The Construction of Mainstream Local Economic Initiatives: Mobility, Socialization, and Class Relations

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Abstract: The mainstream of local economic initiatives in Western Europe and to a lesser extent the United States embodies mild intervention in production, attention to welfare, and collaborative class relations. Thus, in the midst of national neoliberalism, there is a return to the pragmatic, interventionist politics of the postwar built on class consensus at the local level. In this paper we seek to explain the paradox in terms of the contradictory utopies of capital mobility and socialization, of disciplinary class relations and cooperation, of money and productive capital, and their contemporary spatial forms. The spatial ambit of mainstream local economic initiatives is important in mediating these contradictions. Localism has been vital in constructing their cooperative class relations.

Key words: local economic initiatives, capital mobility, socialization of production, neoliberalism, centrist.

The Local Resurgence of Consensus Economic Policy

It is tempting to see local economic initiatives (LEIs) in Britain as guided by neoliberal principles: a freeing of markets, intensification of competition, the dismantling of welfare. The parochial competitiveness of LEIs, the idea of the locality “standing on its own feet,” and the ubiquitous promotion of “enterprise” appear to show that these initiatives are essentially individualistic and right-wing in inspiration. A shift in the preoccupation of local government from welfare to economic aims seems also part of the neoliberal offensive; indeed, it appears to fit with the claim of some commentators (Hall 1985) that neoliberalism has achieved a thorough-going ideological hegemony. At an institutional level, the subordination of British local authorities to national legislation, the paucity of their economic powers, their heavy reliance on central programs for funding economic initiatives, and the intense pressure exerted on all local-authority activity by the Conservative government all suggest that LEIs must be subordinated to neoliberal aims. This assumption is reflected in the academic literature by the disproportionate emphasis given to the government’s direct initiatives, such as Enterprise Zones and Urban Development Corporations (UDCs), and to the initiatives of councils controlled by the Labour Party left, which posed themselves as alternatives to neoliberalism.

Yet the great majority of local initiatives are politically Centrist (Moore and Pierre 1988; Moore and Richardson 1989), using mild forms of intervention pragmatically directed at perceived market malfunctions. They address demands both from business (for example, training to overcome skills shortages) and from labor and disadvantaged groups (training for equal
opportunities). This balanced approach is reflected in the institutional forms through which policy is created and implemented: local partnerships among business, local government, the voluntary sector, and community groups in the form of loosely networked ad hoc agencies in each locality. Such an informal local corporatism bears comparison with the national corporatist forms characteristic of the postwar boom (Cochrane 1989). These agencies seek a local political consensus and a non-doctrinaire, empirical response to an area’s problems. The most common policies informed by this Centrist approach are politically noncontroversial: advice, services, and funding for small firms; property provision; comprehensive mixed-used renewal; training in “real skills”; stimulation of enterprise; education-industry links; and policies for technological innovation, transfer, and diffusion. Centrist LEIs are quantitatively significant; local-authority spending on these initiatives is of the same order as regional policy (Mills and Young 1986).

Consequently, a striking paradox exists: since the mid-1970s, while neoliberalism has triumphed in national government, LEIs have expanded rapidly, using an approach neo-liberals deride as “tired and discredited” interventionism and consensus. We aim to understand this paradox by theorizing the emergence and construction of Centrist local economic policy in Britain and its relation to national neoliberalism. Although our subject is British LEIs, the paper has a wider relevance. In Western Europe, LEIs are also overwhelmingly Centrist (Hilpert 1991; Martinos and Humphreys 1990). Centrist LEIs have also been promoted by the Organization for Economic Co-operation and Development (OECD 1985) and the European Union (CEI 1985). Centrist strategies have been applied in the United States as well, notably in the field of community economic development (McArthur 1993), comprehensive and “balanced” area initiatives (Dutton 1991; Rivlin 1992), and programs for industrial conversion in the Rust Belt (Neill 1991). Our account of the relations between national neoliberalism and local Centrism in Britain may therefore illuminate the development of LEIs in other advanced capitalist countries.

In this paper we focus on the class relations of economic policy at the national and local levels and on how the use of space is integral to these. This is a novel way of analyzing Centrist LEIs: the existing literature tends either to naturalize cooperative local initiatives as an obvious consequence to economic crisis or to see them as a direct response to new forms of local economic linkage. First, we describe the Centrist local economic program and the consensus around it. We then contrast centrism and neoliberalism abstractly, arguing that these strategies correspond to two conflicting aspects of capital accumulation, the socialization of production and the mobility of capital, and to two sides of the capital-labor relation, namely cooperation and discipline. We then show how the program of the British central government since the mid-1970s rested on this neoliberal strategy, while mainstream LEIs used a Centrist strategy. The socialization of production and the mobility of capital are not just in conflict but are also mutually dependent, particularly during periods of crisis. We then show how Centrist LEIs

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The second page of the document continues with further analysis and discussion of the topic.
and national neoliberalism have reinforced each other and how each has facilitated the other in achieving its aims. Finally, we argue that this complementarity has relied on the use of space: localism has been essential in constructing the class relations of Centrist LEIs. We conclude that the growth of local economic intervention in the last 20 years is due, crucially, to the management of class tensions by capital and the state.

