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# Changing scale as changing class relations: variety and contradiction in the politics of scale

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## Abstract

This paper argues that changes of scale in political-economic processes are often associated with changes in class relations, articulated by particular class projects, and developed through class struggle. Such ‘jumping of scale’ may be not only an expression of class power but a constitutive element of it. But there is no simple one-to-one relation between scale change and class relations: a particular change in scale at a particular time may have multiple potential class implications. This argument is developed by considering two ‘stylised histories’ within Western Europe during the present long wave of stagnation: shifts of economic governance from the national to the local level, and shifts from the national to the EU level. I argue that in both cases changes in the scale of regulation have been associated with shifts in class relations. But both upward and downward rescaling have been associated with (at least) two class projects, the neoliberal and the social-democratic. Thus not only have the scale changes been contested but the lines of conflict have been complex. The two histories are used to reflect at a more abstract level on the interconnections of scale, class relations and contradictions in accumulation. Developing an argument of Neil Smith, I argue that shifts in scale have been underpinned by a number of fundamental contradictions of capitalist reproduction and the state which open up diverse political possibilities. Class agents intervened into these contradictions, with varied political projects, partly through shifting their scales.

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## Introduction

Changes in scale of political-economic relations have been a constant feature of industrial capitalism; every form of regulation in space is liable to ‘melt into air’. In the long wave of stagnation of the last three decades such scale changes have been particularly pronounced. The most obvious, and the most widely commented on, have been upward shifts in scale: the growth of individual capitals and their networks to increasingly international, sometimes global, scope; the growth of international flows of all kinds; and the increasing importance of international state and para-state agencies. At the same time, there has been a certain intensifying of regulation at a local (that is, intra-national) level. This paper examines such upward and downward scalar shifts within the European Union (EU). It argues that these have been constructed by, and have in turn helped to constitute, shifts in class relations. Changes in the scale of economic governance have been associated with changes in the relations between capital and labour and changes in the class complexion of state intervention. However, the political nature of these class relations and their rescaling has been complex. I focus on two different class projects, the neoliberal and the social democratic, which can be discerned in contemporary scalar change in the EU.

I use this examination of the European case to contribute to the wide-ranging debate on the contemporary rescaling of political-economy, and to the overlapping discussion among geographers on scalar change. My starting point, argued by many contributors to the debate, is that scale both expresses and helps to constitute social power, in particular class power. I develop a particular approach to analysing the scaling of political-economic relations, in which I include both production and reproduction. I argue that the rescaling of political economy needs to be considered as expressing and re-articulating spatial contradictions of capitalist accumulation and reproduction and their associated class tensions, rather than, as it appears in much of the literature, a mere effect of technical-organisational change. Moreover, the state and its rescaling also needs to be understood as a moment of class relations rather than as an institution relating externally to civil society. On this basis, the paper highlights contradictions of the capitalist space economy which are particularly important in rescaling.

Precisely because these are *contradictions*, each class can have a *variety* of scalar political-economic strategies. Thus, in contrast to the literature on rescaling which searches for stable ‘scalar fixes’ and new spatial regimes of accumulation or which seeks to map the untrammelled dominance of neoliberalism, I emphasise difference and tensions in contemporary strategies. A corollary is that particular scale changes may be associated with more than one class strategy, even though they may use the same geographical rhetoric. Thus given scalar political-economic change is often politically ambiguous, reflecting dilemmas for class actors.

Section 2 develops some theoretical points concerning scale, accumulation, class relations and the state. Section 3 sets out the methodology used in analysing the scalar nature of neoliberal and social democratic strategies in their historical context. Section 4 shows how certain shifts in economic governance in Europe from

national to local levels have been informed by the two class projects. Section 5 examines movements upwards from the national to the EU level, again arguing that these shifts have been framed by both class projects. For each of these scalar shifts, I argue that the new scale is *constitutive* of the different political projects. Moreover, the latter construct and ideologically represent the ‘new’ territories of governance—the local or the European space—in distinct ways. Section 6 draws some general conclusions concerning scales, rescaling and class relations. Section 7 argues that the two class-political projects discussed and their downward and upward rescalings can be understood as negotiations of characteristic contradictions of capitalist space economies. The two projects rest on opposite sides of these contradictions; each is therefore riven with tensions. The rescalings which have taken place can be understood as interventions by class actors into these spatial-economic contradictions, thereby giving them new (spatial) form.

### Scale, rescaling and class

#### *Scales and space*

What does it mean for social relations and social processes to be scaled?<sup>1</sup> Many fundamental social relations are, at the highest level of abstraction, aspatial: the capital-labour relation is one such. These relations are ubiquitous and operate at and within every scale: the capital-labour relation operates and is constructed within each scale from workplaces to the globe. But at a somewhat more concrete level, one finds that particular social processes are carried out (partially) over particular distances or organised across territories of particular scale *and* these distances and scales enter into their construction (Smith, 1992, 1993). The daily relation between workplace and workers’ residence, for example, is predominantly local, and markets in labour power are strongly constituted at the local scale, and these spatialities profoundly affect the wage relation (Jonas, 1996; Peck, 1996). Such scales may have strong social-material underpinnings—for instance the form of the working day and of domestic reproduction—which are, however, themselves historically constructed. The scale of these social relations is then a logical, intrinsic part of them. (I have referred to this kind of internal relation of space and social structure as ‘spatially-effective structures’ (Gough, 1991)). Such scalar social relations may or may not result in differentiation between territories of the same scale.

Brenner (2001) has argued that scale should be used to refer solely to those phenomena where different, *mutually-articulated* scales are in play, which he terms ‘scalar structuration’. For him, ‘scalar’ processes operating at one particular scale are better referred to as ‘territorial’ or ‘of place’. But my argument here suggests that the very scale of a territory may be an important constituent of some of its social relations; in this paper I will therefore investigate ‘scalar social relations’ at particular scales (the local, the EU). However, since fundamental social relations

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<sup>1</sup> This subsection is based on Gough, (1991, 1992).

operate at every scale, there are always essential relations between these scales. No set of relations at any scale is innocent of those relations at other scales (Howitt, 1993). This is so in three important senses. (i) Social relations at a particular scale are always partially structured, whether consciously or unconsciously, by processes and actors at other scales. (ii) The significance of a scalar relation often lies in its *contrast with*, even *opposition to*, other scales. The ‘cosiness’ of the home, for example, is constructed in contrast with alienated and oppressive relations outside it. (iii) Because of the different construction of a social relation at different scales, *shifts* or partial shifts between scales may be used by social actors to modify those relations (Cox, 1998). For these reasons, Brenner is right to emphasise the importance of relations between scales. Such relations will be important in the analysis of this paper.

