COMMUNITY ECONOMIC DEVELOPMENT AND CAPITAL ACCUMULATION: A Geographical Interpretation

by

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ABSTRACT

In response to economic distress, local residents sometimes organize in an attempt to consciously protect and enhance under-utilized local resources, most especially labour-power. These initiatives take two basic forms. Mainstream schemes accept the dominant logic of capital accumulation, by seeking to upgrade local supply-side production factors to improve economic competitiveness. Community economic development projects, in contrast, attempt to avoid spatial competition, with its inevitable winners and losers, in the name of the economic, political, cultural, and sometimes environmental sustainability of all communities. Yet such initiatives have usually failed to achieve their objectives. These failures manifest, in part, the absence of a clear political-economic understanding of the spatial relations of capital accumulation. A practice guided by such an account would seek to challenge the cultural, and, more importantly, institutional forms that regulate and perpetuate class division and inter-firm spatial competition. Community sustainability can ultimately only be achieved through new workplace and inter-firm relations, which negate the need for capital flight and allow for the conscious, democratic allocation of investment capital. Even as such structures are not immediately realizable, community economic development practice should still strive toward generalized supralocal cooperation.

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The inferno of the living is not something that will be; if there is one, it is what is already here, the inferno where we live every day, that we form by being together. There are two ways to escape suffering it. The first is easy for many: accept the inferno and become such a part of it that you can no longer see it. The second is risky and demands constant vigilance and apprehension: seek and learn to recognize who and what, in the midst of the inferno, are not inferno, then make them endure, give them space.

Italo Calvino (1972) Invisible Cities

INTRODUCTION

Locality-based economic development emerged, in its contemporary form, in the United States in the late 1950s, with the realization that even sustained macroeconomic growth could not eradicate all geographical enclaves of material deprivation. When economic growth slowed, beginning in the early 1970s, and the pockets of unemployment and poverty grew, efforts intensified to unfetter abandoned productive capacity and labour-power. But prolonged slow growth and heightened capital mobility weakened the state's capacity to engage in the development programs and social spending necessary to promote regional equality. It is in this context that localities have been compelled to restructure their institutional and cultural practices in a bid to attract, or at least keep, capital and jobs -- without regard for the well-being of other localities.

Community economic development may be distinguished from these mainstream initiatives -- in principle if not always in practice -- by an overt concern for the distribution of the benefits and costs associated with economic growth and decline. These projects are characterized by collective attempts to develop local economies in a more socially rational manner than that normally associated

with capitalist spatial development. This means, more specifically, attempting to democratize political and economic relations in order to better control the allocation of locally extracted wealth. Community development workers attempt to realize their goals by building local institutions (such as community development corporations, credit unions, and worker cooperatives) and by encouraging solidaristic cultural values, so as to unleash local resources, extract social returns, and increase political and economic autonomy.

Although community economic development projects in Canada remain relatively few in number, they are found in some depressed peripheral and urban communities. In the United States similar schemes are most often initiated by minority groups, while in Great Britain they are sometimes undertaken with an explicit working class focus. The scope of these projects suggests some of the ways in which "community" may be defined to inform alternative methods of locality-based economic development. In other words, the shared circumstances, understandings, and interests which small scale everyday interaction usually breeds can give rise to cooperative endeavour. Thus even though not all community economic development projects define community in clearly geographical terms, the role of local relations in the construction of social identity may help to explain the sense of affiliation that is necessary for successful collective action.

Community economic development projects are frequently guided by clear ethical principles and concrete goals, but seldom by political-economic theory. This is especially true in Canada, where community economic development is marked by a naive optimism that is detached from the decidedly mixed results of past practice. An important reason behind some of the difficulties of these schemes is the absence of an explicit theoretical understanding of the supralocal forces that help to develop and subsequently underdevelop local economies. To be sure, mainstream local economic development initiatives also lack a well-developed explanation of uneven spatial development. But a neglect of theory is particularly harmful for community-based practices that are even mildly critical of prevailing social relations, for without a political-economic guide to aid practice local activism can easily succumb to opportunistic or ephemeral parochialism. Community economic development projects have often been marked by this weakness. Thus despite a dissatisfaction with growing levels of spatial disparity, local economic problems remain largely defined in conventional terms, that is, as the result of local cultural and institutional failings.

In constrast, a genuinely alternative approach to locality-based economic development must be rooted in a theory of local problems that goes beyond dysfunctional community practices, to address uneven spatial development

as a manifestation of the normal workings of the capital accumulation process. This does not mean that depressed communities do not suffer from comparatively deficient local cultural and institutional practices, but that these should be explained and, more importantly, collectively addressed in terms of political-economic structures of power operating at the local, national, and global scales.

To the extent that uneven spatial development may be primarily traced to the macro structural relations of capital accumulation, the relative ease with which community-based action can often dissolve into conservative locality-oriented practice devoid of supralocal intent would seem to suggest that community economic development is of marginal importance. Yet the issue is complicated by the fact that social life (including supralocal power relations) is spatially constituted. For instance, the community (defined here as the principal site of everyday social interaction) is the geographical scale at which most people directly experience the social world. More specifically, it is here that meanings are constructed and social relations reproduced through culturally and institutionally constrained practice. The sociability this manifests may allow for the emergence of a dialogue that nurtures the commitment necessary to transcend individual self-interest and sustain collective action.[1]

Since capital accumulation is no longer organized simply through direct local relations, community initiatives that

self-consciously seek to challenge the social production of spatial inequality must reach outward toward the supra-local reality of capitalist practice. It is helpful to draw a distinction between community mobilizations that seek to evolve toward broader spatial scales, and those that simply promote the differentiated material interests of residents within a locality versus all those outside. The former has been defined by Edward Soja as "socio-spatial praxis," or the "active and informed attempt by spatially-conscious social actors to reconstitute the embracing spatiality of social life."[2] This may include struggles over cultural identity, political autonomy, economic control, and the physical environment.

In order to realize the potential of community economic development in a context of rapidly changing spatial practices, a geographically sensitive political-economic guide is necessary. Fredric Jameson calls this the search for a new "cognitive mapping," one that is able to grasp a capitalist hyperspace which is undermining "the capacities of the individual human body to locate [and] map its position in a mappable external world."[3] More specifically, for community economic development this means that local collective action may potentially provide unemployed and working class people the social identity and organizational resources to transcend individual or narrow sectional interests, and build a geographically conscious

mutuality of interests on expanding spatial scales. Thus if community economic development initiatives successfully restructure localized cultural and institutional relations -- while simultaneously breaking free from local barriers -- they may begin to challenge the supralocal forces behind the social production of uneven spatial development. It is a desire to further such an understanding that informs this work.

CHAPTER ONE

THINKING "LOGICALLY" ABOUT THE CHANGING SPACE-ECONOMY

The dominant or "commonsense" explanation of economic failure in capitalist society posits a moral deficiency of the individual or community expressed in a lack of presumed bourgeois values, such as respect for authority, initiative, responsibility, and sexual restraint. Following the Rodney King Los Angeles "riots," Britain's Sunday Telegraph (May 3, 1992) newspaper responded with a crude illustration of this cultural interpretation of poverty:

> For a generation liberal America has sought to encourage the cultural as well as economic emancipation of its black citizens. But it has undermined its own benign intentions by promoting, just as energetically, a counterculture of drugs, promiscuity and social anarchy which proved all too attractive to people taught to think of themselves as deprived. Had that emancipation begun earlier, when bourgeois values were shared by all, the results would have been different.

Perhaps the most influential proponent of the "culture of poverty" thesis in urban studies has been sociologist Edward Banfield. In his seminal work The Unheavenly City, Banfield followed the anthropologist Oscar Lewis by attributing poverty to a dysfunctional lifestyle passed down from one generation to the next.[1] But whereas for Lewis such a culture was a response to

or an adaptation made by the poor to conditions of material deprivation, for Banfield it is the root cause of poverty: present-oriented behaviour, which negates sacrifice, self-improvement, hard work, and family values, and not a lack of income, marks the fundamental difference between the poor and the affluent.

This account of economic distress, in subtle forms, provides a key conceptual foundation for mainstream local economic development. Moreover, it is even found in some community economic development literature (see chapter three). Yet it is inadequate because it fails to seriously address the relation between cultural values and political-economic forces. That is, in the orthodox explanation the individual is wrenched from the economic structure, defined as morally and intellectually incompetent, and said to be in need of new achievement-oriented values. The problem with this "blame the victim" approach to poverty is not that irrational behaviour (defined in narrowly economic terms) cannot be found in depressed communities, but that the account is consciously one-sided, for it seeks to divert critical attention away from political-economic relations and toward maladjusted individuals.[2] Survey research in fact reveals that there is little difference between the values and aspirations of the middle class and the poor.[3] Social options and lifestlye practices, however, tend to follow material well-being, which in turn is tied to power

relations rooted in political-economic practices.

Thus a more compelling account of the preponderant form of material deprivation (i.e., where most people in a geographical enclave are poor, as opposed to individual indigence) is to explicate the structural relations that constitute the political economy in question, in this case capitalism. This suggests constructing a theory of capitalist accumulation that defines power relations (that constrain knowledge and the capacity to act) grounded in material circumstance as prior to cultural values. As Karl Marx baldly argued in the 1859 Preface to A Contribution to the Critique of Political Economy:

> The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness.[4]

Although more overtly dialectical formulations can be found in Marx's writings, this statement provides a useful first approximation.[5] Each social formation has a characteristic internal "logic," or aggregate social force that is largely independent of the wishes of its composing individuals. In class societies, of which capitalism is one particular type, the extraction of wealth from the "direct producer class" to the "coordinator class" constitutes the core social relation, and as such possesses a determining causal power that sets the outer limits on possible societal development.

Under capitalism the appropriation of economic surplus is manifest through inter-capitalist competition founded on the exploitation of labour-power at the point of production. The resulting trajectory of capitalist accumulation sets the broad parameters within which the spatial organization of capitalism is constructed. This logic should play a primary role in any genuinely causal account of the production of spatial relations. Theorizing spatial inequality in capitalist society does not, therefore, refer simply to an uneveness in the space-economy (there is nothing peculiar in this), but to an uneven process of development rooted in class conflict and capitalist rivalry. The capitalist process may thus be contrasted with that of other social formations. Allen Scott writes, for example, that the material relations of antiquity produced the city-state, feudalism the largely self-sufficient medieval town, and capitalism a variegated global space propelled by the "rational" profit-seeking behaviour of commodity producers under conditions of market competition.[6]

The concrete manifestation of the logic of capitalist accumulation is found in the rhythmic equalization and differentiation of social conditions in relation to movements in profit rates. As the coercive pressures of market competition level and then diminish profit margins, capital is compelled to respond by disarticulating the space-economy using its superior mobility relative to that of

labour. To fail to do so would bring severe economic problems, because spatial equality would deny capital access to labour reserves and complementary markets necessary to stabilize otherwise overly spasmodic development.[7]

Yet this formulation is only the beginning of a causal account of uneven spatial development, since the logic of capitalist accumulation is an internal tendency of the capital-labour relation and inter-capitalist competition, which is opposed and reinforced by numerous mediating tendencies with their own causal powers. Since there is no one-to-one determination between the accumulation process and its concretization in space, the latter cannot be explained merely by referring to the logic of profit-seeking behaviour. In fact, privileging the logic of capital can easily lead to a relative neglect of other significant causal forces, such as the capitalist state, relations in civil society, and the uneven distribution of natural resources. In other words, the analytical clarity provided by a theory of spatial development derived from the logic of capital is achieved through an abstractness that limits concrete explanatory power. Thus while such an approach acknowledges constraints on individuals and directs critical attention toward political-economic relations operating beyond the locality, it also assumes intense market competition and profound economic "rationality" which negate other causal variables.

One of the central theoretical debates within economic geography thus concerns the relative causal efficacy of the capitalist accumulation dynamic in the social production of spatial inequality. This chapter addresses this question and its implications for locality-based economic development by exploring three issues. First, it is suggested that uneven spatial development theory can be fruitfully explored by including institutional and cultural relations as they impact locational decision-making. This is most helpful in order to appreciate the complexity of the concrete space-economy. But it is also argued that that macro structural, or capital logic, theory cannot be neglected because mediating relations do not completely negate the spatial competition, and resulting switching crises, deeply-rooted within the basic relations of capitalist accumulation. Second, an account of the space-economy that includes macro structural and middle range institutional and cultural concepts, when periodized using regulation theory, can help to explain contemporary problems in capitalism and their spatial correlates. Third, the chapter concludes by abstractly positing the constraints that locality-based development initiatives must face when attempting to restructure the space-economy. These constraints are then explored more concretely in subsequent chapters.

The Capital Logic Approach to Uneven Spatial Development

Uneven spatial development theory grounded in capital logic reasoning is most clearly associated with the writings of David Harvey, although he usually avoids this terminology.[8] Harvey traces the tendencies toward development and underdevelopment in the capitalist space-economy to the "value-form," that is, the manner in which value creating labour is supplied as a commodity and rendered social through competitive circulation. For Harvey, contradictions within the value-form and the resultant crises of overaccumulation, triggered by inter-capitalist competition, provide the underlying basis for the protean geography of an inherently unstable capitalism.

This formulation is constructed out of Marx's account of capitalist economic expansion and breakdown, a theory -- or more accurately a body of theories -- rejected by non-Marxists and (some) Marxists alike. For example, Jon Elster, an "analytical Marxist," dismisses Marx's work on capitalist crisis as demonstrably false, trivial, rambling, and obscure.[9] This is an exaggeration, but it is true that Marx failed to construct a single cogent theory. Harvey explains this by pointing out that Marx did not finish his work on the capitalist state and the credit system, topics that must be explored in a successful crisis theory. But Harvey argues that such an account is possible if these missing themes are addressed.[10]

Marx contended that not only are specifically capitalist economic crises possible, but that they are inevitable. This view contrasts sharply with the classical political economists (and contemporary neoclassicists) who argued apologetically "that if production were carried on according to the textbooks, crises would never occur."[11] The manner in which the classical political economists denied the possibility of systemic capitalist breakdown was simply to ignore capitalist production per se, and instead theoretically assume a simple barter economy in which products are immediately consumed or traded for other goods and services. But this, Marx stressed, is not capitalism. In a capitalist economy, real or imagined, production is predominantly in the form of commodities that necessarily circulate, that is, undergo the metamorphosis from money to commodity and back to (more) money: "At a given moment, the supply of all commodities can be greater than the demand for all commodities, since the demand for the general commodity, money, exchange-value, is greater than the demand for all particular commodities."[13]

In Marx's formulation, money is defined not only as a facilitator of exchange, but also as an intrinsic part of the accumulation dynamic. The money commodity is the socially accepted general equivalent that measures the values of commodities, mediates exchange, serves as the store of value, and, in the form of credit, is used as a means of

deferring payment for commodities. The latter is very important because it accelerates the turnover time of capital by separating purchase and payment. But this creates the possibility that the value which money commands may fluctuate, thereby helping to produce an unstable chain of debtors and creditors. The potential exists that the demand for the money commodity will exceed that of all other commodities, creating a credit crisis.[13] As money is withdrawn from circulation a general commodity glut is realized. In other words, the indebtedness created by the credit system permits an expansion of production, driven by technological change demanded by the coercive pressures of capitalist rivalry, beyond the capacity of workers (constrained by capitalist relations of production) to absorb. The profit-seeking commodity producers, abetted by the credit system, have thus increased production past the point at which a ruinous decrease in price could be avoided. Overproduction of this kind is impossible in non-capitalist economies where use-values are more-or-less directly consumed, whereas in capitalism it signals that producers are unable to realize a profit, or even sell their commodities at their original cost-price.

Harvey posits one way in which capital is able to <u>displace</u> the painful devaluation brought by its overproduction: increase the velocity of the circulation of capital (i.e., capital at rest is capital being devalued) by creating new

spatial patterns. He calls this capital's search for a "spatial fix." This quest may take three basic forms. First, capital in one location can be loaned elsewhere to purchase excess commodities produced in the former. Second, capital can be loaned elsewhere to create new productive powers. Yet these are only temporary solutions, because underconsumption is the manifestation, not the cause, of crises; further, the new production centers will soon become competitors, intensify overaccumulation tendencies, and require their own spatial fix. Third, capital can seek out the geographical frontier for primitive accumulation opportunities, such as the harnessing of new workers to act as reserve armies of labour. Yet this encourages wage cutting and labour shedding in the core.

Paradoxically each spatial fix requires the immobilization of capital in new spatial agglomerations. To reduce circulation time and allow for greater geographical expansion, capital is localized in the form of fixed investments -- most notably transportation and communication systems -- which decrease turnover time but also render ever greater portions of capital vulnerable to obsolescence:

> On the one hand spatial barriers and regional distinctions must be broken down. Yet the means to achieve that end entail the production of new geographical differentiations which form new spatial barriers to be overcome. The geographical organization of capitalism internalizes the contradictions within the value form. This is what is meant by the concept of the inevitable uneven development of capitalism.[14]

Once the tendency for agglomeration reaches its technical and economic limits, decentralization must follow in the

form of place-specific bouts of devaluation. Through market competition the rate of profit falls and tends, due to rent adjustment, toward spatial equalization, prompting a new round of differentiation: "Capital seeks not an equilibrium built into the landscape but one that is viable precisely in its ability to jump landscapes in a systematic way."[15] Spatial development is thus unstable as growth brings subsequent decline, marked by falling profit rates and spatial switching crises.

Since rounds of economic expansion and stagnation are necessarily place-specific, the more mobile segments of capital flee in an attempt to stay ahead of the falling rate of profit, whereas the less mobile segments (such as property developers, small retailers and industrial firms[16]) struggle to displace devaluation crises onto other localities. The threat of the latter often produces alliances with workers and the local state in the form of local boosterism intended to defend physical and social infrastructure. But, as Harvey is quick to point out, the more successful "the forces of geographical inertia ... the deeper will the aggregate crises of capitalism become and the more savage will switching crises have to be."[17] The alternative of free trade is no solution either because it increases inter-capitalist competition, drives down relative wages, and intensifies international conflict. Harvey concludes: "In the end [capital] has only one place to

go. It has to cannibalize [devalue] itself."[18] The spatial fix thus ultimately fails because the internal contradictions of capitalism are merely projected onto an ever expanding geographical landscape.

Harvey's capital logic formulation is extremely helpful as a beginning to a genuinely causal account of capitalist spatial development and decline. The limitations of this approach stem in large part from its high level of abstraction. This leads to the charge of "economism" (i.e., the tendency to see capitalist accumulation as an all-determining sphere relatively unencumbered by civil society, the state, reflexive agents, and so on). At root the issue can be traced to the emphasis in classical Marxist political-economy on the coercive nature of competitive markets that are thought to negate social, cultural and political difference, or the capacity of knowledgeable actors to anticipate, learn, and adjust to social change. In other words, Marxists commentators, such as Harvey, tend to put forth a relatively pure theory of capitalism, enabling them to construct an account of uneven spatial development that conceives of geographical inequality as functional for sustained accumulation. Yet capitalism in the concrete is not as competitive as abstract theory would suggest. Uneven spatial development may in fact be dysfunctional for capital, since it can engender unnecessary barriers to accumulation, such as

national protectionism (which, at least over the long run, is "irrational"), the underutilization of resources (especially labour-power through harmful levels of unemployment), and problems of crime and social antagonism related to class and cultural alienation.[21] Although Harvey would accept these points, capital logic critics are correct to observe that overly functionalist theories do seriously undervalue the complex social production of the space-economy by falsely reducing it to a mechanical by-product of the value-form.[24]

Capital logic reasoning has also been critiqued for the political pessimism it is said to promote. Samuel Bowles and Herbert Gintis, for example, suggest that capital logic is based on the belief that there is a single unitary logic originating at the point of production.[23] From this a narrow political project develops that ignores the many forms of social domination outside of the workplace which should be sites of progressive struggle. Indeed, Harvey's political writings are characterized by despair, largely because he sees capital as being able to successfully limit social resistance to actions that do not threaten surplus value extraction. In this sense it is possible to see why he places greater emphasis on the accumulation dynamic (with a focus on inter-capitalist competition) than on the issue of social resistance in- or outside of the workplace.

Questions surrounding the explanatory and political

efficacy of capital logic reasoning have led to a desire to find a less abstract approach to theoretical economic geography. This quest is represented in the spatial division of labour formulation associated with Doreen Massey. Massey's approach is a "class struggle logic" interpretation that rejects analyzing the capitalist space-economy straight from the logic of capital (i.e., capitalist rivalry in the context of restrained class conflict).[24] Massey contends that capital logic is a disembodied "immanent tendency" that fails to fully appreciate, in particular, the manner in which the specificities of local economies are used and modified by corporate capital in the pursuit of profit. More specifically, she argues in favour of exploring the technical division of labour within firms, especially large multilocational firms with hierarchical control functions, and the spatial division of labour that they create in their attempt to fragment and discipline their workers. For Massey, spatial restructuring thus manifests new geographical structures of production as firms use existing differentiations in the conditions of accumulation in the pursuit of surplus value. Schematically this is represented in the notion of "rounds of investment and disinvestment" as different production functions are divided into separate regions:

> behind major shifts between dominant spatial divisions of labour within a country lie changes in the spatial organization of capitalist relations of production, the development and reorganization of ... spatial structures of production. Such shifts in spatial structures are a response to changes in class relations, economic and political, national and international.[25]

The antagonistic nature of the social production of capitalist space is addressed in a somewhat more direct manner here than in Harvey's capital logic approach. Further, since it operates at a slightly lower level of abstraction, the spatial division of labour formulation is more easily integrated into concrete studies of how corporate capital uses its superior mobility to control labour. An emphasis on the technical division of labour thus discloses how powerful forces based outside the locality severely constrain economic development by setting localities within the broader regional, national, and international divisions of labour.[26]

Although Massey's formulation is less abstract than Harvey's, the class struggle logic approach is still vulnerable to the same charge of over-abstraction, since it too emphasizes the creation of value at the point of production, and downgrades the social relations of reproduction and everyday life, politics and the state, and the geographical transfer of value through exchange relations. In other words, abstract spatial development theory is profoundly limited if it is not married to more concrete complementary research. Mark Gottdiener has persuasively argued, for example, that theoretical analyses of the American space-economy pitched only at the level of accumulation crises leave too much unaccounted for, such as race relations and white flight from city centers, and the

role of the defense industry in the creation of regional growth poles.[27] What is needed is an integrative approach that combines macro and meso level abstractions. Recall that the macro structural level refers to the rhythms of capital accumulation rooted in value-form contradictions, that is, the conflict between capital and labour in the context of inter-capitalist competition. These fundamental relations of class struggle and capitalist rivalry are necessary, but they are concretely realized in mediated forms. Since there are numerous ways in which the imperative of capital accumulation can be culturally and institutionally shaped, there are many possible types of capitalism. Yet all capitalist social formations are compelled by the same law of value.

At a middle range of conceptualization disparate technological, organizational, and sectoral forms of capital can be explored. The spatial organization of the service sector, for example, is different from that of the manufacturing sector. At the meso level, state policies, including but not limited to local and regional development initiatives, along with cultural norms may be addressed. Admittedly, dividing social relations into the economic, political, and cultural realms is somewhat arbitrary since they effectually overlap. Further, it is difficult to theoretically represent shifting asymmetrical dependencies within domains, to the extent that they can be differentiated. For example, advances in communication and transportation

technologies are of increasing importance in the reconstitution of the space-economy. Although this further diminishes the importance of natural resource endowments, thus holding out the possibility of the decentralization of economic activity to create a more even space-economy, the opposite in fact is happening. To explain the current intensification of regional disparities requires a return to the macro level, which discloses that these new technologies are being employed within a context of a general crisis of capitalist accumulation. The introduction of meso level abstractions thus does not mean that macro level reasoning can be jettisoned. Rather, an integrative, flexible approach to uneven spatial development theory must encourage dialectical explication at various levels of abstraction.

To return to the question of state policy for a moment, the introduction of the political system into relatively direct economic planning reveals capital's inability to reproduce itself without (nominally) external assistance. That is, a central task of the state is to nurture successful capital accumulation on its soil. Since the government, like the working class, directly owns little of the means of production, its resources and authority depend in large part on the fortunes of domestic capital. The state under capitalism is thus the capitalist state, lacking both full autonomy and neutrality. Governments, for example, are

required to increase private sector competitiveness by breaking down barriers to trade and investment, thereby allowing capital to discipline the working class and backward sections of the capitalist class. The state is also called on to shoulder the burden of system legitimation, so that the political and not the production system is the focus of public dissatisfaction. For example, the state is often seen as the force behind regional inequality, in part because during the early post-World War Two period most Western governments pursued costly, and largely ineffective, regional development programs intended to bring spatial equity.