The Consensus around Centrist Local Economic Policy

Neoliberal strategy seeks to price the locality into competitiveness, particularly by allowing greater spatial variation in wage levels and encouraging intensification of work and cuts in local taxes (U.K. Cabinet Office 1988; PLEP, 59–69). Greater spatial equality is to result from freeing flows of capital and labor power. Institutional rigidities, especially those created by local government, are to be shaken out. Centrist strategy, by contrast, puts less emphasis on pure cost competition and creates new nonmarket forms of coordination. Its key feature is the enhancement of the competitiveness of local economies, while at the same time increasing the welfare of local inhabitants and the social cohesion of the locality through a targeted employment policy (PLEP, Chap. 4). It seeks to put the unemployed to work, not through wage cuts and mobility but through training and locally based enterprise. For neoliberalism the unity of the locality is to be constructed by local businesses, with workers subordinating themselves to the market. In the Centrist approach the locality is united through active participation and organizational innovation by business, residents, and workers.

Centrist local economic policy has been backed by institutions which support a neoliberal approach at the national level. The Confederation of British Industry (CBI 1988), most of the Chambers of Commerce (ABCC 1989), and the corporate-sponsored Business in the Community (Coopers and Lybrand Deloitte 1991) actively support Centrist LEIs. The Enterprise Agencies, which seek to tie capital to the locality, are supported by the Conservative government, whose national policies tend to enhance capital mobility, and by large firms with high national mobility, such as banks and retailers. Most “growth coalitions” choose a Centrist rather than neoliberal strategy by adopting partnership arrangements, aiming at welfare and social cohesion as well as growth and profitability.3

Even local programs formally controlled by the central government carry out Centrist policies. The Scottish and Welsh development agencies, for example, implement highly interventionist, selective industrial policies, while the Scottish Development Agency supports innovative programs of community enterprise for the disadvantaged. While the urban economic programs retained by the Conservatives from the 1974–79 Labour government underwent radical changes, a Centrist bias was maintained. Nonprofit, locally based community businesses, for instance, were supported by the Urban Programme and the Community Programme (McArthur 1993), particularly in Scotland. The government-appointed UDCs carry out land, property, infrastructure, and environmental policies, and even sectoral strategies. Learning from the problems created by the simple neoliberalism of the early UDCs, they involve themselves with local communities (Imrie and Thomas 1993, 18; Robinson, Lawrence, and Shaw 1993, 34–57). Indeed, central government evaluations of LEIs increasingly highlight the importance of getting the locally disadvantaged into jobs because of the

3 The account of growth coalitions by Molotch (1976) and Logan and Molotch (1987) is therefore unhelpful, in that it focuses on capital mobility, while neglecting local interdependencies, and on the simple dominance of capital, while neglecting the real cooperation of capital with labor (Cox and Mair 1989; Gough 1992a).
failure of neoliberal "trickle down" assumptions (Foley 1992).

Largely because of a political desire to create consensus in the inner cities around growth rather than welfare, English Partnerships, the new development agency for England, is Centrist, linking economic growth with opportunities for local people (Allen 1994; Burton and O'Toole 1993). Partnership between private, voluntary, and public sector aims not at derelict areas, as was the case with the UDCs and Enterprise Zones, but at densely populated inner cities, balancing commercial property development with the social infrastructure necessary to sustain and renew disadvantaged communities. Central government's City Challenge program forces localities to compete for designation and continues its shift in antipoverty policy from welfare to employment creation and from universal benefits of right to ad hoc selective benefits. Nevertheless, the integration of distribution with economic growth marks this as a Centrist approach.

The same trajectory may be seen in training programs. Although the lion's share of central government training funds goes to low-cost, low-quality schemes, the government's successive training agencies have also attempted to set up higher-quality, locally based schemes with a greater degree of political consensus. The Local Employer Networks, for instance, set up by the Manpower Services Commission and the Chambers of Commerce in the late 1980s, were an attempt at developing an employer-based training network. A decentralization of the training program since the late 1980s to the Training and Enterprise Councils, while maintaining strong central controls, opens up greater potential for Centrist local strategies that could deliver real training to the disadvantaged, even though the recession has put the emphasis of these programs back on the political containment of disadvantaged populations.

Most strikingly, local authorities are allowed to develop Centrist employment initiatives focused on disadvantaged groups despite central government's controls. While the form of welfare may change, particularly with the switch from consumption to production and employment, and from local authority statutory programs to contracting out, these are Centrist strategies linking growth with antipoverty strategies, profit with welfare. In these three forms the Conservative government has increasingly supported Centrist policies.

Centrist LEIs are enriched also from the Left. During the 1980s radical policies initiated by Left Labour councils became part of the Centrist mainstream (PLEP, 77–85). These policies include support centers for particular sectors, some of the Left's technology projects, and its Local Enterprise Boards, which, since privatization, have become locally committed merchant banks. The political consensus around Centrist local economic policy is indicated by an absence of debate on successive fashions—property in the late 1970s, small firms and enterprise in the early 1980s, high-tech and community business in the mid-1980s, training in the late 1980s: each was seen as a politically uncontroversial solution to local unemployment (PLEP, Chap. 2). Centrist LEIs are thus "consensus" in a double sense: they seek to build active collaboration among different social interests, and this approach has received wide support over the political spectrum.

The view that mainstream LEIs are essentially neoliberal, or a camouflage for neoliberalism (Howl 1985; Peck and Tickell 1994), can be supported by their emphasis on enterprise and competition between localities. But this view fails to appreciate that strategies aimed at increasing profitability are not ipso facto neoliberal, that there are ways of delivering welfare other than the universalist welfare state, and that initiatives for welfare-through-employment are still an interventionist form of welfare delivery. While there has been a certain melding of neoliberal and Centrist strategies within LEIs, the paradox remains of neoliberal-
ism at the national level contrasting with a local Centrism.

