

Theorising the state in local economic governance

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Abstract

This paper analyses the major changes in the role of the state in local economic governance in the last two decades, including production networks and partnerships, the reshaping of welfare and community, state fragmentation and quangoisation, and the role of business. The local state is theorised as a moment in the social relations of civil society and imbued with their contradictions. The tensions in local economic initiatives between the autonomy of the state and its tendency to serve particular interests, and between its universal and partial aspects, are traced. Some assumptions and prescriptions in the literature are examined: a local state subservient to globalism, pluralism with a strong local state, and libertarian pluralism. The paper explores the importance of scale in theorising the state as a set of social relations.

1. INTRODUCTION

The literature on local economic initiatives (LEIs) is for the most part marked by inexplicit and weak theorisations of the state. This is a curious omission. The growth of LEIs throughout the developed capitalist countries over the last twenty years involves important changes in the roles of national, regional and local governments not only in the economy but in social regulation more widely. LEIs have also been central to changes in the relation between regional and local (henceforth 'local') governments and civil society, and to the 'quangoisation' of the local state. There is evidently something important to be theorised here.

Discussion of LEIs has drawn on wider debates around the 'hollowing out' of the nation state, changing systems of governance, and the putative emergence of an 'entrepreneurial', 'enabling' or 'networking' state. But these notions have largely been deployed in a descriptive register. In particular, a number of fundamental issues concerning the state have not been adequately tackled in the literature on LEIs:-

(a) In the development of LEIs what has been the relation between the state and the private interests of individual capitals?; how autonomous and 'distant' from capitals have been both the actions and the institutional form of the state?; to what extent does the state express universal rather than partial, class-based processes? We shall argue that the literature has tended to assume either an unproblematic subsumption of the state to the supposed interests of

particular capitals, *or* an unrealistic degree of autonomy of the state; a more nuanced analysis is needed.

(b) If capital accumulation and the capital-labour relation are always not merely conflictual but contradictory, what are the implications for the state's role in LEIs? The literature has generally assumed that the interests of particular capitals, or interests of capital in general, or particular accumulation paths are *non-contradictory*; the state is then either locked into these interests or paths, *or* can choose between them. We shall argue, however, that the state's role in LEIs is infused with contradictory interests and accumulation paths, and hence marked by contradictory forms of the state itself.

(c) What is the relation between holistic and integrated planning of LEIs by the state and its fragmentation institutionally, in policy formation and in implementation? While there has been considerable discussion of this issue in the literature, it has been limited to consideration of particular policy initiatives or local programmes. We shall argue that the tension between holism and fragmentation needs to be theorised as a fundamental feature of the state and related to the theoretical issues just mentioned.

(d) In examining LEIs, how do we theorise the relation between the national and local state? In the most thorough account of this relation to date, Duncan and Goodwin (1988) focus on the *differences between* localities in the reproducing the local state. What can we learn from LEIs about the scale of the state?

These issues have been at the centre of the longstanding debate within marxism on theories of the state, but have not been treated systematically in writing on LEIs. In this paper we use a marxist theory of the state to explore state formation and political strategy in LEIs. At the same time we hope to show the fruitfulness of our particular theory of the state.

While explicit theorisation has mostly been absent [1], the literature on LEIs contains two broad, and contrary, sets of *implicit* assumptions about the state. The first emphasises the strength of global flows, and is sceptical about the ability of local states to achieve significant autonomy from these flows. The second approach is less fatalistic, and suggests that local actors may be able to exert significant influence over the spatial division of labour. We shall refer to these as the ‘globalist’ and ‘localist’ views respectively. These are two extreme points on a theoretical spectrum, and many authors combine the two approaches in more-or-less eclectic ways. Nevertheless, to examine the under-theorised assumptions of the literature we shall consider these stylised approaches, and some of their variants; we also show how they are incorporated as partial insights into our own approach.

We first outline an approach to understanding the state (section 2). We discuss three key phenomena involved in LEIs: neoliberalism (section 3), the local relations between the state and civil society, particularly partnerships and growth coalitions (section 4), and, focussing on the US and British cases, the fragmentation of the local state (section 5). We then examine the dominant implicit approaches in the literature, the globalist view (section 6) and localism with a strong or a weak state (section 7).

Finally, we summarise our analysis of LEIs in relation to the fundamental processes of state formation we have proposed.