The everyday relations of civil society are also important in shaping the space-economy. Successful capital accumulation requires complementary social relations outside of the workplace in order to reproduce labour-power. Yet capital does not mechanically determine an entire social formation. Kinship, gender, ethnic, racial, and neighbourhood relations predate capitalism and retain some autonomy from the needs of capitalist production.[28] The form and extent of this partial independence varies considerably. For example, ethnic and racial relations, which may be antagonistic, are far more important in a socially heterogeneous country such as the United States, than in a near homogeneous country like Japan. Thus cultural differences, the topic of so much orthodox research, can

be significant, if not always within nations then certainly between them.

The differentiation of accumulation and reproduction conditions across space allows some localized production complexes to emerge as economic, political, and cultural hegemons, evinced in core-periphery relations maintained by the "geographical transfer of value."[29] This concept refers to the transfer of wealth from the periphery, where it is created by, in general, a low-wage working class, to the center, where it is realized, in part, by the core's capitalist class. This transfer occurs through direct means (such as by multilocational firms, capital markets, or the state) and through indirect means or unequal exchange (i.e., where external capital is able to realize the advantage of the difference between a peripheral commodity's value, as measured by the labour theory of value, and its exchange price). The effect of this transfer is to block the full realization of value in peripheral economies, thereby preventing diversification. Consequently, peripheral economies are characteristically outwardly oriented, overly specialized and vulnerable, and lacking in high value-added activities. Admittedly, the introduction of exchange relations into uneven spatial development theory does present the risk that the social relations of production and the necessity of working class struggle will be conceptually and politically displaced by spatial fetishism and localist

or regionalist struggle. This danger may be avoided if it is stressed that the geographical transfer of value refers to class relations materialized in space, not spatial relations emptied of class content.

In addition to the geographical transfer of value, capital in hegemonic locations attempts to negate equalization tendencies by taking advantage of the positive externalities produced by spatial agglomeration. This yields a stability to the space-economy elided in more abstract interpretations. Agglomeration economies enhance productivity by allowing for: improved access to pools of specialized labour, finance capital, and markets; the establishment of supportive networks of suppliers; and the collective use of public infrastructure, such as the transportation and communication systems. Of course, agglomerations are not intrinsic to capitalism; any relatively complex social formation will be marked by an extensive division of labour in order to increase specialization while managing complexity.[30]

The division of labour and spatial agglomeration, along with natural resource endowments, fixed capital investment, state policy, neighbourhood relations, and the geographical transfer of value reveal that accounts of the capitalist space-economy limited only to choice inhibiting inter-capitalist competition and workplace class conflict imply far greater capital mobility than that found in the actual

space-economy. The use of meso level abstractions thus leads to a less functionalist approach to uneven spatial development theory, because they provide greater scope for the contingencies produced by boundedly knowledgeable human agents. Further, middle range abstractions help to disclose opportunities for local collective action (in the context of capital's imperfect knowledge and capacity) which can modify, within the limits estalished by the logic of accumulation, the integration of localized accumulation and reproduction structures into the broader relations of the space-economy.

Although this suggests that an integrative approach to uneven spatial development theory can provide guidance for political practice, there is a danger that the search for additional causal variables, including genuinely site-specific factors, without regard for their relative efficacy, will undermine the analytical clarity provided by general theory. Yet it is possible to avoid collapsing theory-building into empirical research by reaffirming the explanatory power of causal accounts that define much of the order of social life through the careful application of a few basic abstractions. The Marxist theory of capitalist regulation is an example of such an approach. It seeks to balance the need for theoretical robustness with empirical sensitivity by adding complexity to radical political economy through a meso level periodization of capitalist development. In particular, regulation theory offers a relatively compre-

hensive interpretation of the current restructuring of capitalism, which can be extended to an analysis of growing spatial inequality. This will further help to clarify the constraints and opportunities that locality-based economic development initiatives face today.

Regulation Theory and the Disintegration of Fordist Capitalism

Regulation theory emerged in France in the 1970s, in part as a response to the profound influence in French Marxism of Althusserian thought, which displaced the role of creative human agents in the reproduction of capitalist social relations. The regulationists reaffirm Marx's account of the deeply-rooted contradictory logic of capitalism accumulation, but seek to explicate this idea at lower levels of abstraction by employing meso level concepts to identify technological, institutional, and cultural developments within capitalism that allow for the reproduction of the system's defining core relations. The regulation approach thus acknowledges the necessity of economic disorder, but because capitalist practices in the concrete are underdetermined by the value-form it is not possible to explain the manifestation of crisis tendencies without the use of middle range analysis.

In the seminal work of Michel Aglietta, regulation theory consists of extending classical Marxist crisis theory beyond basic value-form contradictions, to a study of part-

icular production techniques, workplace relations, political institutions, and cultural norms that regulate or stabilize the accumulation dynamic (i.e., mediate the tendency for the rate of profit to fall, so as to allow for the reproduction and expansion of capitalist relations).[31] Phases of economic growth and stagnation are explained not simply by reference to rhythms of technological innovation or workplace class conflict; rather, an analysis of the forces and social relations of production, at various levels of abstraction, is combined with research into more "distant" but still internally related, state and civil society practices. The result is a relatively comprehensive approach to capitalist crisis tendencies that does not posit regular, predictable cycles of economic activity, since it is not possible to fully anticipate the creative human element in social development.

Regulation research is pursued through the use of two central concrete abstractions. First, the "regime of accumulation" refers to particular technological and institutional forms of managing production and investment relations. Second, the "mode of (socio-political) regulation" refers to state and cultural institutions, norms, and practices. There is no natural short-term correspondense between a regime of accumulation and its mode of regulation. Rather, each new dependency is the product of vigorous struggle until a relatively cohesive, conflict-

free relation has been established. If capital accumulation is sustained over the middle run, then it is possible to suggest that a regime of accumulation is being protected by a specific mode of regulation that has reconciled state, ideological, and cultural practices with the value-form up to the next crisis period.[32] The regulation approach thus contrasts sharply neoclassical economic theory, because the latter assumes that "rational," or utility maximizing, individual decision-making will aggregate without contradiction into general economic and social stability, if not equilibrium.[33]

According to Allen Scott, the regime of accumulation consists of four core elements: a set of production techniques; a characteristic way of organizing the capital-labour relation, such as through collective bargaining; a means of distributing surplus value between consumption and accumulation; and mechanisms to manage aggregate demand so that productive capacity can be maintained and expanded.[34] But no matter how coherent a regime of accumulation, it alone cannot resolve the basic contradictions of capitalism. Rather, these conflicts must be modified and normalized through a corresponding mode of regulation. (Obviously, drawing a clear distinction between the regime of accumulation and mode of regulation is deeply problematic since economic, state, and cultural relations overlap.) The mode of regulation is defined by Alain

Lipietz as consisting of political and cultural practices that seek to reconcile individual behaviour -- through an acceptance of appropriate social norms, customs, habits, and laws -- with systemic needs.[35] Regulationists usually contend that there is no single appropriate mode of regulation for each particular regime of accumulation. In fact, numerous regulatory structures could conceivably stabilize accumulation, and the one that emerges after a period of social conflict may be relatively advantageous for working people, so long as it allows for sufficient regularity in the accumulation of capital.

Following Marx, Aglietta suggests that there are two basic methods by which capital seeks to increase its appropriation of value from labour-power: absolute surplus value extraction, such as the expansion of capitalist relations into new economic sectors, which Aglietta calls an "extensive regime of accumulation"; and relative surplus value extraction, or the reorganization of social and technical relations to improve labour productivity, which he calls an "intensive regime of accumulation."[36] Aglietta uses this distinction to periodize capitalist development by positing a break in the dominant means of organizing capitalist relations ushered in by the Great Depression. More specifically, regulationists argue that a new form of capitalism emerged out of the collapse of the 1930s, which became dominant in the West after World War Two. This stage is usually called (not only

by regulationists), following Antonio Gramsci, "Fordism."[37] Fordist capitalism developed in response to the apparent failure of Victorian capitalism. The latter was an extensive regime of accumulation based on relatively free trade and investment, which permitted the geographical and sectoral expansion of capitalist relations. By the First World War, Victorian capitalism had become increasingly unworkable, according to Keynesian economists, because its non-interventionist mode of regulation inhibited a growth in real wages necessary to keep pace with technological progress in production. In other words, capitalism was widely seen to have broken down due to a serious, but correctable, imbalance between productive capacity and consumer demand.

The Bretton Woods international financial system, along with the World Bank, International Monetary Fund (IMF), and General Agreement on Tariffs and Trade (GATT) were designed, in part, to address the problem of effective demand.[38] A central objective was to enable the developed capitalist countries to engage in Keynesian demand management policies. These macroeconomic initiatives were connected to microeconomic policies, including state support for the spread of private collective bargaining. The growing power of the trade union movement helped to limit capital's ability to undermine consumer demand by pursuing individually rational but collectively irrational low-wage policies. Rather, unionization forced capital to attempt to increase

labour productivity through technological and organizational innovation, which when linked to full employment initiatives further stimulated economic expansion. The result of these various post-World War Two regulatory reforms was the emergence of a relatively interventionist system of fiscal, monetary, and labour market policy that helped to stabilize consumption and investment spending, thereby negating (or at least displacing) basic capitalist overproduction tendencies.

More specifically, the central features of Fordist capitalism, in both the regime of accumulation and mode of regulation, may be summarized as follows: mass production for mass consumption coordinated through increasing wages tied to labour productivity improvements; centralization of capital into large corporations characterized by monopolistic and oligopolistic operations that employed standardized assembly-line production techniques; so-called "scientific" or Taylorist business administration with deeply segmented technical divisions of labour; growing state management to balance production and consumption patterns; "social democratic" (broadly defined) welfare redistribution and collective provision intended, in part, to moderate socio-economic inequality and boost state and working class spending power; and in terms of geography, the separation of conception and execution tasks in large multilocational firms, creating regionally distinct economies. Fordist

capitalism, in sum, extended well beyond the technological and institutional organization of the means of production to become a way of life.[39]

The restructuring of Western economies at the close of Fordist capitalism reflects capital's response to the slowing of growth throughout much of the global economy since the early 1970s. In the developed capitalist countries the rate of economic growth has declined from almost five per cent per year during the 1950s and 1960s, to about two per cent in the 1980s and nearly zero since the turn of the present decade.[40] For example, in the United States corporate profitability peaked in 1966, and during the current recession it has dropped to its lowest levels since the Great Depression.[41] This economic stagnation is reflected in the declining average weekly incomes of American workers, which reached $US 315 in 1972 (1982 dollars) only to fall to $US 260 by 1992 (1982 dollars).[42] The United States government reports that between 1977 and 1992 seven out of ten American families suffered a fall in their real annual incomes, the largest decrease by the poorest ten per cent of families (-20.3 per cent), while the wealthiest thirty per cent witnessed an increase, the largest by the most affluent one per cent (+135.7 per cent).[43] The disintegration of Fordist employment relations has been particularly difficult for young males, in large part because of the loss of relatively well-paying manufacturing jobs.

The average annual earnings of American males between 25 and 29 fell twenty per cent between 1973 and 1986, with the greatest decrease, minus thirty-six per cent, suffered by black males without a high school education.[44] An already profoundly skewed distribution of wealth is thus being further intensified by growing economic inequality. In the United States in 1983 the wealthiest ten per cent of families owned over two-thirds of all privately held wealth, and the richest one-half-of-one per cent owned almost one-third.[45]

The state and capital have sought to address the negative consequences of the declining real incomes of working people through the creation of enormous sums of public and private debt. Yet the interest on this debt is compounding much faster than the economic expansion necessary to sustain deficit spending, disclosing an unpleasant truth: the temporal displacement of inherent capitalist overproduction tendencies has a decidedly limited duration. In fact, by undermining the social foundation necessary for enduring economic development, the emerging economic order mirrors in some important respects the Victorian capitalism of the past. More specifically, post-Fordism is marked by relatively unfettered global trade and investment, growing national specialization, beggar-thy-neighbour export development policies, and increasing national rivalry leading, perhaps, to the emergence of mutually antagonistic supra-

national political-economic blocs.

It is thus clear to capital and the capitalist state that the long post-Second World War economic boom, which lasted from the late 1940s to the early 1970s, is over, and similar rates of growth will not soon return. After some muddled attempts in the 1970s to maintain the Fordist regulatory order, through, for example, government wage and price controls, neo-corporatism, reflation, and the subsidization of weak domestic producers, most of these policies have been jettisoned. Rather, falling profit rates have prompted capital to pursue the technological, organizational, and spatial restructuring of production along narrowly construed "rational" lines. This has further weakened the nation-state, already crippled by the 1971 collapse of the Bretton Wood agreement on currency management. With increased capital mobility and currency instability, the capacity of national governments to engage in demand stimulation measures has been significantly reduced, while capital has been empowered to seek out low cost production locations, defined in part by low taxation and limited labour and environmental regulations. If governments do not provide such conditions they risk speculative attacks on their currencies and stock markets. The magnitude of the problem is disclosed in the explosive growth of the international exchange of currencies, which now exceeds by twentyfold the international trade in goods and services.[46] The growing power of extremely

liquid financial capital is further evident in the pursuit by national governments of zero inflation through high real interest rates, as this serves rentier interests at the expense of production capital and workers' preference for easy credit expansionist policies.[47]

Whereas the scope for state action is being circumscribed by the growing internationalization of capital, this does not mean the state's retreat from active social and economic regulation. In fact, in many areas government activism has grown. Over the past decade or so the state have increasingly sided with capital in order to discipline workers, alter social values, and intensify economic inequality. Thus instead of "social democratic" governments committed to greater social fairness and equality through welfarist redistribution, the prevailing form of post-Fordist public policy -- so far at least -- has sought to reduce working class consumption, increase workplace flexibility, and shift problems of overaccumulation onto the backs of marginalized and relatively powerless domestic groups, including the working poor and the unemployed, and (through the stimulation of production for export) less "competitive" trading rivals. In fact, the restructuring of many of the accumulation and regulation practices that were institutionalized after the Great Depression seems to suggest that the advanced capitalist nations are undergoing an extended and painful transition, similar to past periods of instability

and experimentation, toward a new type of capitalist order. This transition is far from over; moreover, it remains unclear if a new coherence between accumulation and regulation relations can be established. Nonetheless, capital's efforts to break free from Fordist rigidities, in trade and investment, the production process, labour practices, and capital markets, continues despite worsening economic conditions.

Critics of this approach to contemporary political-economy restructuring (usually called the "flexibility thesis") contend that it seriously exaggerates discontinuity and neglects the constancy of capitalist relations over time.[48] In response, it is true that capitalism has always been marked by an enduring tension between flexibility and stability, mirroring that between competition and cooperation. And it is also true that flexible practices can be difficult to clearly define.[49] Yet to posit growing flexibility need not imply a fundamental discontinuity or transformation; rather, it can be used to suggest a relatively sweeping, if not deeply rooted, transition or restructuring of the practices that maintain the basic relations of capitalist society. In this manner, David Harvey prefers the term "flexible accumulation" because it suggests both fundamental continuity and wide-ranging change.[50] That is, the concrete abstraction of flexible accumulation conceives of regulation and accumulation forms as internal relations within a social totality possessing a fundamental logic, and reaffirms the

basic trend toward the centralization of economic control, which now includes the use of decentralizing and disarticulating tactics (see Figure One).

In the production process, for example, flexible practices, such as computer aided design and programmable assembly, have often been combined with small and medium batch subcontracting and "just-in-time" stockhandling. Flexible production techniques are particularly important in design-intensive craft and speciality production, and in much high-technology. Computerized equipment, along with smaller workforces, allow for greater responsiveness in an unstable, rapidly changing market environment. More specifically, increased labour flexibility is usually achieved through: the hiring of part-time and informal peripheral workers to complement a company's core workforce; the encouragement of "jack-of-all-trade" skills to enable workers to cross formerly rigid work classification boundaries; and the use of short-term contracts to increase numerical flexibility and avoid severance obligations. Consequently, flexible production may bring many negative effects for workers, such as work intensification, the loss of basic employment rights, regular bouts of unemployment, and increased inequality between well-paid professional and technical workers, and poorly-paid, insecure peripheral workers.[51]

Unlike previous capitalist crises, which are more easily traced to capital's overappropriation of surplus, the dis-

FIGURE ONE

FROM FORDIST TO FLEXIBLE ACCUMULATION IN GREAT BRITAIN

(According to Ron Martin)

Characteristic	Key Features	
	Fordist Accumulation	Flexible Accumulation
Industry	monopolistic; increasing concentration of capital; steady growth of output and productivity, especially in new consumer durable goods sectors; secular expansion of private and especially public services.	rationalization and modernization of established sectors to restore profits and improve competitiveness; growth of high-tech and producer service activities, and small firm sector.
Employment	full employment; growth of manufacturing jobs up to mid-1960s; progressive expansion of service employment; growth of female workers; marked skill division of labour.	persistent mass unemployment; generalized contraction of manufacturing employment, growth of private service sector jobs; flexibilization of labour utilization; large part-time and temporary segment.
Consumption	rise and spread of mass consumption norms for standardized household durables (especially electrical goods) and motor vehicles.	increasingly differentiated (customized) consumption patterns for new goods (especially electronics) and household services.
Production	economies of scale; volume, mechanized (Fordist-type) production processes; functional decentralization and multinationalization of production.	growing importance of economies of scope; use of post-Fordist flexible automation; small batch specialization; organizational fragmentation combined with internationalization of production.

FIGURE ONE (cont.)

Characteristic	Key Features	
Labour Market	collectivistic; segmented by skill; increasingly institutionalized and unionized; spread of collective wage-bargaining; employment protection.	competitive; de-unionization and de-rigidification; increasing dualism between core and peripheral workers; less collective, more localized wage determination.
Social Structure	organized mainly by occupation, but tendency towards homogenization; income distribution slowly convergent.	trichotomous and increasingly hierarchical; income distribution divergent.
Politics	closely aligned with occupation and organized labour; working class politics; regionalist.	de-aligment from socio-economic class; marked decline of working class politics;
State Intervention	Keynesian-liberal collectivist; regulation of markets; maintenance of demand; expansion of welfare state; corporatist; nationalization of capital for the state.	Keynesianism replaced by "free market" conservatism; monetary and supply-side intervention rather than demand stabilization; deregulation of markets, constraints on welfare; self-help ideology; privatizing the state for capital.
Space-Economy	convergent; inherited regional sectoral specialization (both old and new industries) overlaid by new spatial division of labour based on functional decentralization and specialization; regional unemployment disparities relatively stable.	divergent; decline of industrial areas (pre and post-war); rise of new high-tech and producer services complexes; increasingly polarized spatial division of labour; widening or regional and local unemployment disparities.

Source: Ron Martin "Industrial capitalism in transition: the contemporary reorganization of the British space-economy," in Doreen Massey and John Allen (eds.) (1988) Uneven Re-Development: Cities and Regions in Transition. London: Hodder and Stoughton.

integration of Fordism seems to clearly implicate the working class, because higher standards of living, workplace rigidities, and the gradual democratization of society increasingly encroached on capital profitability, and thus reinvestment, limiting the labour productivity growth necessary to fund higher real wages and "non-productive" state spending.[52] Or at least this is the dominant interpretation of recent events. It is an explanation found in the writings of commentators on both the political right and left. Yet it is not the only possible approach to Fordist stagnation. Rather, there are a number of competing accounts, which differ over the relative causal efficacy they assign various social relations and possible political responses.

The most important factors responsible for present economic problems may be separated, somewhat crudely, into internal and external variables. The most frequently referred to internal factors include: the growing capacity of working class power to undermine capitalist "rationality"; stagnation in the development of Fordist production techniques; and market saturation in core propulsive consumer durables. Significant external factors include: mounting inflationary pressures rooted in Organization of Petroleum Exporting Countries (OPEC) policies of the 1970s; the growth of East Asian, especially Japanese, exports in Western markets without equivalent levels of imports, which disturbed the delicate Fordist balance between exports and

imports, production and consumption; technological improvements in communication and transportation, especially in terms of capital markets, which encouraged the globalization of capital.

Another important factor, but one that is usually neglected, is the lasting impact on subsequent economic conditions of the Great Depression and the Second World War. The chaos of the 1930s and 1940s restrained demand, compelled technological innovation, and destroyed enormous quantities of capital, including variable capital (i.e., working people). The resultant pent-up demand, new production methods, and capital devaluation laid the foundation for a self-reinforcing economic boom that lasted for a generation. To the extent that this interpretation is persuasive, the relative success of post-war Western capitalism cannot simply be explained by demand-oriented Fordist regulation, since virtually any regulatory order (including that practiced in the East Bloc) could have produced impressive growth rates. The pessimistic conclusion that follows is that it will take another economic collapse to bring about a period of sustained expansion similar to that witnessed in the 1950s and 1960s. Not surprisingly, policy debates usually revolve around more palatable interpretations of economic stagnation, in particular those that focus on internal relations, since they lead to relatively practicable public and private strategies.

The most straightforward explanation, and the one most favoured by capital and the mass media, centers on working class activism and government social spending, which is thought to have shifted too much of society's resources from investment toward immediate consumption. The philosophical basis for this line of reasoning is addressed in chapter two. In the present context of the disintegration of Fordist relations, the neoliberal argument contends that workers, especially those represented by trade unions, have forced-up wages to "uneconomic" levels, created labour market rigidities, encouraged protectionism, limited competition, demanded social programs, and lobbied for progressive taxation to the point that the monetary incentives necessary to stimulate risk-taking have been undermined. The cumulative result is said to be evident in a steady decline in capital investment spending. The neoliberal "solution" is to cut wages, lower taxes, and (selectively) reduce government spending and regulation, in order to create the high incentive (and highly unequal) economy said to be necessary to stimulate investment, productivity, and, eventually, economic growth. Yet increased growth does not follow, the affluent benefit handsomely from neoliberal initiatives anyway, because of the redistribution of income from the less well-off.

The negative consequences of working class action on capitalist growth is also emphasized by some writers on

the left. But here worker militancy is seen in heroic terms as a response to inevitable capitalist exploitation, which should be encouraged to bring the system to a speedy collapse.[53] The neoliberal desire to crush working class resistance to capitalist authority is seen as unrealizable, but even if it was successful on its own terms the resulting decline in working class consumption, and increase in unemployment and poverty would exacerbate already severe overaccumulation problems. Other leftist writers, however, contend that class struggle is of limited importance in explaining the rhythms of capitalist expansion and contraction, because the working class is inherently too weak to seriously impact general capital profitability over the middle- or long-term, or because the capitalist state now possesses the sophistication and capacity to displace dysfunctional class conflict. Instead, rates of innovation in production technologies are considered all-important. Class struggle may be pervasive at times, but this is largely a response to rather than an effectual cause of economic stagnation.

According to many leading social democratic writers of the left-wing institutionalist tradition, such as Charles Sabel, Michael Best, Paul Hirst, and Jonathan Zeitlin, the most appropriate policy response consists of public and private initiatives to undo the damage done by "free market" neoliberalism, which has exacerbated insta-

bility and encouraged declining rates of growth.[54] Specific proposals call for inter-firm cooperation, improved education and training, new taxation policies designed to stimulate research and development and capital investment (even when profits are low), and increased physical infrastructure spending. Sometimes this analysis is linked to demand-side problems, especially the slowing of demand (in terms of first-time purchase) for automobiles and key consumer durables.

Ideally a renewed social democratic agenda would attempt to internationalize Fordist regulatory practices to provide, in the words of Walter Russell Mead, "a global floor for wages, working conditions, the social wage, and environmental protection."[55] An intermediate strategy would seek to develop supra-national governmental structures, at a scale similar to that of the European Community, in order to restrict capital mobility and strengthen the state and working class. Failing this, more moderate leftists call for a domestic supply-side approach that nurtures a potent mix of competitive and cooperative social values and institutions, with the goal of boosting exports in high value-added manufactured goods.

By focusing on domestic policy (i.e., meso level institutional practices), rather than on global forces (i.e., macro structural relations) the moderate social democratic agenda is at once practicable and unrealistic.

This dilemma is not a new one for leftists. In terms of economic policy, today it takes the form of a choice between a timid domestically-oriented supply-side social democracy, and a more radical -- but less practicable -- international "socialism." Another approach is to draw on the alternative left and anarchistic traditions of self-improvement and small group politics, although these are largely estranged from strategic and organizational concerns. All three schools of thought are found, in varying degrees, in the community economic development movement. The reformist social democratic approach, which emphasizes local institutional and cultural reorganization, is of particular theoretical significance, and is discussed in some detail in chapter four. In the present context, it can be observed that the moderate left-wing institutionalist approach is at odds with classical Marxist political-economy, and the latter's emphasis on the causal efficacy of basic macro structural forces, rather than their institutional or cultural mediations. Indeed, the relative neglect of abstract macro scale analysis leads left-wing institutionalists to a much less determined interpretation of economic development, one that emphasizes randomness, accident, and choice, as opposed to the inevitability of disorder rooted in capitalist rivalry and class conflict. Because the institutionalists follow Keynesian thought by positing overaccumulation to be an abnormal, benign condition, they

are able to point to a clear path out of the present stagnation. Their route does not require international working class organization, but rather points optimistically toward "flexible specialization," defined by Sabel

> as a system in which firms know that they do not know precisely what they will have to produce, and further that they must count on the collaboration of workers and subcontractors in meeting the market's eventual demand.[56]

For left-wing institutionalists the contemporary problems of market saturation, demand fragmentation, exchange rate volatility, and disruptive technological change have a relatively unproblematic institutional fix. In other words, capitalism is seen as highly malleable because its problems are not traced to underlying, necessary class and commodity relations.