Although this contrast is widely noted, it is not adequately theorized. One reason is precisely the consensus around Centrist LEIs, which makes them appear “natural” and nonpolitical (PLEP, 10–11, Chap. 2): if times are bad, does it not make sense for all local interests to sink their differences and address “obvious” problems of the local economy (Benington 1986; Morison 1987)? This taken-for-granted quality is reinforced by the social democratic sympathies of most academic writers on LEIs. Another way in which Centrist LEIs have been naturalized is to read them off from (supposed) emergent forms of coordination of production within localities, particularly the industrial district (Hirst and Zeitlin 1989; Scott 1992). But many local policies are not addressed to these economic forms. Moreover, one cannot read off political interventions from technical-economic change; in particular, the politics of Centrist LEIs in the face of national neoliberalism need to be explained. Other commentators present Centrist LEIs as countering the effects of neoliberalism or even developing an alternative, using control of local institutions under pressure from local social interests, particularly labor (Cooke 1989; Keating and Boyle 1986; Miller 1990; Moore and Richardson 1989, 31–45). There is some truth in this view. But the majority of local economic agencies do not see themselves in opposition to neoliberalism, while the government has promoted Centrist local initiatives. The relation between national neoliberalism and local Centrism therefore needs further theoretical analysis.

**Market Freedom versus the Socialization of Production**

Underlying the complex patterns of national and local economic policy are two contrasted strategies: neoliberalism and Centrist strategy or centrism. These strategies rest on fundamental structures and processes of crisis formation of capitalist economies. They have contrasting geographies.

For neoliberalism the roots of the present long wave of stagnation lie in the overaccumulation of capital relative to the mass of profit and in institutional arrangements which inhibit the flow of capital and result in prices diverging from their values—including, but not limited to, the price of labor power. Neoliberalism seeks to compel commodities to sell as closely as possible to their values. Similarly, it seeks to ensure that the valuation of assets (fictitious capital) that capitalize future flows of income, such as shares or property prices, adjust downward after their inflation during growth periods. This implies that the social coordination of the economy should proceed through exchange between firms and workers pursuing their private interests and that “institutional”—that is, nonmarket—mechanisms other than the defense of private property rights are removed. Neoliberalism therefore attacks not only state provision and regulation but institutional arrangements among firms and among workers. In this way mobility between forms of capital (money, productive, and commodity) is maximized, and capital and labor power attain mobility between sectors and locations. This mobility serves both to discipline labor and to bring prices into line with values.⁴

This program has a strong logic, in that it uses therapeutic mechanisms fundamental to the capitalist economy itself (Gough 1996). However, it faces a major problem in the socialization of production. As capitalism develops, the social coordination of the economy increasingly depends on mechanisms outside the market to mediate between private interests, because of the long turnover time and minimum efficient scale of important sections of capital, the long turnover time.

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⁴ Bryan (1985) shows how capitalist competition is a moment of capital mobility and the capital-labor relation.
and difficulties in the reproduction of suitable labor power, and the inherently social nature of knowledge. These interdependencies multiply at the national and international levels; but there are also important interdependencies at the local level, which we term "the local socialization of production." Gough (1991) conceives this latter concept as a "spatial structure" resulting from the long turn-over times of sections of capital and labor power, from the immobility and physical embeddedness of most fixed capital and much labor power, and from the common use of inputs by different capitals (see also Cox 1993; Harvey 1985). As a result, the incremental, private, and short-term decisions promoted by neoliberalism are inadequate for the social coordination of local economies.

Centrist strategy, attempting to strengthen the local socialization of production, has a different spatiality and temporality from neoliberalism. Seeking to ensure proportionality between local branches, Centrism must root capital more strongly in the locality; improvements in local profitability encourage capital to be more spatially "loyal," producing a virtuous circle. Centrist strategy also attempts to deal with disproportions arising from switches in accumulation rates. In areas of rapid disinvestment it seeks to maintain the value of the remaining capital and labor power by organizing a more planned form of contraction than that produced by neoliberalism; in areas of rapid growth it seeks to overcome blockages in supply, especially of skilled labor and infrastructure, in order to avoid shortages and inflation.

The tension between neoliberal and Centrist strategies is particularly sharp in Britain and the United States. In these countries, the legacy of empire has produced a bias toward capital mobility, free markets, and free trade (Gamble 1981), a bias that neoliberalism accentuates. As a result, the socialization of production tends to be neglected, with negative effects for production and welfare. In its more programmatic formulations, the project of addressing socialization in Britain is therefore seen as a challenge to national economic traditions (Pollard 1969).

The principal elements of the neoliberal and Centrist strategies are summarized in Table 1. The two strategies focus on contrasted "moments" of capital and the capital-labor relation: neoliberalism emphasizes spatial mobility and market coordination; centrism emphasizes socialization within places and nonmarket forms of coordination.

National and Local Economic Programs

The two contrasted strategies are expressed, albeit impurely, in the national program of central government and in the programs of the majority of local economic agencies. By "programs" we mean the set of concrete policies implemented. In this section we show how the abstract strategies are developed at the two spatial levels.