2. A MARXIST THEORY OF THE STATE

Our approach centres on *the state as a social relation* in which the state does not serve ‘the needs of capital’, even at the highest levels of abstraction, does not guarantee social reproduction, and cannot be an object open to capture by a particular class. Rather, the state embodies the social relations of capitalist property, capital accumulation and exploitation (CLARKE, 1991b; BONEFELD, 1993). These relations are not merely conflictual (as radical pluralists point out) but contradictory, that is, their reproduction tends systematically to disrupt them. The state often modifies the form of these disruptions, but cannot overcome them. Thus, just as capital faces inevitable and chronic dilemmas, so does state action. One consequence of these tensions is the *variety* and *instability* both of the institutional forms of the state and of its strategies, as these respond to the ever-present contradictions developed within specific historical paths and territorial jurisdictions. A key structure for the state is the capital-labour relation, which involves both subordination of labour to capital *and* an active and creative role for labour; these are both in tension and mutually dependent - a genuine contradiction (FRIEDMAN, 1977). Thus class relations may be reproduced through varied combinations of coercion and incorporation, and the state is infused by this tension. It is not that the state has distinct and conflicting functions of aiding accumulation and sustaining legitimation (CLARK and DEAR, 1984; JOHNSTON, 1989), but rather that these

are mutually supporting yet contrary sides of the class relation, reflecting the progressive development of the forces of production and the divisive domination of capital.

The latter contradiction is expressed also in the tension between the increasing socialisation and cooperative social relationships of production *and* exploitation and the private appropriation and control of surplus value. These two sets of social relations are mutually dependent: the investments which develop the socialisation of production are funded from private profit; while the profits which then flow to individual firms are produced by social cooperation. Yet the two sides are also opposed to each other. Efficient production often requires the overriding of private decision making (AVINERI, 1968: 207). The freedom to accumulate across sectoral or spatial barriers is essential for the self-expansion of capital, yet the surplus value which drives this process is produced by territorially- and sectorally-embedded capital. Socialisation is reflected in attempts by capital individually, collectively, or through the state, to override vested interests in order to take account of wider social, economic and political costs that interfere with its expanded reproduction. Such pressures for socialisation tend to grow with increasing sophistication of production.

The privatisation of political power inherent in capitalism, whereby the subordination of labour takes place fundamentally through the labour market and within production, allows the state an *autonomy* from the ruling class unprecedented in class societies (WOOD, 1995, Ch.1). Moreover, the organisation of the socialisation of production is best achieved by a state with strong autonomy from civil society and its vested interests, so that it can best regulate relations between

capitals, between sections of labour, and between labour and capital. The autonomy of the state can help protect the reproduction of labour power from excessive exposure to the law of value. For labour, the autonomy of the state from particular capitals enables it to represent the 'common good' and gives hope of emancipation, even while it obscures the basis of the social order in the partiality of capitalist property. Through its autonomy, then, the state comes to represent the *universal* aspect of capital (MESZAROS, 1969).

There are, however, limits to this autonomy. The maintenance of universalistic welfare, for example, may be expensive and insufficiently targeted to what capital thinks it needs. Firms and sections of the population may take the promise of universality too literally and make demands which conflict with other private interests. Moreover, state action always proceeds through an involvement with particular sections of civil society which tends to drag it into serving those interests. Thus if the state engages in the socialisation of production too explicitly, its autonomy is undermined and the production of surplus value rendered too visible (BURAWOY, 1985, p.31).

These pressures tend to *fragment* the institutions and actions of the state. Direct responses to partial interests make for the localisation of problems and the compartmentalisation of solutions which treat each problem in isolation, soluble by technical fixes. But this hides the intractability of the contradictions and the connections between problems and their sources. This fragmented state is a powerful source of working class demobilisation, since it obscures the global interdependencies of capitalism and the linkages between accumulation and society

(DAS, 1996). But it also harms capital, since policies often merely alleviate symptoms or displace problems; this is the penalty for not explicitly addressing socialisation.

As capital oscillates between universalism and partiality, so the state veers between holism and pragmatism. Its autonomy may encourage excessive demands by labour, yet the failures resulting from its fragmentation are a constant source of frustration and generate further demands. Thus the balance between the state's autonomy and fragmentation is always unstable. The very ways in which problems are framed - as distinct or connected - are a field of class struggle. We now consider how these contradictions of the state have been manifested LEIs.