### *Scales of political-economy*

Much writing on changes in the scale of economic governance has focused on *technical-organisational* explanations in which scale shifts have been powered by technical change, the ‘need’ for productivity improvements and innovation, and the organisation of production functional to these. Thus upward shifts in scale of organisation of productive capital reflect increasing economies of scale and scope, and correspondingly increasing market size, while global financial integration is often portrayed as powered by developments in ICT, technical innovation in financial products, or greater sophistication in dealing with risk. Similarly, much of the literature on the new regional production complexes sees their (purported) growth as powered by the technical characteristics of the relevant sectors and by the logic of knowledge production and circulation, serving to improve production quality and decrease innovation times (Storper, 1997; Cooke & Morgan, 1998; Lawson, 1999). Or again, the large city is pictured as the privileged site of the ‘new economy’ due to its economies of scale and scope in informational and cultural production or to the attraction of professional workers to its social and cultural milieu (Castells, 1989).

All these are doubtless significant moments in some upward and downward scale shifts. But these accounts are weak in their treatment of the class, gender and national/ethnic relations of these forms of scalar governance. This weakness is found in three modes. First, these social relations are ignored altogether, as in many technical-determinist accounts of ‘globalisation’. Second, the social relations are portrayed as essentially non-conflictual and as functional to the productive logic of the new scaling, as in most institutionalist accounts of the ‘new regionalism’ to which I return below. Alternatively, class, gender and ethnic relations are seen as important and possibly conflictual, but are portrayed as the *effect* of technically-given rescaling, as in ‘labour’s disempowerment by globalisation’ or ‘labour’s empowerment by the new regionalism’. This latter mode of theorisation ignores the possibility that social relations may be *a cause and an aim* of the rescaling.

In contrast, there is now a large literature which argues that scale and changes in it integrally involve social power (Smith, 1992). The major field of this literature

has been political-economy. But it has also addressed gender relations beyond ‘the economy’ (Massey, 1996; Marston, 2000), social reproduction (Smith, 1993), national cultural politics (Agnew, 1997), and ethnic/‘racial’ politics (Leitner, 1997; Carchedi & Carchedi, 1999). Scale is thus politicised.

Starting from the pioneering work of Harvey (1982, 1985), orthodox Marxists and regulation theorists have analysed the rescaling of the economy and economic governance in a way which questions their power relations. Shifts of scale are seen as able to overcome blockages of accumulation within existing territorial arrangements. Some of this work has had a ‘capital logic’ tinge, focusing on the reorganisation of, and divisions within, capital. This is true of Harvey’s early work, which focused on the contradictory unity of fixity and mobility of the means of production; some more recent regulationist work has also been in this vein in that direct capital-labour relations play only a minor role (Jessop, 1994, 2002; Brenner, 1998, 1999). Other work has been focused on the scaling of capital-labour relations, either in workplace industrial relations (Herod, 1997a; Cox, 1997; Berndt, 2000; Wills, 2000) or in general political projects (for example Peck & Tickell, 1994; Eisenschitz & Gough, 1996; Gough & Eisenschitz, 1996; Swyngedouw, 2000). Classes, it is argued, have different abilities to command territories and distances of different scales, so that shifts in scale can be a means of class struggle. These capital-labour relations have sometimes been seen as constructed rather unilaterally by capital (Swyngedouw, 1992; Peck & Tickell, 1994); in other work the active role of labour is foregrounded (Jonas, 1996; Herod, 1997b; Swyngedouw, 2000; Gough, 2002b).

In this paper I understand capital organisation and class relations respectively as internally related: capital is ultimately nothing but a relation to labour, but class relations are always constrained by the forces of production owned and organised by capital. In this way one can avoid the implication of some writing in a capital-logic mode, that class relations are merely *effects* of prior rescaling of capital (and state). Capital’s (re)organisation is always formed *in relation to* labour. This class struggle is played out not just within production but within the state and the heterogeneous forms of the reproduction of labour power, and is a moment of gender and ethnic struggles.

On the other hand, class relations are constructed in part through flows of capital and surplus value. Neil Smith has suggested that scaling should be seen as founded in the contradictory dialectic of cooperation and competition between capitals (Smith, 1992, 1993: 99–101). Capitals both compete against each other *and* need to cooperate with each other within territories. Smith argues that this leads to the formation of potentially varied scales of territorial cooperation of capitals, though in tension with their competition, and that territories of the same scale then compete against each other. He sees this as the fundamental underpinning of political-economic scaling. In the latter part of this paper I attempt develop and widen this approach by locating scalar strategies for class relations within five fundamental spatial-capitalist contradictions within which both value flows and class relations are moments.

*Disciplinary and cooperative moments of scalar class relations*

The Marxist and regulationist literature on scaling and class has tended to focus on the coercive relation of capital to labour. Harvey's early work (Harvey, 1982, 1985) argued that capital tends to shift scale upwards, not merely to expand accumulation but in order to increase its disciplinary dominance over labour. Labour's ability to influence local place was seen as overwhelmed by capital's ability to command space, leading Harvey (1996) to a critique of 'militant particularism' as a strategy for labour (see also Smith, 1992). Other authors have developed this argument by elaborating the ways in which capital, as a part of the neoliberal project, actively *organises* the relations *between* the local and higher spatial scales in order to discipline and fragment labour and sharpen competition between workers as a counterpart to capital's greater spatial mobility (Swyngedouw, 1992, 1997; Gough, 1992; Eisenschitz & Gough, 1993, Ch 9; Peck & Tickell, 1994; Jonas, 1996). Much of the radical literature on 'globalisation' in recent years has taken up this theme.

However, to see the rescaling of political-economic relations as involving only the *disciplinary* aspect of the capital-labour relation is to oversimplify this relation and thus miss important tensions in the projects of both capital and labour. Since the 1970s, the disciplinary aspect of class relations, as part of neoliberalism, has certainly been accentuated, and is dominant in many sites and processes (Burawoy, 1985). But this has not expunged the dependence of capital on labour's skills, initiative and cooperation and its interest in the reproduction outside the workplace of labour power with the 'appropriate' skills and attitudes. This dependence is greatest where capital seeks to use 'strong competition' based on innovation and quality (Storper & Walker, 1989). It is the basis for relations to labour, at potentially varied spatial scales, which are broadly social democratic. These tend to be reinforced by pressure from organisations of workers and residents. This aspect of class relations was weak in Harvey's early writing on political-economic scaling (Gough, 2004), and some of the subsequent literature has shared this lacuna (Swyngedouw, 1992, 2000; Peck & Tickell, 1994). Indeed, many authors treat contemporary society as neoliberal *tout court*, even when dealing with forms of socialisation and 're-regulation' which have a class logic distinct from neoliberalism (e.g. Brenner, 2000; Rosamond, 2002). This seems to me to make neoliberalism too broad a concept, becoming synonymous with 'interests of capital'. It underestimates the *distinct* strategies which capital may undertake in response to the contradictions of the capital-labour relation (see the debates in Brenner & Theodore, 2002).