The program for the national economy carried out by the British government since 1975 is essentially neoliberal: a deflationary bias maintained through monetary, fiscal, and exchange rate policies imposing market discipline on capital and labor; a policy of high unemployment, deregulation of labor markets, and attacks on trade unions aimed not only at putting downward pressure on wages but also at increasing managerial authority within the

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5 Gordon's (1978) concept of a "social structure of accumulation" and the regulation school's notions of "regime of accumulation" and "mode of regulation" are particular developments of the more general concept of socialization of production. While Gordon's concept is similar to our own, the regulation school pictures a dominant form of socialization in each period that is stable and successful in promoting capital accumulation. We do not believe that any of this is true of contemporary forms of the local socialization of production: just the contrary (Clarke 1992; Gough 1992b).
Table 1
Contrasts between the Two Strategies

<table>
<thead>
<tr>
<th>Neoliberalism Promotes:</th>
<th>Centrist Strategy Adds:</th>
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<tr>
<td>Private appropriation and planning</td>
<td>The social nature of production</td>
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<tr>
<td>Mobility of capital</td>
<td>Socialization of production</td>
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<tr>
<td>Capital as money</td>
<td>Capital as productive investment</td>
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<tr>
<td>Production of value</td>
<td>Use values of the production process</td>
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<tr>
<td>Coordination by value</td>
<td>Coordination by institutions and politics</td>
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<tr>
<td>Capital's discipline over labor</td>
<td>Cooperation of capital and labor</td>
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<tr>
<td>Abstract labor power</td>
<td>Labor power with concrete capabilities</td>
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workplace; continuous, though unsuccessful attempts to reduce the shares of taxation and state spending; reduction in the regulation of, and subsidies to, industry; and the privatization and contracting-out of services. Policies with a Centrist justification, such as industrial regulation, subsidies, and services provided at below-market price, remain in severely eroded forms. Moreover, central government is attempting to subordinate its remaining activities in infrastructure provision and welfare services as much as possible to markets, administrative quasi-markets, or the choices of capital. This runs counter to Centrist strategy, which would attempt to coordinate these activities according to particular industrial and welfare aims. Thus the direction of policies for the national economy has been informed by neoliberal aims, even if they have not been taken all the way.

In contrast, the mainstream of local economic programs adopts a Centrist strategy of pragmatic policies to improve the supply of inputs to production in response to market failures. Policies for training, education, welfare, and social infrastructure address labor market failures and help create a social consensus around local economic regeneration. The most ambitious policies address local socialization in a strong sense, seeking to reorganize local economic, social, and political linkages in ways which promote capital accumulation. Such policies and the ways in which they seek to strengthen local socialization are discussed below.

- **Formation of new localized production complexes and the stabilization of old ones.** Local socialization is pronounced not only in industrial districts but also in sectors such as regional business centers, tourism, culture and leisure, software, and batch electronics (Storper and Walker 1989), all prime targets for LEIs. Policy has aimed at stimulating the production of those goods and services that form inputs to other firms, training local people, the provision of consumption goods, changing the locality's image in order to attract professional workers, encouragement of local purchasing, and property provision.

- **Comprehensive development of derelict urban areas and integrated renewal of depressed towns.** Socialization here takes the classic forms of physical-environmental interdependencies which cut across private landownership and fragmented development, so as to realize externalities. Comprehensive redevelopment depends upon managing the political complexities involved in creating such externalities through infrastructure investment, particularly their allocation between public and private interests and between labor and capital.

Pressures for socialization were reflected in the emergence of property partnerships in the late 1970s as local authorities explored different relationships with the private sector over nursery units, central area development, and the renewal of derelict areas. The idea of partnership returned in the mid-1980s for complex sites where externalities could be unlocked only through comprehensive
development. The construction industry took the Centrist approach of engineering a local consensus, setting up arms-length organizations such as Phoenix and British Urban Development that orchestrated growth coalitions (Harding 1991). This was the very task the UDCs had attempted through neoliberal policies, although they too were adopting a more Centrist approach. The strongly socialized nature of large-scale development reflects its underlying political nature—political in the sense of requiring leverage over landowners and planners and the need for subsidies because of the social aims and high risks involved.

Consensus is constructed by balancing development gains with community benefits intended to maximize local trickle-down effects. These benefits reflect the Centrist view that economic renewal depends on investment in the improved social reproduction of communities and that a high-wage, high-productivity economy is economically, socially, and politically a sounder growth path than the the polarization associated with the Conservative government’s policies. Partnership then is the recognition by the Centrist mainstream of the socialization of the accumulation process.

*Provision of a comprehensive support infrastructure for small firms and start-ups and for encouraging new groups to become entrepreneurs.* Experience since the late 1970s has shown that neither the Right’s removal of state-imposed “burdens” nor indiscriminate, “hands-off” forms of aid are sufficient to stimulate small firms; this process needs to be socialized, particularly at the local level (Storey and Johnson 1987; Turok 1989). Policy has moved toward an increasingly comprehensive and coordinated infrastructure of support, comprising such elements as property, technology, management, and worker training, and funding directed at particular groups of would-be entrepreneurs, whether academics (innovation centers in science parks) or the disadvantaged (support agencies for community enterprise). This approach not only attempts to create networks for small firms comparable to the socialization to be found in larger firms, but also tries to give them a place within the constellations that larger firms organize (Amin and Robins 1990). For centrism, the growth of new enterprises and profitable opportunities cannot be left to the market but is a social process requiring a strong degree of intervention in the technical and social infrastructure.