3. NEOLIBERALISM: AN UNSTABLE CLASS RELATION

In the literature on LEIs, neoliberalism is commonly regarded as an unmediated product of the internationalisation of commodity, money and productive capital, powered by a search for expanding markets, an elaboration of the spatial division of labour based on efficiency, and on changing communications technologies. [2] This explanation is, however, a partial truth. It fails to treat neoliberalism as a class relation and a product of class struggle, an attempt to impose value discipline onto society (BONEFELD, 1993). The structures of socialisation developed in the postwar boom started to unravel from the late 1960s; as BOWLES *et al.* (1990, pp.63-77) show, key elements of that structure such as the accord between capital and labour and the containment of intercapitalist rivalry were cracking under their internal tensions, epitomised by the “rising cost of putting people down” (*ibid.*,

p.97). Sharp conflicts erupted in local politics, particularly in the sphere of reproduction and the growth of 'single issue' campaigns which challenged private profitability.

Neoliberalism, with some justification, blamed the decline of profitability and increasing political instability on the very institutions of socialisation that had sustained the boom (NAVARRO, 1982). The social turmoil of the 1970s gave neoliberalism the legitimacy to dismantle those institutions and to restore the rate of profit by returning to individualism in economic and social relations, disciplining labour and firms by intensifying the rule of value. This was done by fiscal deflation, by encouraging capital mobility, by financial deregulation, by privatisation to undermine labour's organisation and facilitate intersectoral mobility, and by introducing internal markets in the public sector.

This strategy does not mean that neoliberalism has abandoned socialisation; rather, it has redrawn its rules and taken a more holistic approach to socialisation than Keynesianism by looking at political costs rather than just economic benefits. Thus a policy for public housing which may have been initiated because of its beneficial effects on productivity would now be rejected if its political liabilities outweigh these effects.

Neoliberalism has, however, had its own contradictions. In many ways it has been damaging to capital. The market neglects many of the processes on which accumulation depends, such as the socialisation and reproduction of labour, the work ethic and stable class relations (HALL, 1987; HOLLOWAY, 1991, p.245). The welfare state provided mechanisms for coordinating production with labour's

demands; the commodification and fragmentation of state functions makes such a balance more difficult to achieve. Neoliberalism can also impose costs on capital - congestion, reduced productivity due to ill health, or skill shortages - that affect competitiveness. Similarly, the devaluation of capital is most efficiently managed by an autonomous state in order to avoid loss of skills, infrastructures and linkages. Neoliberalism weakens even those most basic conditions for the operation of markets, private property and contract enforcement (BIENEFELD, 1994, p.106), producing an epidemic of white and blue collar theft and fraud. Thus the neoliberal state, no less than the Keynesian, runs into contradictions between capital as a whole and individual capital, between the universal and the fragmented state, and between cooption and discipline of labour (section 2). Thus the fact that neoliberalism has a real logic for capital does not mean that it is free from contradictions.

4. RECASTING LOCAL RELATIONS BETWEEN STATE, CAPITAL AND LABOUR

The politics of locality in the developed countries have been recast under neoliberalism. This is not to say that local politics has become neoliberal; on the contrary, they differ from national politics, and do so *because of their spatial scale*. The difference is striking in three aspects. First, while the national state has retreated from economic regulation, there has been an expansion of local economic initiatives, coordinated by any of the institutions with a local presence, whether capital, labour, state or voluntary sector. The state's input varies between countries: in parts of Europe, local and regional governments have acquired new powers, particularly in economic matters; whereas in Britain, while local authorities have increased their explicitly economic *policies*, their formal *powers* have been eroded. Second, the rise of locally-differentiated economic policies has been accompanied by increasing variation in welfare. The standard of reproduction of labour has begun to follow more closely the rate of profit and accumulation. Third, local politics has been marked by a more inclusive collaboration between interest groups than at the national scale: local partnerships involve sections of capital, departments of the state, residents' organisations, the voluntary sector and even organised labour. These arrangements have a certain continuity with Keynesian corporatism and pluralism.

This is, however, a pluralism of restricted choices, constrained by the alarmist vocabulary of globalisation: compete or die. Internationalisation impels localities to prioritise economic competitiveness. While the subordination of the local state to capital accumulation is not new, it is taking more explicit forms (HALL and

HUBBARD, 1996). This pressure then encourages local interests to sink their differences and to form a consensus in the interests of the locality as a whole: internationalisation elicits a localistic ideology. This can build on the day-to-day interdependencies between individuals and firms within localities (COX and MAIR, 1991). A certain pluralism in the representation of diverse local interests is then possible while avoiding the conflict which marked the end of the Keynesian era.