At the local level in particular, the 'entrepreneurial cities' literature (Hall & Hubbard, 1998) tends to assume that local governance is driven by neoliberal class practices. But, as Cox (1997, 1998) and Jonas (1996) have shown, systems of local dependence may give rise to arrangements within which labour's cooperation and welfare play a significant role. This is partly because labour can find particular strengths and resources for resistance at the local level (Massey, 1993). A purely neoliberal localism, then, cannot be assumed (Eisenschitz & Gough, 1993; Gough, 1996a).

In contrast to the literature focused on neoliberal authoritarianism, many social scientists have argued that broadly social democratic processes are important in the

contemporary world and have the capacity to become dominant (for a review and critique see Zuege, 1999). Within geography, institutionalist writers with an associationalist political perspective have been particularly influential. These have emphasised the advantages for productive efficiency and innovation of cooperative industrial relations and of territorial regimes which give ‘voice’ to labour (Cooke & Morgan, 1998). Some writers in this school have argued that regulation is being substantially down-scaled to the regional level, in order to construct both inter-firm and firm-labour relations on a more cooperative basis (Cooke, 1995; Storper, 1997), though others have put greater emphasis on articulated multiscaled relations (Amin & Thrift, 1992). However, this literature’s focus on the logic of productive efficiency abstracts from the latter’s specifically capitalist form, and thus from a set of social and spatial tensions (Gough, 1996b; Lovering, 1999; Jones & MacLeod, 1999; Cumbers, MacKinnon, & McMaster, 2002). Cooperative industrial relations are seen as ensured by their productive logic, so that class conflict is assumed away. But the disciplinary, work-intensifying and wage-reducing *aspect* of the capital-labour relation is ever-present, even within ‘strong competition’ sectors (Burawoy, 1985; Friedman, 1986; Coates, 2000; Gough, 2003b). There are chronic and ubiquitous pressures towards ‘weak competition’, which tend to undermine territorial coherence.

An adequate account of contemporary (re)scaling of political-economy, then, needs to include both the disciplinary and the cooperative sides of capital-labour relations, both weak and strong competition, and both neoliberal and social democratic projects for the production-reproduction nexus (Eisenschitz & Gough, 1998). To read (re)scaling in a fully political way requires consideration not just of class oppression but of its contradictions. Accordingly, this paper considers both class-political projects. These opposites need to be seen not as stable alternatives but as poles of contradictory unities, of contradictory class relations and interests. One cannot assume that particular capitals in a given place and time have well-defined (scalar) projects vis a vis labour and other capitals. If capital accumulation is riven with contradictions, then particular capitals (and *a fortiori* collectives of capital) will have choices of strategies each of which has its problems, leading to scalar projects which are politically diverse and ambiguous.<sup>2</sup>

### *Scaling of the state*

Rescaling of the powers and activities of the state is a part of the rescalings considered in this paper, and a brief discussion of my approach to state scaling is use-

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<sup>2</sup> While the strictly *contradictory* quality of class interests, class relations and systems of governance was significant in early regulationist work, it has been muted in subsequent work (Gough, 1996b; Roberts, 2001). Regulationists have analysed systems of regulation based on blocs of class fractions articulated by hegemonic projects (e.g. MacLeod & Goodwin, 1999). While they may distinguish *differences* in regimes and alternative hegemonic projects, and acknowledge *different* class interests (Leborgne & Lipietz, 1992; Jessop, 2002), these are seldom analysed as expressions of the *contradictions* of capitalist political-economy. However, some recent regulationist work (for example Jessop, 2000b; Brenner, 2000; Jones & Ward, 2002) has re-emphasised the role of such contradictions and the crisis tendencies to which they give rise.

ful at this point. One approach is to propose a scalar division of the state by function, as in the classic arguments of Castells (1977) and Saunders (1981) that the local state deals with reproduction while higher levels deal with regulation of production. Similar ideas can be found in more recent writing on rescaling: for example Swyngedouw has sometimes (Swyngedouw, 1997) presented ‘globalisation’ as a scaling upwards of the organisation of capital and an accentuation of local responsibility for reproduction (cf Smith, 1992). This underplays the way in which the capital-labour relation is always partly reproduced at the workplace and local level (Section 2); it implicitly treats the ‘organisation of capital’ as the organisation of firms and their networks, and misses the presence of labour within capital. Moreover, it misses the crucial *internal* relations of production and reproduction respectively at each spatial scale. Indeed, these relations have been a major focus of local, national and EU state initiatives in recent years, and, as we shall see, current scalar divisions of the state in the EU increasingly diverge from the pattern proposed by Saunders and Castells.

A second approach is to map *interactions* between scales of the ‘economy’ and scales of the state, noting matches (functional) and mismatches (dysfunctional). This approach is used by, amongst others, regulation theorists. In some regulationist work the scalar organisation of production is seen as primary, and then either the scaling of the state follows or the state is disempowered (for critiques see Purcell, 2002 and Cox, 2002). In other, ‘third wave’ regulationist work the state may play a major, even determining, role in rescaling (Painter & Goodwin, 1995; MacLeod, 1999; MacLeod & Goodwin, 1999; Jones & MacLeod, 1999). The problem with both these approaches is the initial distinction and separation between ‘economy’ and state (or ‘regime of accumulation’ and ‘mode of regulation’), which are seen as determinate institutions which come into external interaction with each other (for example Painter, 1997; for a recent critique see Ribera-Fumas, 2003). Since both institutions are considered to have their own ‘relatively autonomous’ dynamics, using this methodology it is possible to arrive at almost any account of the supposedly external economy-state causality. A more robust theoretical starting point is to start with *the class relations through which capital and labour reproduce themselves*. These *span and relate* ‘the economy’ and the state. Both the divisions between production, social reproduction and the state *and* their mutual influence are then *produced* as part of class struggle (Clarke, 1991). This class struggle is, as we have already noted, scalar. We therefore have complex dialectics in which class struggle simultaneously (i) changes the scaling of *each of* capitalist production, social reproduction and the state and (ii) gives rise to new divisions and mutual influences *between* civil society and state at each scale. This approach of starting from class relations is adopted in the rest of this paper.<sup>3</sup>

<sup>3</sup> Another approach to the scaling of the state is to see it as powered by the interests of functionaries of the state, as in realist political geography. Deas and Ward (2000) use this approach in discussing recent shifts of regulation from locality to region in England (see also MacLeod, 1999). But this attributes too high a degree of autonomy to the state apparatus vis a vis civil society.



To analyse the state as class relations is to highlight its ever-problematic relation to the power of the working class. Fragmentation and mutual competition of workers is inscribed in capitalist production relations, and the reified nature of value serves to further depoliticise ‘the economy’. But state intervention, while supporting accumulation, can potentially lead to politicisation of economic regulation. The limits of the state, then, are not set merely by its purchase on ‘economic’ processes but also by its impact on working class consciousness and organisation, including consciousness of territory and scale. The class relations considered here, then, integrally involve these ideological moments.