*Organization of varied forms of loan and equity finance.* For Centrist strategy, the spatial mobility of money capital is a problem. Accordingly, it seeks not merely soft funding for firms, but banking and venture capital with detailed knowledge of the local economy willing to commit itself to that economy over the longer term (Brunskill and Minns 1989). Moreover, it aims to create markets for finance by increasing access for marginalized groups, rather than passively responding to demand. While the neoliberal strategy of deregulation generated a boom in venture capital-financed management buy-outs, Centrist organizations such as Enterprise Boards are well placed to situate financial provision within the integrated approach to small firms described above.

*Improved reproduction of labor power.* The neoliberal reliance on household income, domestic work, and training financed by employer and worker fails to reproduce a labor force of the kind, and in the locations, demanded by employers, particularly in a period of crisis when workers’ incomes are reduced, employment is less stable, skills needs are harder to predict, and cuts are made in firms’ training budgets (PLEP, 140ff). Centrist LEJs respond with innovations in socialized reproduction that may supplement or even partially replace the welfare state, such as “Third Sector” enterprises (PLEP, 108–13, 144–51, 160–67). These aim to benefit a particular geographic or social community, providing essential goods and services which they lack, such as estate maintenance (McArthur and McGregor 1989), often producing them in more
participative and "human-centered" ways (MacFarlane 1993). Community enterprise is arguably an effective way of privatizing social services (Gaffikin and Morrissey 1990), possibly indicating future patterns of reproduction in areas abandoned by capital. The Third Sector reflects the Centrist concern with socialization in organizing links between production and consumption through non-market mechanisms while simultaneously addressing the wage relation and living standards of the poor.

- Corporate initiatives directed at labor power reproduction, the wage relation, and enterprise. Business initiatives—funded individually or collectively through such organizations as the Enterprise Agencies or Business in the Community—attempt to address links between production and reproduction across the divides of private responsibility. They sometimes achieve coordination unattainable by the welfare state because of its political exposure, organizational rigidity, and pressures for universality. These initiatives represent not an abandonment of welfare policy, but its pursuit by other means (PLEP, 155–58).

These examples illustrate the ways in which mainstream local programs approach the Centrist strategy of addressing local socialization. Such programs embody class relations different from the pure authoritarian subordination of labor to capital sought by neoliberalism. Centrist LEIs do not seek to challenge the discipline imposed on labor since the mid-1970s recession; but they seek to add to it an element of active collaboration of labor with capital (Holloway 1987). This is seen, correctly, as potentially more productive than pure authoritarianism, by using workers' cooperation to ensure quality, solve problems, and change work methods. Similarly, Centrist LEIs do not challenge the neoliberal assertion that benefits to labor are to flow from increased competitiveness; they seek to pursue competitiveness through policies with immediate benefits for labor. Equal opportunity policies, training, and attention to reproduction are intended not only to counter wage inflation and provide a more skilled labor force but also to win greater commitment from workers and residents. The Centrist intention for cooperatives, community businesses, and worker share-ownership schemes popular in LEIs is that they can promote participative industrial relations and a wider consensus around local economic development (Oakeshott 1990, Chap. 1). Policies for the Third Sector link economic development to immediate consumption benefits for the poor. This strategy of class integration is reflected in the involvement by Centrist local agencies in networks of residents' groups, housing organizations, and even unions.

Attention to cooperative class relations is an important element of the Centrist project of enhancing local socialization. In the abstract, it is possible to have strongly planned capitalist production combined with authoritarian class relations, but in capitalist democracies, the reproduction of labor power tends to rely on, and produce, more collaborative class relations (see Gough 1979, Chap. 4). Moreover, in Britain the tradition of economic liberalism means that attempts to plan production face opposition from powerful sections of capital; Centrist programs seek to use pressure from labor to overcome this opposition (Gamble 1981).

A third spatial level of governance, the European Union, is relevant to LEIs, which have been supported by Centrist programs designed to improve the reproduction of labor power (the European Social Fund) and to make the restructur-
ing of depressed regions more orderly (the European Regional Fund). Contrary to the hopes of supporters of Centrist strategy, however, greater British involvement in the European Union accentuates neoliberal more than Centrist tendencies (PLEP, 260–63).

Central government policies for the national economy and mainstream LEIs thus embody respectively a neoliberal and a Centrist strategy. The previous discussion indicates that the involvement of economic actors and institutions in these programs and strategies is complex. The majority of locally based economic agencies have adopted Centrist strategies; most of those appointed by central government move toward Centrist strategies over time. Even more intriguingly, the Conservative government pursues a neoliberal strategy for the national economy but encourages a Centrist local strategy. Big business has generally supported a neoliberal national strategy, although the Confederation of British Industry has expressed anxieties based on Centrist considerations; but at the local level, large firms individually and collectively support a strongly Centrist strategy. Thus the political coloration of economic actors may depend on the spatial level at which they are operating. In the remainder of the paper we focus on strategies and programs rather than actors.

The Contradictory Unity of Socialization and Mobility

The last two sections outlined the contrasts between neoliberal and Centrist strategies and their realization in national and local programs respectively. Why have these strategies been adopted at different spatial levels? How can two contrasted strategies coexist, even to the extent of being supported by the same actors? Is this “spatial division of labor” stable?7 In this section we discuss the conflict between the strategies and programs. We argue that the projects of socialization and mobility are not merely in conflict but also are mutually dependent; they form a contradictory unity. Moreover, crisis deepens both their conflict and dependence. We consider in turn the two sides of the contradiction.