The local specificity of policy also helps to reduce the potential for overpoliticisation. Local organisation allows reproduction to be tailored more closely to the particularities of local production. Local initiatives for production or reproduction, freed from national standards, do not set precedents for other areas. Locally-specific services erode the idea of welfare as a right and allow it explicitly to be targeted to specific areas and groups. A local level of organisation may allow capital to be given greater powers in the allocation of public spending than is possible nationally (GOUGH and EISENSCHITZ, 1996).

Business, then, is increasingly involved in local policy, motivated by the need to address aspects of the socialisation of production (training, sectoral services, technology infrastructures or marketing) and, sometimes, by concern for the effects of social division. Capital gains legitimacy in promising to enhance a locality's competitive edge by introducing business values, and, often, by raising

its profile through support to showpiece projects - whether conference centre, sports event, barrage or aquarium.

LEIs have addressed the serious disruption to the sphere of reproduction brought about by a combination of economic stagnation and commoditisation. Many local partnerships have adopted a 'people-based approach'. But the meaning of welfare has been shifted towards a labour supply function. Bottom-up initiatives promote community enterprise such as worker cooperatives, community business, enterprise training for the disadvantaged, and credit unions (MacFARLANE, 1993), forms of workfare which instill work discipline. In some cases these take the form of 'poverty partnerships', with community development trusts linking self-help groups with the major institutions in the area (GILROY, 1996). Thus a crisis of commoditised reproduction has, paradoxically, been met by a partial commoditisation of welfare. The elements of collectivity in these initiatives are real; yet their subordination to the capitalist wage relation has generally defused their radical potential.

The restructuring of the local state can thus be understood as developing new ways of addressing the local socialisation of production and reproduction. It involves a dialectic of intensified international competition and national neoliberalism on the one hand and local specificity, solidarity, and partnership on the other. *Local* policies for socialisation reduce the danger of excessive politicisation, thereby allowing more democracy and pluralism than at the national scale.

5. THE FRAGMENTATION OF THE LOCAL STATE

While LEIs have grown, and local discretion in reproduction services has increased, the local state has nevertheless tended towards organisational fragmentation. While less pronounced in continental Europe (BATLEY and STOKER, 1991), in the US and Britain LEIs have been delivered by an ever-increasing plethora of agencies with responsibility for particular aspects of the economy or particular neighbourhoods and with weak overall coordination. These countries have also seen the strongest moves to privatised supply of local services. This fragmentation has been a response to the excessive politicisation at the end of the Keynesian era. That occurred partly because local authorities were responsible for a wide range of functions which allowed them to respond to some extent to the holism of social life. Pressures from below could be transmitted throughout the local state, as action in one field often required corresponding action elsewhere; thus the universalistic aspects of the local state presented political problems. Its fragmentation has reduced both demands and expectations, particularly as the new agencies can pass the buck. Part of this fragmentation has been along ethnic or cultural divides, in postmodern fashion emphasising cultural differences among oppressed groups *in opposition to* class similarities, with the effect of fragmenting working class responses (TAYLOR-GOOPY 1994; WOOD, 1990).

The fragmentation of the local state manages class struggle through functional and spatial divisions and is particularly pronounced in the US and Britain due to their historically liberal polity. But whereas this is a longstanding feature of US politics, it has occurred in Britain over the last two decades as a response to the particularly fierce conflicts which engulfed local government in the transition from boom to

stagnation. This again suggests the link between overpoliticisation and state fragmentation.

Fragmentation permits innovatory forms of socialisation that the unified local state found difficult. This is partly because the quangos and networks allow experiments in socialisation that would have been stifled by the power of the professions and unions. But, more importantly, it is because the quangos are freer from public scrutiny, expectations, and accountability. Thus bottom-up initiatives could be regarded as innovative forms of welfare, while community support is often seen as acceptable in exchange for permitting private development in politically sensitive inner areas. Privatising local authority services has sometimes weakened racist barriers erected by unions, increasing openness in labour markets. Social housing has been linked to training and private sector investment through housing associations. The British City Challenge programme in some areas tied spending on social infrastructure to opportunities for growth in a way that the local state was unable to do. Thus socialisation programmes have been more strongly linked to local specificities and uneven development. The effects are both neoliberal *and* social democratic, the products of a particular conjuncture of struggle rather than of political ideology. We shall see in the next section that the fragmentation of the local state has also had its contradictions.

The literature on LEIs portrays many striking cases of the tensions we have discussed. But the implications for state theory have not been drawn out systematically: most of the literature remains within under-theorised perspectives, to which we now turn.