For classical Marxists, however, underconsumption and a lack of investment opportunities are not the cause of economic troubles, but are the effect of capitalism's inner logic, which fates the system toward chronic capital overaccumulation -- the ultimate solution to which is painful devaluation. To suggest that poor market conditions can be overcome by new technologies and institutions (especially when the aim is higher levels of export) is thus far from promising, because increased automation, inequality, and unemployment (even if it is exported elsewhere) fail to negate crisis tendencies; in fact, they further undermine the social foundations necessary for

sustained economic growth.[57] The meso level analysis of left-wing institutionalism, from the classical Marxist perspective, is actually quite similar to the neoliberal approach, since both focus on seemingly contingent supply-side failings, such as lagging labour productivity, high levels of working class consumption, and new technological imperatives, without fully appreciating the underlying role of the capitalist approach to surplus value extraction and allocation.

Yet the danger with too firmly embracing the classical Marxist critique of institutionalist economics is that the theoretical insight of the former comes at the expense of an abstractness that has little to say about the specific form of contemporary problems in advanced capitalism. In order to construct at least a moderately persuasive approach to economic development policy in the context of the disintegration of Fordism, a theory must speak directly to present circumstances. The regulationists offer a useful middle-ground between the voluntarism of left-wing institutionalism and the determinism of classical Marxism. To ignore the institutional mediations of the law of value across time and space, and to blame capital, in the abstract, for all current problems mirrors the vulgar right-wing accounts that blame the working class for every difficulty plaguing the "free economy." Both interpretations point toward the same ready-made political "solution":

class warfare. This is not a pleasant prospect, especially for the working class today. Rather, a more promising strategy for leftist forces is to seek a compromise between the socialist and social democratic traditions, which would take the form of an effort to restructure domestic institutions, most notably those that directly affect inter-firm competition and class conflict, while seeking to push outward to the global scale in an attempt to undermine capital's great advantage over labour: spatial mobility.

The question of the relative causal efficacy of macro and meso scale determinants, and their spatial correlates, will appear repeatedly, both explicitly and implicitly, throughout the following work, since it addresses the issues of economic growth, the changing form of uneven spatial development, and, most importantly, the nature of possible development strategies. The second of these, the geography of flexible accumulation, is dealt with in the following section, while the third is pursued in the remaining chapters.

The Geography of Flexible Accumulation

Spatial restructuring is a critically important element in capital's search for a path out of Fordist stagnation. Erik Swynedouw contends that "the kernel of what flexible accumulation is all about [is] the total annihilation of space by means of the occupying of place."[58] From the growth of informal homeworking to the internationalization of corporate production, new communication and transportation technologies are giving capital greater flexibility to reduce circulation time and open new markets. Yet this is not quite as straightforward as it may first appear, since these developments are taking place within the context of class conflict and fierce capitalist rivalry:

> The problem of space is not eliminated but intensified by the crumbling of spatial barriers. Command over space now becomes the vehicle for ... increasingly subtle intermediations and differentiations. So far from becoming uniform and homogeneous, space becomes ever more variegated, heterogeneous and finely textured, ever more complex in the manner of its usuage. The nuances of differential command over space become crucial issues in the dynamics of class struggle.[59]

Uneven spatial development under flexible accumulation is marked by a complex pattern of decentralization and recentralization; yet one relatively clear pattern, reflecting the importance of class relations, has emerged: the location of new capital investments away from rigid, unionized industrial meteropolitan areas.[60] The deindustrialization of traditional manufacturing regions in the developed world is linked to the selective industrial-

ization of the developing world, and the emergence of "new industrial districts" consisting of small- and medium-sized producers, sometimes surrounding one major firm, in suburban and rural areas of the core. For the mature industrial regions the trend points toward further relative decline, and for the space-economy as a whole: increased inequality. More specifically, after the first phase of spatial restructuring, and before the effects of agglomeration set in, locational decision-making is relatively unconstrained. But once this "window of locational opportunity" closes, the spatial distribution of flexible production becomes, in the words of Erica Schoenberger, "lumpier still, more concentrated and unbalanced, more selective in the places that it inhabits."[61]

Although there is widespread agreement that the space-economy is becoming more polarized, there is a great deal of disagreement about the emergence of new industrial districts, and, moreover, the potential for a new form of spatial development policy that is based on the nurturing of specialized production complexes consisting of tightly networked small and medium batch producers. The most cited examples of these new agglomerations are the craft-based local economies of the so-called "Third Italy," a region in the northeastern part of that country. But there are other similar complexes, most notably in Japan, such as Toyota City, the Baden-Wurttemburg region of

Germany, Jutland in Denmark, and Silicon Valley, Orange County, and Boston's Route 128 in the United States.[62] These production agglomerations are said to represent the return of relatively self-contained regional economies, where local cultural and institutional practices, such as ethnic and community allegiance, underpin mutual trust and cooperation between local suppliers, workers, and governments.

Left-wing institutionalists, such as Charles Sabel, have put forth some of the most influential interpretations of the current spatial restructuring by suggesting that the breakdown of mass production is laying the foundation for the "reconsolidation of the region as an integrated unit of production."[63] Over the past fifteen or so years changing market conditions and technologies, it is argued, have strengthened the competitive position of small, flexible niche producers. Larger firms have responded by withdrawing entirely from some market segments, or by re-structuring themselves along holding compay lines by decentralizing strategic decision-making functions to constituting units, which in turn act very much like autonomous small firms. In order to avoid ruthless price competition, small- and medium-sized firms sometimes cluster into networks of collaborative producers where they share information, personnel, flexible tools, training facilities, and so forth. Thus, according to Hirst, as

corporate hierarchies collapse and lateral communication increases, so does, at least potentially, mutual support that may empower workers and their communities by re-integrating conception and execution tasks, which were separated under Fordism in an attempt to limit labour's decision-making power.[64]

Allen Scott draws on both institutionalist and regulationist theory to construct a slightly different interpretation that more explicitly acknowledges the role of underlying capitalist relations. For Scott, the new industrial districts represent "transactions-intensive agglomerations of human labour and social activity triggered by epochal change and renewal in the broad pattern of capitalist industrialization."[65] Although capital has sought to restore profitability by increasing flexibility through vertical disintegration, Scott contends that this can create transaction or coordination problems between production units. Spatial agglomeration may resolve many of these difficulties through the collective use of, for example, information, transportation, storage, and distribution networks:

> flexible production industries are marked by organizational fragmentation in which dense, unstandardized, transactional relations between firms are particularly important. Firms concentrate geographically in order to reduce the costs and difficulties of carrying out these transactions and to maximize their access to the cultural and information context of the production district itself.[66]

If the space-economy of flexible accumulation is to be

marked by a widespread re-emergence of localized production complexes of networked specialist firms, then this would have a significant impact on spatial development policy, especially if local cultural and institutional support factors are of prime importance. Jonathan Zeitlin, for example, explains the dynamism of the most successful new industrial districts in terms of their ability to avoid ruthless inter-firm competition through a tradition of local "cooperation and mutual trust" embedded in specific cultural and institutional settings.[67] Moreover, since these districts tend to be characterized by high skill and high wage employment relations, within relatively democratic workplaces aided by progressive, interventionist local governments, they hold great appeal for many leftists. Scott is a little more circumspect about the possibilities for locally generated, self-sustaining economic growth, but he too touts the new production agglomerations as a viable alternative to the "sweatshop economy" that the benign neglect of neoliberal policies is thought to be creating. In particular, Scott calls for development strategies designed to stimulate dynamic "institutional and cultural infrastructure" founded on pre-existing local supply-side factor endowments.[68] Such an approach could include the establishment of public-private innovation centers to: distribute information of flexible production techniques and export markets; stimulate

research and development, and worker retraining; and nurture local identity and economic trust. But he acknowledges that the localization of production and spatial development policy is bringing increased competition and inequality, which will require a national spatial redistribution program to combat.

A local development strategy that emphasizes social psychological factors, such as community pride and mutual trust, appears very attractive because of its apparent feasibility. Unfortunately, the proponents of this program have failed to adequately explore the macro structural nature of current economic difficulties, and are as a consequence led to a strategy that offers local cultural and institutional solutions to what are, for most localities, primarily global political-economic problems. The danger of localist policies is that they will intensify spatial competition, thereby empowering capital at the expense of the state and working class, and making a subsequent national redistribution program highly unlikely. Thus even if it is agreed that the disintegration of Fordist production is giving rise to the localization of economic relations through the expansion of small- and medium-sized firms, it does not follow that localities can successfully nurture the appropriate local practices to take advantage of the trend toward economic decentralization.

In fact, it is unclear if there really is a decentral-

izing trend. Meric Gertler has recently commented that the new industrial district spatial development strategy is overrated, because it is based on a false dichotomy between the geographical relations of large Fordist firms and small- and medium-sized post-Fordist flexible firms. From this an erroneous impression has been created that local economies are more insulated from external economic forces than they really are.[69] This is not to say that no highly networked industrial district exists, but rather localization under flexible accumulation is a subordinate counter-tendency opposed by a more powerful trend toward the globalization of money and production, along with a centralization of power. According to Ash Amin the recent emphasis in the development literature on the importance of unique community practices represents little more than "a kind of boosterism, creating a sense of pseudocommunity in compensation for, and in defiance of, the collapse and disintegration of significant and meaningful localities."[70] Indeed, what is being lost, in most cases, is precisely the local control that some left-wing institutionalists suggest is being restored. Corporate capital may be restructuring by creating hollowed-out and less hierarchical structures, but this does not mean a loss of power to influence local economic conditions. Even the most successful new industrial districts, such as those of the Third Italy, are increasingly being drawn into the broader division of labour

through a penetration by external multinational firms, and the export of assembly-type functions to lower cost overseas areas, which is severely undermining their characteristic relations of mutual trust between firms, workers, and governments.[71] These districts have, in other words, failed to develop self-sustaining local economic growth (despite often impressive support institutions and production cultures) in the face of powerful global forces. In fact, flexible accumulation seems to be perpetuating the underlying capitalist dynamic of dismantling spatial barriers, restructuring local relations, and centralizing power to meet the sytemic imperative of continuous capital accumulation.

By privileging meso level abstractions, which assign a false causal efficacy to local cultural and institutional practices, moderate social democrats risk a political regression back toward the "commonsensical" interpretation of economic failure. As chapter two will clarify, there is nothing novel about accounting for local economic conditions in terms of a community's allegedly discrete internal relations. This approach, in the form of a "blame the community" notion, has long underpinned local development policy in the United States. In a popular recent work, James Davidson and William Rees-Mogg restated the traditional right-wing argument that the economic problems of America's central cities are the result of a profound cultural gap between the affluent "rational" elite and the poor "unbusiness-like classes."[72] Poor inner city residents,

the authors claim, live in the "eternal present," like animals, young children, and "primitive peoples," lacking the ability to engage in the abstract cost/benefit reasoning that is required to delay immediate gratification. This so-called "slum culture" is all important, because "poverty is not the cause but the consequence of perverse values."[73]

Of course, the left-wing institutionalists would never go this far. But the right-wing account does reveal the dangers of culturalist and localist thinking, since it obviously serves the ethical and material interests of the dominant class. Such reasoning does not, for example, address the devastating effects of the withdrawal of capital from so many American central cities over the past three decades. In other words, although cultural practices may have some causal importance in differential levels of economic development, attempts to explain the uneven spatial development of an entire developed capitalist economy simply in terms of a localist "culture of poverty" argument are much too coarse. In fact, it is more accurate to suggest that to the extent that a dysfunctional culture has emerged in many depressed communities, this represents an understandable, although deeply counterproductive, reaction to what are often appalling social conditions.[74] Such a culture reinforces but it cannot alone explain material deprivation. In the American con-

text at least, the "blame the community" argument is little more than a thinly-veiled racist obfuscation intended to hide capital's role in reorganizing the space-economy, under conditions of chronic overaccumulation, without any regard for the well-being of the residents of the communities left behind.

Local economic problems are in fact best theorized as being primarily the spatial manifestation of the fundamental contradictory relations that lie at the heart of the capitalist approach to surplus value extraction. Local unemployment, for example, should be interpreted in a context of the general lack of employment opportunities that extends well beyond each locality, but which necessarily appears in the form of spatially differentiated concentrations of poor people. Such an interpretation avoids both global determinism and local voluntarism, while seeking to disclose the limitations of development initiatives that serve, intentionally or unintentionally, to heighten spatial competition according to the logic of capitalist accumulation. This does not preclude support for some purely local development schemes, since localized institutional and cultural relations can be deficient in terms of taking advantage of existing macroeconomic opportunities, but in most cases this is not the central problem. In fact, great care must be taken to avoid simply aiding capital to restructure the space-economy, and thereby accelerate the turnover rate of the destruction of meaningful communities.

CHAPTER TWO

THE LIMITS OF MAINSTREAM LOCAL ECONOMIC DEVELOPMENT

Mainstream local economic development policy has received remarkably little serious critical attention, especially in North America, despite the fact that it consciously seeks to intensify socio-spatial inequality. The capitalist state and corporate elite have been able to avoid criticism by isolating their development schemes from political debate, suggesting, for example, that the transition toward a "post-industrial" future is natural and inevitable, and although this may come at the expense of the few, once the restructuring is complete all segments of society will benefit from the resulting more efficient and stable economy.[1] This argument is often reinforced by the local business elite's claim that the community is a harmonious whole with a common interest in capitalist growth. In other words, mainstream local economic development is put forth as "commonsense," so unproblematic that critical thought is rendered illogical. Yet if this line of reasoning does not work, then the underlying class nature of capitalist spatial development is revealed through, for example, threats of capital strike

and plant closings.

The theoretical rationale behind mainstream local economic development is not well-developed, but the justification that does exist is usually rooted in either the neoclassical tradition of market-induced spatial equilibrium, or the right-wing institutionalist tradition of capital market failure grafted onto the Schumpeterian theory of entrepreneurship. The neoclassical approach is pitched at such a high level of abstraction that it is difficult to translate into policy, with the exception of the call for free trade and heightened spatial competition so as to make the concrete space-economy resemble more closely the textbook vision of a perfectly "rational" free economy. This translates into local policies designed to reduce taxation, regulation, and wages, and thus lower the cost of doing business for capital. The right-wing institutionalist approach is somewhat more realistic as it accepts that real world markets necessarily fail, but it is also less sincere since it promises a relatively painless local cultural and institutional fix to seemingly benigh market failures.

Dividing mainstream local economic development thought into two leading schools is far from straightforward, because most writers do not explicitly acknowledge the theoretical traditions from which they eclectically draw. Yet in all the various streams of mainstream thought

there is a common argument: local economic problems are caused by supply-side deficiencies rooted in working class and state action, which are amenable to (if not resolvable by) community-based practice, so long as market "rationality" is respected. The orthodox program is thus: "free the market" or "improve the market." Mainstream local economic development proponents do not inquire if the capitalist market (and property relations) might be at least in part responsible for local economic problems; they do not inquire if disinvestment from local economies is a sign of market "rationality"; they do not inquire if the "free economy" is necessarily characterized by chronic overproduction, and if the waste of local supply-side resources, most notably labour-power, is normal; they do not inquire if the real problem is not externally-oriented financial institutions or the cultural backwardness of local residents, but the lack of local profit-making opportunities; they do not acknowledge, in other words, the fundamental difference between market and social rationality under capitalism. In fact, the market fetish of mainstream commentators is so strong that they assume the "free market," if only it could be realized, is beyond reproach. This apparent incomprehension of the actual workings of the capitalist space-economy is rather curious since spatial competition, compelled by the logic of capitalist accumulation is a crucial, if unpleasant, component of the

capitalist growth dynamic. The competitive pressure to displace overaccumulation tendencies compels capital to seek a "spatial fix" in an attempt to increase labour productivity, so that excess surplus value can be profitably reabsorbed into the production process. But instead, mainstream writers prefer to explore the workings of the "free economy," a far more palatable object of inquiry and policy, and, as a consequence, put forth overly optimistic (sometimes wildly so) proposals for local economic development practice, some of which community economic development workers seek to imitate often with only slight revisions. More specifically, this chapter seeks to address the issue of why a genuinely alternative approach to locality-based economic development must be grounded in an alternative explanation of local economic problems, and, as far as possible, an alternative practice.

Demand-Side Spatial Development Policy

Market-oriented supply-side local economic development policy has emerged in recent years, especially since the late 1970s, in response to the problems of demand-side Keynesian regional policy, which was practiced in many Western countries in the first three decades after the Second World War. According to Keynesian economics, capitalism

lacks the internal capacity to quickly and painlessly restore markets to a state of equilibrium. Yet as a form of meso level institutional analysis, Keynesian theory suggests that capitalism is highly malleable, and, more specifically, responsive to government intervention. A leading Keynesian, James Tobin, sums up this position by arguing that the capitalist business cycle has "no redeeming therapeutic value," and can and should be eradicated through state action.[2] This takes the form of monetary and fiscal policy designed to act as exogenous stimuli (based on the assumption that supply, in the short term, responds passively to demand) in order to achieve economic stability.

The idea that capitalist markets do not function perfectly in the real world, and moreover that these imperfections are not naturally self-correcting was soon applied to questions of spatial development. Gunnar Myrdal's seminal work, Economic Theory and Underdeveloped Regions, remains probably the most influential rejection of the neoclassical notion of spatial equilibrium.[3] In orthodox location theory it is held that regional problems result from a lack of individual energy and thrift, and market rigidities that hinder resource mobility, and thus the workings of the equilibrium producing market mechanism.[4] Myrdal, however, argued that regional inequality is not only inevitable in a market economy, but that disparities are self-reinforcing over time, as favoured locations are

able to capture disproportionate quantities of capital, skilled labour, market demand, and physical infrastructure. The result is the creation of agglomeration economies that become increasingly estranged, especially during economic slumps, from backward regions, where the latter are marked by chronically high levels of unemployment, low wages, and insufficient purchasing power to break-out of a vicious cycle of underdevelopment.

The notion that regional disparities are cumulative informed a government policy response: the establishment of "artificial" growth poles in peripheral locations. The intent was to induce regional economic development by integrating backward regions into the wider space-economy, based on the assumption that cumulative advantages would accrue to these centers through increasing returns to scale. The Keynesian emphasis on the importance of demand was disclosed in the desire to stimulate an export sector by in depressed regions, and develop an export sector by relocating manufacturing branch plants. The stimulated growth would then, it was hoped, spread from the growth pole to the surrounding hinterland.[5]

The slowing of economic growth in the early 1970s, and the subsequent globalization of capital, served to severely undermine the capacity of nation-states to regulate capital investment. The more open an economy becomes the less interested domestic capital is in Keynesian policies,

since it is more "rational" to prey on the demand of other countries. Capital's rejection of Keynesianism also reveals the political ambiguity of this school of economics. On the one hand, Keynesianism appears to be a radical departure from the "free market" equilibrium theory of the neoclassical orthodoxy; yet, on the other hand, Keynesianism lacks a macro structural interpretation of capitalist accumulation. Ignoring the exploitive power relations at the heart of capital's extraction of surplus value, Keynesianism focuses instead or seemingly irrational exchange decisions that lead to insufficient levels of effective demand. In fact, Keynesian policies were acutely vulnerable to the deeply-rooted profitability crisis that led to the breakdown of Fordist relations. It is not surprising that when Keynesian initiatives intended to stimulate short-term domestic demand came up against the long-term accumulation imperative of capital they quickly fell out of favour.

Moreover, on their own terms Keynesian spatial development policies met with, at best, mixed results.[6] More specifically, the classic problems associated with a branch plant economy (low levels of linkage with surrounding firms, a failure to engage in research and development, low skilled workers, the repatriation of profits, and so on) plagued the designated growth centers. The objective of capital attracted to the backward areas was not to reduce levels of regional inequality, but to find poorly paid workers and pliable governments in order to remove surplus

value. The state, in other words, found it extremely difficult to reconcile capital's market rationality with the social rationality of regional development policy. Even when economic activity was successfully stimulated at a growth pole, this tended to exacerbate intra-regional inequality. The few successes of the growth pole policy came at a price that capital was no longer willing to pay when the painful restructuring associated with the disintegration of Fordism became unavoidable. Regional development initiatives were an easy target of right-wing intellectuals who suggested that redistribution measures were undermining capital's capacity to create wealth in the first place.

The collapse of Keynesian policy has left regional development planning in disarray, which is particularly worrisome for a country as highly regionalized as Canada. Although a fundamental commitment to reduce spatial inequality is part of the Canadian constitution, there has never been a sustained effort to realize this goal. The only time the federal government showed any real interest in the problem was during the first Trudeau Liberal government, which established the Department of Regional Economic Expansion (DREE), modelled on growth pole theory, in 1969. DREE attempted to attract external investment to select urban growth centers in peripheral regions, with the goal of developing export-oriented industries. The results were

disappointing. Rather than addressing the underlying causes of uneven spatial development, the state simply allied itself with the same corporate interests that underdeveloped these regions in the first place. A marginal, but ultimately unsustainable, reduction in regional disparities came at the expense of a massive subsidy to capital and a heightened dependency of peripheral regions on external corporations.[7] (See Figures Two and Three.)

When the post-Second World War Fordist boom ended in the early 1970s, and the federal government began to experience severe fiscal stress, regional development spending became increasingly difficult to justify, especially when the expressed purpose of reducing spatial inequality was not being successfully achieved. DREE was terminated in 1982 and replaced by the Department of Regional Industrial Expansion (DRIE), which pursued a national industrial development strategy through regional-based initiatives, with little interest in the question of regional equality. DRIE was soon abolished as the central government turned to encouraging labour mobility and offloading spatial policy onto the provinces, arguing that they learn to fend for themselves by developing their own comparative advantages. This transformation of government policy represented the triumph of neoliberal supply-side economic theory over an apparently exhausted demand-side Keynesian practice.