### **Rescaling in western Europe: Two class strategies**

In this paper I consider two scalar changes within western Europe over the last two decades or so: firstly, movement downwards from national to local economic governance; and secondly, movement from national forms of governance to regulation at the scale of the EU (Brenner, 1999; MacLeod, 1999). I use highly stylised histories which abstract from national and local differences, and which refer to all scales below the national as ‘local’. The shifts in governance analysed are only partial, since national regulation remains strong. Many complexities in the scales of economic governance in contemporary Europe are skated over.

I shall argue that both the downward and upward shifts are articulated by varied political projects for class relations. Here I examine two projects, the ‘neoliberal’ and the ‘social democratic’. Both of these are projects *of capital*, in the sense that they aim to create stable forms of capital accumulation and reproduce relations of exploitation. But they are both premised on labour as an active agent, and are thus projects of *class relations*. The paper does not deal with a third political strategy at the same level of abstraction which is important in contemporary western Europe, namely a strategy of assertion of the distinct interests of the working class and building of its organisations (Taylor & Mathers, 2002). The power of the working class is treated, rather, as an internal moment of the two strategies of capital.

My focus on *class* relations does not imply that other types of social power are unimportant in the contemporary rescaling of Europe. But while they may have their own proper scalar logics, some relations of gender and of ‘race’/ethnicity are strongly internally-related with class relations, and I shall mention some of these in the analysis below.

The core of the analysis of the neoliberal and social democratic strategies given below is pitched at a certain level of abstraction, which is intended to draw out the *logic* of their class relations in relation to capital accumulation, and the *logic* of their use of particular scales. These abstract logics have been developed in messy and spatially-uneven forms by the vicissitudes of class struggle, its territorial path dependencies, accumulation instabilities, and competition in space; the resultant differences between countries and regions are only touched on here. Because both strategies are strategies of capital, and because, as we shall see in Section 7, both

are riven by the same tensions and dilemmas, they are in practice melded and merged in varied hybrids. But my emphasis here is on their *contrasting logics*.

The historical background of these scalar strategies was the global crisis of accumulation which unfolded from the late 1960s through the 1970s. In western Europe particularly, a central strand of the crisis was the over-politicisation of production and reproduction which had grown out of Keynesian forms of corporatism and low rates of unemployment, manifested in sharp struggles of labour and residents and tensions between sections of capital (Offe, 1984). These contributed to, and were exacerbated by, low average profit rates. A neoliberal strategy was increasingly adopted by capital to defuse this politicisation through imposition of value discipline as well as to devalorise overaccumulated capital (Clarke, 1988; Burnham, 2000). Neoliberalism has thus developed into the dominant paradigm at the national level over the last two decades. But important elements of social democratic practice remain, particularly in countries with a strong social democratic (Scandinavia) or corporatist (Germany) traditions or where working class struggle has impeded austerity offensives (Germany, France, Belgium, Italy). The social democratic strategy thus has a significant presence in the contemporary EU (Andersen & Jensen, 2002; Mayes, Berghman, & Salais, 2001).

### **From national to local governance**

Throughout the western European countries there has been a growth of ‘local’ (here including regional) economic initiatives and regulation since the 1970s, albeit strongly varying between countries in content, strength and institutional form (Dunford & Kafkalas, 1992; Amin & Thrift, 1994; Healey, Khakee, Motte, & Needham, 1997; Cooke, 1995; Rhodes, 1995; Keating, 1998; Rodriguez-Pose, 1998). Many of these programmes have drawn heavily on EU structural funds and been partly shaped by EU policies (MacLeod, 1999). While there has been a remarkable political consensus supporting this shift, the new forms of local governance are in fact differentiated in important ways in their political inspiration (Eisenschitz & Gough, 1993, 1998). I consider in turn the neoliberal and social democratic approaches to economic localism.

#### *Neoliberal localism*

This project fragments inherited forms of national economic governance both socially and spatially, in order to attempt to impose the law of value more sharply both on individual capitals and on workers. Crucially, bargaining over wages and conditions of employment are to be shifted from the national to local, firm, workplace, shop or individual levels (Berndt, 2000; Plougmann, 2002). This spatial fragmentation is intended to make the wage and the security of jobs more sensitive to the profitability of what is deemed to be the relevant profit centre—the firm, workplace, shop and so on, sometimes, though not necessarily, by tying the wage to the profits attributed to that unit. In this way workers are subjected more forcibly to

the discipline of capital by being drawn into competition between (socially and ideologically distinguished) ‘individual’ capitals.

This duet of spatial fragmentation and spatial competition is found also in the neoliberal project for local government and local economic and welfare agencies. Units of delivery (schools, hospitals, and so on) are made more autonomous as budget holders, and thus more sharply subject to disciplines of profit and loss. They are set politically-determined output targets which are the surrogate for final-market revenue, and through which ‘winners’ and ‘losers’ are discovered. The units of delivery and particular social and economic programmes then have to compete in local or national bidding for funds (Robertson & Dale, 2004). These measures are intended above all to intensify labour and hold down wages within the welfare services. Spatial fragmentation thus occurs not only between localities but also within them.

Another, consequent aspect of this fragmentation is to force households to bear more responsibility for their own reproduction. Workers are to compete more sharply for locally-available jobs, and individuals and households are to meet their welfare and pension needs increasingly from their own finances. This produces particular pressures on women with dependents: they are to increase their participation and competition in the labour market while at the same time accepting greater caring work (Perrons, 1998).

In this class approach, then, the ‘local’ is figured as spatial fragmentation and space as an arena of competition. Neoliberal localism is predicated on, and expresses, value discipline imposed by the global long wave of stagnation and by the consequent intensification of the international mobilities of productive, money and commodity capital relative to the immobility of labour (Massey, 1993). But note that labour is not only locally ‘confined’ but is made more sharply to compete with other labour at *increasing* scales. In neoliberal rescaling, fragmentation of space and overcoming its frictions go hand in hand.

Notice, however, that national governance does not disappear; on the contrary, neoliberal local governance requires action at national level. In the first place it requires action actively to demolish the old structures of national socialisation, a far from trivial task (Peck & Tickell, 2002). But it also requires *continuous* central action to *organise* the competition between localities: multisite firms organise the competition between their units and sites from the national or international centre; national states organise competition between local agencies and governments.

### *Social democratic localism*

Emerging local governance in western Europe has been strongly inflected with social democratic politics. Distinct strands can be found within this approach—neo-corporatist, associationalist, communitarian; but these have certain features in common, and it is with these that I shall be concerned here. Social democratic localism seeks active cooperation of labour and residents with business, which is seen as a more effective accumulation strategy than passive subordination. It seeks to embed production in the locality, whether in terms of material linkages, infor-

mation flows or the reproduction of appropriate labour power. These networks are a form of collectivity, and they may require the construction of new local collective institutions (Amin & Thrift, 1994; Storper, 1997; various chapters in Dunford and Kafkalas, 1992 and in Rhodes, 1995).