6. A GLOBALIST SUBORDINATION OF THE LOCAL STATE?

Much of the literature focuses on the subordination of LEIs to increasing trade and enhanced mobility and centralisation of both money and productive capital. Local economic strategy becomes a scramble to compete with other localities in a race to the bottom (PECK and TICKELL, 1994). LEIs are seen as a new phase of local politics within which welfare is subordinated to economic performance (LOVERING, 1988); the local state becomes 'entrepreneurial' or 'market led'. This is pursued through deregulation, tax cutting, and fragmentation of labour; in some localities this is supplemented by active policies to capture mobile investment (subsidies, infrastructures, property). Thus either the state's role is reduced - the strategy supported by strict neoliberals; or it remains substantial but is limited to activities which respond directly to the demands of business - rightwing corporatism. In either case, globalisation leads to the long-term decline of local government autonomy (COCHRANE, 1993).

This perspective has a considerable genealogy. In the 1970s and early 1980s, much radical theorising on cities and regions was concerned to denounce the tyranny of globally mobile capital (NCDP, 1979; PEET, 1983; ROSS, 1983). The world cities literature similarly tends to paint a dominance of globalising capital (SASSEN, 1991; FRIEDMANN, 1996); as Cox (1995) has pointed out, much of this literature is based on world systems theory, which proposes a high degree of capital mobility, underpinned by a focus on market exchange rather than production (FRIEDMANN, 1986). Much of the US urban literature depicts a rightwing corporatism in which the

local state is captured by particular fractions of capital. The growth coalition literature in particular portrays city policy as controlled by fractions of capital dependent on local markets which organise to attract mobile capital (LOGAN and MOLOTCH, 1987; HARDING, 1996).

Now, it is true that the global mobility of capital has been a crucial moment in the formation of LEIs (sections 3 and 4). One can also find cases in which particular sections of capital have dominated local policy. Multinational finance and property capital has undoubtedly dominated the redevelopment of London's docklands. Elsewhere, LEIs have been controlled by large industrial firms that are rationalising their operations such as Pilkingtons in St. Helens (MOORE and RICHARDSON, 1989) or ICI on Teeside (BEYNON, HUDSON and SADLER, 1994). But while the power of globally mobile capital over the local state and its potential capture by particular capitals are important, the literature which focuses on them tends to have significant lacunae. Firstly, it typically does not examine the processes of struggle and the particular strategies through which capital's domination of LEIs *may* occur, so that capital's power appears as technically- or 'economically'-given (cf. section 2). What, for example, where the struggles, at different spatial scales, which *contingently* enabled property and financial capital to dominate London dockland's redevelopment?

Secondly, the globalist literature often underplays the ill effects *for capital* of its (tendential) domination of the local state. A case in point is the the organisational fragmentation of LEIs. As we have seen, due to the lack of political accountability

the semi-autonomous agencies have greater room for manoeuvre than local government in creating new forms of coordination. But the complementarities of different programmes become more difficult to realise because of the agencies' narrow remits, funding tied to crudely measured inputs and outputs, and the traditional empiricist method of policy making within which each issue can be dealt with in isolation. As a result, important potential forms of socialisation are neglected. Thus Fainstein (1994, pp 248-52) has shown how in US cities institutional fragmentation weakens the socialisation that could enable stable growth rather than speculative bubbles; in many cities congestion and environmental degeneration are consequences. Thus leading sections of capital as well as of labour call for greater coordination and accountability of the relevant agencies (NATIONAL AUDIT COMMISSION, 1989).

Effective socialisation is also hindered by business control of regeneration agencies. It is damaging for individual capitals to express their own rather than capital's collective interests in local renewal. The interests of retailers, developers and finance are often prominent, but they are not necessarily the most relevant for the extended reproduction of capital. As Peck (1995) shows, business-dominated agencies often lack knowledge and oversight of the local economy, and are unable to develop any real strategies; as a result they indulge in short term fire-fighting and ill-considered spectacular projects. Their legitimacy can also be a problem. It is true that in the US and Japan they benefit from the unchallenged hegemony of business, while in Britain in the 1980s business had some success in projecting itself as a hard-headed alternative to 'inefficient' and 'overpoliticised' local government. But this

legitimacy is precarious: as the new agencies fail to deliver, as their projects are unmasked as biased by the short term and narrow vision of their board members or as actually corrupt, they come under attack and their previously wide room for manoeuvre disappears (COLENUTT and TANSLEY, 1990). In contrast, the local state in its traditional form had the potential to recuperate from its failures through its autonomy and being seen to respond to popular pressure. The globalist view misses the advantages for capital of a formally democratic local state.