The Conflict between Socialization and Mobility

The neoliberal program aims at destroying the shackles on capital imposed by forms of socialization built up during the previous long wave of expansion; but its project of capital mobility and private responsibility weakens new forms of socialization. Attempts to create new institutional arrangements for organizing local socialization are undermined by firms prioritizing their short-term interests over those of the local economy, by the attractions of liquidity and speculation increased by financial deregulation, by the wish to avoid risky long-term commitments in a period of heightened uncertainty, and by neoliberalism’s attack on the state. Neoliberalism opposes local socialization because of the financial burdens and institutional restrictions placed on firms, which do not benefit; because it closes off some sectors from capital accumulation; because it tends to tie capital down geographically and sectorally; and because labor may gain too much bargaining power.

The Mutual Dependence of Socialization and Mobility

We have seen how Centrist LEIs attempt to resolve some of the problems programs at the two spatial levels may be understood as a concrete realization of the abstract processes and contradictions inherent in the underlying strategies. The development of these abstractions is necessary in order to understand the emergence of the contrasted programs. It also enables us to understand some of the empirical complexity and variety of mainstream LEIs.

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7 We argue that the interplay between the
thrown up by national neoliberalism—chaotic and damaging forms of devalorization, lack of infrastructure, and poorly reproduced and potentially rebellious labor. But it is not merely that socialization compensates for some ill effects of mobility; socialization paradoxically creates the possibility of mobility. Capital mobility is ineffective in exploiting new investment opportunities unless those opportunities are created through policies for local socialization. For instance, distinctive production complexes can be created which reap surplus profits through technological, design, or ground rents; the intensified competition associated with long-term stagnation and increased mobility puts a premium on such competitive advantages. Indeed, these advantages are especially important for the most spatially and sectorally mobile capital, transnationals, since they generally have a higher-than-average rate of return (Andreff 1984). Large retail and tourist capital, for instance, requires a high degree of local planning.

Similarly, the flexible work force sought by neoliberals cannot be achieved merely by reducing regulation of the labor market; it may also require initiatives in training, transport, housing, and childcare and policies to counter the negative impact of unstable employment on the quality of labor power. Without such measures, neoliberalism runs into labor shortages, resulting, contrary to its intentions, in wage inflation. This problem is exacerbated by its reliance on recession to discipline labor; as skilled labor leaves vulnerable sectors, even a limited upturn can lead to shortages, as happened in the building industry in South East England in 1994. Attention to socialization can also ease the flow of capital out of old sectors and areas, illustrated by the support for conventional and Third Sector enterprises by large industrial firms in the areas which they leave (Eisenschitz 1993).

To create mobile capital and free markets, then, it is not enough to remove institutional barriers; indeed, this task often requires new institutional arrangements. To put it more abstractly, exchange value is the social representation of labor in a society with private decision making; but the social nature of production, and thus production of value itself, extends beyond coordination by the market. Thus, mobility requires new forms of socialization. Mobility, in turn, enables new forms of socialization to be created, since capital can escape from sectors and localities where socialization becomes a barrier to its expansion, and may flow into new institutional configurations. In these two senses neoliberal and Centrist strategies are mutually dependent. The elements in the two columns of Table 1 are therefore not merely in conflict but also construct each other; the pairs of elements are contradictory unities rather than being simple conflicts. In the remainder of the paper we develop some aspects of these contradictions.

The Dialectic of National Neoliberalism and Centrist LEIs

The contradictory unity of capital mobility and socialization produces a complex and layered relationship between the programs of national neoliberalism and local Centrism in Britain. We summarize them in four linked points.

First, Centrist LEIs compensate for some negative effects of national neoliberalism. In Britain in particular, neoliberalism has exacerbated long-standing structural problems facing capital. The view of these problems that the Centrist strategy adopts and the local initiatives it undertakes to ameliorate them follow.

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8 Our notion of socialization thus differs from the neoclassical concept of "externalities," which are conceived as contingent exceptions to the rule of perfect markets. On the contrary, socialization arises from the inherently social nature of capitalist production. Whereas for neoclassical theorists externalities are the opposite of perfect markets, socialization both conflicts with and constructs markets.
- **A risk-averting property sector**, magnified by the government's lavish subsidies through the UDAs, weakened controls over the regulation of land use. A lack of infrastructure investment which could challenge existing centers exacerbated the problem. Centrist LEIs produce greater variety, innovation, and planning through voluntary bodies such as the Development Trusts (Civic Trust 1989), community-oriented developers, innovations in local government provision, and partnerships between the public and private sectors (PLEP, 99–103, 219–20).

- **A deregulated finance sector** focused on overseas, speculative, and short-term operations, with little commitment to manufacturing and small and medium firms. Centrist local policy originating from the municipal left constructs new local financial networks and investment companies (PLEP, 77–79, 89–90, 218–19).

- **The problems of technological development**, heavily concentrated in armaments and internalized within transnationals, was aggravated by the weakening of industrial policy. Centrist LEIs construct local networks for technological innovation and diffusion (PLEP, 103–6).

- **A lack of training in real skills by firms**, reflecting short-term planning, was worsened by central government withdrawal from quality training. The Conservatives' policies for housing, health, and transport are seen as worsening the supply of labor power. Centrism tries to remedy these problems, within the constraints of a training and welfare system dominated by central government funding (PLEP, 108–10).

- Reliance on the blunt instruments of **high interest rates and deflation** has led to the irreversible loss of efficient productive capacity (PLEP, 213). Centrist LEIs have responded by supporting ailing but basically viable firms and socializing costs common to sectors at a local level (PLEP, 77–81).