FIGURE TWO

INDEX OF GROSS PROVINCIAL PRODUCT PER EMPLOYED PERSON BY REGION, 1966-89

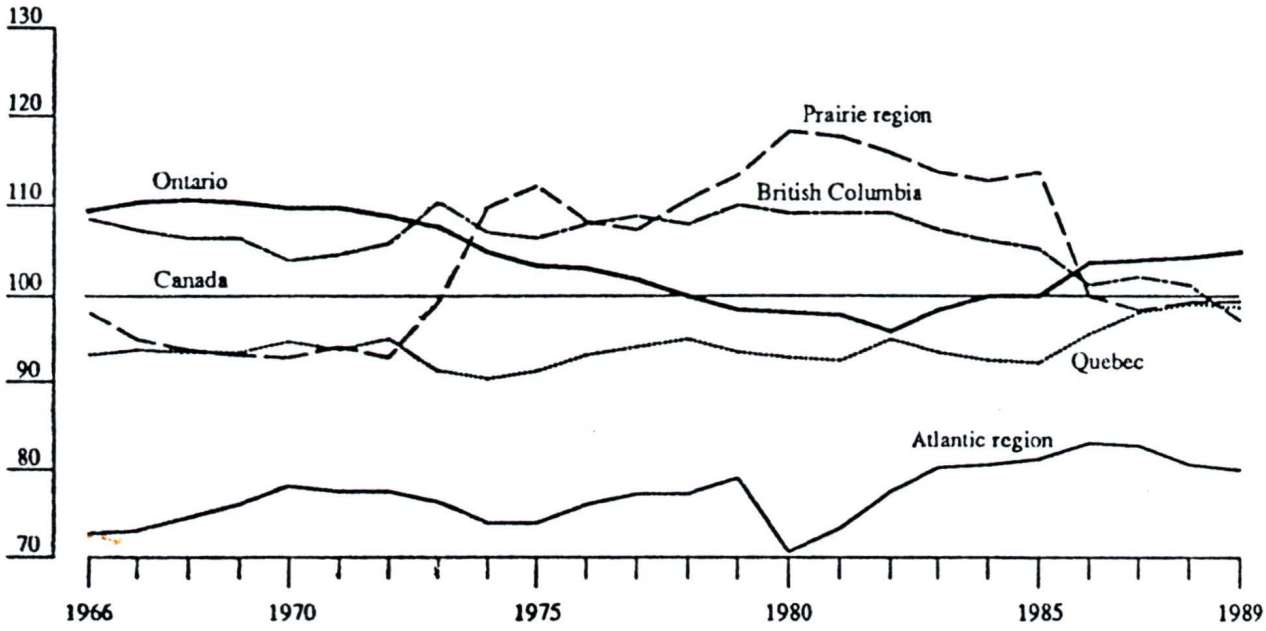
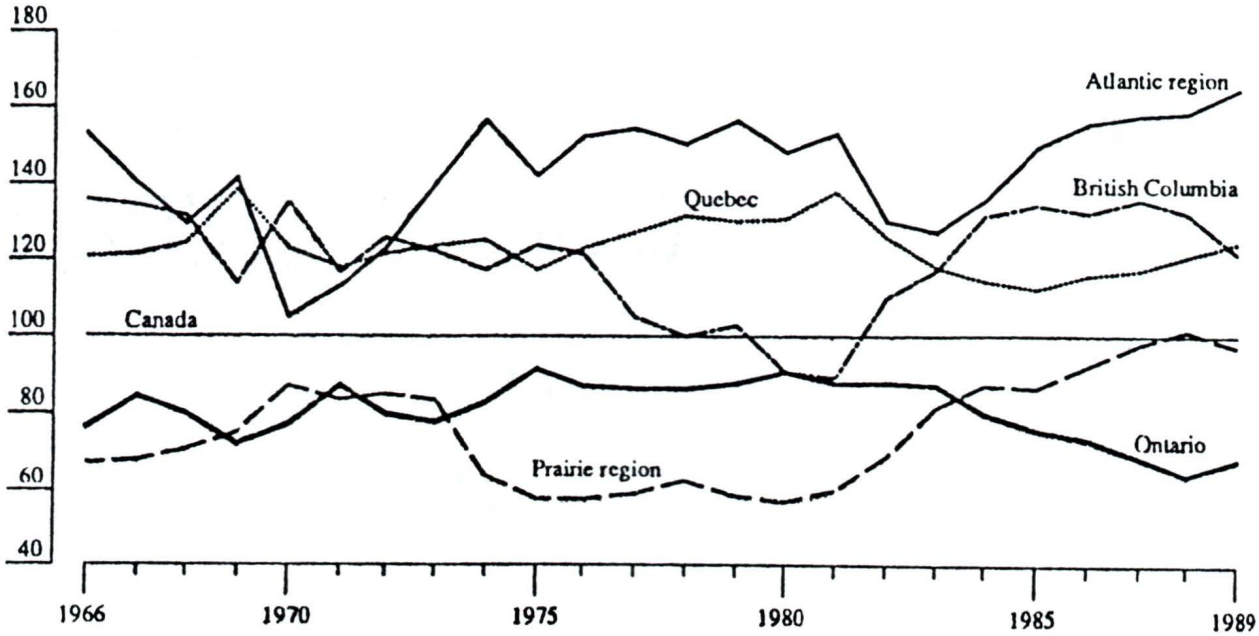


FIGURE THREE

INDEX OF PROVINCIAL UNEMPLOYMENT IN CANADA, 1966-89



Source: Economic Council of Canada From the Bottom Up: The Community-Economic Development Approach (1990) Ottawa: Canadian Government Publishing Centre.

Fundamentals of Neoliberalism

The role of the working class, however limited, in the problems of Fordist capitalism has led to an increasingly assertive counterattack, beginning in the mid-1970s, by capital and its allies in numerous corporate think-tanks and universities. The neoliberal backlash seeks to take advantage of the contradictions and failings of post-war "social democratic" policies in an attempt to construct an alternative agenda based on traditional supply-side economics. The central theme of the neoliberal program is to restore faith in the "free market," which was allegedly undermined by more than thirty years of Keynesian policies that stimulated "excess demand" through loose monetary policy and "irrational" levels of social spending designed to appease the working class. The neoliberal response seeks to reconstruct society's "commonsense" by purging any residual social democratic values, in particular the desire for greater social justice and equality.[8] With the assistance of a virtual monopoly over the mass media, neoliberal forces have been remarkably successful at exporting their ideas into the hearts and minds of the working class, that is, amongst segments of the population whose interests they do not directly serve.

Market equilibrium theory represents a return to the economic orthodoxy which states that capitalist slumps are

not internally generated, but are the result of external (i.e., working class and state) interference with the "free market." For example, the inability of the labour market to find equilibrium is not interpreted as a problem of an insufficient demand for labour, but the result of supply-side rigidities that have undermined the incentives necessary to force the unemployed to take the jobs that are theoretically assumed to be available. The appropriate response to the unemployment problem, then, is not demand-side stimulation to encourage capital to hire labour, but supply-side policies intended to increase capital formation and investment. In other words, a strategy that consciously seeks to intensify inequality premised on the belief that past wealth redistribution has artifically stimulated consumption and reduced savings, thereby undermining a culture of hard work and creating a shortage of investment capital.

Neoliberals place great emphasis on the alleged problem of capital shortage, and call for reduced taxation, lower government social spending, decreased working class consumption, and more incentives for the affluent to save. As Martin Feldstein, the chair of President Reagan's Council of Economic Advisers, put it, the solution to current economic difficulties is straightforward: "Tight money, high real interest rates, and fiscal incentives designed to encourage investment in plant and equipment."[9] In other words, neoliberals contend that the supply-side

of the economy is exhausted, and that the stimulation of demand will only result in increased inflation and chronic budget deficits. According to Walter Rostow: "Effective demand needs to be increased directly by investments in basic resources on the supply side of the equation, not by waiting until a rise in effective demand induces investment in industries related to enlarged consumer outlays."[10]

This argument represents the attempted restoration of "Say's Law," the cornerstone of classical right-wing economic thinking, which states that supply unproblematically creates its own demand. Orthodox theory has thus long held that overproduction cannot be a problem in a capitalist economy. Jean-Baptiste Say, a French businessman, began this line of reasoning by suggesting in the early nineteenth century that supply, by definition, is demand. For Say, in fact, money merely lubricates exchange, and his model refers only to a simple barter economy, consisting of owner-operators (not capitalists) who exchange the full product of their labour without separation in time or space.[11]

Mancur Olson's The Rise and Decline of Nations is one of the seminal neoliberal tracts on the question of economic growth and stagnation. Olson argues that contemporary economic problems are not rooted in the internal basic relations of capitalism, but are a manifestation of "democracy overload" which has burdened the "free economy" with damaging rigidities. The more stable and democratic a society,

he argues, the more it will be plagued by special interest group struggles that seek to redistribute rather than create wealth. The result is a sluggish, inefficient decision-making process, marked by price fixing, due to an unnecessary increase in state regulation, and economic complexity that threatens product innovation and capital investment. Working class people are believed to have too much power over state policy, the solution to which is to remove the capacity of governments to infringe on private property and undermine price and wage flexibility. This means directly attacking supply-side impediments through deregulation and privatization, rather than attempting to address economic problems through macroeconomic demand stimulation: "the best macroeconomic policy is a good microeconomic policy. There is no substitute for a more open and competitive environment."[12] The most important supply-side initiative is to increase spatial integration through free trade, which will force domestic workers to face the disciplinary effects of foreign competition. Free trade also inhibits the formation of special interest groups, because they have great difficulty forming across national, linguistic, and cultural barriers, and if they do emerge they no longer have a single government to lobby.

The idea of "democracy overload" caused by the selfish behaviour of special interest groups is based on an assumption that individuals, including those acting collect-

ively, almost without exception seek to maximize reward over cost or effort. This notion is the grounding principle of right-wing philosophy, supposedly the "deepest truth of human life."[13] Olson has simply extended this idea from its traditional domain in economics to the study of civil society and state relations. Arthur Seldon provides an example of just how far neoliberals will go in their belief that all social life should be explained and, moreover, practiced as maximizing behaviour: "The family is best understood as a firm, a unit of production of income and children."[14] Since human beings are held to be naturally self-interested and because the market is seen as the only institution that successfully channels such behaviour toward the social good, democratic structures are viewed with great skepticism as being little more than vehicles for redistribution, used by sectional interests who have failed in the marketplace.[15] Deregulation, privatization, free trade, currency speculation and other neoliberal schemes all have their underlying justification in the attempt to restrict the scope of the state to violate the sanctity of private property.

Neoclassical and Schumpeterian growth theories are founded on this doctrine of "rational" self-interest and focus entirely on supply-side issues. More specifically, neoclassical growth theory refers to questions surrounding the static deployment of resources. From the perspective of

market equilibrium theory, capital creates wealth, whereas the state can only distort "rational" market signals, devise false incentives, and encourage resources to flow to suboptimal uses. The state should thus simply protect private property, avoid fiscal stimulus, and practice activist monetary policy only to the extent of stabilizing prices through zero inflation. This will force, it is hoped, supply-side innovation by increasing flexibility, competition, and inequality. A "rational" economy is thus a "free economy," where the inventiveness and thriftiness of the elite may bring prosperity for all. Any dislocation required to bring reality more fully into line with their abstract vision, such as an increase in unemployment, is seen as temporary and of little importance. So long as wage and price levels remain flexible, the market will quickly restore equilibrium.

The neoclassical assumption of the self-regulating capacity of the "free market" is more than simply a political ploy intended to serve the material interests of the affluent by restricting the scope of state action; it is also the result of a tendency to study markets at a very high level of abstraction and to spend little time observing how real markets function.[16] Neoclassical theory refers to an ideal-type (i.e., a contentless abstraction) market marked by: numerous buyers and sellers possessing perfect knowledge and capacity; fully utilized supply

factors; no externalities; no technological change; no transactions costs; no institutions; and no class exploitation.[17] Thus at its most abstract, the neoclassical model offers an asocial, ahistorical, and aspatial interpretation of economic exchange relations that does not do justice to the complexity of the concrete political-economy.

The hyper-abstractness of the neoclassical perspective has long been the focus of criticism from the left and some rightists. For Keynesians, such as John Kenneth Galbraith, the "theology" of "free market" economics is utterly estranged from real world relations, where, more specifically, wage and price rigidities are inevitable, and supply-side adjustments are determined by expectations of profits, that is, demand considerations.[18] Many right-wing writers also seek a less abstract interpretation of economic reality, one that includes an important role for technology, culture, and entrepreneurship. Moreover, it is sometimes argued that the neoclassical "free market" ideal raises expectations to unrealistic levels, leading to profound disillusion and calls for government intervention, and perhaps the rejection of all market relations.[19]

According to the Austrian school of economics, a more compelling defense of the market system rests on an acknowledgment of profound complexity and uncertainty. Markets are seen, in part, as a discovery procedure in the

context of constant technological change. The growing importance of Austrian economics is disclosed in the recent rival of interest in Schumpeterian disequilibrium analysis. In part this is due to the conspicuous return of the capitalist business cycle, but it also manifests a desire to link growth theory to scientific knowledge and technological innovation.[20] From the Schumpeterian perspective, economic development is a dynamic, nonlinear phenomenon rooted in the temporal bunching of radical product and production innovations in response to market saturation.[21] But what makes Schumpeterian analysis especially appealing to neoliberals is its focus on the role of the entrepreneur. In the neoclassical tradition, with its static, perfectly working markets, the entrepreneurial function of innovating and searching for new profit-making opportunities is negated, whereas in the Austrian tradition, with its emphasis on movements toward equilibrium, the role of the entrepreneur is of critical importance.[22]

Joseph Schumpeter defined entrepreneurship carefully.[23] In contrast to the popular view that associates the entrepreneur with an owner-manager of a new small firm, for Schumpeter the entrepreneur is an innovator, but not necessarily a risk-bearer (this is deemed to be the role of the owner of capital), inventor, or coordinator. Rather, the entrepreneur is the individual who is directly

responsible for changes in the placement of capital through the introduction of a new good, a new market, a new source of raw material supply, a new production technology, or a new social form of workplace organization. He or she does not necessarily own capital or manage its application. Although Schumpeter traced the entrepreneur's innovative capacity to internal, non-calculating motives (from which the monetary returns could be progressively taxed without negative consequences), for neoliberals the entrepreneur is an extremely sensitive individual who requires a "high incentive economy," marked by substantial monetary rewards.[24]

Government interference in the "free market" and anti-entrepreneurial cultural attitudes are common themes in the neoliberal explanation of recent economic troubles. Yet to persuasively account for the slowing of growth since the early 1970s, it is necessary to explore deeply-rooted workplace practices and inter-capitalist relations, and the technological shifts they have engendered, rather than emphasize relatively superficial supply-side failings, such as an alleged sudden decline in public education, sexual restraint, the "enterprise culture," or the countless other similar explanations that dominate the capitalist mass media and neoliberal commentaries. Rather, it is more accurate to suggest that the developed capitalist economies do not suffer from a severe lack of investment capital,

dedicated workers, or even new technology, but a lack of profitable investment opportunities. What appears to be happening is that an ideologically strong capital in a post-social democratic era prefers to hold out the largely false promise that chronic unemployment and growing poverty can be addressed through supply-side improvements intended to spur economic growth, rather than renewed redistribution measures.[25] To put it another way, following the retreat from Keynesian demand management, the central focus of the capitalist state has been to force supply-side adjustment (through free trade initiatives and tight monetary policy), which is creating unemployment and poverty. The pain inflicted on working class people, without an accompanying ideological offensive, would generate significant political turmoil. Capital thus requires a rationale for a program that has benefited the few at the expense of the many. Mainstream local economic development writers, however, take neoliberal theory for granted, as if it contained truths so self-evident that critical attention is unnecessary. This lack of skepticism is important because many of the problems associated with mainstream development initiatives can be traced back to an acceptance of the neoliberal approach to economic growth and decline.

Neoliberal Local Economic Development Theory

In the post-Fordist era, spatial inequality is no longer interpreted as the result of localized insufficient effective demand, requiring state action to redistribute wealth to poorer regions in order to increase purchasing power. Instead, following neoliberal thinking, economically depressed communities are said to be suffering from fettered markets, caused by state and working class action, which hinder the free movement of capital to backward areas, thereby creating regional disparities. The right-wing "solution" is to take direct aim at cultural and institutional rigidities by opening up local economies to the disciplinary effects of heightened spatial competition. For example, from the neoclassical perspective any kind of spatial development policy pursued by the state will create a suboptimal space-economy when compared to the "free market" approach to capital allocation. Rather than encouraging development in "uneconomic" locations, the state should make the real space-economy look more like the textbook "free market" space-economy. Carolyn Shaw Bell thus observed in her critique of the American "black capitalism" movement of the 1960s, the appropriate policy for economically depressed communities is free trade:

> the road to increased productivity and income within the ghetto does not lie in developing separate ghetto economies. Rather, it means breaking down the barriers between the ghetto and the larger economic framework within which it

> operates. People on both sides of the invisible ghetto wall must opt for free trade rather than protection.[26]

The assumption here is that free trade will force improvements in local supply-side capacity. Counterarguments, Bell assured, "can easily be disposed of by anyone with an elementary knowledge of economics."[27]

Critics of the neoclassical tradition complain that it is built on wildly unrealistic assumptions, such as the idea that local economic problems are caused by a self-imposed isolation from the wider space-economy. The Schumpeterian approach differs slightly because it does posit a role for "extra-market" action as market equilibrium is not considered realizable. Schumpeterians agree that depressed communities suffer from market failures, especially a lack of local entrepreneurs and locally-oriented financial institutions, but go further and suggest that some form of intervention, preferably by the "third sector," is acceptable so long as the goal is to increase market "rationality." In a real, dynamic economy new products are constantly being created and new resources are continually being mobilized. In such a context the conscious geographical relocation of economic activity can increase aggregate economic efficiency by tapping into unutilized or underutilized resources.[28] Ross Gittell contends that local economic development projects can aid national economic growth, that is, they need not be zero sum, so long as they

correct market and government failures.[29] This is an important point because mainstream writers do not support geographical relocation for social reasons, such as improving spatial fairness. Gittell explains that the transfer of economic activity can increase macroeconomic rationality if the old locations were not "perfect" and if the new locations are marked by lower production costs, and therefore greater profits. More specifically, rapidly growing areas (because of a lack of perfectly mobile workers, physical infrastructure, and so on), and declining areas (with unutilized immobile resources) are prime candidates for third sector initatives. The goal, then, is not to challenge the logic of the capitalist market, but to use extra-market initiatives in order to reduce spatial barriers and speed market adjustments.

Similarly, David Osborne observes that mainstream local economic development is not an anti-poverty social program: "the primary goal of community development should not be to redistribute income or improve housing, but to redistribute economic activity: ownership, investment, and employment."[30] The poor are thus discouraged from political organizing and calling for wealth redistribution. Rather, the objective of neoliberal economic development policy is to create a more profitable space-economy, which may eventually lead to improved local conditions. In sum, when the assumptions that underpin neoclassical

economics are relaxed, and the notion of spatial equilibrium is rejected, a neoliberal approach to local economic development is possible, so long as the idea of meso level cultural and institutional failure is employed to construct a policy designed to increase market "rationality," that is, quicken the pace of uneven spatial development.

The neoliberal program emphasizes two basic forms of market failure: an institutional failure manifest in externally-oriented capital markets; and a cultural failure manifest in anti-commerical attitudes. Both are said to lead to low levels of entrepreneurship, usually defined in non-Schumpeterian terms as low new small firm formation rates. Taking each failure in turn, capital markets are financial institutions, such as banks, credit unions, stock exchanges, insurance companies, and venture capital firms, which channel savings into investments. Capital markets are said to fail when firms cannot gain access to investment capital even though it is economically justified. Usually this is because of information, risk, trust, regulatory, transaction cost, or immobility problems.[31] That is, investors prefer firms with which they have had previous successful dealings, that employ standard technologies in established markets, and that possess substantial collateral. In the context of local economic development, capital market failure takes the form of the withdrawal of savings from depressed communities, such as

inner city neigbourhoods, which are then invested in seemingly more attractive locations, such as affluent suburbs. Neoliberal commentators thus argue that poor communities do not lack the internal wealth to sustain additional levels of economic activity; rather, the real problem is that savings have been removed, making it difficult for local firms to gain access to start-up or expansion capital.[32] In Canada this argument usually takes the form of criticism directed at the country's centralized, oligopolistic banking system, which is said to discriminate against small firms in peripheral areas.[33] In other words, the underlying assumption of capital market failure theory is that financial institutions are behaving "irrationally" by depriving depressed communities access to their latent supply-side factor endowments, which is necessary to take full advantage of macroeconomic growth.

There is obviously a close connection between capital market failure and low levels of entrepreneurship. Neoliberals will often contend that a program of cultural re-education is needed before an economically troubled community can solve its institutional failings. For example, William Coffey and Mario Polèse reject efforts to "artifically" increase local purchasing power or directly tackle capital funding institutions. Instead, since economic growth is seen largely as a psychological phenomenon, depressed

communities should begin with a "social animation" program designed to change residents' "motives, abilities, values, and perceptions."[34] This cultural argument, which is especially popular in the United States, underpins the rationale for community development corporations and their efforts to nurture strong local leadership intended to alter community attitudes toward small business.

Community development corporations are local umbrella organizations usually engaged in a wide range of activities intended to develop individual responsibility and initiative and increase local instititutional capacity. They first emerged in the United States in the late 1950s, with the help of the Ford Foundation, as a nongovernmental approach to economic development in troubled minority urban neighbourhoods. They have since spread throughout the United States, including to many rural communities, to Canada, and more recently to Europe. They are also an important component in community economic development practice. Their core functions usually include social service activities, such as daycare, real estate development, worker retraining, and business development. The latter is sometimes pursued directly, through development corporation-owned for-profit firms, and indirectly, by providing counselling services on legal, accounting, marketing, managerial, and personnel matters, and through the provision of incubator space. Community development corpora-

tions are popular because they are seen as being able to internalize the long-term benefits of local economic growth in a manner unlike that of most private for-profit organizations, while obviating the need for direct government intervention. Indeed, community development corporations are often touted as displaying superior market "rationality" (due to their long-term commitment, risk-sharing, intimate local knowledge, and trust advantages) than venture capitalists.

Neoliberals hope that by improving capital markets and nurturing pro-business community attitudes this will lay the foundation for the successful stimulation of the small firm sector. In fact, economic prosperity is usually thought to be closely linked with new small firm formation rates and their supposed dynamic capacity for innovation. According to G.P. Sweeny, for example, uneven spatial development manifests the differentiated distribution of small firms.[35] He goes further to argue that the slowing of economic growth in the developed capitalist world over the past two decades may be explained by the growth of large state and private bureaucracies, which are thought to internalize knowledge and retard levels of entrepreneurship.

Without question the most influential American booster of the small firm has been David Birch. In the

early 1980s, Birch made the case that a post-Keynesian policy era required new supply-side microeconomic initiatives intended to encourage a "natural trend" toward the growth of the small firm sector.[36] He thus called for : a reduction in the capital gains tax; lower small business taxation, less government regulation; and "improve the business climate" local initiatives. Birch based his argument on 1969-76 American data which disclosed that roughly two-thirds of all net new jobs were in firms with twenty of fewer employees, and eight out of ten were in firms with less than one hundred employees (the standard definition of a small firm). Further, eight out of ten new jobs were in firms four years old or younger. Combining the figures for new, small and young firms, Birch argued that about one-half of new jobs came from new firms and one-half from the expansion of (mostly small and young) established firms.

Moreover, Birch claimed that regional employment gain or loss had little to do with the in- or out-migration of existing firms. Rather, the cause of employment loss is the rate of firm contraction and death, which varies little region to region. In other words, successful regions do not have unusually low firm failure rates, but higher than average new firm formation rates. Birch thus concluded that regional economic decline can be explained in terms of an inability to replenish employment, due to an anti-entrepreneurial climate that has retarded the establishment of new small firms. Paul Cook and David Hulme more clearly lay out the

policy implications of this line of reasoning:

> The administrative implications of a local economic development approach are supportive of policies favouring the "rolling back of the state" as the approach requires the establishment of a cadre of staff who are business-minded, rather than bureaucratically-oriented, and who have commercial skill. This cadre could spearhead moves to reorientate public institutions and modify attitudes of public servants.[37]

Notice once again the neoliberal assumption that it is the state and anti-business cultural attitudes which are responsible for economic problems.

One of the better illustrations of the neoliberal theory that underpins mainstream local economic development is the enterprise zone program of the British national Conservative government as practiced during the 1980s. The enterprise zones were conceived as a means of reconstructing social attitudes away from welfarist redistribution and toward supply-side upgrading, in the form of a general acceptance of the need for greater workplace flexibility, real wage reductions, and increased small firm formation rates. Specifically, the national government claimed that local Labour authorities were responsible for many of the country's economic problems by smothering would-be entrepreneurs with needless regulation. A 1980 report argued:

> The planning process had all too often allowed, or even encouraged whole areas, at the heart of some of the most populous cities, to be laid waste for years. Even when development plans were finally made, the public purse was often unable to provide the funds or the enterprise to match the planner's aspirations. And when private initiative might have been ready to act, it had generally been stifled by rules and regulations.[38]

The national government believed that by exempting firms

within the zones from duties and taxes, and by simplifying land-use zoning, health, and safety regulations, supposed supply-side rigidities could be dismantled, thereby unleashing a wave of latent wealth-generating entrepreneurship. Peter Hall, a leading economic geographer, defended the enterprize zone initiative, by calling on residents of depressed British neighbourhoods to "emulate the drive and enthusiasm of emerging centres like Singapore and Hongkong ... the immediate result might be some decline in the standards of hygiene and safety [but] this is a classic case where regulation may be the enemy of the good in terms of job creation."[39]

The enterprise zone idea never took root in Canada, but the disintegration of Fordist relations has led to a neoliberal assault on redistributional forms of regional development. With the dismantling of Keynesian policy two responses were possible. The first was to return to the neoclassical orthodoxy and the promise of spatial equilibrium through "free market" non-interventionism. In essence, this means a depopulation program intended to increase labour mobility, which assumes that "excess" workers in peripheral regions have somewhere else to go to find employment. Although the "theology" of the "free market" has been restored to a remarkable degree, even neoliberals do not accept its spatial component. Instead, most Canadian commentators have embraced a Schumpeterian approach

based on cultural re-education, local institution-building, and small firm stimulation. Yet proponents are generally not very optimistic about its potential for success. Ozay Mehmet, for example, suggests that this program offers little for the country's depressed peripheral economies, but the prospects for "alternative strategies of regional development are [even more] dismal."[40]

The "endogenous entrepreneurship" approach to local economic development was articulated and defended in 1990 in a major research paper by the Economic Council of Canada.[41] The Council was created by the federal government in 1963 as an independent, non-partisan think tank charged with advising and reviewing government policy. Over the years the Council moved further and further to the political right, so that by the time of its abolition in 1992, ironically by a Conservative government, it had become yet another vehicle disseminating neoliberal philosophy.[42] According to the Council, Keynesian regional development policies had failed to develop Canada's peripheral localities, but rather than acknowledge that uneven spatial development is inherent to capitalist accumulation, it argued that the federal government was responsible. The Council thus offered an alternative development program designed to take advantage of "untapped business opportunities [by developing] a climate friendly to entrepreneurship."[43] These missed opportunities were explained

in terms of government over-regulation and "anti-enterprise" community attitudes, which have led to a lack of local information on capital investment funding. In other words, the Council constructed a theory of local economic decline based on a combination of government failure, cultural failure, and capital market failure.