More generally, in attempting to discipline firms and labour, to increase sectoral and spatial mobility, and to diffuse and defuse demands on the state, LEIs inspired by neoliberalism neglect effective socialisation and the potential of the universalist state (COX, 1993; EISENSCHITZ and GOUGH, 1993, Ch.8). If accumulation is always marked by a multiplicity of contradictions (section 2), then there are no policies which unequivocally reflect the 'dictates' of capital. The globalist viewpoint, in contrast, implies that capital in general, and *a fortiori* individual capitals, have non-contradictory interests, which the state can then serve - a structural-functionalist assumption.

This discussion points to the vacuity of the terms 'entrepreneurial city', 'entrepreneurial planning', and so on to characterise the new local politics. A local state which behaves *like* a business does not thereby necessarily serve the *best interests* of business. Indeed, the term 'entrepreneurial' can have quite contrary meanings. It sometimes denotes a globalist state which subordinates itself to the immediate demands of capital and land markets. But elsewhere it signifies a localist state which implements a strong and visionary strategy (COOKE and REES, 1985).

By falsely implying that there is a single way of being market-led or pro-business, the term suppresses these contradictions and differences.

7. LOCAL ROOTEDNESS AND POLITICAL PLURALISM

We have seen that LEIs have attempted to address forms of socialisation at the local level. LEIs have also embodied a remarkable degree of pluralism - remarkable because of the tendency of the *national* state to distance itself from civil society, especially from non-business interests (section 4). These features of LEIs have been the focus of 'localist' commentaries. While acknowledging certain degrees of capital mobility, these have emphasised the territorial rootedness of *productive* capital in the form of sunk capital, inter-enterprise networks, links to relatively immobile and specific labour power, and specific business cultures (HIRST and THOMPSON, 1996). Even money capital is regionally differentiated not simply hypermobile (DOW and RODRIGUEZ-FUENTES, 1997). Local economies are thus strongly differentiated and may have a certain autonomy; they can operate coherently within global flows in potentially non-contradictory ways (CASTELLS, 1989; AMIN and THRIFT, 1992). Localities are then a "base from which subjects can exercise their capacity for pro-activity by making effective individual and collective interventions within and beyond that base" (COOKE, 1989a, p.12). This strategy promises the creation of consensus and democracy, against the social divisiveness and authoritarianism of neoliberalism. It promises a more efficient local economy, through better infrastructural provision, stronger coordination between local firms and institutions (SCOTT, 1992), possibly in flexible-specialist sectors (HIRST and ZEITLIN, 1989), cooperative rather than antagonistic industrial relations (BOWLES *et al.*, 1990, pp.174ff), and better reproduction of labour power. An economy which is socially integrated, through stakeholding or self-management,

is seen to be more innovative and productive. A range of strategies for the social wage is possible once the essential link between the private and the public has been made - community enterprise, housing cooperatives, workplace democracy or self-help initiatives. Local pluralism seeks to empower disadvantaged groups, or even prefigure alternatives to capitalism. In its strongest form, LEIs should be part of a coordinated response for labour at different spatial scales (PECK and TICKELL, 1994). Thus strong local socialisation and involvement of multiple local actors are seen as compatible with, and indeed *complementary to*, capital mobility. While neoliberalism is acknowledged as dominant at present, this approach argues that localities need not subordinate themselves to it, though they have to combat it ideologically (HARRISON and BLUESTONE, 1988; COX, 1995). This approach thus adopts an implicitly *pluralist* view of both economic development and the state: these are moulded by an interplay of diverse actors, and can serve diverse interests and aims.

7.1 Localism with a strong state

Within this pluralist approach there are broadly two variants. The first sees an important continuing role not merely for local action but specifically for a renewed local state (STOKER, 1990; MAYER, 1992; COOKE, 1989b; HALL and HUBBARD, 1996). Faster economic growth provides the basis for higher state spending. The local state has the greatest means for developing new forms of socialisation, particularly through its ability to span the economic, political and social. While internationalisation may have weakened the nation state in certain

senses, it may have strengthened the potential of the local state. Pluralist politics can restore the legitimacy and hence flexibility of local government.

