



The creeping influence of consultants on cities: McKinsey's involvement in Berlin's urban economic and social policies

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ABSTRACT

The involvement of management consultants in contemporary urban policymaking exemplifies how experts exercise political influence. In Berlin, the McKinsey consultancy has gained a particularly powerful role in shaping strategies in economic, but also social, issues. We examine two instances of its involvement from two different angles: Berlin 2020, a pro bono study by McKinsey that gives advice for a stronger economic dynamism, provides insights into how the consultancy establishes itself as a powerful actor in urban policymaking through stabilising the consensus on economic growth as a key goal for urban development; and the parliamentary debates on McKinsey's support for the city's integration plans reveal both intensified personal private–public networks and their political contestation. Both examples are thoroughly analysed by applying the documentary method. The entrepreneurial experts' political influence indicates a combination of neoliberalisation, market regulation, urban crises, and a demand for fast policies. We expose consultants' general tactics in contemporary policymaking and conceive these as a creeping expert influence on cities through organising consensus and networks. We identify the processes of expert-driven local decision-making as mechanisms of concentrating urban political powers that are simultaneously endorsed and contested.

1. Introduction

For around 15 years, the management consultancy McKinsey, globally operating in 56 countries with more than 10,000 consultants in 139 local offices,¹ has been extraordinarily active in delivering advice on political issues in the city of Berlin. In many cases, its services were pro bono – sometimes without being commissioned, sometimes contracted, but without receiving fees: i.e. the sponsoring concept for the Berliner Philharmoniker in 2004, the urban development study *Berlin 2020* in 2010, the follow-up study *Berlin finds* in 2013, and recently the advice for reorganising the local Office for Health and Social Affairs, LAGeSo, in the course of the intense refugee influx of 2015–16. At the same time, several leading McKinsey consultants have changed over to public positions: currently, the CEO of the Tegel Projekt GmbH that is redeveloping the area around the soon-to-be-closed airport, a state secretary in the German Ministry of Defence, and the CEO of the above-mentioned LAGeSo are former McKinsey consultants. Additionally, McKinsey has recently received a well-paid commission to produce a *Master Plan for Integration and Security* for Berlin. Therefore, Berlin's local public service broadcaster even asked in February 2016 “Does

McKinsey now receive a consulting subscription?” (Schuhmacher, 2016).² Since November 2016, however, the public prosecution has investigated the head of Berlin's Senate Chancellery and McKinsey because of suspected granting of and accepting undue advantages (Jacobs et al., 2016).

These examples illustrate a general increase of consulting within urban and regional policymaking that is also reflected in contemporary research on “hybrids of public and private actors” (Raco, 2013, 172), on “politics of consultation” (Vogelpohl, 2017a), or on “expertocracy” (Grek, 2013). In this paper, we build upon the concepts of expert influence (Owens, 2015), fast policies (Kuus, 2015; Peck and Theodore, 2015), and regulatory capitalism (Raco, 2013), which provide a useful approach to understanding urban power relations under private influence. In the case of Berlin, we concentrate on two episodes that, respectively, reveal the consultants' perspective and the political controversy regarding the benefit of employing consultants: the urban development strategy *Berlin 2020* (McKinsey Berlin, 2010) aiming to influence the city's economic policy, and the parliamentary debates on McKinsey's involvement in the city's social policy through advice for the refugee influx of 2015–16. Methodically, we build upon the

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¹ <http://www.mckinsey.com/locations>, last accessed on January 02, 2017.

² All German-language quotes from documents and interviews are translated by the authors.

documentary method (Bohnsack et al., 2013a) that aims to systematically reveal implicit beliefs that are inherent in qualitatively gathered data.

With this research design we address two key questions: first, how does McKinsey envision a city's future, and in what way does its line of reasoning influence urban strategies? Second, which tensions between policy and politics are provoked through consulting and does McKinsey's advice primarily influence policy ideas or political networks? By examining these questions we contribute to understanding consultants' tactics in policymaking and their influence on cities. We identify the processes of expert-driven local decision making as intransparent and as simultaneously endorsed and contested. We eventually reveal specific mechanisms of concentrating urban political powers through an intensified influence of management experts.

2. Consultants as experts promising a crisis-proof and governable city

The figure of the "expert" became particularly prominent in political and planning endeavours in the 1960s (Seefried, 2010), though personal advisors and a search for interregional knowledge has a millennia-long history (Kipping and Clark, 2012; Pautz, 2012; Volkmann, 2012). Recently, however, the specific role of external experts has gained more attention in urban studies. This is due both to deepened urban crises, and to the proliferation of economic rationales into urban policy in neoliberal times. We thus organise the debate around consultant influence on urban questions into three foci: urban policymaking between advisory, civic, and governmental powers; effects of crises for policy mechanisms; and neoliberalised urban policies between free-market logic and regulation.