An important aspect of the Council's defense of the neoliberal approach to local economic development is the impact of the Canada-United States Free Trade Agreement on spatial policy. The Council supported the deal in part because it will "exert a healthy influence" on regional development policy by prohibiting direct government intervention in private locational decision-making.[44] The state, instead, is restricted to an indirect role (such as improving local information networks) which is more "friendly to business growth."[45] By removing the state from determining capital investment, private local groups are forced "to take on more responsibility and, in terms of fostering more entrepreneurial activity in the community, [this] sends the right signal to would-be investors."[46]

Although the Economic Council of Canada report avoids mentioning any guiding theoretical ideas, thereby maintaining a pretense of impartiality, it touches on many of the basic themes of neoliberal doctrine. That is, the Council's program is based largely on a "blame the community"

supply-side philosophical premise (which is never explored), that economically depressed localities are marked by profit-making opportunities that local entrepreneurs, possessing "exceptional energies," are not able to take advantage of simply because they lack information on sources of available investment capital. As an explanation of localized poverty and unemployment in Canadian communities this account is far from persuasive. It is yet another shallow right-wing interpretation devoid of any supralocal political-economic analysis of the powerful, systemic forces at work reshaping the space-economy. The neoliberal explanation of local economic distress is so uncompelling that it is no surprise that the practices which it has informed have met with such limited success.

The Social Irrationality of Neoliberal Development

Probably the most important comment that needs to be made about neoliberal local economic development is to reaffirm the difference between market and social rationality, and, more specifically, what this means in terms of the waste of local supply-side factor endowments. The hyper-abstract equilibrium assumption of the neoclassical orthodoxy is almost more accurate than the right-wing institutionalist argument that the space-economy is marked

by numerous benign, correctable local market failures. That is, proponents of mainstream development policy see unutilized supply-side resources, such as unemployed workers and derelict factories, and assume that because this is obviously socially irrational it must also be economically (defined in market terms) irrational. This is not entirely untrue; for example, if unemployment grows to the point that working class consumption is severely undermined or political instability is likely, then this represents a malfunctioning of the capitalist market. Yet capital and the capitalist state are usually adept at preventing this from happening. Instead, unemployment usually manifests a thoroughly "rational" market technique to discourage wage demands and discipline workers. The conscious manufacture of unemployment may be morally offensive, but it is not technically irrational or a mistake, let alone solely the consequence of government or working class action. In fact, far from first appearing during the Fordist capitalist period after the Second World War, it during this era, marked by trade unions and "social democratic" governments committed to full employment, that unemployment in the developed capitalist countries reached historically low levels. The same logic applies to Keynesian regional development policies: rather than being the cause of uneven spatial development they were a moderating force.

As the state has withdrawn from redistributional regional development, localities have been forced to compete against each other, through largely uncoordinated supply-side stimulation strategies, that may be advantageous for capital, at least in the short-term (i.e., until the maintenance of demand through debt creation runs out), but which are bringing increased levels of socio-spatial inequality. In other words, attempting to address unused local resources through market "rational" development schemes is extremely risky for disadvantaged communities, because it promises greater inequality. This would not be quite so disastrous for distressed communities if the abstract Marxist interpretation of uneven spatial development was accurate without qualification. Recall that in the Marxist account localities are churned through a cycle of development and underdevelopment, suggesting that if depressed communities follow the logic of capitalist accumulation they will be visited, for a time, by capital fleeing higher cost localities. But when a meso level of analysis is added to the macro structural Marxist approach, especially when the role of agglomeration economies is acknowledged, then it is possible to suggest that disadvantaged communities may never be able to use their abundant quantities of cheap labour and land to attract capital, because these supply-side advantages are not sufficient to combat

the supply and demand advantages of established centers of accumulation. This is not to suggest that the cycle of underdevelopment is irreversible, but it is to argue that attempting to develop more "rational" local cultural and institutional relations to successfully displace devaluation tendencies onto other communities is extremely difficult, and not a general solution to poverty.

This is actually a line of reasoning that many neoclassicists could in part support. For example, Bell in her 1970 work The Economics of the Ghetto rejected the optimistic claim that new small firms in inner city economies simply required new financing arrangements and managerial advice to prosper, pointing out that this "ignores all the economic facts of ghetto life -- primarily, the facts of poverty and of a limited market."[47] In such a context, she suggested, "entrepreneurship does not necessarily mean an end to poverty."[48] This conclusion, however unpleasant, has been reiterated many times during the past two decades. In a 1989 article, Timothy Bates pointed out that a successful small firm requires talented entrepreneurs, access to capital, and market demand. Even if the first two conditions are met, the third (which is ignored in the neoliberal approach) must be present. Bates thus argued: "These [small] firms have collectively failed to overcome the constraints imposed upon business viability by the ghetto milieu."[49]

In fact, in the most distressed American communities both supply and demand conditions are deficient: the most productive residents move if the opportunity arises; money quickly leaves the local economy because stores, housing, and financial institutions are overwhelmingly externally-owned; and those businesses that do emerge suffer from profound disadvantages (such as crime, nonexistent public infrastructure, high taxes, etc.). The result is that black-owned, inner city firms are usually small, depend on depressed local markets made-up of poor minorities, and tend toward the personal services sector (beauty parlors being the most common).[50]

The weakness of the small firm sector is not particular to the ghetto. Contrary to the popular view that small firms are dynamic, innovative, and highly efficient the truth is a good deal less impressive. Before the disintegration of Fordist capitalism the small firm sector was widely perceived as a drag on economic development. To return to Schumpeter's definition of entrepreneurship, it is quite obvious that the majority of small firms are not entrepreneurial. Most small firms quickly go bankrupt (the statistics vary but the number is between sixty to ninety per cent in the first five years), and those that do succeed generally do so through price competition rather than the creation of new products, markets, resources supplies, process or

organizational combinations.[51] In fact, small firms seldom have the resources to carry out research and development, and thus seldom engage in product innovation. Moreover, most new firms established by the unemployed (which make-up about one-half of total start-ups) are in the same depressed economic sectors from which the new owners were made redundant.[52] If they survive they usually do so by buying second-hand equipment and using low-wage employees, along with a good deal of "self-exploitation." The reality of the small firm sector is thus one of low pay, little capacity to innovate or tap new markets through export; that is, a sector that is entrepreneurially backward in the Schumpeterian sense.

The rapid expansion of the small firm sector since the mid-1970s represents the effort by large firms to restructure themselves, in an environment of heightened demand instability, by firing employees and creating a more pliable workforce in subcontracting firms. In the United States, for example, domestic employment in the country's largest five hundred corporations peaked in 1979 at over sixteen million, and has now fallen to less than eleven million.[53] The fragmentation strategy represents an attempt by capital to drive down wages and reassert workplace control over labour. It is interesting that small firm supporters, such as Birch, seldom mention

the often intimate relationship between large and small capital. Yet there is a standard division that is used to categorize the small firm sector into: independent firms that compete against larger firms, or occupy relatively unattractive niche markets; and dependent firms that consist of subcontractors, franchise owners, and the like, that may appear relatively autonomous but lack market power.[54] This categorization helps to disclose that the growth of the small firm sector has less to do with an intrinsic capacity of small firms to revitalize the economy, and much more to do with corporate capital's attempts to weaken the working class. The Economist, for example, argued in 1982 that to restore capital's profitability to its peak of the early 1960s would require real wage reductions of eighteen per cent in Great Britain and fifteen per cent in the United States.[55] This argument is typical of neoliberal thinking, because it fails to seriously consider the impact of a reduction of working people's purchasing power on demand.

It can thus be persuasively argued that the supposed spectacular job generation record of small firms is really the result of labour shedding and job transfer from the corporate sector, which the small firm sector, at lower wages, is unable to fully absorb. The result is mass unemployment. To further encourage the small firm sector means assisting the dismantling of working class power, and risks the creation of increasing levels of unemployment.

Even if it was agreed that the "endogenous entrepreneurship" approach was the most promising to bring jobs to depressed communities, it, like any supply-side approach, is a long-term strategy, taking at the very least ten years before results could be expected; in fact, these schemes have been tried for over thirty years in American inner cities with remarkably little success. Moreover, redirecting social spending from consumption by the poor and toward investment in aspiring, often affluent, entrepreneurs, serves to further social and economic inequality.[56] The extent of this shift in state spending priorities is seen in the massive increase in economic development spending by American states, which increased from $160 million in 1981 to almost two billion in 1983.[57] Moreover, these new entrepreneurs are geographically biased toward the more prosperous locations because small firms are heavily dependent on local market demand.[58] In other words, a small firm stimulation strategy actually disproportionately hurts economically disadvantaged localities. Assisting the new small firm sector and working with the grain of the market entails creating (some) winners and (many) losers, and it is the depressed and peripheral communities that have the most to fear from market "rational," supply-side neoliberal development schemes.

Although the neoclassical and Schumpeterian writers

may disagree about the need for extra-market intervention, both agree that depressed communities must be further integrated into a more open, competitive space-economy. Here is the underlying truth about the neoliberal approach to local economic development: it has very little to do with local economic development. What really matters to neoliberals is the construction of a more profitable economy for capital, the shape of the space-economy that achieves this end is of little concern.

The British enterprise zone experiment illustrates this point. The enterprise zones had little impact on the location of economic activity, because in poor areas the tax advantages they offered were of minor importance to new firms that are seldom profitable enough to make taxation a pressing problem; moreover, whatever tax benefits the zones did offer was usually negated by higher rents, sometimes fifty per cent higher than similar property just outside the zones.[59] Indeed, the limitations of this approach to economic development were largely accepted by the national government by the late 1980s. Now policy has shifted toward the public-private partnership approach in an attempt to involve the corporate sector directly in urban planning. The aim is to continue the attack on local Labour authorities by completely replacing their planning, housing, health, and building responsibilities with unelected urban development

corporations. The partnership approach, most importantly, offers an opportunity for capital to shift risk-taking responsibilities onto the backs of taxpayers but without any public accountability.

Both the partnership and the enterprise zone approaches were borrowed from the United States. It is not insignificant that the national Conservative government would recruit American consultants from probably the worst urban environments in the developed capitalist world to preach the gospel of "ghetto capitalism."[60] The very fact that the British would look to the social and economic devastation of the American ghetto as their model reveals just how profoundly political neoliberal local economic development is. In fact, the practical limitations of this form of locality-based development disclose that its supporters have little interest in encouraging economic well-being in disadvantaged communities, but are more interested in constructing an "enterprise culture" that justifies the increased socio-spatial inequality associated with flexible accumulation.

This point is well illustrated by the activities of American community development corporations. Although they were originally closely related to community-based political mobilization efforts, today they are encouraged to keep any residual community activism separate from their business development projects. Neoliberal supporters

constantly stress the imperative of "business-like" behaviour, which means not only avoiding political action, but also importing expert professionals to provide technical assistance in the use of market criteria for investment decision-making, thereby avoiding unprofitable projects and government subsides that undermine "rational" capital placement. As Osborne observes, the great strength of the community development corporations is that they use "the methodology of the private sector to achieve public goals."[61] The idea that it was the "methodology of the private sector" that was responsible for the disinvestment of these communities in the first place is not acknowledged by neoliberal commentators. Instead, an emphasis is placed on professionalism, "responsible leadership," technical know-how, and good relations with the business elite. This defeats the purpose of <u>local</u> economic development, because market "rational" behaviour will reproduce the conditions that prompted a local response: the social irrationality of profound supply-side waste. This cannot be addressed by stimulating extremely vulnerable small firms. In fact, in a capitalist economy where the rewards for exploiting profit-making opportunities can be so great, there is little need to encourage aspiring entrepreneurs. Although this is one form of market failure which neoliberals conveniently ignore, capitalist economies are

marked by a chronic oversupply of small producers, especially in sectors with low entry barriers. The high new small firm failure rate reveals not a lack of would-be entrepreneurs, or even an unwillingness of capital markets to fund them (this is more consequence than cause), but a relative scarcity of profitable business opportunities. At least in the short-term it is demand considerations, rather than supply factors, that lay the foundation for economic expansion. This is not to suggest that the developed capitalist economies do not suffer from some real supply-side problems, but a lack of new service sector small firms is certainly not one of them. To put it bluntly, if employment was a genuine priority for neoliberal authorities they would seek to implement a full employment program, and not stimulate new small firms in already saturated markets suffering from record bankruptcy levels.

Neoliberals prefer the endogenous entrepreneurship approach because they know that the "cult of the entrepreneur" and the "small firm myth" have important ideological roles by redirecting critical attention from the root causes of the current economic troubles and toward working people and the state. Capital is desperately searching for a route out of the present profitability crisis, and this includes attempting to shift problems onto the working class through a reduction in

real wages, an increase in unemployment, and a decrease in social service provision. But this is mystified by turning the victims into the scapegoats of restructuring. As Cook and Hulme write:

> Policy-makers can make little popular political capital out of the objectives of "removing market distortions," "reducing public expenditure" and "developing the market," but the objectives of "helping new small scale businessmen," "providing business advice and funds to local people," "forming business groups" and "promoting this region" have an immediate and widespread appeal. Local economic development provides a means for spreading the values and attitudes that underpin liberalization.[62]

Edward Du Cann put it a little less subtly at the 1975 British Conservative national conference when he stated that the small firm sector is the "anti-Marxist barrier, conservatism in practice and the true picture of free enterprise, honourable, patriotic and acceptable."[63]

In conclusion, because local economic problems in depressed communities in developed capitalist countries have little to do with local government over-regulation, local capital market failure, or an anti-enterprise cultural deficiency, there is little that localities can do by way of local supply-side stimulation to create local economic activity. Instead, the problem is largely one of a general lack of profitability throughout the space-economy. Simply stimulating a more even distribution of capitalists, if it were possible, will not undo the social irrationality of the capitalist

market system. The spatial location of capitalists is a good deal less important than most commentators suggest. What matters is the embracing logic of capitalist accumulation which coerces capital to grow or die. Thus the neo-liberal approach to local economic development cannot create a more socially just space-economy (even if this was the aim, which it clearly is not), because it fails to address the underlying causal forces that have produced localized economic problems. The Americans, who have had the most experience with the endogenous entrepreneurship approach, have not produced a model of socio-spatial equality for others to follow. In fact, this approach has brought inequality, division, exclusion, and conflict, in addition to supply-side waste. Community economic development activists have good reason to reject it, although their alternatives, as chapters three and four will suggest, are deeply problematic.

CHAPTER THREE

PROBLEMS IN "ROMANTIC" COMMUNITY ECONOMIC DEVELOPMENT: THEMES FROM CANADA

Mainstream local economic development perpetuates the logic of capitalist accumulation by seeking to enhance supply-side resources so that localities are made more attractive to capital in a context of heightened spatial competition. Yet the right-wing institutionalist critique of the neo-classical concept of spatial equilibrium can lead to a more profound critique of market "rational" economic development. For community economic development proponents the notion of technical market failure is extended to a moral critique of the destruction of the cultural, political, and environmental integrity of meaningful communities. How far this critical understanding is developed depends on how deeply-rooted or systemically-generated local problems are conceived to be. Usually this critique stems from an ethical desire for a more socially just space-economy, rather than from political-economic theory. This lack of theoretical clarity leads to an ambiguity in practice between community economic development and mainstream local economic development. Both approaches attempt to improve local conditions through cultural and institutional restructuring, but in community economic

development this usually takes the form of encouraging communitarian values, socially-oriented financial institutions and development organizations, and small cooperative firms. Thus although both approaches engage in cultural animation and business development, community economic development initiatives are motivated by a social and environmental conception of economic return that represents, at least potentially, a serious challenge to capitalist accumulation. The distinction between community economic development and mainstream local economic development ultimately lies in the institutional and cultural malleability of capitalism. That is, although they may underestimate the relation between capitalist accumulation and uneven spatial development, mainstream writers accept the system's necessary spatial logic; community economic development proponents do not, even if their rejection remains underdeveloped in theory and, more importantly, in practice.

This chapter looks at the Canadian community economic development experience, but also makes reference to similar American ideas and practices which have influenced Canadian activists. Canadian community economic development is defined as "romantic" because it is characterized by ample wishful thinking that stems, in part, from the lack of an explicit, geographically sensitive political-economic interpretation of the relation between local economic, political, and environmental

problems and supralocal forces. In fact, community economic development practice is so marginal in Canada that writers and activists have not yet been forced to intellectually challenge their core ethical principles. But the failings of similar American initiatives suggest important limits to local cultural and institutional restructuring in the face of the macro structural logic of capitalist accumulation.

Community Economic Development in Canada

Canadian community economic development is rooted in four separate but related traditions. The earliest projects can be traced to the cooperative movement, especially in Atlantic Canada, in the early twentieth century. In the 1960s, community workers developed an interest in extending the central themes of social work (self-help, participation, and social justice) to local economic empowerment. In the 1980s, the labour movement, especially in Quebec, began to use pension fund money to engage in socially-oriented revitalization efforts in depressed communities. Finally, the environmental movement has recently moved into the community economic development field, giving the Canadian practice its first serious theoretical impetus.

Probably the best known example of community economic development in Canada is the New Dawn project on Cape Breton Island, Nova Scotia.[1] In the late nineteenth century, Cape

Breton was marked by severe industrial conflict between local workers and their overseas English employers. One result was the emergence of an anti-systemic cooperative movement. By the Second World War, however, the founders' vision had been lost and the first generation of cooperatives were no longer agents of social change.[2] They had also failed to develop into strong commercial operations, so that when deindustrialization hit the region in the 1960s the solidarity and institutional resources necessary for collective response were lacking. The federal government attempted to help the regional economy by nationalizing the steel industry, but this failed. With a realization that more external help would not be forthcoming, the Cape Breton Association for Cooperative Development was established in an attempt to reinvigorate the latent indigenous cooperative tradition. Three years later, in 1976, with a local unemployment rate above twenty-five per cent, the Association was renamed New Dawn and incorporated as a non-profit community development corporation. New Dawn was started with just $60,000 of borrowed money. By 1985 its assets had reached $10 million, with investments in dental clinics, a resource center for senior citizens, business enterprises, and housing developments. Yet for all its good work, a $10 million investment in a regional economy of about 150,000 people has been much too small to effectively address long-term structural decline.

New Dawn represents a revival of the early cooperative tradition of community economic development combined with community work themes. In the 1980s the labour movement also became involved in community economic development projects. In opposition to the Conservative national government, with its emphasis on free trade and multinational corporate power, the Canadian Labour Congress (CLC) in 1986 called for an alternative program based on the principles of industrial democracy and community participation.[3] The Quebec branch of the CLC, the Quebec Federation of Labour, has been particularly supportive of community economic development through its "Quebec Solidarity Fund." In 1989, five years after its creation, the Fund had grown to $230 million and was credited with creating or saving about eight thousand jobs.[4] One example of the Fund at work is the Point St. Charles Economic Program (PEP). PEP was started in 1989 in an effort to create jobs, retrain workers, institutionalize new financing tools, and help revitalize the overall local economy in one of Montreal's most depressed neighbourhoods. Community activists argued that initiatives that simply focus on retraining workers when local jobs are not available are insufficient; instead, PEP has attempted to create employment opportunities by directly encouraging the establishment of new socially-oriented local firms, through, for example, financial aid, market feasibility studies, and participatory management

training.[5]

In British Columbia, beginning in the mid-1980s, social workers with a strong interest in small scale, environmentally sustainable development, became a leading force behind many community economic development initiatives. Much of the institutional support has come from the Social Planning and Research Council (SPARC) of British Columbia. Community work, SPARC argues, is much easier in conditions of equitable economic growth since social problems increase with economic distress. SPARC suggests the trade unions, the young, Natives, the unemployed, and the disabled should be consulted in local economic planning, and that non-profit enterprises and voluntary organizations should be seen as important economic actors. The result is a definition of community economic development that differs from mainstream conceptions of local development:

> Community Economic Development is concerned with fostering the social, economic and environmental well-being of communities and regions through initiatives, taken by citizens in collaboration with their governments, community agencies and other public and private organizations, that strengthen local decision-making and self-reliance, co-operative endeavour and broad participation in community affairs.[6]

According to SPARC there were at least three hundred and fifty of these projects in British Columbia by 1988. They were characterized by local ownership and control, maximum possible local employment creation, appropriate-scale technology, environmental sustainability, participatory decision-making within firms and development organizations,

cooperation between community groups, and solidarity with similar initiatives in the Third World. One area of particular emphasis has been the encouragement of informal economic relations, especially the household economy. The latter refers to the production of goods and services used in the home, such as homemaking, food, clothing, education, companionship, and personal care.[7] Community workers seek to link the household economy with the local informal economy through barter arrangements, mutual aid, and voluntarism. The goal is to better match local economic and social needs with latent resources. It is hoped that as individuals, families, and neighbours begin to coordinate their activities and engage in more cooperative endeavours they will increase local social and economic self-reliance.

With the collapse of redistributive regional development planning in the 1980s, and the resulting growth of spatial inequality, the state, under mounting fiscal stress, has become increasingly interested in harmonizing its commercially-oriented neoliberal schemes with more socially-oriented community economic development projects. Consequently, the impetus for community economic development has shifted from community activists and social workers toward traditional development organizations, such as Chambers of Commerce, and their market "rational" initiatives. The result is a growing confusion over the meaning of community economic development in Canada. This uncertainty reflects,

in part, the precarious position of social workers, who in a context of shifting state policy from redistributive to investment measures have been compelled to emphasize entrepreneurial over self-management themes. Moreover, as the practice has changed, so has the underlying account of local economic decline.

Stuart Perry's Communities on the Way reflects this tendency to favour localist and culturalist explanations of local economic conditions that mirror mainstream local economic development thought. Perry suggests that community economic development may be distinguished from mainstream practice by its communitarian principles, which are manifest in a respect for all communities as meaningful social entities. But he also claims that communities can be protected from decline simply by developing their social infrastructure, so that the community may become part of "a pluralistic mainstream [rather than] a revolution against it."[8] This notion of pluralism suggests that capitalism is profoundly malleable, and that uneven spatial development is not structurally generated by supralocal forces. In Perry's words, local economic difficulties reflect a

> poverty of a way of life, the way of the community [revealed in a] lack of the human tools — call them psychological, cultural, political, or social tools — to make a basic change in the local circumstances of life ... local efforts are effectively mobilized only when the community is able to transcend an oversimplified paranoid conceptualization of its problems as being primarily due to outside actors. A reconceptualization takes place in which community leadership places a greater emphasis on creative local efforts.[9]

If local problems were primarily caused by local social failings they would be relatively easy to solve through creative local leadership. Although such an interpretation leads to what seems a practicable policy agenda that does not threaten established material interests, it is largely false. It is probably true that in the most depressed communities the social tools necessary to take advantage of macroeconomic opportunities may be lacking, but in most localities this is not the underlying problem. Specifically, in Canada uneven spatial development is not persuasively explained by referring to cultural differences between relatively prosperous and relatively depressed areas. Or to use a temporal example, the aggregate secular growth in unemployment over the past twenty years has very little to do with changing cultural norms. To the extent that attitudes toward work and leisure have changed this is largely in response to, rather than the cause of, growing unemployment. This is an important point because Perry's refusal to seriously consider political-economic power relations is also reflected in his proposals for development funding. Specifically, he suggests that community groups should avoid the state, and instead follow capitalist firms and how they use the tax system. But Perry suggests that community activists in Canada, unlike their American counter-

parts, do not "worship [the] buck enough," and are reluctant to seek out affluent investors needing a tax shelter.[10]

Thus despite its communitarian rhetoric, Perry's community work approach to community economic development differs little from neoliberal proposals. Yet some community economic development proponents can be more critical of the status quo. David Douglas also approaches the issue from the community work perspective, but he conceives of local economic decline in more systemic terms, noting that community economic development in an "externally patterned social system ... introduces a counter-establishment, advocacy and even confrontational dimension."[11] It is in the environmentalist literature, however, that the issues of power and resource allocation are the most seriously addressed, and it is here that the most theoretically-informed approach to Canadian community economic development can be found. The "green" approach is particularly important because it emphasizes both cultural and institutional transformation. Yet the inherent radicalness of this program is not fully recognized because the argument fails to acknowledge class antagonism and inter-capitalist competition (and their geographical effects) as the necessary macro structural relations of capitalist accumulation.

