Challenging Assumptions
Regions Con-Dem’d?

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There is no doubt that the status of ‘the region’ has undergone a dramatic change in the order of the UK’s political priorities over the last few months. Having been elevated to a considerable height in the era of New Labour, it is now the word that cannot even be spoken in the vocabulary of the new Conservative-Liberal Democrat (Con-Dem) coalition (established in May 2010). A raft of English regional institutions closely associated with New Labour has been or soon will be summarily abolished – Regional Development Agencies, Government Offices of the Regions, Regional Strategic Health Authorities, all going with (at best) a murky idea of what in practice, if anything, will replace them. This is a profoundly geographical concern. There is no denying that these institutions had only a limited effectiveness in addressing the extent of inter-regional inequalities in England and more generally the UK. Established geographical patterns of regional inequality in economic performance, unemployment and worklessness, health and well-being, were little disturbed as a result of the actions of these institutions. On the other hand, their existence, and the fact that government was prepared to support and fund them, was if nothing else a symbolic expression of governmental concern over the broad pattern of geographical inequalities at the regional scale that has characterised life in England for decades. In abolishing these institutions, and indeed striking the word ‘region’ from the policy and political agenda, the new Con-Dem government is giving a very clear signal that this scale of geographical inequalities does not figure among its priorities.

This is not to say that the new government is unconcerned with inequality per se, but in terms of its spatial dimension – and policy responses to it – sees inequality as much more an issue of the local scale and local responses. Indeed, the increase in intra-regional inequality in regions such as the north east in the period of New Labour (1997–2010) could be seen as justification for this. The local scale focus is overshadowed and framed by the perceived need to address the scale of public sector borrowing and debt and at the same time stimulate a degree of national economic recovery. Thus, key sections of economic development policy including innovation, research and development, and skills and enterprise, previously the remit of the Regional Development Agencies, have been effectively nationalised within the Department for Business, Innovation and Skills (BIS) at the national level. The newly-proposed Local Economic Partnerships (LEPs) have been left with responsibility for a residual range of supporting functions related to infrastructure provision, housing and planning. Such activities may be supportive of local economic development but are, at best, one step removed from the creation of new businesses and employment. That said, it is by no means clear how many of these new LEPs there will be, where they will be, what their precise functions and competences will be nor what their relationship to existing Local Authorities will be. What is clear is that there will be no government funding to enable them to carry out the tasks assigned to them. In short, the former English regions have been caught up in the political tensions of the coalition government, caught between the nationalising aspirations of some elements of policy and the localising obsession of others. All this is at a time when the map of uneven development and inequality is set to sharpen as the new coalition government seeks to grapple with the burgeoning mountain of public sector borrowing and debt and the economic.
devastation wrought to the national economy in the deepest recession for 80 years.

There is no doubt as to the seriousness of the economic challenge facing the new government. It was elected as the national economy – indeed the global capitalist economy – peered into the abyss of deep recession following the almost total collapse in 2008–09 of the banking system and its subsequent generalisation into an economic crisis that has left few people or places untouched by its effects. This was a crisis that bit particularly deep and hard in the UK because of the extent to which the national economy had become, or more accurately, had been made to become, dangerously dependent upon a narrow range of banking and financial services activities as a result of a series of policy choices over several decades. Indeed, this was a crisis so deep that it provoked the de facto nationalisation of large swathes of the banking sector by a New Labour government that not so long ago in opposition had dumped its commitment to nationalisation as part of its modernising drive and agenda for electability. The crisis was, if nothing else, a salutary reminder that in a capitalist economy the overwhelming priority for the state is the preservation of private capital and that there is nothing it will not do, whatever the wider social cost, to ensure this.