Once again, the local scale is integral to this project. In the social democratic strategy *local integration* of economic actors aims to ensure intense and efficient internal economic flows, provision of common inputs, effective governance of these, and, crucially, the construction of political consensus between sections of capital, labour and residents. This both relies on and tends to cement more-or-less durable *commitments to the locality*. Firms are to have a perspective of staying in the locality, and on this basis they are to develop a political commitment to strengthening local accumulation. This may rely on convincing them that they are, in fact, locally dependent (Cox, 2002: 14). Commitment of residents to the locality is to be built through good quality welfare services, housing, transport and environment, including those which enhance labour power and support women in their (imputed) caring responsibilities (Perrons, 1998). On this basis, the economy acquires *local specificity*, through developing particular local sectors, seeking niche markets for them, exploiting flexible specialisation, enhancing locally-specific skills, using and deepening local inherited forms of social collectivity (Storper, 1997). These strategies may even seek to create sectoral clusters from scratch, against the individualism of firms (for the British case see DTI (2001) and Peck & McGuinness (2003)). Larger spatial scales are nevertheless important: the spatial mobilities of productive, money and commodity capital are to be used to enhance local accumulation (Amin & Thrift, 1995), and they provide a disciplinary framework which naturalises local economic restructuring and fends off its politicisation (Gough & Eisenschitz, 1996; Lovering, 1999).

There is therefore a sharp contrast between the use and ideology of scale within neoliberal and social democratic localism respectively. Whereas in the neoliberal strategy the local appears as fragmented economic units, inter-local competition and inter-local mobility, in social democratic class relations the local is figured as the locally particular and the locally immobile. This is coupled with a difference in temporal horizons: whereas neoliberal localism constructs scale through short term processes, rapid ‘adjustment’ and ‘shock treatments’, social democratic localism rests on and fosters durable commitments and is to be constructed in the long term.

What has been the balance and articulation of these logics in practice? Neoliberalism has been played out partly through the logics of ‘local neoliberalism’ just described within both firms and the state. Capital has had some success in fragmenting industrial bargaining, and the collective organisation of labour in workplaces and localities has in many cases been severely weakened. This process has, however, gone much further in some countries than others, being strongest in countries such as Britain and Spain where capital has sought and been able to attack labour most sharply (Bamber & Lansbury, 1998; Plougmann, 2002). But social democratic local governance has remained important in countries where this politics has strong historical roots. Thus local labour market regulation in Den-

mark retains strong collectivist elements and role for the trade unions, despite national level attempts to weaken these (Etherington, 1998; Andersen, 2002). Moreover, paradoxically, the successes of neoliberalism in weakening and depoliticising labour have, over time, actually *facilitated* the implementation of at least elements of social democratic strategy at the local level: the discipline of value imposed on every locality and labour's political retreats have encouraged a perspective of local collaboration with capital, thus largely heading off the politicisation and conflict which social democratic strategies can lead to (Purcell, 2002). There have thus been meldings of neoliberal and social democratic strategies which appear to give 'the best of both political worlds'. Neo-corporatist development organisations, public-private partnerships and community initiatives can fuse collective organisation of a social democratic flavour with cost cutting, numerical flexibility of labour and sharpening inter-local competition (Brenner, 2000; Gough, 2002a,b). 'Enterprise' is invoked both as an inherent attribute of individual firms, workers and entrepreneurs (the neoliberal perspective) and simultaneously as something to be socially constructed through local cooperation (the social democratic perspective). One thus finds a surprisingly large role for social democratic politics at the local level within the EU.

Tensions between neoliberal and social democratic localism nevertheless remain. These are manifested partly in *variation* between localities, even localities within the same country. Essays in Cooke (1995), for example, show the variety of success in coordinating capital and integrating labour in old industrial regions in Britain and Germany. The contributors to Healey, Khakee, Motte, and Needham (1997) have shown the very different degrees of coordination between firms, collective institutions and parts of the state in regional planning in the EU. Thomas (2000) shows the diversity within Britain as capital attempts to construct intra-regional coordination in the face of Britain's liberal traditions. As Peck and Tickell (1995) show for the case of Manchester, some attempts to construct collective projects of capital have been weakened by individualist behaviour of firms reinforced by national and local neoliberalism, so that collective projects become hijacked by particular interests. Such varying degrees of 'institutional thickness' (Amin & Thrift, 1995) are partly a function of inherited local practices; but they also reflect *ongoing* tensions between neoliberal and social democratic logics realized through inter- and intra-class struggle. One could write a different story of the playing out of these tensions for the system of local politics in each country (e.g. Brenner, 2000; Gough, 2003a) and for each particular locality.

### **From the nation to the EU**

During the present wave of stagnation, flows and centralisation of productive, money and commodity capital within western Europe have intensified. As both response and cause, EC/EU money, industrial, fiscal, social and environmental policies have grown in importance and partially replaced and overridden those of the (growing number of) constituent nation states (Rodriguez-Pose, 2002). The EU is

here understood not as simply as a federation of states or as the ‘inter-nationalisation’ of state forms but as *an emergent state* of a new scale with all the characteristic features and contradictions of a capitalist state (Carchedi & Carchedi, 1999). The partial shifts in state power from national to EU level have been opposed on both right and left. But they have received support from within both neoliberalism and social democracy; I consider the scalar logic of these distinct class relations in turn.

#### *A neoliberal European project*

In the neoliberal project, European governance centres on the discipline of individual capitals and workers by mobility of productive, money and commodity capital, reified and naturalised as technically-spatially determined international competition or ‘globalisation’ (Cox, 1997). These forms of flow tendentially bid down wages, the security of employment and the social wage and bid up the intensity of work (Standing, 1997). Despite neoliberal anti-state rhetoric, the EU state plays an active role in this strategy (Swyngedouw, 1997; Bonefeld, 2001b). The EU has *constructed* the single market and freedom of flow of financial and industrial capital and labour power. Nation states’ industrial policies are whittled back and constrained by the EU’s prohibition of ‘market-distorting’ subsidies and regulations. Spatial uneven development within the EU (Dunford, 1994, 2003) is seen as providing beneficial opportunities and pressures (Haynes, 2001). Thus the incorporation of new countries in southern Europe, Ireland, and the ten agreed in 2002 has been seen by neoliberalism as a means of bidding down wages and welfare spending in the core, both through migration of labour from poorer to richer and migration of productive capital in the opposite direction (Agnew, 2001).