The Green Approach to Community Economic Development

Many community economic development activists in Canada draw heavily on E. F. Schumacher's classic work, Small is Beautiful. Schumacher is an appealing figure because his argument is couched in the language of the non-socialist left, wherein contemporary problems are explained largely in terms of industrial gigantism rather than class antagonism or capitalist rivalry. Yet Schumacher did explicitly critique capitalism, along with its reform by social democrats, and socialism (defined narrowly as centralized state planning). He argued, instead, for a political project firmly rooted in ethical principles. In particular, he suggested that greed and selfishness are the root cause of present-day social problems, and to pander to these instincts in an attempt to solve the "economic problem" by increasing production is suicidal. Rather, humanity must start immediately to construct an alternate social order based on "wisdom," conceived as sustainability and permanence through small scale social arrangements that reflect the limitations of the human intellect:

> The hope that the pursuit of goodness and virtue can be postponed until we have attained universal prosperity and that by the single-minded pursuit of wealth, without bothering ... about spiritual and moral questions, we could establish peace on earth, is an unrealistic, unscientific, and irrational hope. The exclusion of wisdom from economics, science, and technology was something which we could perhaps get away with for a little while, as long as we were relatively unsuccessful; but now that we have become very successful, the problem of spiritual and moral truth moves into the central position.[12]

Schumacher rejected self-interest and the blind pursuit of material goods since these, he believed, necessarily lead to social conflict. Further, he characterized the capitalist market as the "institutionalisation of individualism and non-responsibility."[13] In the "free market" a narrow economic calculus is applied to everything, thereby attempting to measure the immeasurable. The one-dimensionality of market "rationality" led Schumacher to a cutting evaluation of the capitalist businessperson: "It is no accident that successful business men are often astonishingly primitive."[14] But his critique of capitalism did not encourage a support for socialism. Schumacher rejected not only the usual bureaucratic means associated with socialist practice, but also the objective of a highly productive economy. He argued instead that a non-capitalist society must ultimately be defended not in terms of an increase in material consumption, but in terms of its superior humaneness and democracy. (Actually, few socialists would take issue with this.) Because the central question for Schumacher was not the ownership of the means of production, the challenge to the exiting order should not simply be through socialization, although he did support alternative forms of ownership, such as worker and consumer cooperatives.

Schumacher's approach to economic development is implicit ly disclosed in his distinction between the "bureaucrat" and the "entrepreneur." The former negates innovation for order,

whereas the latter embodies "creative freedom." Like right-wing theorists, Schumacher explained poverty not simply in terms of material deprivation, but as the manifestation of "deficiencies in education [and] organization," which retard social creativity, motivation, innovation, and know-how. But unlike right-wing theorists, he rejected free trade by calling for national self-reliance. Schumacher did appreciate the importance of market demand in economic development, but he refused to emphasize this point realizing that to do so would undermine self-reliance and encourage the import of capital intensive technology in the pursuit of export markets.

Schumacherian themes are widely found in contemporary Canadian community economic development writings, but much of their explicit anti-capitalist character is absent. Community activists will often stress entrepreneurial themes in an attempt to move toward the political center. For example, Susan Wismer and David Pell emphasize the need to develop "entrepreneurial spirit," defined as the ability to find profit-making opportunities and exploit them in a business-like manner.[15] Similarly, Rod Nazewich argues that entrepreneurship, defined as perseverance, self-confidence, ambition, and competitiveness, is fundamental to successful community economic development.[16] Yet Schumacher would not have supported this. His critiques of the social and environmental irrationality of the market and of the businessperson make it clear that his praise for the entrepreneur did not include profit-seeking behaviour, at least not without

fundamental systemic change.

More generally, there has been a clear trend in green thought over the past twenty years toward a reconciliation with capitalism. Although certain cultural values and institutional forms usually associated with capitalism are rejected, these are seen as highly malleable through consciousness-raising and subsequent institutional reorganization. For example, Willis Harman writes approvingly of capitalist firms that "put contribution to meaningful lives and societal well-being ahead of profits," which implies that class antagonism and inter-firm rivalry are contingent features of capitalism.[17] This emphasis on the importance of ethical principles and the malleability of cultural norms is reflected in the underlying themes of the environmental movement: social justice, autonomy, grassroots democracy, community participation, and environmental conservation.[18] It is also linked to a belief in the ease of subsequent systemic change. Judith Harris and Donald Alexander argue, for example, that the "main obstacle [for green community economic development] is not the lack of theory or technique, but a lack of motivation."[19]

A neglect of political-economic reasoning, that is, a theoretical appreciation of macro structural relations, leads easily into localism and culturalism. Guy Dauncey's writings are a rather extreme illustration of this tendency in the green community economic development literature.

For Dauncey the "system," vaguely conceived, is basically sound with the exception of some institutional malfunctions, which can be successfully addressed if cultural re-education is engaged. He stresses the need for individuals to stop seeing themselves "as separate people ... surrounded by potential enemies, obstacles and competitors."[20] Rather, people must "learn to trust [and] love" one another.[21] Dauncey dismisses the need for supralocal working class organization, because the post-industrial economy means "the end of the traditional separation between business and the wider community, and beginning of a new mutuality in which the community cares about business and business cares about the the community."[22] The result is a belief that social change can be achieved through moral exhortation:

> The single biggest obstacle that stands in the way of our achieving what is needed ... is the belief that it is not possible [when] in reality, everything is possible ... The only obstacle to change is our belief that there are obstacles to change: if this one obstacle alone is removed, everything becomes possible ... Reality is only what we make it, so when we see something that seems grim or depressing we have to realize that what we are seeing is not a "thing" that is inherently grim; it is simply a state of mind ... everything we dream of is within our command to achieve ... All that is needed is the will to do it.[23]

Of course, it is true that consciousness-raising is a vitally important component of social change, but neither the perception nor the reshaping of social reality occurs in a political-economic vacuum. Marx makes this point in his classic aphorism:

> Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living.[24]

This passage attempts to disclose how the tension between macro structural relations (which extend beyond the locality) and individual agency in the production of social life, constrains choice by placing it within circumstances that must be struggled over in order to fashion a new collective existence. Material relations not only constrain practice directly, but also give rise to systematically distorted social perceptions that mask class privilege, and which must be acknowledged to make sense of the social world. In fact, to base a program for social change on an ideal, in this case of a socially harmonious, community-based, environmentally sustainable order, may encourage a disregard for current reality, especially those relations that conflict with the ideal.[25] Assuming that the future can be constructed relatively unhindered by the past serves to displace questions of practical feasibility and leads to an emphasis on developing morally compelling ideals estranged from material relations. The green approach to community economic development is characterized not only by an extremely optimistic account of social change, but also by a program of maximum local self-reliance that implicitly requires a profound restructuring of existing institutions to realize environmental and community sustainability.

More specifically, in green thought a central concern is the manner in which natural and social space is commodified by an external market system, or treated in equally instrumental ways by a centralized bureaucratic state. Wolfgang Sachs argues that for greens "the time-honoured conflict about who controls the means of production [is] rephrased as a conflict between centralized capital/labour and local autonomy."[26] Thus for many environmentalists local capital, especially when it is socially owned, is seen as an ally in the struggle against external corporate capital. James O'Connor explains the close relation between environmentalism and localism by noting the substantive site-specific value of geographical space, which is threatened by a supralocal system of exchange based on instrumental rationality.[27] Consequently, greens call for economic development that takes place not according to the logic of an external market or state, but in concert with the social and environmental carrying capacity of the community.

The green approach to economic policy does not completely reject a supralocal spatial division of labour. But it is argued that maximum local self-reliance should be encouraged; that is, everything that can be produced locally -- according to a complex set of economic, cultural, political, and environmental considerations -- should be produced locally. This notion of local self-reliance is based on a distinction between functional and territorial social integration.[28] The former refers to social integration

according to the principle of material self-interest, whereas the latter refers to the privileging of the bounds of place. The neoliberal agenda of free trade and heightened spatial competition is seen by greens as an attempt by corporate capital to increase functional integration by destroying the social integrity of distinct territorial units. It is understood, at least implicitly, that the wealth of the few at the top of the global industrial hierarchy is rooted in the misery of the masses at the bottom. In this sense, then, the green movement is subversive of capitalist accumulation because it challenges a global system, marked by fragmentation, specialization, and inequality, that rests on an exploitive relation between the core and the periphery.

The green development strategy seeks to de-center economic, political, cultural, and environmental decision-making through selective de-linking and spatial closure, hopefully thereby enhancing local autonomy and diversity. Another important consequence, proponents claim, will be a growth in employment by a reduction in the capital intensity of production. This argument is often combined with a call for the informalization of economic activity. George McRobie suggests, for example, that not only does the informal economy create employment, but also it is the only way in modern society to affirm "the values of family and community, cooperation, friendship, sharing, creativity and

self-reliance."[29] More specifically, this means developing the household economy, subsistence activities, voluntary work, barter exchanges, and ownwork.[30] The green and the community work approaches to community economic development agree on the need to increase solidarity, understanding, and cultural identity through the informal economy. For example, David Ross and Peter Usher suggest that the informal sector negates the formal economy's narrow economic calculus by requiring community-based producers to acknowledge the social and environmental consequences of their activities.[31]

One of the most important examples of informalization in community economic development is a generalized form of barter called the Local Exchange and Trading System (LETS). Developed in British Columbia's Comox Valley in 1983, LETS has since spread to over one hundred communities in North America, Britain, Australia, and New Zealand.[32] LETS is a form of social barter that uses intangible "green dollars" which have no value outside of the local trading system.[33] The premise is that participants will use real dollars to purchase non-local goods and services, but green dollars to buy local items. This controls the leakage of money out of the local economy, and allows goods and services to be consumed even if residents do not have the monetary power to signal demand. Transactions are made using a database that lists the goods and services that participants wish to trade, and the green dollar amount they will accept. When a

sale is made the seller's account is credited and the purchaser's debited thus allowing people to consume even if they are not able to directly offer anything in return. Since green dollars do not earn interest there is no monetary incentive not to exchange. By stimulating local circulation, LETS increases local self-reliance and employment even when formal economic relations are absent. As a consequence it liberates previously unutilized local resources in a manner that more conventional market "rational" local development schemes do not.

Although the LETS approach is based on a realization that local supply-side resources cannot simply be thrown into use without consideration of effective purchasing power, it suffers some important limitations. The most obvious is the high transaction costs associated with a green dollar exchange. That is, although LETS stimulates circulation in a manner that simple barter cannot, it is still more cumbersome than real money transactions. Also people employed full-time in the formal economy have a limited capacity to develop the skills valued by the informal sector. Rather, LETS is best suited to a depressed community suffering high unemployment. Increasing the number of participants adds variety to the goods and services being offered, but it also presents a problem of potential defaulters. In fact, the high level of trust that the system requires suggests that it is further limited to a

small, relatively homogeneous community.[34]

But the biggest difficulty facing LETS and the informal economy as a whole is that they are parasitic on the external formal sector. This reveals, once again, the limits of purely local initiatives and the need to theoretically explicate the political-economic relations that connect the community to the broader social totality. The informal sector is often defended by romantic community economic development proponents as a means of displacing commodity production and exchange. Yet as informal activities expand they serve to intensify commodity underconsumption, and therefore capital overaccumulation problems. Moreover, to the extent that the informal sector is used to avoid paying taxes, it undermines the capacity of the state to provide services, including transfer payments to the unemployed, which places greater stress on the formal sector and encourages the further informalization of production.

Romantic community economic development workers displace such concerns by drawing a strict distinction between the informal small scale sector and the formal corporate capitalist economy. But in most parts of the world, informalization is used as a part of capital's strategy to dismantle rigid labour practices, that is, break unions, increase flexibility, and intensify production by reducing costs and negating working class power.[35] Informalization thus should be interpreted within the general context of the crisis of

Fordist capitalism, more so than as a sign of a new socially-oriented form of economic activity. David Harvey observes, for example, odd jobs that were once exchanged freely in depressed communities are now being bought and sold by informal entrepreneurs, shifting the local economic balance from mutual aid to mutal predation.[36] Of course, there are examples of socially beneficial informalization, but these usually result from well-organized social networks which are not found in the most troubled neighbourhoods.[37]

In Canada, as the LETS experience suggests, the informal economy is marginal to the restructuring of corporate capital, and is thus limited and more-or-less benign.[38] Yet this does not preclude the possibility that if the informal sector were to grow to the point of threatening capitalist accumulation, the negative practices found elsewhere would begin to emerge. Even in the most prosperous local economies of the Third Italy, the extensive use of home-working and small cooperative firms has produced pernicious effects which Philip Mattera has described as a particularly "grotesque form of 'socialism.'"[39] So to the extent that the informal sector has grown during the prolonged crisis of Fordist capitalism there is little reason to assume that it can provide a general solution to economic stagnation and heightened inequality. Rather, it seems more likely that informal relations will increasingly be distorted by the same centralizing and differentiat-

ing accumulation logic that proponents of community-based informalization seek to resist.

Community Economic Development Compromised

Community economic development initiatives in Canada, especially in the community work and green traditions, unwittingly manifest the cultural and institutional practices of Fordist stagnation and decline. Further, just as alternative approaches to locality-based economic development in the United States during the 1960s and 1970s were easily compromised by capital and the capitalist state, in the absence of a compelling account of local economic decline and the need for supralocal organization, the same is happening in Canada today. Stewart Perry, an American who is now the chief executive officer of the Centre for Community Economic Development in Sydney, Nova Scotia, recently reviewed the American community development corporation practice for Canadian community economic development policy-makers.[40] Perry notes that there is little evaluative research on the topic, but he does refer to a limited number of studies, mostly dating from the early 1970s. His conclusions, perhaps not surprisingly, are very positive. For example, a study of the business ventures started by a community development corporation in

Massachusetts in the early 1970s found a failure rate of about fifty per cent over a four year period, which Perry contends is an "excellent result," very favourable compared to the usual eighty per cent failure rate of conventional small firms.

However, a more theoretically-informed interpretation to community economic development in North America suggests less sanguine conclusions. Even if community development corporations were to launch socially-oriented business enterprises with slightly superior success rates than conventional firms, this still does not suggest successful community economic development. Looking only at each individual enterprise without addressing the condition of the community as a whole is misleading. When examined from the perspective of community revitalization, the American experience, which moreover is almost without political or environmental objectives, has been most disappointing. In fact, many American observers, ignored by Perry, have put forth rather critical analyses of American community economic development initiatives. Belden Daniels, Nancy Burke, and Beth Seigel observe that these projects have produced little return on their investment, and "community residents, public officials, and private market financial institutions have all become greatly disillusioned." [41] The authors attribute the problems to a lack of technical and managerial expertise on the part of

the development boards. This often leads to the suggestion that community economic development must become more "professional," that is, more removed from the influence of community activists and social workers. But an increased emphasis on more market "rational" projects, such as small scale projects rather than more socially-oriented comprehensive initiatives, merely results in the negation of the core objectives of social justice and community betterment. Further, as chapter two disclosed, even more mainstream, less socially ambitious projects have not generally succeeded because the more "rational" the decision-making process the less attractive to capital the economically depressed community becomes.

William Duncan offers an alternate account of the failings of the American experience that is also relevant to community economic development in Canada.[42] He traces the problem to the effects of growing "professionalization," which has led to the separation of political action and community participation from narrowly conceived business development projects. Duncan observes that merely creating a new small firm in a sea of market forces fails to challenge the deeply-rooted institutional problems of the local economy so that it begins to work better for poor residents. The American community economic development and mainstream local economic development programs have thus failed because they are largely isolated business development

schemes, which are too limited to address the political-economic workings of local economies. A much more strategic and comprehensive approach is required. But Duncan argues that such a change will not be forthcoming unless community organizations return to their roots in political activism. This critique is more compelling than most, but it still does not go far enough.

Since community work-inspired initiatives are the most extensive form of community economic development practice in North America, they are the most prominent and straightforward to critique. But because the green approach rests on very similar assumptions about the nature of local economic development and decline, a critique of community work projects applies, with few exceptions, to green forms of community economic development. Guy Dauncey's work helps to clarify these similarities. Dauncey argues, from the green perspective, that the centralizing tendencies of the economic system can be negated by efforts to increase the rate of new small firm formations. This supply-side stimulation argument rests on an unwillingness to explore the role of unemployment, and, more generally, uneven spatial development, under capitalism.[43] Dauncey thus calls the present condition of mass unemployment "absurd" without realizing that unemployment is not by definition irrational in a market economy; in fact, capital finds it a highly effective tool to discipline workers.

Neoliberals support the small firm sector because it is viewed as a vehicle to help derigidfy production, reduce real wage levels, and attack working class solidarity. Greens, such as Dauncey, support a small firm stimulation strategy because small enterprises are thought to be community-based. Such an interpretation fails to realize that capitalist economic slumps manifest the overproduction of capital; that is, there are already too many producers, the excess of which must be purged through painful bankruptcy. These bouts of place-specific devaluation reveal capital struggling to restore an equilibrium between supply and demand. Yet Dauncey attributes bankruptcy simply to a lack of commitment on the part of the producers. Thus his response to past community economic development failures is not to critically reconsider the conceptual foundations of the practice, but to call for a more enthusiastic "entrepreneurial" approach: "The spirit of enterprise is one of initiative, courage and creativity, which expresses vitality in a society."[44] How competitive entrepreneurship in the pursuit of profit -- in a capitalist context -- is to be reconciled with the stated goal of widespread community sustainability (not to mention the nurturing of love and trust) has yet to be explained.

In fact, Dauncey's wishful thinking is far from atypical. In the same vein, Marcia Nozick believes that almost anything is possible if only

sufficient commitment is forthcoming. She argues, for example, that in a cooperative enterprise "it is the participants themselves who decide the rules and processes in the workplace so as to fit their own needs and aspirations."[45] In fact, in a capitalist economy it is the consumers, divided by profoundly unequal purchasing power, and the regulatory regime constructed by the capitalist state, which largely determine the conditions in the workplace. It is precisely this empowering of consumers at the expense of direct producers, in a context of class domination, which underpins capitalist organizational and technological restructuring. Workers are able to determine their work conditions only to the extent that the firm's profitability is not threatened. This is true of a capitalist firm, a community-owned enterprise, or a worker cooperative. In other words, the logic of capital accumulation shapes the entire social formation, and produces by necessity numerous socially irrational consequences, especially for economically peripheral communities. And yet Nozick suggests that poor people, with limited or no capital and experience, in marginal communities can ease their troubles by establishing new socially-oriented enterprises. Moreover, in addition to successfully pursuing a range of environmental, political, and cultural objectives, these firms may be so profitable that excess profits can be donated to community social services.

Romantic community economic development proponents assume, following neoliberal commentators, that profitable business opportunities are not being exploited in depressed communities. But they extend this belief by suggesting that market profitability can be achieved simultaneously with social and environmental objectives. This reflects an unwillingness to accept the unpalatable fact that the capitalist space-economy is not a wholly contingent phenomenon that can be reshaped at will. It is, rather, rooted in the underlying logic of the capitalist accumulation process, which is largely independent of the desires of individuals, community organizations, social movements, the capitalist state, and even large capitalist corporations. It is because there is a deeply-rooted, supralocal, macro structural logic to capitalist spatial development that a political-economic theory is needed to guide community economic development practice. Otherwise these projects, no matter how radical their ethical principles, will be easily compromised by powerful external forces. This is the lesson of over twenty-five years of community economic development in the United States.

Joan Roelofs attributes the decline of the New Left in America to its diversion "into safe, legalistic, bureaucratic, and occasionally profit-making activities."[46] In the 1960s throughout North America many community organizations emerged aided by community workers. This era of

radical community-based social work was short, however, as these initiatives troubled traditional agencies like the United Way, which in the United States abandoned its support for university social work departments and turned to training its own community workers to ensure more conventional practices.[47] In the context of prolonged economic stagnation beginning the the 1970s, more conservative forms of community work re-emerged, characterized by a retreat from overtly political schemes and the promotion of self-help and entrepreneurship. This meant that to receive funding community organizations had to define local social and economic problems in terms agreeable to the state and affluent donors, that is, as the consequence of maladjusted individuals or a pathological local culture which has eroded the work ethic, sexual restraint, and enterprise. To explain local problems in class terms and to call for supralocal political organization is considered "unprofessional" (and therefore unfundable). For example, Edward Blakely argues that community-based anti-poverty projects can only succeed if they avoid the "mistakes" of the 1960s, and instead "hold true to entrepreneurial values: creativity, decentralization, and market discipline."[48] The idea that entrepreneurship and market discipline in a capitalist environment centralizes wealth and power, and creates pockets of unemployment and poverty, is not considered. The grounding principle of North American

community work has, in fact, become little more than an attempt to promote individual change, so that the once "maladjusted" may become "productive" members of a "free market" society.

In British Columbia the fear of alienating its contributors has led the Social Planning and Research Council to avoid overtly encouraging non-capitalist enterprise structures. Rather, SPARC calls for business, labour, government, and community partnerships, while seeking to break new institutional ground in the restructuring of local economies. Yet business groups have their own agenda when entering into partnership arrangements with local governments and community groups, which does not include nurturing alternative business forms. Any partnership agreement will not be as participatory and democratic as proponents suggest. Instead, corporate values and bottom-line profitability requirments tend to drive project selection, while "irrational" initiatives are rejected and their supporters labelled "unprofessional." Moreover, as community groups redirect their attention and resources toward business development, they are less able to engage in supralocal organization-building and political action since they are further severed along geographical, and sometimes ethnic and racial, lines.[49] The effect is to render community organizations devoid of clear social objectives distinct from cultural re-education and isolated

business development schemes.

The classic American example of the compromise of community economic development is the transformation in the 1970s of the black power movement into black capitalism. Beginning in 1969 the Nixon administration set out to redirect the Democratic Party's "War on Poverty," marked by a desire for greater social justice through community empowerment, into projects designed to encourage self-improvement and individual entrepreneurship through the spread of the cultural values of "rational" self-interest.[50] By exporting right-wing ideology the elite hoped to justify class privilege and subvert the capacity of the poor to resist their subordination through an alternative set of ideas. Black community organizations, for example, could receive funding only so long as the goal of local empowerment was defined in terms of local black capitalism.[51] Roelofs points out that although American community development corporations have returned a mere five per cent of their budgets from profitable investments, the hundreds of millions of dollars of corporate and government funding over the past twenty-five years has helped to pacify black inner city neighbourhoods, and encourage the emergence of "responsible" black community leaders who understand the importance of entrepreneurial cultural values.[52] As one community activist stated: "One day I was an anti-poverty worker ... The next day I discovered I was a shopping mall

developer."[53]

If community economic development initiatives are to reorganize local economies in such a way that they begin to work in the interests of poor people, a great deal more than community-level cultural and institutional change will be needed. Without a political-economic understanding of the capitalist space-economy and the material interests it necessarily serves, community projects will fail to engage in the broad range of supralocal political activities necessary to address the underlying forces responsible for uneven spatial development. Of course, individual and community institutional and cultural change is necessary, and it is true that an emphasis on theory and strategy will not guarantee success. But theory can point to practices that have little possibility for success, and it can guide practices that begin at the individual and community levels but which center on the macro structural relations which must ultimately be challenged.

There is reason to believe that community-based action can nurture such a critical consciousness. Howard Buchbinder offers an illustration of how local activists and community workers demystified the dominant ideology in the Just Society Movement in Toronto between 1968-71.[54] Members of the community organization, after a period of learning through failed struggle, began to redirect their attention away from

achieving token participation in the state's social service delivery system, and came to the realization that what had really failed the poor people of Toronto was an economic system that places private profit above social need. This consciousness-raising was stimulated by radical community workers who sought to translate individual problems, such as unemployment, into public issues, which required redirecting attention away from supposed individual and local cultural pathologies toward the systemic failings of the capitalist economy. Admittedly, the organization did emerge in a much different political-economic context than that of the early 1990s, and it did eventually disband; nonetheless, there is some precedent to suggest that as community economic development initiatives press against the cultural and institutional limits of current political-economic structures, they may too affect an incipient critical consciousness.

Something like this has happened in the United States with the growing realization that community economic development projects have failed to regenerate local economies and create a more socially just space-economy. Thomas Lenz, for example, has criticized his fellow development workers for a "faulty understanding of the political economies of poor communities," and an unwillingness to put the plight of the urban poor into a larger context of "the powerlessness of poor and working class people in America."[55] For Lenz, poverty in America reflects a lack of economic

power to purchase the necessities of life at market prices, and a lack of political power to demand the non-market provision of basic human needs. The best course of action, he suggests, is the political organization of poor and working class people to demand wealth redistribution. But he does not address why the American state has reduced its already meagerly welfarist policies. Increasing political pressure is a necessary but far from sufficient condition for redistribution. From the perspective of capital during a period of overaccumulation, it is possible to see the limits of traditional social democratic redistribution policies. In fact, this has been the lesson of social democratic reformism over the past fifteen years in Western Europe, which has led to a new "pragmatism" that emphasizes supply-side restructuring and wealth generation, including community economic development projects that, as chapter four will suggest, are not dissimilar from the romantic strategies attempted in North America.

