Neoliberalism and localism: comments on Peck and Tickell

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Introduction

In a recent article in *Area*, Peck and Tickell (1994) criticise mainstream local economic initiatives as embodying a neoliberal logic, and put forward an alternative strategy. This article argues that Peck and Tickell underestimate the logic of neoliberalism for capital, and correspondingly overstate the potential of their alternative. Moreover, mainstream local economic initiatives are not neoliberal, though they are linked to neoliberalism.

Peck and Tickell argue that neoliberalism is ' jungle law ', an absence of regulation. Further, they argue that local economic initiatives (LEIs) are participating in, and thus contributing to, the economically debilitating effects of neoliberalism since their motivation and form is competition between localities. Flowing from this critique, they argue for an alternative to both national and local neoliberalism, in the form of cooperative economic regulation at local, national and international levels, with coordination between the spatial levels of regulation. I share Peck and Tickell's abhorrence of the effects of neoliberalism on labour, and their opposition to localities subordinating themselves to the competition of capital. But in this comment I argue that Peck and Tickell underestimate the logic and achievements of neoliberalism for capital, and correspondingly overestimate the possibilities for cooperative and progressive economic regulation, particularly in the present long wave of stagnation. They also misread the nature of the majority of contemporary LEIs which, while intimately *connected to* neoliberalism, are not in fact neoliberal in their internal organisation and class relations.

Neoliberalism: a form of regulation

Peck and Tickell write that neoliberalism ' is the kind of ' jungle law ' that tends to break out . . . when economic growth slows and when social compromises collapse ' (Peck and Tickell 1994, 319). ' [T]he ascendancy of neoliberalism represents a regulatory vacuum, the absence of a new institutional fix '. It is a ' contributor to . . . the crisis ' (Peck and Tickell 1994, 320). But neoliberalism in fact does embody regulation and a form of order: *regulation by value*. This form of regulation has powerful healing effects for capital in a period of stagnation, even if it may not, *by itself*, lead to a renewed long wave of strong accumulation.

Neoliberalism seeks to unleash the therapeutic processes contained in capitalist value relations (Harvey 1982). By minimising state ownership and regulation and by lifting geographical barriers to the flows of commodities and money capital it imposes the discipline of value with full force on both individual firms and sectors and on labour. Deregulation and privatisation allow capital to flow out of insufficiently profitable lines and into more profitable ones. They allow obsolete forms of regulation and coordination to be abandoned and thus clear the ground for new ones to emerge. Much inefficient and overvalued capital is devalorised, reducing the aggregate capital within particular industries, areas and the economy as a whole with a claim on the profits currently being produced, thus tending to increase the corresponding profit rates. Inflation is reduced, enabling prices better to play their essential role of coordinators of purchasing choices and investment decisions. Higher unemployment and the abandonment of non-market arrangements between capital, labour and the state allow the rate of exploitation to be increased and great managerial discipline to be established within the workplace. Labour power can be shaken out of low profitability production, reallocated to more profitable lines, and made more geographically mobile; it becomes more replaceable and abstract. This is not ' disorder ': on the contrary, it is the imposition of order based on private responsibility and on value in the marxist sense.

Peck and Tickell talk of neoliberalism filling a gap left by the demise of Keynesianism (Peck and Tickell 1994, 319–20). But they do not say why this demise occurred, and thus miss the way in which neoliberalism is addressed to some of the problems created by Keynesianism. Over the period of the long boom, a large number of non-market forms of coordination between capital, labour and the state were developed which contributed positively to accumulation. However, they also conflicted with the value regulation inscribed in capitalist social relations, and this contradiction eventually gave rise to problems. Capital became locked into restrictive arrangements which tied it to insufficiently profitable sectors and areas. Labour attained excessive bargaining power over capital. The growth of the state both increased taxes' deduction from privately appropriated surplus value and blocked off profitable avenues of investment. Most seriously, both the economy and the realm of reproduction of labour (the social realm) became excessively politicised, with ever-increasing demands on capital by labour, and on the state by both labour and individual capitals. These things were crucial origins of the crisis and the present long wave of stagnation (O'Connor 1973; Habermas 1976; Mandel 1978).