The creation of the Euro is viewed ambiguously by neoliberalism. One strand of neoliberal thought (dominant within the British Conservative Party but found elsewhere on the European Right) supports the longstanding currencies on the grounds that their exchange rates reflect the judgement of markets on the productivity of the national economies, so that changes in exchange rates can help to achieve full use of national factors of production through market forces without state intervention (Minford, 1994). But the dominant strand of neoliberal thinking in the EU has supported the creation of the Euro—on a particular basis (Bonefeld, 2001a). The Maastricht criteria for joining the single currency—targets for state deficits, accumulated debt and inflation—have embodied impulses to cut state spending (since tax increases are largely blocked) and to privatise public assets, thus channelling income and investment opportunities to capital. The criteria also chime with a neoliberal deflationary stance. Since the foundation of the Euro, the ‘stability pact’ and the ‘anti-inflationary’ policies of the European Central Bank have continued these pressures. Thus EMU and the Euro have imposed a set of neoliberal policies onto the constituent nation states. The creation of the Euro zone also enhances the spatial mobility of money, productive and commodity capital. The particular power of EMU and the Euro within neoliberal class strategy rests partly on its *fetishistic* form: monetary and fiscal measures which have had major impacts on living standards are justified by ‘the stability of the currency’ and by

convergence or stability criteria framed as abstract targets. Moreover, labour throughout Euroland is now directly commensurated by a single money, and hence put into sharper mutual competition (Carchedi, 1997). The guardianship of the currency by the ECB, and the remoteness and lack of democracy of the Bank and of the political structures which control it, reinforce this impersonality and naturalness of the currency and its effects. Through these social-geographical forms, nation states are able to depoliticise monetary and fiscal policy: the project of the Euro, reified as ‘a successful currency’ and ‘the European project’, has been used to legitimate austerity (Bonefeld, Brown, & Burnham, 1995; Bonefeld, 2001b).

Note that, to the extent that these neoliberal processes are dominant, the shifts from national to EU level are not due to nation states’ inability to control already internationalised capital, as is so often said. If anything, the reverse: the upward shift has been impelled by capital’s insufficient ability to control nation states from the national level. Thus, paradoxically, the European level of governance facilitates the formation of neoliberal *national* policies and class relations.

Again, the new *scale* of governance is integral to the strategy: the European scale has a particular meaning within neoliberal class relations. It enables an expansion of the arena of capital mobility and competition, thus deepening value disciplines. It uses poorer countries and regions to put cost pressures on the richer. Moreover, the greater distances between production and labour on the one hand and decision making on the other tends to produce a more powerful market fetishism: more remote competitors, markets, corporate headquarters and state decision making tend to depersonalise economic processes (cf Allen, 1999). Distance lends abstraction.

### *Social democratic European projects*

Theorists of the social democratic approach often make an explicit contrast with the ‘hard’ neoliberalism of the US, arguing for a continuation of more collectivist and solidaristic European traditions (for example Habermas, 1999; Dunford, 2003). The shift from national to EU-scale regulation has in fact contained social democratic *elements* (Hudson, 2000; Taylor & Mathers, 2002). The Maastricht treaty established a right for the ‘social partners’—the representative bodies of capital, labour and public enterprises—to be consulted by the Commission and the Central Bank, and for them to make ‘framework agreements’ among themselves. Since 1994 medium and large multinational firms have been required to set up European Works Councils for consultation with the workforce, which can foster class cooperation in restructuring. An EU industrial policy is pursued through programmes supporting innovation and training, reconversion of old industrial areas, and investment in regions with sluggish accumulation, aimed at creating a European ‘knowledge-based economy’ (EC, 1993; Rosamond, 2002)—a strategy of ‘strong competition’. The Social Charter is used to set a floor for downward competition in employment conditions and thus limit firm strategies too strongly based on absolute surplus value and low quality production, with particular benefits for women, racialised minorities and other disadvantaged sections of the workforce. It



is argued that stronger rights for workers leads to industrial cooperation and hence higher productivity (Buchele & Christiansen, 1999). These policies have been seen by the European Trade Union Confederation and by most of the national union leaderships as constructing a 'Social Europe' through 'social partnership'—as against poverty and neoliberal globalism outside (Martin & Ross, 1999b; Taylor & Mathers, 2002).

At the same time, an EU-wide system of immigration is being developed to tightly police the union's borders, and thus to regulate the supply of labour power (particularly at the lower end of the market) and limit short term claims on reproduction resources (Leitner, 1997; Carchedi & Carchedi, 1999). 'Fortress Europe' is often spoken of as a neoliberal policy. But it conflicts with the logic of neoliberalism which is towards free geographical flows of labour power. Moreover, the social democratic approach of class cooperation *within* a territory always has its logical complement in defining and strengthening boundaries against those *outside*: a strong European national identity based on territorial integration and shared class interests is constructed *against* the Other, particularly against the *disintegrating* Third World.<sup>4</sup> Indeed, social democratic strategy is quite compatible with EU support for neoliberal global regulation (Watson, 2002).

European fiscal and monetary policy can reinforce this strategy for production and labour power. Equalising national taxes, particularly those on business (as proposed by the German Social Democrat government), can prevent a downward spiral in taxation and hence protect spending which supports productive accumulation and reproduction of labour power (Aaronovitch & Grahl, 1997). Here, the scale of the state is expanded to that of existing capital mobility, thus increasing the leverage of states on capital. The single market and the single currency, too, have the potential to serve not only neoliberal but social democratic aims. By promoting transborder trade, they can sharpen national specialisation and build economies of scale and scope (Dunford, 1994; Hudson, 2000). A single currency has also served to divert capital from 'unproductive' intra-European currency speculation (Grieve Smith, 2000).

Beyond these policies, more thoroughgoing European social democratic strategies have been proposed. These include stronger forms of corporatist industrial policy, coordinated reflation and a softer Euro, progressive redistribution via the state, individual basic incomes, and stronger environmental policies (Holland, 1983; Lipietz, 1996; Aglietta, 1998). Again, the enlargement of the scale of government from nation to EU would be necessary to make these policies effective (Aaronovitch & Grahl, 1997).

The European scale is integral to these social democratic policies and strategies, though it has a very different meaning from that in the neoliberal project. It is to be an arena for the development of capital-labour cooperation whether within firms, in support for productive investment, in the reproduction of effective labour

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<sup>4</sup> The class-political complexion of EU immigration policies is far more complex than this brief characterisation allows: for a nuanced discussion see Haynes (2001).



power, or for the integration of disadvantaged (but ‘indigenous’) social groups. The EU is to be a state at a scale which spans movements of capital, and hence a means of controlling capital’s non-productive and ‘socially irresponsible’ tendencies. At this scale there is a greater ability to head off ‘low roads’ to accumulation which undermine ‘high roads’; and the EU can be used to prevent excessively neoliberal national state policies on taxation, state spending and labour markets. In contrast to neoliberalism’s arena of capital mobility, the European scale in the social democratic approach centrally has the promise of developing a particular territorially-rooted business culture: one of active cooperation between capital and labour and between firms, and which privileges quality of production over pure cost cutting. A jump in scale in the regulation of money can stimulate productive investment by lowering exchange risks, and can enable reflation by preventing nation states relying on reflation by others. Environmental problems can better be addressed both because of the material scale of the problems themselves and because competitive degradation of environmental controls by nations can be prevented.