CHAPTER FOUR

PROBLEMS IN "PRAGMATIC" COMMUNITY ECONOMIC DEVELOPMENT: THEMES FROM GREAT BRITAIN

Alternative forms of locality-based economic development in North America and Great Britain have much in common, such as the desire to include community groups, minorities, and trade unions into the local planning process. But unlike the largely spontaneous projects in Canada, community economic development initiatives in Britain emerged out of a much more theoretically-conscious debate over Fordist economic restructuring. The result has been a relatively comprehensive, statist, working class approach that seeks to pragmatically engage with, rather than withdraw from, the restructuring process, based on an understanding that the economic development of depressed communities cannot -- in a capitalist context -- come at the expense of private profitability. Yet these initiatives have also been characterized by a good deal of wishful thinking. Despite a much more realistic interpretation of political-economic relations, community economic development in Britain, as in North America, has been driven by a desire to put forth immediately practicable initiatives that, due to their localist supply-side enhancement orientation, have become

implicated in the accumulation logic of overproduction and spatial competition, thereby failing to challenge the underlying forces responsible for uneven spatial development.

The Rise and Fall of Municipal Socialism

The Labour Party's interest in community economic development, although this exact term is not used, can be traced to the Community Development Projects of the early 1970s. The national Labour government established the Community Development Project in 1969 to research and address the social and economic problems of depressed urban neighbourhoods and rural towns.[1] The initiative was originally premised on the belief that community problems were rooted in individual and family cultural pathology, and required social workers, trained in self-help techniques, to retrain poor people to accept more "rational" social behaviours. Research soon suggested, however, that the founding assumption's internal explanation of local problems was too simplistic as it ignored wider political-economic forces, such as the effects of deindustrialization, disinvestment, and changing national government policies in the context of a general economic slowdown.

Although the Community Development Project researchers were able to transcend the mainstream "blame the community" approach to local economic troubles, and embrace a supralocal

class understanding, they faced a difficult problem of linking their analysis to politically feasible community-based policies. The Project researchers did suggest that worker cooperatives should be encouraged in depressed communities as part of a small firm stimulation strategy, but this did not rest easily with their call for working class consciousness-raising and political action.[2] In fact, the local Labour authorities, the object of the policy suggestions, were far less able to challenge capitalist class relations than the national government, which had been won back by the Conservatives in 1970. Although the Community Development Project was not able to articulate a strategy to overcome the problem of uneven spatial development in the context of the beginning of the crisis of British Fordism, it did have a lasting effect by redirecting the Labour Party away from cultural approaches to local economic problems and toward more production-based policies, which evolved in the early 1980s into the call to revive the early twentieth century municipal socialist movement.

Severe social and economic problems associated with the disintegration of Fordist relations in Britain gave rise to a political response in the election of a fiercely neoliberal Conservative national government in 1979. One consequence was a significant politicization of local economic planning. The national government, philosophically

opposed to industrial and spatial policy, deregulated markets and opened the country to foreign competition in the hope of inducing supply-side improvements through profound economic, cultural, and political restructuring. The seven metropolitan councils, all held by the Labour Party in 1981, attempted to offer an alternative political agenda, and combat the central government's claim that they were responsible for urban deindustrialization and rising unemployment. To offer such a challenge required not only breaking from the conventional land-use planning approach to local economic intervention, but also, more importantly, it necessitated a new post-Keynesian approach to British Labourism. The municipal "socialist" program that emerged attempted to meet both challenges by directly intervening in the production process, with the goal of institutionally reorganzing local economies so that they could function better for working class and unemployed people. This represented, more generally, a reaction to decades of Labour Party demand-side Keynesianism that accepted the capitalist production system, and its class relations, as essentially rational, and sought only to redistribute wealth after it had been privately appropriated, and to selectively nationalize "unproductive" economic sectors. Thus the municipal socialist program reflected an appreciation that traditional demand-side reflation measures intended to stimulate working class consumption in a country like

Britain, with a very open economy and significant supply-side weaknesses compared to its competitors, would risk increasing imports, inflation, and interest rates.

The supply-side socialist agenda as it came to be defined in the 1980s was based on an underlying goal of creating a more responsible, motivated, and ultimately productive workforce by progressively challenging capitalist social relations of production. This translated into proposals for: worker cooperatives; community businesses; local, regional, and national control over capital investment, through plant closing legislation; full taxation of corporate profits earned abroad; new democratic financial institutions (such as community or regional investment boards); the use of union pension funds, direct state investment, and increased state regulation over private banking and insurance companies; active labour market policies (especially in education and retraining); an incomes policy; and greater public infrastructure spending.[3] Some of these proposals were attempted in Britain by the municipal socialists, summarized in their political slogan, "restructuring for labour." That is, the metropolitan Labour authorities accepted that profound social restructuring was necessary after the collapse of the post-war Keynesian welfare consensus in the late 1970s. Borrowing from market failure theory, the municipal socialists argued that "free market" restructuring would intensify economic (and social) irrationality.

Instead, the well-being of local citizens should be privileged, they suggested, and then the appropriate role of market forces could be decided. They argued, in other words, that the necessary restructuring should be according to the interests of local working people and the unemployed, rather than than the "free market," with its accompanying unemployment, wage reductions, and spatial inequality.

Specific development projects initiated by the metropolitan councils attempted to improve the quality of work-life, enhancement management decision-making, democratize local economic planning, establish municipal enterprises and worker cooperatives, and encourage people-centered technology and socially-useful production. The ultimate objective, according to Geoff Green, was to "demonstrate socialism at work and prefigure the institutions of a broader socialist society."[4] Central to this program was a challenge to the London-based British financial system, which was blamed for political interference and chronic capital misplacement due to its international orientation and short-termism. To overcome capital market failure, the councils established enterprise boards to tap profit-making opportunities, especially in middle-sized manufacturing firms outside the southeast that were attempting to introduce new products with a long-term profit horizon. These firms were thought to be particularly vulnerable to foreign competition due to the institutional structure of the British financial system relative to that of other nations, such as Germany, that are capable of

providing direct equity capital. Moreover, the democratic control of investment funding provided by the enterprise boards could, it was argued, nurture socially-useful production, worker cooperatives, and minority-owned firms. In return for funding and market research assistance, the enterprise board would strike planning agreements with the assisted enterprises in order to improve production technology, increase union membership, enhance worker safety, and encourage worker retraining. The increased use of flexible manufacturing technology was seen as especially important for improving the competitive position of British manufacturing and protecting relatively well-paying trade union jobs.

In practice there were significant variations between the enterprise boards of the different metropolitan authorities. The Greater London Enterprise Board was the most socially-oriented, whereas the others were less political, and the Merseyside Enterprise Board was, in fact, not very active at all, largely because it was not believed that the regional economy was marked by exciting untapped profit-making opportunities.[5] The Greater London Enterprise Board also differed from the others because it made three exceptions to a general rejection of attempting to stimulate the small firm sector. These exceptions were: support for small firms if they were in an economic sector dominated by small firms; support for small worker cooperatives; and support for small minority-owned firms. But as critics pointed out at the

time, all small firms in a capitalist environment, even worker cooperatives, are subject to the same rules of competition, which means that they will be under constant pressure to restructure in order to increase labour productivity in a context where larger, more established firms possess prohibitive advantages.[6]

The municipal socialist experiment did not go as the Labour authorities had anticipated back in 1981. With the re-election of the Conservative national government in 1983, the immediate goal of laying the foundation for the post-Thatcher government was dashed. Instead, a more aggressive national government responded to the local Labour challenge by abolishing the metropolitan level of government in 1986. This came after a sustained political attack from Conservative politicians and the Tory press. Tom King, the Minister for the Department of the Environment, called the local Labour leaders "Town Hall Pol Pots," while Norman Tebbitt, the Minister of State for Industry, took particular aim at the Greater London Council (GLC) claiming that it was "creating poverty, killing industry, breaking the law, and helping criminals ... The GLC is typical of this new, modern, divisive version of socialism. It must be defeated. So we shall abolish the GLC."[7] Yet the demise of the municipal socialist experiment was not entirely due to hostile external forces. The metropolitan councils made their own mistakes, encouraged, in part, by the use of left-wing institutionalist

economic theory that focused critical attention away from global capital overaccumulation and toward local institutional failings, such as incompetent management and capital placement irrationality.

Motivated by the belief that local supply-side factor endowments were deficient, the Labour metropolitan authorities pursued policies that stimulated production, and unwittingly shifted capital devaluation onto the backs of producers (and thus workers) in other jurisdictions. Yet the councils were attempting to offer a relatively painless form of economic restructuring that would not sacrifice the interests of the British working class. Improving firm management with increased trade union input, for example, was so appealing because it seemed to tackle economic problems by identifying local supply-side deficiences that were amenable to local policy initiatives. This proved to be overly optimistic. Local supply-side failings (such as poor management, outdated technology, wasted labour productivity through unemployment, racism, and sexism) do certainly exist, but attempting to increase economic growth by eradicating these problems through localist policy, and thus avoiding the traditional capitalist means of restoring economic equilibrium (bankruptcy, unemployment, market deregulation) have proved to be insufficient to address the depth of the problem. One obvious weakness of the municipal socialist exercise was that the local Labour authorities operated under the same scale constraints that plagued more traditional local

economic planning. There was little possibility that local governments could do much, given the nature of the crisis, their limited resources, and the fact that their jurisdicational boundaries had little in common with powerful economic relations. The Sheffield development agency, for example, claimed to have created about one thousand jobs between 1981-84, compared to a loss in the city over the same period of about one thousand jobs per month![8] When it became clear that the metropolitan scale of government was too weak to be used effectively as a vehicle to challenge capital and restructure local economies in the interest of working people and the unemployed, the policies became progressively less ambitious.

One consequence of the metropolitan authorities' local agenda was a tendency to focus on small firms, most clearly seen in the Greater London Council initiatives, because they are the most easily influenced economic sector. They are also the most dependent on local demand and most prone to ruthless spatial competition. In other words, to suggest that the solution to local supply-side deficiencies is to increase local labour productivity -- without a supralocal geographically coordinated strategy -- serves to shift problems of aggregate capital overaccumulation onto other localities, since, in general, the increased demand that results directly from supply-side upgrading is not sufficient to meet increased productive capacity. To mobilize idle investment capital for production

innovation, such as the utilization of new flexible manufacturing equipment, assumes, at root, a technological path out of the overaccumulation crisis. This is not totally improbable, if working class consumption is not sacrificed to increase the pool of investment capital, but it still does not negate spatial competition. That is, land, labour, and capital cannot be liberated from devaluation, even with new production technologies, and thrown into circulation to produce profits as easily as is commonly believed. Devaluation is the normal route out of capitalist economic crisis, usually delayed for a time through debt creation, whereas a high investment, technological improvement approach is a gamble that risks exacerbating overproduction tendencies. In other words, booms and slumps (and the latter's supply-side waste) reflect not the malfunctioning of capitalism, easily amenable to state intervention, but its normal operation. It should not, therefore, be surprising that the capital market funding gap, which the enterprise boards sought to fill, was much smaller than originally anticipated. Even though the funds the enterprise boards had available were limited, only about two per cent of business proposals were funded, and even then the boards lost money.[9] The Greater London Enterprise Board, for example, lost seven million pounds in its last year of operation; although after abolition, a new streamlined board, with reduced operations and without social objectives, made a profit of three million pounds in 1986-87.[10]

Thus after the original promise of 1981, the British

supply-side municipal socialist experiment, designed to both enhance and challenge market "rationality," was replaced by a return to business as usual. John Lovering writes: "It would be no exaggeration to say that local economic strategies have been largely hijacked by capital and the right."[11] What the British experience revealed was not so much the transcendence of traditional social democracy, but another Labour attempt, this time at the local level, at state-managed capitalism. In the words of Alan Clarke and Allan Cochrane: "Not quite 'in and against the market,' more 'in the market to make it work a bit better at no real cost to the investors.'"[12] The national Labour Party, the political object of much of the experimentation, still has not been re-elected; in fact, after the disastrous 1983 defeat, the party returned to the center, subscribing once again to a social democratic agenda of selective welfarism and a reconciliation with market forces.

The Left-Wing Institutionalist Response

Left-wing institutionalists have responded to the disappointing results of the 1981-86 municipal socialist period by reaffirming their belief in the importance of flexible manufacturing technologies, and suggesting that what is needed is a more "realistic," that is, less interventionist, approach to local economic planning. Such an approach would include an emphasis

on local labour market policy intended to improve the supply of skilled workers, which are needed for flexible production, design, and distribution. According to Michael Best, the enterprise boards, especially the Greater London Enterprise Board, attempted to do too much. Rather than acting as a bank of last resort, a management consultant, a property manager, and a technology transfer agency, an enterprise board should be used in a more strategic manner by focusing on improving competitiveness in international tradeables. Best argues that Britain does not suffer from any significant capital market failure, but is characterized by a chronic supply-side deficiency in the entrepreneurial, managerial, and labour skill quality of its manufacturing base.[13]

The left-wing institutionalists thus see the municipal socialist experiments of the early 1980s as an educational experience in the difficult task of constructing a new post-Keynesian leftist agenda. More generally, the current economic situation is seen as the result of a decline in the demand for mass produced consumer items; but as the demand for customized products grows this opens possibilities for the renewal of craft-based production, such as family-based small firms, and the re-emergence of relatively self-contained regional economies. The socialist potential in these developments, Grahame Thompson suggests, follows from the inter-firm cooperation that flexible specialist production encourages.[14] For leftists this suggests a viable new political program where traditional concerns over the ownership of the means of

production is replaced by an interest in promoting non-hierarchical workplaces. For workers to realize the potentially beneficial features of flexible specialization requires, left-wing institutionalists argue, new forms of state regulation, especially locality-based pluralist tripartite planning. In an economy where knowledge is key, and where workers possess power because of their specialized knowledge, a partnership with capital is realistic and politically progressive. The challenge for the left is to make such agreements as democratic as possible, so as to bring as much social benefit to workers and their communities as successful economic development permits.

Charles Sabel, in one of the more compelling statements along these lines, critiques neoliberal policies because during a period of instability they have exacerbated the forces of market anarchy and spatial disequilibrium. A more promising alternative, Sabel suggests, is to construct a development program that seeks to stabilize the economy through: 1) regional labour market initiatives that focus on education and retraining to address the increased polarization that accompanies automation; 2) a regionalized social insurance system designed to stabilize working class purchasing power; 3) regional inter-firm cooperation through information pooling. These policies would emerge locally and regionally, but then, hopefully, develop into a new "macro-regulatory system of flexible specialization."[15] Sabel argues that

this is the best that leftist spatial policy can hope to achieve in a post-Keynesian environment, where the welfare state is in retreat, growth pole policy designed to attract unsophisticated low-wage manufacturing branch plants will no longer work, high-technology industrial parks have overwhelmingly failed, and municipal Keynesian public works projects cannot address the magnitude of contemporary problems. The only alternative to neoliberal deregulation, he contends, is for local authorities to take over the vital regulatory responsibilities currently being abandoned by national governments. This means, for example, that localities should pursue social and economic policies intended to encourage the emergence of "consortia of firms with complementary specialities [through the provision of] an infrastructure of permanent innovation at the service of the new firm groups."[16] Most importantly, such infrastructure includes research and development facilities, and transportation upgrading to allow for just-in-time production systems.

Paul Hirst and Jonathan Zeitlin suggest that the municipal socialist initiatives of the early 1980s were flawed, but argue that a return to demand-stimulation Keynesianism is impossible.[17] Instead, socialists must continue to work with market forces, but attempt to extract a better deal for workers by coherently integrating macroeconomic, microeconomic, sectoral, and spatial policy. Hirst and Zeitlin contend that the failure of the enterprise boards does not represent the error of local initiatives, but the need to integrate local

schemes into a broad network of initiatives. More specifically, they argue that local policies should be developed in the context of an industrial strategy committed to the competitive success of the manufacturing sector, based on the stimulation of exports through assistance for: product development; organization; marketing; research and development; market research; education; retraining; information pooling; along with low interest rates; a tax policy to encourage manufacturing investment; and an incomes policy to limit working class consumption.

Hirst and Zeitlin reject state funding, because the information required assumes intimate knowledge that is localized within private sector firms. Rather, the localized nature of relevant information suggests that development initiatives should attempt to develop local information networks, which consist of local government officials, research specialists, and business and labour representatives pooled together into cooperative organizations that would engage in market forecasting, exhibitions and promotions, public relations, and flexible specialization technology sharing and worker retraining. The objective would be to create new regional economies, marked by "networks of small and medium firms in mutually supporting but diversified clusters of industrial lines."[18] This is a long-term development policy that must be pursued for at least twenty years; moreover, it prioritizes economic growth, so that worker cooperatives, social accounting,

socially-useful production, and many of the other schemes of the municipal socialists are jettisoned.

Yet seeking to realize quasi-socialist ends through a flexible specialization-based strategy is a high risk agenda for leftists. At issue is whether the best political strategy for the left is to use institutionalist theory to seek a new supply-side, post-Keynesian social democracy, or to pursue more classically socialist ends on the assumption that an increasingly powerful capital has no intention of abandoning its goal of global laissez-faire for new regulatory schemes that seek to empower working people and the local state. Indeed, even if capital, in the midst of worsening economic conditions, were prepared to accept a more regulated social order, it is likely that the elite would prefer their own parties to institute new interventionist schemes. Further, what are the unemployed and poor to do for the twenty or more years it will take before profit-oriented, supply-side initiatives begin to deliver a healthy rate of capital accumulation that will allow redistributive measures? And most importantly, what will happen in the meantime to the less competitive localities, regions, and nations, especially in the Third World, as spatial inequality increases in a more "rational" global economy? Before "socialists" accept such a compromised agenda, it would be wise to think more fully about the possibilities for a more equalitarian future.

Pragmatic Community Economic Development Reconsidered

The return to an interest in supply-side economics by leftists reflects not only the growing influence of institutionalist thought, but also a revival of Marxist economics in the English-speaking world during the 1960s and 1970s. Samuel Bowles, a leading Marxist, contends: "Every Marxist economist must be a supply side economist."[19] Because supply-side Marxists recognize that although there are demand problems the root cause of capitalist economic difficulties must be traced to the social relations of production, Keynesian policies are seen as unable to address the underlying cause of the long-term decline in capital profitability. This has prompted a serious debate amongst Marxists. John Bellamy Foster, for example, writing in the Keynesian-Marxist tradition which addresses both supply and demand factors, rejects demand-oriented "overconsumption" theory, because it explains present economic troubles in terms of the strength of the working class.[20] For Foster, it is impossible for the working class to be too powerful under capitalism; rather, according to the system's deep logic there will always be more capital than profit-making investment opportunities, thus workers can never overconsume.

This is an important debate because of its implicit assumptions about spatial scale and the geographical logic of capitalist accumulation. More specifically, a supply-side approach encourages local policy, although supply-side

Marxists seek more explicitly anti-capitalist policies (such as worker cooperatives and democratic control over investment) than left-wing institutionalists. On the other hand, a demand interpretation leads to the dismissal of local initiatives because it is difficult for local forces (i.e., the local state or local working class) to increase consumption without antagonizing capital. For example, Aram Eisenschitz and David North, writing in the underconsumption Marxist tradition, critiqued the municipal socialist strategies of the 1981-86 period, suggesting that local supply-side problems were really "symptoms of the overproduction of capital and not themselves the causes of decline."[21] Thus the Labour authorities were guilty of "presenting utopian solutions which ignore the constraints of the market and do not provide convincing answers to overcoming crisis."[22] This is, in other words, a macro structural, global scale critique of local supply-side stimulation policies, which points to supralocal (actually supranational because the nation-state is now no longer able to effectively stimulate demand) class struggle as the only genuinely pragmatic approach to current economic problems.

On the whole this global analysis is correct. But if the argument is pitched at a lower level of analysis, then a <u>slightly</u> different conclusion can be reached. That is, on the global scale it is difficult to imagine a capitalism where the working class has become so strong that it has

brought the entire system to the point of collapse through overconsumption. But at the less than global scale, it is possible to see that a working class can be too strong for its domestic capital, thus creating profitability crisis and capital flight. More specifically, insufficient levels of local capital investment over a period of time, caused by too much working class appropriation of the social surplus, can create supply-side deficiencies relative to competing capitals elsewhere. Thus in localities or nations with a comparatively weak working class, marked by low levels of consumption, surplus value, especially that realized through export, may be reinvested to improve labour productivity. The classic capitalist response, evinced in neoliberal supply-side local economic development policy, is to increase spatial competition assuming that the coercive pressure of bankruptcy and unemployment will reduce wages and compel capital investment spending. The left-wing institutionalist alternative is quite similar to the neoliberal approach. It too attempts to reduce domestic working class consumption and increase capital investment in order to upgrade supply-side factor endowments, but because at least some supply-side waste is seen as "irrational" or dysfunctional for capital accumulation, it is believed that the vicious spatial competition of the neoliberal, or more specifically neoclassical approach, can be avoided.

On closer analysis, the left-wing institutionalist approach proves to be less promising than it may first appear.

It is not completely flawed because some supply-side waste is in fact irrational in market terms. But most supply-side waste, including unemployment, is very "rational" and very much part of the capitalist growth dynamic. The left-wing institutionalists implicitly accept this by encouraging spatial competition, and thus additional supply-side waste, between nations; although they reject competition between localities within nation-states. From the perspective of the working class this qualification is of marginal value. In general, capitalist overaccumulation is dealt with through devaluation, which is necessarily place-specific. But the left-wing institutionalists lack an explicit global theory of capital overaccumulation crisis, and are thus inclined to argue for increased exports without appreciating how this shifts the burdens of devaluation onto the backs of workers elsewhere. This is how capitalism generates economic growth, and it has nothing to do with "socialist" cooperation. It would be comforting to believe that local projects can somehow subvert global political-economic forces, and that the difficult task of working class coalition building across geographical boundaries can be displaced until a later date, but this is mistaken.

Michael Rustin makes the useful argument, although seldom heard these days, that a new socialist program must be rooted in an understanding of the <u>global</u> dimension of capital accumulation and crisis.[23] To stress the importance

of the macro structural, supralocal logic of capitalist accumulation is simply another way of saying that local projects must begin from a sober, realistic analysis of the capitalist space-economy. This is not to fetishize the global economy (which is obviously the aggregate of local political-economic relations) but it is the primary scale of capitalist reality. To call for a localist supply-side program is deeply problematic, because it means adapting to the same deeply-rooted forces that were primarily responsible for local decline in the first place. In other words, these schemes are incapable of solving local economic problems, and creating a socially just space-economy, because uneven spatial development is inherent within the logic of capitalist accumulation.

Abstractly speaking, the only ultimate solution to the place-specific bouts of devaluation, and the reactionary localism that follows, is (classically defined) "socialism." Workers must replace competition with cooperation, which is only possible through working class solidarity and supralocal collective action. From this perspective, there is no local supply-side high investment social democratic route out of the present crisis. The traditional social democratic agenda of redistribution through the social wage is even less promising. To wait until some of the social surplus is in the hands of the working class, and then attempt to reallocate it through progressive marginal tax rates risks a tax revolt, and encourages workers to push for higher wages in

a context of declining capital profitability. But in a genuinely socialist economy social surplus takes the form of a social fund, which is consciously controlled and allocated according to democratically determined social and environmental criteria, including spatial equality.[24] Only the macro structural relations of socialism can offer a just space-economy, because within this system investment decision-making would be determined at the global, rather than local or enterprise, level. According to socialist theory, transfers of wealth would still occur, along with regional specialization, but this would be a democratically determined spatial division of labour relative to the objective of balanced spatial development.[25] Classical socialist theory thus demands that the working class organize and act on the global scale, so that the fundamental contradictions of class struggle and inter-capitalist rivalry that are rooted in the value-form are negated, along with their geographical correlate of spatial disequilibrium.

This perspective does not preclude community-based organization or even local economic planning. The latter may help so long as local supply-side failings can be addressed to take advantage of existing macroeconomic opportunities without engaging in spatial competition. Whereas localities that pursue spatial competition may gain, they do so only at the cost of reinforcing <u>capitalist</u> spatial development (i.e., hurting workers elsewhere and negating the possibility for community sustainability within the context of a socially just

space-economy). Consequently, both the "romantic" and "pragmatic" approaches to community economic development are largely utopian because they pursue an objective that they cannot realize. Rather, community initiatives must be pursued with the ultimate goal of transcending the existing capitalist relations of production. This implies that local projects must be linked to other democratic struggles at the community, regional, national, and international scales that also seek to challenge the logic of capitalist accumulation. As chapter five will attempt to argue, this is not quite as farfetched as it may sound.