Neoliberalism addresses these problems head-on; it is a definite political strategy rather than a ' political vacuum ' (Peck and Tickell 1994, 323). And it has had considerable successes. Inflation has been sharply reduced. The bargaining power of labour in the advanced countries has been severely eroded. In consequence, the rate of increase of wages has fallen behind the rate of increase of productivity in most countries, and, just as importantly, the ability of management to continuously restructure labour processes has been greatly enhanced. Lest it be thought that the disciplining of labour is unimportant for capital, it should be remembered that the post-war long boom was built in part of the defeats of the labour movement from the Great Depression to the early 1950s (by fascism and unemployment, postwar by the purging of ' communist ' unionists and a reduction of their influence through the Cold War, and by repression of the unions in Japan), and indeed that these were probably a necessary condition for the boom (Mandel 1978; Armstrong *et al* 1991); in other words, Keynesian regulation was built on a foundation of defeats of labour. The recent achievements of neoliberalism are registered in what is ultimately the key variable for capital, the rate of profit. In the last phase of the boom 1965–74 the rate of profit in the seven principal countries declined from 21 per cent to 13 per cent; in the first period of crisis 1974–82 it varied between 11 per cent and 15 per cent; at the height of the cycle in 1988–91 it had recovered to 17 per cent (Durand 1992).

This is emphatically not to argue that neoliberalism is without problems. As Peck and Tickell point out, there are many forms of non-market coordination which are beneficial, even necessary, to the modern economy, and neoliberalism undermines these (Eisenschitz and Gough 1993, Chapter 8). I also agree with Peck and Tickell that neoliberalism will not necessarily lead to sustained growth, and that it should not be construed as a precursor of a new order of flexible accumulation or post-Fordism, as Jessop and others have argued (Gough forthcoming). This is not surprising: the value relations promoted by neoliberalism are themselves contradictory: private responsibility and appropriation conflict with the high degree of socialisation of modern capitalism, and disciplinary labour relations conflict with workers' attention to the quality of production (Eisenschitz and Gough forthcoming). But to portray *only* the downside of neoliberalism is one sided, and misses its contradictory nature.

Neo-Keynesian local economic initiatives: the power of the local

Peck and Tickell portray LEIs as capitulating to neoliberalism by competing for mobile investment, with no mechanisms for coordination between localities. But this is to see only one side of the picture. Some contemporary LEIs *are* of a neoliberal type: those which weaken local state regulation, attempt to cut wages, and adopt a strategy centred on pure cost competition. But the majority of LEIs, even in countries with the strongest neoliberal traditions and national neoliberal policy such as the US and Britain, do not embody this strategy. Rather, they involve the construction of varied non-market forms of collaboration between firms, between business and levels of the state, and sometimes between these and community groups and even trade unions (for the British case see Moore and Richardson 1989). This non-market coordination is in the traditions of Keynesianism and against the principals of neoliberalism. The local networks and ad hoc bodies aim to intervene to correct market failure—again, a notion foreign to neoliberalism. Mainstream LEIs seek to elicit active cooperation between local actors, rather than mere submission to market discipline. In these programs, then, contrary to what Peck and Tickell argue, localities have not ' surrendered themselves to the global ' (Peck and Tickell 1994, 323).

The growth of these neo-Keynesian initiatives in the midst of national and international neoliberalism is certainly a paradox. Eisenschitz and I (Eisenschitz and Gough 1993; Gough and Eisenschitz 1996) have argued that central to the explanation of this paradox is the mobilisation of localism to overcome problems of class relations. National neoliberalism, despite the problems it produces, is strongly supported by capital because it combats the excessive politicisation of the economy and social life. At the onset of the crisis capital recoiled, not from non-market coordination as such, but from the indiscipline and even challenges to capitalist rule that it had led to (for example, the near insurrection of labour and residents in northern Italy in 1969–70). Localism has been successful, in the past period, in organising non-market coordination while at the same time maintaining discipline. Firms, unions and community groups have been moderate in their demands on local economic policy-making and willing to accept ' realistic ' compromises, partly because of the extreme pressures of competition on localities, and partly because of the powerful ideology of ' the locality uniting to solve its problems '. These are non-trivial achievements of LEIs for capital, based on specifically *local* organisation; contrary to Peck and Tickell, the resurgence of the local is not ' illusory ' (Peck and Tickell 1994, 318). Analytically, the paradox of collaborative local policy under national neoliberalism resolves itself if we understand that all economic policy under capitalism is a question above all of class relations and that these can be dependent on scale.