2.1. Urban policymaking between experts, participation, and governments

Experts are, by definition, individuals with specialised knowledge, but without responsibility for orchestrating projects and authority to decide (Boltanski and Chiapello, 2006; Swyngedouw, 2011; Volkmann, 2012); expert knowledge, however, is not unambiguously distinguishable from other types of knowledge such as lay, scientific or everyday knowledge (Petts and Brooks, 2006; Haughton et al., 2015). Thus it is more relevant for geographical studies to scrutinise *how* expert knowledge gains influence in urban and regional policymaking than to evaluate whether it is 'better' or 'more correct'. But even though the question of influence may be a litmus test for understanding the political role of experts, "it is not easily answered", as "influence can take many forms" and "causal connections are elusive in complex environments", as Owens (2015, 125) emphasises. Here, we build on Owens's (2015, 125ff) suggestion for five different forms of expert influence on policy, beginning with the most direct one:

- (i) 'direct hits', when advice is implemented exactly as suggested,
- (ii) discursive changes, when a new vocabulary and/or way of thinking is introduced
- (iii) backstage negotiations, when informal and undocumented advice is given
- (iv) 'dormant seeds', when concrete ideas are presented, but not immediately reacted to
- (v) 'atmospheric influence', which is hardly discernible at all.

Such a differentiation draws attention to the need to avoid oversimplistic statements on 'clandestine' expert influence and to cope with the "co-existence of different modes of influence" (Owens, 2015, 145).

Both the debates on neoliberalisation and on post-politics highlight the notion that experts primarily exercise their influence on political decisions through shaping political rationalities. Several authors have traced the role of think tanks in establishing and sustaining neoliberal imperatives, i.e. through creating a neoliberal "climate of opinion"

(Mitchell, 2009), drafting a "collective lexicon" (Raco, 2013, 92) or "turning intellect into influence" (Peck, 2010, 139, citing the Manhattan Institute's slogan). In line with these debates, management consultants often act as agenda setters who are able to define which problems should be dealt with and which not. And this power to produce nearly indisputable rationalities has been identified as a key mechanism for producing post-political situations in which the question of 'what' politics should attend to is no longer debatable due to ostensible social consensus (i.e. on sustainability or growth); instead, only debates on 'how' to handle the pre-set themes are possible, with the result that 'real' politics, a democratic negotiation of societal problems, is forestalled (Dikeç, 2005; Swyngedouw, 2011; Allmendinger and Haughton, 2012).

Even though the diagnosis of such an expert-driven 'post-political city' has been recently refined by emphasising still-existing genuinely political situations (Dzudzek and Müller, 2013; Lerner, 2014; Davidson and Iveson, 2015), empirical studies on experts have shown that experts are often not familiar with methods of including various voices into their commonly applied analytical tools (Vogelpohl, 2017a, forthcoming; Petts and Brooks, 2006). Likewise, they tend to disregard the existing knowledge within the public administration that traditionally supports governmental politics and shapes political agendas and their detailed implementation. The neglected demand for broad participation and a replacement of the administration by external experts is why the extended inclusion of experts into policymaking is often assessed as 'unauthorised' and 'post-democratic' (Swyngedouw, 2011; Raco, 2013). However, doubts and contestation remain possible, and eventually "conflict and disagreement, and not only consensus, can lead to residents' empowerment" (Fenster and Kulka, 2016, 221). With regard to the Berlin case, the nuanced post-politics debate that understands consensus-based policies as a goal of experts but not as a prevailing mode of urban politics encourages us to ask: in what way does McKinsey stabilise a specific urban consensus in order to exercise political influence? And how is this politically challenged?

2.2. Crises and the demand for fast policies

Berlin is in a "constant economic crisis" (Bernt et al., 2013, 15). Crisis situations intensify and accelerate the search for advice on what effects such a crisis might have and on how to find appropriate solutions as soon as possible. Generally, crises are door openers for advice, but types of potential crises and their manifold effects vary widely. Political crises that have caused a search for new strategic modes of policymaking with the help of experts, also on the urban scale, revolve primarily around increasing programmatic weaknesses of political parties in combination with ever-closer personal relationships between business and senior politicians (Raschke and Tils, 2007). At the same time, being confronted with urban social movements and a greater demand from urban citizens to participate in local development plans, governing politicians experience a new level of legitimisation deficits for which novel types of solutions seem necessary (Prigge and Schwarzer, 2006). These trends had already begun in the 1980s, but gained a new weight with the fiscal and economic crisis that emerged in 2008 which is often understood as an 'urban crisis' as its roots (i.e. subprime mortgages) and its most direct effects (i.e. capital accumulation through investments in the built environment and the resulting displacements and gentrification) are to be found in contemporary urban conditions (Aalbers, 2009; Soureli and Youn, 2009; Harvey, 2011).

In this context, "fast policy" (Peck and Theodore, 2015) emerged as new type of urban policymaking because local governments deliberately are deliberately seeking experts who analyse quickly and promise effective strategies (see Vogelpohl, 2017b). In practice, it is established through a global network of individuals such as bloggers, evaluator-advocates, and consultants that circulate "silver-bullet policies" which are considered to be both appropriate for specific problems and feasible (Peck and Theodore, 2015, xv). Fast policy, however, is not only

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