As a result the new Con-Dem coalition faced an extremely challenging task as it sought to devise a strategy to revive the national economy and deal with the mountain of debt bequeathed by its predecessor. This strategy has come to revolve around the rhetoric of ‘rebalancing’ the national economy. This is seen to have three dimensions: rebalancing the economy spatially; rebalancing the ratio of private to public sector activities; and rebalancing the relationship between manufacturing and services. Crucially, however, these three dimensions of rebalancing are inextricably inter-related. For example, to rebalance the economy spatially would require a rapid increase in the private sector in parts of the country that have a heavy reliance on a soon-to-be-cut public sector. In other areas, there is a need for there to be significant growth in manufacturing to offset over-reliance on services. In fact the problem is more complicated, for in many areas an over-reliance on services is closely linked to an over-reliance on public sector employment. Given that the government has also proclaimed its commitment to ‘fairness’ as it makes hard policy choices, the task of ‘rebalancing’ looks even more daunting.

It is important to emphasise, however, that while ‘regional’ may have been abolished from the lexicon of policy and polite conversation in Con-Dem circles, and despite the acknowledged existence of local-scale variations in economic well-being and prosperity, there are very significant broad regional inequalities in England and more generally the UK. These are already of considerable – one might even say, Victorian – proportions and may be further exacerbated by the national economic policies that the Con-Dem government is pursuing (the new Regional Growth Fund is clearly simply a sop to backbench concerns). Some big claims are being made by the coalition to legitimate these admittedly hard policy choices: not least, that ‘we’re all in it together’ in a ‘Big Society’. However, we need to cut below the...
rhetoric and examine the evidence, the reasons why the economy is seen as so ‘unbalanced’ and the likely consequences of attempts to ‘rebalance’ it. Above all, we have to ask who has the resource to include themselves in this ‘Big Society’ and who is excluded because of the historical and geographical legacies continually manifest as regional inequalities?

Let us first look at the balance between services and manufacturing, and especially the reliance upon financial services. The latter is without doubt a consequence of decades of prioritisation of banks and financial services, especially in the City of London. In effect, this was and is a national economic strategy that prioritises the interests of London and the south east over the rest of the national space economy: implicitly, a regional policy for the south east and the City. It is not just a result of a decade of New Labour as its antecedents are not just decades but centuries old. There is no doubt, however, that the first 10 years of New Labour government took matters to new extremes, amid fanciful claims that the booms and busts had been abolished from the national economy and that the City’s place in the global financial order assured national economic success. Indeed, it was claimed that the financial sector both directly and indirectly underwrote the redistributive polices that propped up depressed regional economies. By 2008–09, however, this prioritisation of financial services culminated in the near-meltdown of the national economy and the deeply ironic de facto nationalisation of the banks.

The prioritisation of financial services has had profound intra-regional as well as inter-regional implications. The south east’s dependence upon financial services has not only exposed London and its surrounding region to new and global risks but has also led to the unsustainable concentration of capital and personal wealth in the built environment, especially in the housing economy. There have been both winners and losers as a result. Those able to lock in to the benefits of spiralling house prices have clearly benefitted greatly. However, their lifestyles – and indeed more generally the interests of the owners of property capital – have been subsidised by an underclass of workers needed to deliver the seemingly insatiable demand for support services who, themselves, are locked out of the benefits of the concentration of capital through property ownership and house price inflation. It is therefore not surprising that London has become the focus of resurgence for trade union activities (by workers in transport, fire and rescue services, and airline crews), a direct expression of the acute intra-regional inequality to be found in the London city-region. The prevalence of such problems in the London city-region, coupled with the general concerns over the emphasis on financial sector-led growth, emphasises the need to rebalance manufacturing and (financial) services. However, this begs a key question: where is the capacity to create private activities and jobs that are not in financial
services, and in activities that will be competitive in global markets for either manufactures or other services?