Mainstream LEIs are thus distinct in their class relations from neoliberalism, but not separate from it: active local collaboration is undertaken because of, and actually cemented by, the spur of intensified world competitive pressures. This dialectic is particularly notable in the capital-labour relation: the disciplining of workers and residents by the crisis and neoliberalism has encouraged them to cooperate actively with capital. Whereas neoliberalism has demolished many national training schemes as rigid, inflexible and union-dominated, at the local level organised labour and community groups bring to training schemes a willingness to abandon past practices, to experiment and to accept rapid change. Thus active cooperation may be constructed by discipline. Indeed, some of the best known examples of collaboration between capital and labour, desirable models in the view of many social democratic commentators, have been built out of the imposition of sharp discipline and defeats on organised labour. The Third Italy emerged from the collapse of large manufacturing firms in the postwar period and consequent high unemployment and self-employment (Murray 1987). The famously cooperative industrial relations of Japan emerged from severe defeats of the unions in the late 1940s and 1950s (Ichiyo 1987). The Mondragon Cooperative movement was developed under the Franco dictatorship. Cooperation and discipline are always present in all capital-labour relations; they are formal opposites but may also reinforce each other—that is, they are a contradictory unity. Peck and Tickell's focus only on the discipline of labour within LEIs is thus one-sided.

Peck and Tickell argue that the effect of localistic competition and increasingly uneven development ' has been to *reduce* the power of local and regional states ' (Peck and Tickell 1994, 323 emphasis in original), and has conferred on them ' responsibility without power ' (Peck and Tickell 1994, 324), another proof of the neoliberalism of mainstream LEIs. This argument is premised on a problematic of the state versus capital, the power of the state to coerce capital. But this neglects the cooperation of the state with capital to further accumulation, and, underlying that, state action as a form of capital accumulation. Within cooperative LEIs, the state, as part of local networks, has developed strategies which have had important successes in constructing class relations favourable to socialised accumulation strategies. In this sense, the local state has become more effective in the economic realm, that is, *stronger*.[1] This is not to argue that mainstream LEIs have been free of problems; in particular, they are in certain ways undermined (as well as constructed) by neoliberalism. But these have been problems of cooperative strategy rather than of local neoliberalism (Eisenschitz and Gough forthcoming).

At a more abstract theoretical level, Peck and Tickell mistake the nature of capitalist competition. They focus on one side of competition, the presence of many firms or localities competing in given product markets. This is how neo-classical economics and neoliberalism itself understands competition. But competition is also the organisation of production and the social relations this involves, in particular the relations between firms and between capital and labour (Bryan 1985). These may be organised according to neoliberal principles *or* they may involve non-market forms of cooperation. Indeed, the latter may be more powerful than the former as a means to compete and as facilitators of capital mobility. I have argued elsewhere that the market aspect of competition between firms and localities can be considered as a ' system ' relation—an external relation between separate entities. The social relations of production organisation are ' structural ' relations; they can take very varied forms depending on historical, technical and political circumstances. The competition between localities is then a dialectic of systems *and* structural relations, of markets *and* the relations of organisation of production (Gough 1991). Peck and

Tickell see only the systems aspect of localistic competition and miss its dialectic with varied class strategies.

Problems of Peck and Tickell's alternative

Peck and Tickell argue for an alternative policy to mainstream LEIs. Renewed regulation at the national and international levels would prevent localities from competing on the basis of cost and internal deregulation, and would ' mitigate and contain uneven development, which both disenfranchises poor regions and places unsustainable pressures on growth areas '. It would ' control ' the global financial system, and implement an ecologically sustainable strategy. Through the nation state, particularly, it would assert democratic control over the economy. Within this framework, LEIs could play a progressive role. The status of the strategy is somewhat ambiguous. Peck and Tickell say that it is ' a necessary, but in itself insufficient, prerequisite for the restoration of *sustainable accumulation* ' (Peck and Tickell 1994, 324, emphasis in original) without saying what else is required. But the strategy proposed is to be a part of a ' workable after-Fordist regulatory solution ', ' a resolution to the (after-Fordist) crisis ', ' a stabilisation of local–local and local–global regulatory relations ' and of ' solutions to the crisis of uneven development after-Fordism ' (Peck and Tickell 1994, 325). Evidently, then, the strategy is understood as, at minimum, long term and stable.

A first problem is that a strongly interventionist strategy may not only fail to ameliorate geographically uneven development but can actually increase it. This is essentially because the state and other non-market agencies, in furthering the efficiency of capital accumulation through territorially-based socialisation, can amplify the latter's tendencies to unevenness (Eisenschitz and Gough 1993, forthcoming; Gough forthcoming). But there is anyway a political barrier. The measures proposed would, in the foreseeable future, be fiercely opposed by most sections of capital, both politically and through withdrawal of investment. They would constitute a renewal—or rather a much stronger version—of the Keynesian constraints which capital has sought to throw off through neoliberalism. They would greatly increase the political power of individual firms and industries and of labour and citizens. Peck and Tickell miss these problems because of their underestimation of the logic of neoliberalism and of the problems to which it has been addressed.