While this vision corresponds to some real tendencies, it is one-sided. Firstly, it pictures neoliberalism as *weakening* the state, so that the progressive response should be to strengthen it. But neoliberalism depends upon a highly developed state which has not necessarily lost power to capital (PANITCH, 1994, pp.66ff). The national state uses market-based methods to continue its intervention. Moreover, neoliberalism has attended to socialisation (section 5), extending and restructuring it internationally and nationally; there is not a simple vacuum to fill (DESAI, 1996). The mistake of the pluralists here is to picture capital and the state as opposite poles of a single variable, so that more of the first implies less of the second (BRYAN, 1996).

Secondly, pluralists underestimate the logic of neoliberalism in class relations. When the local state acts in a pluralist and universalistic mode, it may unleash demands by sections of labour and capital which go beyond the limits of orderly value regulation, just as it did in the late 1960s and early 1970s. This is particularly a danger during long waves of stagflation. Yet the pluralist strategy is concerned to respect value and class discipline (EISENSCHITZ and GOUGH, 1996).

Finally, despite the ostensible openness of the pluralist viewpoint, it contains an implicit economistic premise: that the political tensions of pluralistic LEIs can be contained because of the superior productive efficiency which they enable (e.g. COOKE, 1989a; STORPER and SCOTT, 1989; SCOTT, 1992). This glosses over

the political problems posed by private interests, particularly when socialisation is undermined by capital mobility.

7.2 Libertarian pluralism: celebrating the decline of the state

A second variant of pluralism accepts, and sometimes welcomes, the weakening and fragmentation of the local state, and pictures local governance as proceeding primarily from networked local institutions of civil society. This approach is found on both right and left. The right presents its restructuring of the local state as empowering diverse groups and individuals, and hence as enabling greater local diversity. Local resident and business taxpayers are to be empowered against the state. Industrial bargaining and profit sharing are to be decentralised to the local level. These reforms enable the creation of new, locally-specific linkages within civil society. Thus even the centralising Conservative government in Britain incorporated local variation and involvement of community interests into its urban programmes in the 1990s. While this self-presentation of the right has some substance in the achievements of LEIs (section 5), it is misleading in failing to acknowledge the role of class struggle in forming them.

The fragmentation of the local state has also been embraced by currents on the left, particularly by associationalists and some postmodernists, who argue for a strengthening of economic, social and cultural networking within civil society free from the dead hand of the state (AMIN and THOMAS, 1996; WILLIAMS, 1992). The state is decreasingly able to steer the economy due to the increasing complexity of the division of labour, technological knowledge and variety and rate of change of

demand (SAYER, 1995). LEIs should then pursue a 'third way' between state and market; the seeds of this approach are to be found in community economic initiatives such as production and consumption cooperatives, community businesses, local technology and design networks, and in democratised industrial districts (AMIN and THRIFT 1995; WAINWRIGHT, 1994, Ch.6). Diverse stakeholders, rather than merely producer interests, would be empowered (IMRIE and WILKS-HEEG, 1996). This strategy combines the dynamism and freedoms of the market with moral stability and a voice for the disadvantaged, while local difference and rootedness counters neoliberal despotism.

A first problem with this approach is that it is unclear why the values of the oppressed should dominate in a system of independent enterprises linked through markets and networks, particularly as organisation and politics aimed at uniting the working class are rejected (WOOD, 1990, pp.63ff). Outcomes would depend strongly on degree of power in the labour market or in the final markets of enterprises, and thus tend to be inegalitarian (GOUGH, 1986). Democracy in the sense of majority control over the general directions of economic and social development is absent. Funding from the state to independent agencies and enterprises would necessarily involve few checks. Why, then, should *the right's* version of libertarianism not be realised?

Secondly, both the right and left libertarians misread the weakening of the (local) state. This cannot be read off from technological complexity, global markets and extension of the division of labour, but is a response to class tensions in processes of socialisation (sections 3-5). There is nothing inherent in modern advanced economies

which prevents strong forms of prior coordination between enterprises - except power and politics. It is technically feasible to have much stronger forms of economic coordination by capitalist local states than are currently being attempted, and a socialist state could organise these to enhance both productive efficiency and social freedom (GOUGH and EISENSCHITZ, 1997). But either of these paths requires a greater unity of the working class against capital, to which left pluralists are opposed. The problem of class antagonism in LEIs, occluded by libertarian discourse, remains.