In this strategy, cooperation within the EU and hostility to the world beyond its borders go hand in hand. A reinforcement of the barriers around the EU is a logical part of intra-territorial integration: the putative social democratic EU is to be protected from excessive cost-competitive imports and influxes of labour from the Third World. The productivist and innovation-centred strategy is to strengthen the competitiveness of the EU *vis a vis* the two other major regional trade blocks (Rosamond, 2002; Dunford, 2003).

The EU scale is thus intrinsic to social democratic projects not only because the space of the EU contains nations with strong social democratic or corporatist traditions but also, more deeply, because the scale is large enough to constrain excessively neoliberal accumulation paths and is an arena for constructing class cooperation. Whereas, in principle, neoliberal Europe enlarges the scale of economic regulation *without limit*, social democratic Europe is a *determinate, finite* territory. Neil Brenner’s (2000) concept of a ‘space of competitiveness’ has a stronger meaning in the social democratic than the neoliberal strategy.

These neoliberal and social democratic strategies for the EU area have been in uneasy cohabitation, sometimes melded within single ‘strategies’ (Rosamond, 2002: 166, 171). But overall the neoliberal strategy has been dominant and became more so over the 1990s (Swyngedouw, 1997; Standing, 1997; Agnew, 2001). Examples are the very ambiguous results for labour of the ostensibly social democratic European Works Councils (Wills, 2000), the privatising agenda at the heart of the EU’s emerging education and training strategy (Robertson, 2002), and the failings of ‘Social Europe’ (Moss, 2001). Capital and governments in France and Germany, while sometimes supporting social democratic policies for the EU, have increasingly attempted to undermine labour within their own borders and beyond. Britain, Spain, and Berlusconi’s Italy, countries where labour suffered severe defeats in the 1980s, have consistently pushed the EU in a neoliberal direction. Against this dynamic, in 2001–3 Germany and France, in the face of the global downturn, manoeuvred to adopt looser fiscal stances than allowed by the stability pact and thus

avoid its neoliberal destructiveness. In some countries labour has put up strong resistance to austerity, particularly that imposed through the neoliberal conditions attached to the Euro (Martin & Ross, 1999a), and in recent years there has been increasing pan-EU coordination of labour, women's and anti-racist organisation (Swyngedouw, 2000; Taylor & Mathers, 2002). These have been largely responsible for the social democratic elements I have noted. But they have been unable to prevent the march towards a predominantly neoliberal EU or, as yet, strongly to advance a socialist alternative.

### Some general conclusions on scaling and class relations

These considerations of the western European case suggest some general points.

Firstly, changes in class relations are often presented—by both right and left—as *effects* of rescaling driven by essentially technical-organisational dynamics. But we have seen that class relations are an active part of the *construction* of the new scales of governance.

Secondly, a *particular territorial scale* may lend itself to particular strategies for class relations, as we have seen in each of the four cases considered. But *scales of governance always function in relation to other scales*. This is evident, for example, in the nation state's role in neoliberal local governance, or in the way in which international competition reduces the danger of politicisation in social democratic localism. Very formally, we may say that we always have dialectics between territory and distance, between relations internal and external to each scale. This is because class relations are ubiquitous and therefore constructed simultaneously at all scales (Section 2). This chimes with Cox's (1998) argument that territorial 'spaces of dependence' are reproduced and reconfigured through actors' use of networks and distance relations in 'spaces of engagement'. As well as the conscious political action of agents discussed by Cox, 'engagement' may be through unconscious value processes.

Thirdly, the jumping of scale of economic governance supported by sections of capital is not always upwards; capital does not necessarily deal with difficulties by expanding its scales of governance. Command over the small—or rather, over *multiple* small areas—may be as powerful as command over the large. The ability to spatially fragment (the neoliberal localist strategy) or the ability to construct active forms of local cooperation (the social democratic localist strategy) can both benefit capital. It is at any rate the case, as we have seen, that the wide spatial *mobility* of the three forms of capital has been integral to the construction of both neoliberal and social democratic *localism* (connecting to the previous point). One could then say, schematically, that *local economic governance does not negate the power possessed by capital in its ability to 'command space' but rather internalises and enhances that power*.

Fourthly, while scale can be an integral part of particular class relations, this is not a one-to-one correspondence: the same scale shift at a given time may be employed in *the service of different class relations*. This insight has been occluded in

some of the recent literature because of its reading of contemporary class relations as simply neoliberal (Section 2). But social democratic strategy for (and through) both local and EU scales is important. This is no less a strategy for capitalist control than neoliberalism. And indeed, it can meld with neoliberalism: social democratic policies can benefit from a context of neoliberal discipline to limit politicisation; and in mitigating some of neoliberalism's negative impacts on productive accumulation they can help to stabilise it (Gough, 1996a, 2002a).

Finally, the very fact of a *change* of scale may affect class relations. Economic socialisation at the national scale became strongly politicised in the 1960s and 1970s; shifts to both the local and EU scale enabled capital to construct new forms of governance relatively free—for the moment—from such conflicts. Thus it may be the *dynamic* rather than the *achievement* of rescaling which is important in a particular period. Scalar instability may be an important part of capital's ability to keep ahead of labour through constant restructuring (cf Berman, 1983). Thus, while there are often relatively stable and durable regimes at particular scales (for the local scale see Jonas, 1996; Peck, 1996; Gough, 2003b), this shouldn't obscure the political efficacy of shifts of governance *between* these scales.

### **Rescaling and the contradictions of capitalist reproduction**

What underlies the rescalings and their variable politics considered here? What are the limits of these scalar strategies? In this final section I shall argue that *shifts in the scale of economic governance reflect contradictions in spatial capitalist reproduction. These contradictions produce problems for economic actors, who may jump scales in order to ameliorate them. The underlying contradictions mean that there are different options, but also that each option is problematic. Both the scalar instability of regulation and its contested politics are therefore part and parcel of fundamental instabilities in class relations and accumulation.*

I shall make this argument in a rather formal manner, by first listing the relevant contradictions at an abstract level, and then showing in turn how they have been present within the scalar projects of neoliberalism and social democracy discussed above. Relevant contradictions are:

1. The contradictory relation of the socialisation of productive capital and labour power within determinate territories (networks, associations, non-market relations, durable interdependencies) *and* value production and capital mobility within larger territories (Harvey, 1982; Swyngedouw, 1992; Jonas, 1996; Gough, 1996b; Cox, 1998; Brenner, 1998, 1999).<sup>5</sup> This relation is strictly contradictory in that it is simultaneously one of antagonism *and* mutual dependence;
2. The contradictory relation of capital's discipline of labour and its cooperation with labour (Friedman, 1986);

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<sup>5</sup> Note that the second side of this contradiction is not synonymous with hypermobility and globalism, merely with a *larger* territory.