- The government's **privatizations and deregulation** led to the creation of private sector monopolies in infrastructures, which are no more responsive to private or corporate consumers and have little incentive to cut costs (Parker 1993). They may either overinvest as a response to the pricing formula of the regulator or milk existing capacity and systematically underinvest (Vickers and Yarrow 1988, 427). In neither case is the strategic development of the economy taken into account (Fine and Harris 1985). Similarly, deregulation of labor markets and employment conditions reinforces the tendency of British capital to pursue low-productivity, low-innovation, low-wage, disciplinarian strategies (GLC 1985, 9–14). By contrast, Centrist LEIs attempt to foster high-productivity, high-wage, collaborative strategies (PLEP, 214–25).

Centrist LEIs do not merely attempt to counter the undersupply of infrastructures and indiscriminate devalorizations caused by neoliberalism. Neoliberal attempts to "free" markets often result in rigid, monopolistic, risk-averting behavior, the opposite of its intentions. Centrist strategy seeks to attend to the socialization, which can enable formally free markets to become real markets. This leads to the next point.

The second aspect of the contradictory unity is that Centrist LEIs enable the aims of national neoliberalism to be achieved. Local economic agencies seek to combat the mobility of capital, tying it down to their locality. But mobile capital is not averse to this process, providing the constraints do not become too rigid. An example is the British clearing banks—mobile capital par excellence; lice their wounds from their Third World portfolios, they targeted domestic small firms in the 1980s as a sector capable of absorbing investment funds. But to widen the range of profitable small firms, interventionist local policies were developed, which the banks sponsored through the Enterprise Agencies. While economic stagnation produces an excess of money capital relative to profitable investment opportunities, the formal freedoms and mobility bestowed by neoliberalism are not enough: those opportunities have to be created through measures for local socialization.
Similarly, the Conservative government uses unemployment to discipline labor, hold down wages, and provide a labor supply for expanding sectors. But for firms, national deflationary measures alone produce the unemployed in the wrong locations, with the wrong skills, sometimes with the wrong attitudes, and therefore with limited impact on the labor market; in the extreme, in areas of chronically high unemployment, the unemployed fall outside the wage relation. Community enterprise acts as a bridge between such groups and the mainstream labor market, contributing to the reproduction of that relation. Centrist policies for education, training, welfare, and job subsidies aim to enable the unemployed to act as an effective reserve army of labor and thus realize the neoliberal aim of a freer market in labor power.

Third, national neoliberalism enables the aims of Centrist LEIs to be achieved. Increased mobility of capital and deflationary national policy not only provide incentives for localities to compete; they also provide an atmosphere in which it seems natural for different social interests to bury their differences and work together “for the good of the locality”—a local solidarity that has been at the heart of Centrist LEIs (PLEP, 141–44). Successive defeats of the unions can push labor into the kind of active collaboration on the shop floor and in wage bargaining that Centrist strategy seeks to foster, as well as increasing the appeal of workers “becoming their own bosses” through cooperatives and community businesses. Disciplinary class relations can be the basis for collaborative ones (Holloway 1987).

Although Centrist local agencies do not share the Conservative government’s outright hostility to the local authorities, they take advantage of their weakening and are active in shaping ad hoc, selective, and self-help schemes which attempt to replace eroded services. In some cases these embody innovative forms of socialization which elude local government (PLEP, 146–47).

Moreover, the deflationary context helps ensure that capital can maintain the class “balance” that Centrist politics require. Welfare and the demands of labor are to be attended to—but not so as to damage competitiveness. There should be intervention to meet demands from firms—but not so much as to generate excessive growth of local government, regulation, or institutionalized commitments. From the point of view of capital, the essential failure of the—largely national—Centrist policies of the boom period was that they encouraged ever-increasing demands on the state from both labor and capital and demands on capital itself by labor (Habermas 1976); the key aim of neoliberalism is to weaken these demands. Centrist strategy, no less than neoliberalism, appreciates the problems of an over politicized economy; the discipline imposed by national neoliberalism helps Centrist local agencies resist excessive demands.

And finally, local Centrism and national neoliberalism diffuse into each other. This interdependence of Centrism and neoliberalism enables each to internalize ideas which are usually identified with the other. Centrist LEIs implement in their own way themes most strongly associated with neoliberalism, such as enterprise, individuals and localities “standing on their own feet,” and rejection of “bureaucracy.” The Conservative government goes along with and even promotes themes generally associated with Centrism, such as community action, citizenship, and civic responsibility (PLEP, Chap. 2).

This melding of Centrism and neoliberalism reflects the way in which the poles of the contradictions in Table 1 not only conflict but are mutually constructing. Most commentary on British LEIs misses this point, focusing only on the contrast and conflict between the aims of the mainstream agencies and those of the Conservative government. But local socialization can enhance capital mobility, and vice versa; collaborative class relations can increase capital’s discipline over labor, and vice versa. We can now see
why the Conservative government tolerates Centrist LEIs and why most British capital welcomes these initiatives despite its support for national neoliberalism. There can be a partnership of local Centrism and national neoliberalism.

**Constructing Consensus: The Importance of Locality**

Notwithstanding their mutual reinforcement, the tensions between socialization and mobility remain. Most important, collaborative class relations at the local level may explode into uncontrolled and excessive demands by capital and labor, in a return to the 1960s and early 1970s. This threat explains the government’s hesitancy in allowing LEIs to have their head: its desire to prevent localities from engaging in wasteful competition with each other (Widdicombe Inquiry 1986) and its restrictions over local economic intervention in the 1989 legislation which put economic development on a statutory footing. We noted in the last section how deflation and union defeats hold back demands generated by Centrist LEIs. But the spatial level of Centrist policies has also been integral to this success: their local ambit helps prevent interest group demands from getting out of hand. There are four ways in which locality has this disciplinary effect.