The weakness of manufacturing and lack of manufacturing capacity in the UK also needs to be seen in historical perspective. England was once the ‘workshop of the world’. So what happened? Of course, a relative decline was inevitable as other countries embarked on the path of industrialisation, and there is an element of truth in arguments that decline is simply a function of changes in the international division of labour. However, the nub of the issue is not this relative decline but the absolute erosion of industrial capacity, output and employment. To appreciate why this happened it is crucial to examine the role of government (irrespective of political party). There are two broad issues. First, policies that have consistently prioritised the interests of banking and financial services over manufacturing – and so the south east over the rest of the country – have increased the vulnerability of private-sector manufacturing to global competition. This resulted, for example, from exchange rate and interest rate policies tailored to the needs of the
financial sector and the removal of capital export controls in 1980. Second, the rationalisation and privatisation of formerly nationalised industries such as coal, steel and shipbuilding led to the collapse of these industries and the regional economies built around them. The net result of all this was secular decline, the collapse of industrial capacity and employment. For a while, there was some replacement of jobs as a result of fresh foreign direct investment in branch plants and back offices. But these were typically short-lived as southern Europe, central and eastern Europe and China and the Far East proved to be successively more attractive destinations. The net result is that there is now a real lack of industrial capacity and the skills associated with this in peripheral regions. It is still not clear where the Con-Dems’ ‘rebalancing’ to new manufacturing jobs is going to come from. There is certainly talk of new technology innovation centres, perhaps imitating
the successful Fraunhofer Institutes in Germany, but it is by no means clear that the cultural environment will be conducive to such policy approaches or that the scale of public sector funding and the private sector response to it will be of sufficient magnitude.

Finally, consider the rebalancing seen as necessary between the private and public sectors of the economy. As the new coalition government embarks on cuts in public expenditure of draconian proportions, it is clear that peripheral regions (outside the south east) are much more vulnerable to the resultant cuts in public-sector employment. There are two principal reasons for this. The first relates to the weakness of the private sector in these regions (manufacturing and services alike), a result of the earlier collapse of private-sector activities, especially manufacturing which in turn led to downward multipliers in local private-sector services. The consequence was a disproportionate reliance upon the public sector as a source of employment, especially with the expansion of employment in public-sector education and health services and in local authorities. Second, as part of the response to rising unemployment in peripheral regions, there was a degree of decentralisation of government back-office jobs to these regions. But here is the twist. Precisely because many of these were routine back-office jobs, they were just the sort of jobs that were vulnerable to future cutbacks. In contrast, the south east is less reliant on public-sector employment: a bigger proportion of public-sector jobs in the region are higher level managerial posts, less vulnerable to government cuts, or are jobs in government research and development laboratories and activities, which help create opportunities for new small firms in a way that does not occur in other regions. Thus, the public–private sector rebalancing has, implicitly, a regional manifestation that can only be understood through a sophisticated interrogation of the complex and changing national and international divisions of labour.

So, what can we conclude? While talk of ‘regions’ may be off the coalition government’s policy agenda, it is highly unlikely that the UK’s yawning inter-regional divide is going to narrow over the coming years. Given that it has been a persistent feature of the national economy for decades, it would indeed be a surprise were it to narrow, let alone disappear, in the foreseeable future. This is not to say success stories will not appear outside the south east: successful companies or places will buck the trend, as they always have. The point is that they will be just that: isolated success stories set against a background of economic under-performance and under-employment with all its associated human and social costs, as people seek to survive in an environment that will be much harsher as the safety nets of welfare are further removed for those most reliant on them. What will be the net result of all this? There will be growing numbers of people in the peripheral regions in England, and in all probability the rest of the UK, who lack paid employment, who have no realistic prospect of finding paid employment and who, at the same time, find that their welfare support is increasingly eroded. These are the economically and socially disenfranchised citizens of the United or, perhaps more accurately, Divided Kingdom. They are spatially-concentrated over large areas of the country as a result, perhaps inadvertent, perhaps deliberate, of policy and political choices. It remains to be seen whether the Con-Dems’ ‘Big Society’ will develop to fill the void left by the erosion of the ‘Big State’, whether a combination of private sector philanthropy and growth in the voluntary sector will satisfactorily fill the gap that is left, but the chances of this happening look slim. For these citizens, then, ‘getting by’ in whatever way they can will become both a way of life and an increasing challenge. It is not quite clear just what it is that we will ‘all be in together’. But there is no doubt that for many people and places life in the ‘Big Society’ will not be a pleasant experience.

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