3. Tensions between the specialisation of territorial economies (the concrete nature of production) and their commensuration through value processes (Gough, 1991);
4. Tensions around the scope of state action: the benefits to productive capital of state regulation and provision versus the dangers of politicisation, of excessive burdens and restrictions, of unequal burdens, and so on (Offe, 1984; de Brunhof, 1978; Clarke, 1991);
5. The contradiction between the autonomy of the state acting for capital as a whole and its response to the demands of particular capitals (Webber, 2000).

The two strategies tend to privilege different sides of these contradictions. Faced with these tensions, in historically-specific forms, each of the two strategies finds levers at new scales which shift the tensions in particular directions. Let us look first at the association of *neoliberal rescaling* with each of the above contradictions.

1. The neoliberal project promotes flows of productive, money and commodity capital over a wider arena, the EU, and, through the restructuring of the local, promotes capital flows between localities. It thereby helps to dismantle previous forms of territorial socialisation which have become obsolete or over-politicised, especially at the national level.
2. In reaction to what became the excessive influence of the working class in western Europe in the context of low average profitability, neoliberal rescaling seeks greater discipline over labour within both production and state services: via enhanced mobility of capital, spatial fragmentation and intensified competition, (1), and via the discipline of the single currency and EU prohibition of ‘unfair competition’.
3. Neoliberalism tendentially promotes both a lowering and an equalisation of factor costs and final prices in local and national economies, without regard to their qualitative specialisation. EU enlargement to the east is to put downward pressure on prices. The neoliberal ‘Europe of regions’ is one of different *price* opportunities and of *price* competition.
4. In the face of excessive conflicts around, and demands on, nation states, neoliberalism uses the EU and the single currency to reduce their regulatory role in the name of a level playing field—a playing field which is of a new scale. Going in the other scalar direction, in the face of the rapid growth and politicisation of local government during the 1960s and into the 1970s (Cochrane, 1993), neoliberalism uses the nation state to minimise regulation by local states and to subordinate them to market and quasi-market disciplines. In both of these forms of scalar restructuring, the *interdependence* of scales is particularly striking.
5. Neoliberalism has tended to intensify the subordination of the local state to immediate demands of *individual* capitals, which paradoxically cuts against the processes in (4). The impulsion on local agencies to compete spatially thus tends to work in the short term interests of some capitals while neglecting those of

others (for examples see Peck & Tickell, 1995; Swyngedouw, Moulaert, & Rodriguez, 2002).

Neoliberal shifts of scale thus place themselves in a particular way within the abstract contradictions and give new forms to them. The same contradictions, but giving rise to very different interventions, appear in *social democratic rescaling*:

1. Social democracy attempts to foster new socialisations of production and reform old ones within both localities and the EU, the scale depending, inter alia, on technical features of the industry. Weak governance at these scales is seen as damaging productivity and innovation. Potential problems of politicisation and excessive demands are countered at the local level by ideologies of local solidarity, in the EU by its democratic deficit, and at both levels by capital mobility and competition pressures.
2. As part of these territorial socialisations, active cooperation of labour and residents with capital is promoted alongside, and founded on, the disciplines imposed by value. This is reinforced by measures to reproduce better labour power (local initiatives for reproduction; EU regional and training policies; the Social Charter as base). The sharper imposition of value processes and the defeats of the trade unions in the 1970s and 1980s have allowed capital to develop weak, tentative forms of cooperation with labour at both the local and EU scales, avoiding the over-politicised national scale.
3. Social democratic strategies promote qualitative differentiation of local economies. This 'Europe of the regions' is one of *specialisation*, of different particular technical-organisational competences.
4. The social democratic strategy is able to develop these substantial forms of socialisation ((1), (2) and (3)) without excessive politicisation partly because of the defeats and demoralisation of labour by neoliberalism. Weak politicisation is also partly due to the local and EU scales of governance being substantially *new* ones. This has meant that entrenched patterns of clientalism, pork barrelling and labour's political mobilisation are (for the moment) relatively subdued, though EU regional policy has become increasingly politicised in the last ten years (Rodriguez-Pose, 1998).
5. In the social democratic view the state should maintain a certain autonomy from individual capitals in order to aid productive paths of accumulation. Thus, compared with the neoliberal approach, local government is given a greater role in local economic governance as against qualgos. At the continental level, the EU is to prevent an excessive dynamic of tax reduction, head off a race to the bottom in employment conditions, and put some limits on speculative money operations; these involve opposing *particular* sections of capital. Social democrats favour an increased role for the *EU* state for these purposes because it better corresponds to the new spatial scales of capital mobility. Within this class approach, then, both local and EU states need strengthening not simply in order for them to serve productive accumulation but in order for them to have the necessary autonomy from particular capitals to carry out this task well.

Both the neoliberal and social democratic scalar strategies, then, can be understood as mediations of fundamental contradictions of spatial accumulation. Shifts in the scale of governance then appear as means for shifting the balance within these tensions by using scaled institutions and economic processes.

These contradictions are historically specific: each has been deepened by the low profits and political conflicts attending the present long wave of stagnation. Indeed, this stagnation is an expression of a deepening of the contradictions of the mode of production, that is, of crisis (Mandel, 1978a; Offe, 1984; Harvey, 2000). Contradiction (1), for example, deepened during the long boom as Keynesian national regulation came into tension with deepening internationalisation of capital in its three forms, an important moment in the late 1960s/early 1970s crisis (Mandel, 1978b); the deepening of internationalisation since then has not resolved the tension but exacerbated it to the extent that internationalisation disrupts productive socialisation in each territory. Similar arguments could be made for the other four contradictions. This suggests a general reason why the restructuring of scales of governance has been such a notable feature of this historical period.

This analysis has overlaps with Smith's (1993) theorisation of scale as constructed by the dialectic of competition and cooperation between individual capitals within and between territories (Section 2). The contradiction (1) above contains this dialectic, though I have here conceived cooperation in a wider fashion to include coordination of capital, labour and state in territories. Smith's idea focuses on what I have described as the social democratic mediation of this contradiction, in which cooperation is substantial. The analysis presented above, then, is methodologically similar to Smith's but suggests that scaling is constructed by a *large set of contradictions* of spatial political economy and by *diverse political projects* formed within those contradictions.

It is because we are dealing with fundamental contradictions that I have not spoken of 'spatial fixes' (Harvey, 1982), 'scalar fixes' (Brenner, 1998) or 'spatial-temporal fixes' (Jessop, 2000a). Nor, in contrast to classical regulationism, have I looked for a new mode of spatial regulation which would be relatively invariant over an epoch (Jessop, 1994, 2002; Brenner, 1999). In my stylised histories I *have* assumed some relatively pervasive and durable forms of spatial economic regulation. But I have argued that these are highly ambiguous in their political direction, are contingent on class struggles at varied spatial scales, and, as mediations of contradictions, may have limited stability (Coates, 2000; Cox, 2002). Current (re)scaling of political-economy, then, is not a 'structural' feature of the epoch but very much open to struggle.

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