practice-based approach focuses on what firms actually do in terms of contracts negotiated, partnerships formed, resources allocated, and staff engaged. These activities are crucial to understanding how cities broadly and firms in particular expand their operational presence within and across borders. An example here of a novel entity needing analysis is the fintech sector, which offers potential to transform the role that finance plays in urban and regional development by developing financial platforms, enhancing financial globalisation, and increasing the productivity of the financial sector, although probably without generating much in the way of jobs.

In our own work, we have taken a particular interest in the strategic coupling of firms operating across Australian and Asian cities, especially within the financial services sector. This interest stems from appreciating the importance of different types of actors, and different types of services that these actors perform, in building communities of shared interest within the financial services sector (see Knight and Sharma 2016). However, future research might look further afield to other sectors or in online communities that enable these kinds of production networks to emerge. We see this micro-level focus as crucial in pushing the research agenda forward towards an increasingly fine-tuned level of analysis through which to examine dynamism and change over time – for it is in understanding the basics of change and the crises and motivations behind change that we expose, in Harvey's terms (from our opening paragraph), the ceaseless dance of capitalism and the complex geographical processes that accompany it.

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Table 1 The two-decades' shift of finance in Australian economic geography

Finance during the 1990s	Finance today
1. Finance as a vehicle for extraction and distribution of economic value to interests outside the core spheres of capital and value creation, especially manufacturing.	1. Finance as a core sphere of production and wealth creation
2. Finance as a conduit for globalisation enabling powerful external organisations (especially TNCs) to override the accumulation and distribution efforts of the nation state and of firms domiciled within the national economy.	2. Finance as a conduit of globalisation, especially as a targeted sector for Australian engagement with the global economy
3. Finance as a definer of the pathway to the future, where outcomes for society and domestic fractions of capital are likely to deteriorate.	3. Finance as a pathway to the future in the creation of new economic agglomerations (especially CBD and inner city agglomerations of professional services workers) where outcomes for society and domestic fractions of capital are likely to be better economically.

Figure 1: Australia's sectoral shift during the 20th century (percent of GDP)

Source: Derived from Stevens (2012)

Figure 2: Metropolitan GDP attributable to financial services (1996-2013). Base year 2007 = 100.

Source: Calculated from Oxford Economics database

Figure 3: Share of financial services in total metropolitan employment (1996-2012)

Source: Calculated from Oxford Economics database

Figure 4: Change in total metropolitan employment in financial services (1996-2013). Base year 2007 = 100.

Source: Calculated from Oxford Economics database

Figure 5: Structure of total investment banking fees (2000-2014)

Source: Calculated from Dealogic database

Figure 6: Structure of cross-border investment banking fees by geography (2000-2014)

Source: Calculated from Dealogic database