First, and most obviously, the separation of local and national government and the institutional subordination of local to central government help head off sectional demands. If excessive demands are made, local authorities can point to the limits of their powers and pass the buck to national government, which possesses extensive means for controlling excesses by local authorities (Hillyard and Percy-Smith 1988). Aside from these institutional constraints there are, however, more powerful socioeconomic defenses against sectional pressure.

Second, mobility of capital and openness to trade are far greater between localities than between nations; this is true even of sectors requiring high local socialization, since in most cases a suitable environment can be found in a number of different localities. In the long wave of stagnation the pressure of investment and commodity markets tends to make the competitiveness of the local economy an overriding constraint on policy. Demands of particular interest groups are subordinated to the aim of maximizing accumulation in the locality as a whole ("local regeneration"); the threat of disinvestment or failing to gain new investment moderates interest groups’ demands. This disciplinary effect of capital mobility is obvious in the case of public “job auctions” by transnationals; but it operates no less through the threat of disinvestment by existing firms (PLEP, 175–77). Employers, local government, and other agencies can thus appeal to the intensity of local competition in resisting demands raised in local corporatist forums. In summary, the discipline of value and competition mobilized by neoliberalism operates at a variety of spatial scales; that between localities is even more intense than that between nations, and can elicit even greater solidarity between classes.

Third, from the point of view of national capital, local corporatism is more manageable than national corporatism because of the fragmentation and qualitative differences between localities; these mean that benefits won by sections of capital or labor in particular localities do not necessarily spread to other areas. In welfare particularly, while national programs have always been geographically uneven, it is hard to make them explicitly selective. In contrast, LEIs in one locality can develop particular arrangements for housing or training, for example, while other localities can reject similar demands on the grounds both of local particularity and autonomy. These fragmenting processes counter any attempt to develop a notion of universal "rights" within LEIs. As Duncan and Goodwin (1989) argue, uneven development is expressed in the institutional fragmentation of local government itself; the economic interven-
tions of local government then further reinforce spatial fragmentation of politics.

Taking these three points together, we see that the claims of capital and labor are kept in check by a dialectic of capital mobility promoted by national neoliberalism on the one hand, and spatially uneven development deepened by local socialization and local economic agencies on the other. Strong areas seek to maintain or increase their differentiation from the weak to prevent themselves from being brought down to the average by the mobilities of capital and commodities, while weak areas attempt to emulate them to obtain new markets and inward investment. Discipline arises from an interplay of the equalizing tendencies of markets with the differentiating tendencies of socialization (Gough 1992a). This illustrates once more the importance of our central contradiction, the equal importance of socialization and mobility to the accumulation process and the mutual antagonisms and synergies between them.

Finally, the politicization of LEIs is reduced not only by the division among localities but also by fragmentation of economic agencies within each locality, seen so strongly in the 1980s. In some cases independent organizations—such as the development companies and Enterprise Boards by local authorities and the Training and Enterprise Councils by central government—were set up deliberately to depoliticize the activity. Similarly, the shift of welfare from local authorities to the voluntary sector and self-help organizations cuts costs and depoliticizes these services.

Lack of formal accountability by the new agencies to the electorate and, in some cases, even to representative bodies of capital, workers, and residents, is intended to shelter them from sectional pressures (Cochrane 1993; Colenutt and Tansley 1990). Sometimes not appreciated is that the limited ambit of these bodies—the fact that their responsibilities are often limited to training, housing, technology services, or land development—shelters them from excessive demands, even though it has not prevented them from developing new forms of coordination. The reason for the overpoliticization of the local authorities in the 1960s and 1970s was not simply that they are elected, but that their potential fields of action were wide and demands in one field could spill over into others, resulting in demands for ever more comprehensive and integrated programs (CDP 1977). Lack of formal accountability by the new local economic agencies does not necessarily insulate them from political pressures; but they can point to their limited brief in order to resist them.

Competition among localities, local differentiation, and organizational fragmentation within localities have thus played an important role in containing demands which might have been stimulated by Centrist local economic strategy. Localism, then, is a key element of this strategy, enabling socialization to be addressed without unduly disrupting the discipline of value. The shift from national toward local economic policy is principally due not to any weakening of national socialization or strengthening of local socialization arising from technical-organizational change (Hirst and Zeitlin 1989; Scott 1992), but rather to the greater ability of local policy to deal with the political tensions inherent in addressing socialization. The growth of LEIs has been powered above all by politics, rather than technical or economic-organizational developments.

At the present political conjuncture, local Centrism can happily cohabit with national neoliberalism. The two strategies address themselves to the two sides of capitalism, respectively socialization and mobility, the material substance of production and its representation in value, cooperation and discipline in relations between capital and labor. While these aspects are opposed, they are intrinsic to capital accumulation and can also reinforce each other. This reinforcement is achieved by the deployment of Centrism at the local level and neoliberalism at the national. Thus the differentiated use of
space has been crucial to the development of class relations and economic policy in Britain in this period. Nevertheless, the oppositions between socialization and mobility, cooperation and discipline, value and value, remain, and these have created tensions, change, and variety in Centrist LEIs; these are the subject of continuing work (Gough 1996; Eisenschitz and Gough, forthcoming; Gough and Eisenschitz, forthcoming).

References


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