It is conceivable that as a *result of* a renewed long wave of expansion, capital might be willing to accept the restrictions and politicisation of the strategy Peck and Tickell propose. But, despite the gains made by neoliberalism, such a boom is not in sight—amongst other things, the rate of profit at the peak of the last cycle remained well below its level in the 1950s. With continuing stagnation, capital is unwilling to be tied too closely to particular accumulation paths, and unwilling to jeopardise its gains in discipline over labour. Particularly under the present conditions of weak accumulation, Peck and Tickell's policy would lead to a radical re-politicisation of economic and social questions. This would be true not only with respect to national and international policy making, but also in the coordination of these with local policy. If the higher levels attempted to regulate competition between local economies, this would weaken the notion of local control and solidarity which has been so central to the success of LEIs. It would also result in chronic political conflicts not just between local agencies but between the sections of capital and labour they are involved with. In fact, even the mild non-market coordination embodied in actually-existing mainstream LEIs is producing discernible problems of politicisation, in some cases causing them to retreat (Eisenschitz and Gough 1993, forthcoming).[2]

Peck and Tickell might reply that this politicisation is to be welcomed, and that indeed the policy they advocate could only be achieved if *propelled by* powerful struggles of labour and citizens (cf Amin and Thrift 1995) (though the article does not mention such struggles but focuses on increasing the powers of the state). But, unless a boom were already underway, capital would react to such pressures by investment strikes, even if they did not directly eat into the profit rate. The alternative model, while it might be desirable in giving short term benefits to labour and stimulating popular organisation, could not have the long term stability suggested.

A final comment on paradigm. Peck and Tickell's perspective of an exit from crisis through managed and coordinated capitalism is underpinned implicitly by a regulationalist approach, albeit a critical one (Tickell and Peck 1992). Regulationism argues that non-market coordination, potentially of a progressive kind, can suspend the crisis tendencies of capitalism. Particularly in its recent forms, regulationism has downplayed fundamental capitalist contradictions which, however, continue even while they are mediated by particular forms of regulation (Gough forthcoming). In this instance, the form of regulation proposed by Peck and Tickell is broken up by the contradiction between private appropriation and social coordination, and between cooperative and disciplinary class relations. Tickell and Peck (1992) have correctly argued that existing regulationist work plays down the contemporary role of neoliberalism, and in their *Area* article have foregrounded the latter. But their regulationist assumptions prevent them from seeing the logic for capital of regulation by value.

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Notes

1. The strengths and weaknesses of the state can be understood not by picturing it as a fundamentally separate institution from capital and labour, but rather as a moment in class relations; see Clarke 1991.
2. The only place where anything resembling the spatial coordination and regulation of capital proposed is actually being carried out is Japan, with its ambitious interventionist LEIs coordinated by central government. But this success is based on (a) a long tradition of strong and disciplined cooperation between capitals, (b) a highly compliant labour movement, both sustained by (c) long term strong accumulation (Eisenschitz and Gough forthcoming).

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Neoliberalism and localism: a reply to Gough

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Introduction

It is now over twenty years since the oil shocks and the collapse of the Bretton Woods system vividly and symbolically presaged the end of the Fordist–Keynesian long boom. In the intervening period, neoliberal ideologues have relentlessly argued that Keynesianism collapsed because it was a drag on profits and that the solution is to return to a situation where the iron laws of the market determine both the price *and* the value of everything. Although most capitalist countries are significantly *economically* wealthier than they were two decades ago, a sense of insecurity pervades the capitalist world, as economic growth has become more fitful, as social divisions have intensified, and as even powerhouse economies like Japan have encountered problems. Neoliberalism appears to have ushered in a Hobbesian state, as the Fordist-Keynesian leviathan has given way to global and local relations that increasingly appear to be solitary, poor, nasty, brutish and short. There is, however, little unanimity about how we should interpret the contemporary political-economy of (western) capitalism. Although some of the more intrepid analyses of ' Post-Fordism ', ' flexible specialisation ', and ' flexible accumulation ' are already becoming the future we never had, arguments that the local has become newly empowered continue to gain ground. It is in this context that we wrote our self-consciously, and openly, polemical paper about neoliberalism and the relationships between different spatial scales.

Jamie Gough quite properly takes us to task on three major areas of our argument: our analysis of neoliberalism, our interpretation of local economic initiatives, and our ' wish-list ' for the future. It was part of our objective in writing the paper to flush these issues out. Let us begin by affirming that there are substantial areas of agreement between our position and Gough's (see also Gough 1991, 1992;