8. CONCLUSION

We have argued that the local state's involvement in LEIs expresses and gives new forms to the contradictions of capital accumulation and class relations. To both emphasise this central argument, and to highlight the problems inherent in the dominant forms of state involvement in LEIs, we link the main points of our analysis to the most closely connected contradictions:-

(a) *the contradiction between private profit and the socialisation of production.*

The development of national neoliberalism was an attempt to overcome the political tensions of Keynesian socialisation through accentuating private responsibility. But the scale of LEIs has enabled them to develop new forms of socialisation;

(b) *the contradiction between mobility and fixity.* Neoliberalism has used international mobility of financial, commodity and productive capital to impose value and class discipline. Mainstream LEIs, in contrast, have attempted to create economic and cultural commitments to locality, albeit tapping into international

markets and finance. But these local initiatives can be destabilised by global mobilities;

(c) struggle between capital and labour, and the contradiction between cooperative and disciplinary moments of their relation. While national and international neoliberalism has sought to reinforce capital's control over labour, mainstream LEIs have been able to mobilise more consensual class relations. The latter rest on both the spatial scale of the local state and the (intended) local rootedness of production;

(d) the contradiction between the autonomy and holism of the state and its fragmentation, empiricism and involvement with particular interests. The local state is better able to organise the socialisation of production through LEIs to the extent that it is autonomous from particular local interests and has the powers and resources to undertake comprehensive programmes. But, in the US and Britain particularly, such autonomy would risk excessive expectations being placed on the local state, from which it is shielded by organisational fragmentation. Fragmentation, however, limits the effectiveness of LEIs and renders them vulnerable to capture by particular sections of capital;

(e) the contradiction between the universal and the partial dynamics of the state. Under pressures from both classes, LEIs attempt to develop the forces of production, including the capacities of labour power; but these policies are necessarily dependent on the profits and investment of individual capitals and their exploitation of labour and are thus subject to partial interests. The pursuit of efficiency and rationality by LEIs is always enmeshed with exploitation and the valorisation of fictitious capital.

Spatially and temporally specific articulations of these contradictions can give a firmer basis for analysing the many shifts and failures of the state in LEIs documented in the literature.

In contrast, the globalist view focuses on one side of the contradictions above - on private decision making by individual capital, on mobility, on the fragmentation of the local state, on its subordination to individual capital, and on disciplinary class relations, while the localist and pluralist view focuses equally one-sidedly on the socialisation of production, on fixity, and on cooperative class relations; each approach then points to important processes but misses many of the tensions and instabilities of the state. The pluralist approach, in both its strong and weak state forms, underestimates the tensions between the autonomy and the fragmentation of the state. Both the globalist and localist analyses often rest on economistic readings of the state: the former commonly understands the subordination of the local state to the mobility of capital as grounded in technological change and efficiency, while the latter sees local socialisation and cooperation as stable because of their productive logic. We have argued, rather, that both of these strategies should be seen as eminently political and cultural as much as 'economic', and as correspondingly unstable.

Finally, we have emphasised the importance of scale to the state. We have explored how state involvement in LEIs has generally embodied more consensual and pluralistic relations than those of the contemporary national state. This has implications for two longstanding theoretical debates. *The state debate within marxism* needs to take on board that the social relations of the state can be strongly

scale-dependent. Marxist state theory has been concerned with geography principally in the mediation of capital accumulation and the power of capital fractions by relations *between* states. But different social relations may be developed within states by virtue of their scale. *The debate on the nature of the local state* has recently focused on the way in which it is better able than the national state to respond to local difference. Our analysis suggests that *social relations which use local scale* are also important to local state formation, emphasising once again the importance of analysing the state fundamentally as a set of social relations.

Notes

1. The notable exception is the theorisation of the local state by the regulation school. We do not have space in this paper adequately to critique this approach; but see Gough (1996a; 1996b; 1996c). A further theorisation is in the Weberian tradition of seeing state officers and politicians as being substantially able to pursue their own agendas (GURR and KING, 1987, Ch.2). In this vein, left commentators have sometimes blamed the local state bureaucracy for blocking progressive LEIs (MACKINTOSH and WAINWRIGHT, 1986). This view mistakes the real autonomy of the state from civil society and the policy choices this allows for the autonomous interests and discretion of state personnel.

2. A common alternative interpretation of neoliberalism sees it as essentially irrational and regressive, even for capital (HIRST and ZEITLIN, 1989; STORPER and SCOTT, 1989; PECK, 1996). This interpretation privileges the socialisation of

production to the neglect of value discipline and exploitation. For a critique see Gough (1996b; 1996c).

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