CHAPTER FIVE

OBSTACLES TO SOCIO-SPATIAL EQUALITY

Community economic development has arisen out of the social and technical contradictions and failings of capitalist spatial development, and, more importantly, its core goal of widespread community sustainability cannot, ultimately, by realized within the basic macro structural relations of capitalist accumulation. Rather, community sustainability can only be assured in a context where the social surplus is subject to democratic control and consciously determined allocation, in constrast to capitalism where it exists as surplus value and is allocated largely by private agents under conditions of market competition. The idea of a cooperative, equalitarian social order under conscious, democratic control represents the classical definition of socialism. Yet it would not be difficult to critique a classical socialist program for community economic development. A library could be filled with anti-socialist tracts proclaiming that the macro structural relations of a genuinely socialist order cannot be realized. There is much validity to such arguments, but this is not the place for an extended evaluation. The purpose of this chapter is simply to observe that many of the cultural and in-

stitutional requirements for, at the very least, a more socially just space-economy already exist within some community economic development practice. What really is at issue is how far can community economic development initiatives be pursued toward the goal of ending class antagonism and inter-firm competition within and beyond existing political-economic structures. It should be noted, however, that even if this objective could be realized it still would not bring absolute regional equality, since uneven spatial development is not wholly caused by the logic of capitalist accumulation. The uneven distribution of natural resources, agglomeration effects, and pre-existing spatial patterns all have a role in the production of the space-economy. Nonetheless, community economic development practices that nurture the growth of worker ownership and democratically controlled financial institutions (i.e., relations that challenge the institutions of capitalist accumulation) can lessen spatial inequality and improve prospects for widespread community sustainability.

Democratic Locational Decision-Making

As modern society becomes increasingly complex, the capacity to understand and act in a socially conscious and collective manner toward achieving a pre-defined end, such as socio-spatial equality, seems to be receding. In fact, it is

not clear what would constitute a just social order. This is a significant point because a central weakness of the classical Marxist critique of capitalism is that it is pitched at the abstract macro structural level, which posits severe social and economic problems rooted in the capitalist accumulation process, leading to a similarly abstract call for a new social order that somehow institutionalizes social freedom, equality, and self-management.

The classical socialist pursuit of a social order capable of developing in a self-conscious and socially just manner is based on a critique of market relations under capitalism. Markets are exchange forums where agents meet to buy and sell commodities in self-interested fashion according to price signals. In mainstream theory the result is an equilibrium between supply and demand, which is achieved without conscious social intervention. In reality, however, equilibrium is not reached, and, moreover, the technical and social failings of market-based resource allocation often give rise to calls for conscious, democratic control.[1] For example, when capital investment is left solely to the market, in the context of class division and indeterminate final demand, the result is systemic overshooting, followed by periodic, painful corrections through place-specific devaluation.

The idea of ex ante or planned social control versus the seemingly anarchic ex post coordination of the market

system has long held great appeal. Right-wing theorists, however, have for just as long claimed that the only feasible alternative to a market economy, that is, the only way in which ex ante coordination can be institutionalized, is through centralized planning over an entire society. Friedrich Hayek in his classic anti-socialist work, The Road to Serfdom, argued that the pursuit of conscious social control requires an agent to act on behalf of society, and this agent, by necessity, must be the state.[2] Governments must take from individuals their decision-making freedoms and responsibilities, and make socialized decisions without the same concern or information. Writing in 1944, Hayek observed that socialists no longer claimed that a consciously planned economy would be more efficient than a market capitalist economy, only that centralized control was necessary to achieve the goal of social equality. Such an objective may appear morally appealing, he argued, but if it were strictly achieved it would bring political tyranny and the end to the monetary incentives necessary for the hard work and innovation that underpin a healthy economy and society.

If it is agreed that the difficulties associated with ex ante coordination are significantly greater than was once thought, and the experience of the Communist regimes seems to give ample practical evidence of this fact, it does not follow that ex post coordination is either fully desir-

able or realizable. More generally, Karl Polanyi observed that there are three ways to allocate resources: direct reciprocity; planning; or the market.[3] In practice all three have their limitations, and are thus used simultaneously. For example, private corporations and the state attempt to coordinate and influence major capital investments in all developed capitalist economies.

In fact, the possibility for some conscious regulation of market relations has led many socialists to call for a predominantly worker-owned economy that uses all three modes of resource allocation, but which privileges the market for practical (i.e., information and incentive) reasons. These so-called "market socialists" contend that although some of the problems associated with market-based allocation are inevitable, even in a regulated socialist context, markets are still superior to all viable alternatives. In the words of a leading market socialist, Alec Nove, "[i]t is not enough to dislike the market. It is indeed necessary to be aware that its operation can have some undesirable consequences. It is just that all practicable alternatives are worse."[4]

Yet many writers on the far right and left have dismissed market socialism as incoherent and unworkable. Hayek, for example, wrote:

> most people still believe that it is must be [sic] possible to find some middle way between "atomistic" competition and central direction. Nothing, indeed, seems at first more plausible, or is likely to appeal to reasonable people, than

> the idea that our goal must be neither the extreme decentralization of free competition nor the complete centralization of a single plan but some judicious mixture of the two methods. Yet mere common sense proves a treacherous guide in this field ... Both competition and central direction become poor and inefficient tools to solve the same problem ... the result will be worse than if either system had been consistently relied upon.[5]

From the classical Marxist perspective, Ernest Mandel has made a similar argument. Markets and plans, he observes, have distinct "laws of motion" because markets allocate resources ex post and plans ex ante: they cannot be combined. Further, markets and plans diffuse different cultural values and motivations. Markets require self-interested "rational" behaviour, whereas plans, ideally at least, nurture socially conscious and responsible decision-making:

> To believe you can assure need satisfaction through greed, private acquisitive drives, universal competition and strife, and simultaneously foster growing cooperation, solidarity and respect for universal ethical rules, is ... a case of having your cake and eating it.[6]

Although markets, regardless of their institutional and cultural mediations, produce characteristic results there is a danger in taking these fundamentalist arguments too far. Experience suggests that market economies are a good deal more malleable than either classical Marxists or liberals once believed. Whether this malleability in the context of non-capitalist property relations could be enough to achieve socialist ends is difficult to foresee. One thing is clear, however, such ends could not be achieved in an economy of separate community enterprises or worker cooperatives devoid of ex ante investment coordina-

tion.

It was for this reason that Marx was ambivalent about the nineteenth century cooperative movement. He saw the cooperators as putting forth a perceptive critique of the systemic flaws of capitalism, but then reproducing these same defects in their own enterprises. Marx was most critical of the consumer cooperatives, recommending that "the working man ... embark on co-operative production rather than on co-operative stores. The latter touch but the surface of the present system, the former attack its groundwork."[7] The solution, in other words, was not isolated consumer cooperatives, but worker cooperatives on a national scale with planned coordination between each branch so that the social surplus could be consciously and democratically distributed between consumption and investment to assure macroeconomic stability and social equality. Thus Marx writing about the Paris Communards suggested that they had prefigured the future socialist order by initiating a move toward planned socialized cooperation:

> If co-operative production is not to remain a sham and a snare; if it is to supersede the Capitalist system; if united co-operative societies are to regulate national production upon a common plan, thus taking it under their own control, and putting an end to the constant anarchy and periodical convulsions which are the fatality of Capitalist production -- what else, gentlemen, would it be but Communism?[8]

Without such a break from capitalist production, independent worker cooperatives competing against each other and the capitalist sector would achieve only an ideological victory,

by showing concretely that capitalists are the superfluous coordinators of social labour, but would not truly challenge the dominant class or the market system.[9]

Although the classical Marxist vision of socialism precludes market allocation for technical (macroeconomic instability) and social (alienation, inequality, greed) reasons, it is possible to acknowledge the importance of ex ante coordination, while also appreciating the information, incentive, and decentralization advantages of ex post relations. Such a compromise is not simply a theoretical possibility: it already exists in the form of the Mondragon system of worker cooperatives, perhaps the world's most famous community economic development initiative. What makes Mondragon so important is that it challenges the fundamental relations of accumulation -- class antagonism and inter-firm competition -- that underpin capitalist spatial development. Obviously the Mondragon cooperatives exist within and compete against the dominant political-economic macro structure; yet they are internally democratic, relatively egalitarian, and economically efficient, due in large part to a unique system of planned resource allocation. Mondragon's importance for community economic development theory is such that it is worthy of further discussion.

Mondragon is a town of about 30,000 located in the Basque Country of northeastern Spain. In 1943 a fascinating

experiment in local cooperative development was initiated by Father Jose Maria Arizmendi, a Jesuit priest, with the establishment of a technical college. Immersed in the teachings of its founder, five graduates from the school formed the first cooperative in 1954, with the aim of creating local jobs, reducing workplace alienation, and protecting the Basque people from economic and cultural assimilation with the rest of Spain.[10] In the very favourable macroeconomic conditions of the post-Second World War boom, the cooperatives thrived and spread throughout the region. There are now over 20,000 worker-members in more than one hundred producer cooperatives, forty-three schools, fourteen housing cooperatives, one consumer cooperative (with more than 40 stores), a college, a technical research institute, and a credit union (with over 500,000 members).[11] Each cooperative is committed to eight fundamental principles: democratic self-management; efficient operation; management-labour cooperation; member equity contribution with limited direct return; job security and workplace discipline; solidarity with allied cooperatives; unity with the local community; and maximum job creation.[12]

Mondragon's Caja Laboral Credit Union is especially important, because as a central coordinating institution it is able to effectively address many of the systemic weaknesses usually associated with cooperative development.

Since the early nineteenth century, worker cooperatives have been touted by leftists as an important element in the anti-capitalist movement. Yet because of their failings little progress has been made toward a worker-owned and managed economy. For example, in 1975 there were fewer than twenty worker cooperatives in all of Britain.[13] In a context of mass unemployment, the worker cooperative sector has grown rapidly in recent years, especially in Britain and North America. But this growth belies the difficulaties faced by mostly isolated, marginalized, and undercapitalized small firms. With limited financial resources, due in part to a reluctance of mainstream financial institutions to provide funding, worker cooperatives in the English-speaking world are usually found in economic sectors marked by low entry barriers, poor wages, and ruthless competition. Dependent on internal financing, worker cooperatives suffer from low rates of technological innovation and labour productivity growth. Even when they are successful, the surplus can only be consumed or reinvested back into the cooperative. This lack of flexibility in capital investment seldom makes macroeconomic sense.

In addition, internal financing means that during an economic downturn worker-owners are especially vulnerable, because bankruptcy means not only the loss of employment but also a loss of savings. The result is that worker cooperatives are difficult to close, since the members are

willing to endure extremely low wages and poor working conditions to keep their firms solvent. Although this is beneficial in terms of short-term employment stabilization during economic downturns, it often exacerbates problems of macroeconomic inefficiency. Further, because worker cooperatives have flexible wages and rigid employment levels they respond sluggishly to improved demand conditions, which renders them vulnerable to their capitalist competitors. The result is that worker cooperatives tend to remain small or convert into traditional capitalist partnerships.[14]

One solution to the institutional failings of the worker cooperative sector is to develop a second tier of cooperatives to open and close firms. The Caja Laboral Popular credit union plays this role in the relatively comprehensive Mondragon system of cooperatives. The credit union provides the first tier of cooperatives with a central coordinating institution that: finds new worker-owners; undertakes research and makes equity investments to establish new firms; offers ongoing managerial assistance; shifts members, technology, and capital between existing cooperatives; and closes down unsuccessful firms. The success of the credit union is revealed in the fact that since it was established in 1959 over one hundred new cooperatives have been started with only three failures.[15]

Each start-up is a complicated and expensive process for the Caja Laboral Popular credit union, since it requires

extensive research and worker-owner training. Every new cooperative is started from scratch, so that the new members are imbued with the appropriate cooperative work culture. Usually the prospective managers are selected at the beginning to undergo special training, while the credit union's entrepreneurial branch engages in the necessary feasibility studies and develops a business plan. Much of the necessary information and financing is donated from the various branches of the system. In return the new worker-members agree to a pre-determined distribution of the surplus a portion of which is credited to their savings account to be removed until retirement. Instead, each employee is paid a salary that ranges, throughout the entire system, from 3:1. The "social entrepreneurs" and top managers thus willingly forego the financial rewards that their talents and knowledge could bring in the class-based capitalist system, and this allows for a relatively egalitarian distribution of wealth.[16]

As a form of community economic development, Mondragon is the most promising model now in existence. But it is not without its flaws. Although the Mondragon system allows for socially conscious investment and income distribution decision-making, this takes place only at the regional level in the midst of much more powerful capitalist forces. Thus Mondragon only hints at what is necessary to assure a more just space-economy at the national and international levels.

Within its limited domain, the Mondragon system provides

for a relatively even distribution of investment capital, because the worker-members own the surplus and there is no need for capital flight in order to discipline labour. But the Mondragon cooperatives still practice inter-firm competition with the capitalist sector, through supply-side upgrading, in a context of increasingly severe global overproduction. To avoid this competition would require a coordinating institution, like the Caja Laboral Popular credit union, on, at least initially, the national scale. Yet if there was only one such institution, the resulting centralization of resources and decision-making would create information, and perhaps motivation, problems similar to those experienced by the Communist system of central planning. Moreover, this level of centralization would negate opportunities for community self-management. What this suggests is the need to nurture, at the very least, a national working class consciousness that would allow for resource allocation through a hierarchical network of democratic coordinating agencies operating at the community, regional, and national scales. In other words, within a nation-state there would need to be some competition between a relatively small number of coordinating institutions. They would be regulated by the state, which itself would engage in spatial equalization and redistributive taxation measures.

To create a socially just global economy is an even more daunting task. But abstractly speaking, it would require the establishment of international coordinating agencies that

would function as democratic versions of the World Bank and International Monetary Fund. The relative mix between cooperation and competition, public and private action, centralization and decentralization is open to much debate. However, a serious discussion of these issues is currently emerging in the market socialist literature.[17]

More challenging than developing abstract models of a social order that could provide both ex ante coordination and community self-management is the thorny problem of transition. How is it possible to pursue progressive social change without having the transformative elements of each initiative compromised or negated by a political-economic context that is essentially hostile? The experience of the cooperative movement is quite disheartening in this respect. The most obvious problem is that the favourable macroeconomic conditions necessary for successful cooperative development, also allow for the existing capitalist sector to grow and prosper. Mondragon's rapid expansion during the 1960s, for example, coincided with a period of strong economic growth throughout the Spanish economy. From 1960 to 1973 Spanish GDP grew at a rate of 7.4 per cent annually, second only to Japan among developed capitalist nations.[18] During this period the the manufacturing sector grew over ten per cent per year. But from 1974 to 1985 Spain entered a period of economic stagnation, with GDP growth only 1.6 per cent, which is

far below the 2.5 per cent expansion necessary to maintain existing employment levels. Even the relatively strong 4.5 per cent annual growth of the 1986 to 1990 period failed to stop the process of deindustrialization that began in the 1970s and has been particularly damaging for the medium-technology manufacturing that marks the Basque Country. In fact, the new areas of growth in the emerging post-Fordist Spanish economy are located along the Mediterranean coast, where a pleasant climate and the lack of a traditional industrial infrastructure and work culture have attracted mobile capital and information technology production.

The reorganization efforts of the Mondragon cooperatives as they strain to adapt to a changing external capitalist system is an old story for cooperative development schemes. For example, in Canada a large scale cooperative movement first emerged in the 1930s. It was guided by a clear anti-systemic political program that sought to replace the existing order based on market competition with an alternative system based on cooperation. Over time, however, the movement politics of the early cooperators subsided, as members increasingly pursued marginal material gains within the dominant system. George Melnyk, in fact, observes that the original political objectives of the Canadian cooperative movement have become something of an embarrassment for today's commercially-oriented cooperative institutions.[19]

A recent study by Edward Greenberg on the worker cooperatives of the plywood industry in the United States points to similar conclusions.[20] Greenberg found that political motives, such as a desire for self-management, had little influence on the decision of worker-members to join their cooperatives. Moreover, the cooperative experience left the worker-members more likely to hold individualistic political values and vote Republican than unionized workers in competiting capitalist mills. This suggests that the direct experience of ownership in a context of market competition can lead to a negation of progressive political ideals. In fact, Greenberg argues, somewhat presumptively, that a worker cooperative movement intended to democratize the wider American economy and society represents a "political deadend."[21]

A Two Phase Romantic-Pragmatic Approach to Community Economic Development

In the present demoralizing context of economic stagnation and leftist political retreat, the prospects for a genuinely transformative community economic development movement, one that would challenge the class and inter-firm relations that underpin capitalist spatial development and prevent widespread community sustainability, appear exceedingly bleak. Even though a powerful movement capable of profound

social change is absent today, some important local advances are still possible that may help to lay the foundation for more far-reaching change in the not-to-distant future. In part this is because the general direction of a community economic development program capable of realizing a more socially just space-economy is clearly discernible. Such a program must challenge the class relations and inter-firm rivalry of capitalist accumulation through new workplace practices and coordinating institutions that allow for the conscious allocation of social surplus. More specifically, the present beleaguered state of anti-systemic forces suggests the need for a <u>romantic</u> optimism about the possibilities for significant improvement in the human condition, but also the need for a <u>pragmatic</u> appraisal of contemporary political-economic conditions and the possibilities of a theoretically-informed strategy that seeks supralocal macro structural change.

As the preceding chapters have stated, local social and economic troubles are not simply the result of discrete local cultural or institutional deficiencies. Rather, in most cases in the developed capitalist world the logic of spatial integration is such that local conditions are primarily explainable in terms of supralocal macro structural relations. Mainstream local economic development initiatives that seek merely to improve a community's supply-side endowments, in a context of severe overproduction,

can in fact encourage capital to abandon relatively unprofitable locations, thereby leading to greater socio-spatial inequality.

Community economic development initiatives that avoid serious political-economic reasoning are also likely to be compromised by the deeply-rooted logic of capitalist spatial development. For example, development schemes that simply seek to address the location of capital investment decision-making or the scale of production, based on an assumption of profound system malleability, are insufficient to achieve their stated goal of widespread community sustainability. The limited progress possible through strictly localist policy does not extend to the creation, or even nurturing, of greater local self-reliance, especially at a time when capital is pursuing greater locational specialization and an ever more extensive spatial division of labour. This kind of community economic development has been easily compromised, moreover, because its proponents are often social workers, employed by the capitalist state under severe fiscal stress, or mainstream environmentalists who, wittingly or unwittlingly, adhere to the principles of "green capitalism."

Rather, community economic development activists must come to the realization that only the conscious allocation of social surplus, in a relatively centralized but democratic manner, can realize widespread community

sustainability. Mondragon provides a limited but important illustration of a bottom-up development program that has expanded over time to more effectively challenge class relations and, to a lesser extent, inter-firm rivalry. Community economic development schemes in other countries can learn form the Mondragon experience in the pursuit of three practicable objectives: limited redress of some local economic problems; education of residents about the interdependent workings of capitalist spatial development, and the nature of feasible alternative political-economic structures, institutions, and values; and the nurturing of locally-based organizations of progressive collective action.

First, community economic development initiatives, in the midst of significant local supply-side deficiencies, may help to stabilize the local economy by mobilizing un- and underutilized factors of production through creative efforts that reconcile economic and social "rationality." Improved education and training, information networks, and capital market institutions, and pro-social cultural values may all be adequately pursued at the local level, with the important caveat that they do not threaten the well-being of other communities, and thereby reinforce capitalist spatial development. Whereas this defensive form of community economic development may be relatively practicable, it is strictly limited because most local

economic problems are not the result of discrete local supply-side deficiencies amenable to localist policy. No matter how successfully implemented, a community economic development program that fails to successfully challenge the logic of capitalist spatial development -- marked by systemically-generated periodic accumulation and spatial switching crises -- cannot realize the stated goals of its proponents.

Second, community economic development initiatives that attempt to nurture new capital allocation and work-place institutions and values, such as Caja Laboral Popular-type credit unions, worker cooperatives, community businesses, and municipal enterprises, can help to develop the skills and knowledge necessary to build an alternative social order that seeks to combine individual liberty, economic equality, and social justice. Admittedly, under alternative macro structural conditions these institutions would function differently, but some of the fundamental relations of a market socialist society can be experimented with in a predominantly capitalist context. More immediately, community economic development schemes can educate locals about relations of power and interdependency, and the limits of democratic reformism under capitalism, by helping to disclose how surplus value is locally appropriated and supralocally allocated by private agents largely unconstrained by conscious public oversight.

Third, the educational aspects of community economic development may, moreover, play an important role in the emergence of class-based forms of collective action. Collective action emerges from shared circumstances, interests, and understandings that are, initially, rooted in spatially bound everyday social interaction. Because the community is the main site of daily activity for most people, it helps to provide the social identity that is necessary to develop the organizational resources that sustain supralocal collective action. There is thus a clear connection between community economic development and more comprehensive forms of social struggle. Yet the social agents engaged in collective action are often defined in non-class terms. In fact, racially, ethnically, locality, and gender constituted collective agents characterize much community economic development activity, including Mondragon. It is here that political-economic theory is of critical importance, because it can guard against narrowly sectionalist special interest forms of collective action. That is, a geographically-sensitive political-economic approach to community economic development reveals that purely localist and other non-class forms of social struggle are insufficient by themselves to effectively challenge the supralocal macro structural forces that are primarily responsible for local economic problems. Rather, it is necessary to

link local social struggles to supralocal collective agents, most especially the labour movement. In fact, the building of an international workers' movement committed to profound social change should be the central focus of leftist energies and resources today. It is only through an international working class movement, within which community economic development activists can play an important but subordinate role, that supralocal macro structural transformation is possible, and with it the promise of widespread community sustainability.

PHILOSOPHICAL APPENDIX:
HISTORICAL MATERIALISM AND LOCAL EFFECTIVITY

A critique of capital logic reasoning and a defense of the proactive capacity of the community has been explored over the past decade by the so-called "locality researchers," as part of a more general critique of essentialism, or more specifically economism, in radical human geography. This debate has raised numerous interesting and important questions about the nature of social causality and the efficacy of spatial relations, issues worthy of extended comment. The controversy, at root, revolves around an epistemological dualism between contingency and necessity, and its seeming correlate of local voluntarism and macro structural determinism.

Some geographers have argued that all macro structural theory, especially that informed by capital logic reasoning, is simply too abstract to adequately explain the concrete space-economy. Trevor Barnes, for example, has suggested that abstract explanations of uneven spatial development should be supplanted by "local models," which would seek to represent the

> specific, economic, and cultural context in which action occurs in a given place and time. Such representations by definition must be synthetic, because the relevant context itself is made up of a number of different features: micro and macro geographical processes, symbolic and "real" characteristics, and past and present events. The point is to provide the texture and the richness of the locale so that behaviour there is understood.[1]

Whereas Barnes argues that geographical explanation should seek to explicate specific temporal and spatial settings, in the form of contextual accounts that appreciate local detail and diversity, Julie Graham goes further and takes the anti-essentialist celebration of the local to its logical conclusion, by calling on geographers to give up on efforts to explore deeply-rooted necessary relations, such as the accumulation dynamic under capitalism.[2] Rather, she argues in favour

of so-called "non-essentialist" theory-building that does not seek to distinguish necessary from contingent relations, or, more specifically, macro, meso, and micro levels of determination, Moreover, Graham observes because theory cannot identify determining causes -- only a multiple of causes of more-or-less equal importance -- it should be seen only as a "social intervention," to be judged according to standards internal to each theoretical enterprise.

These arguments have developed out of the movement for a "new regional geography," and are illustrated in the work of many of the locality researchers who seek to explicate the geographical or context dependence of social life.[3] More specifically, according to a growing number of geographers local and regional social relations are so deeply embedded in site-specific contingencies that abstract theory can say little about them. Consequently, locality sutdies usually take the form of contextual accounts that attempt to keep social relations together in their temporal and spatial surroundings, rather than divide them into parts for abstract theoretical purposes. As one commentator recently observed, the new regional geography seeks to hold "together the complex interplay of the local and supralocal and [take] seriously the constitutive role of class, of gender, of ethnicity, and of culture in the production of place."[4] In sum, then, the new regional geography and locality studies with which it is often associated represent a belief in the inherent role of local and regional structures in the constitution of wider social relations.

The British sociologist Anthony Giddens is one of the more influential writers in this area. According to Giddens, social life unfolds through the reflexive monitoring of agents as they move through time and space. The continuity necessary for successful reflexive monitoring is provided by the "locale":

> The situated nature of social interaction can usefully be examined in relation to the different locales through which the daily activities of individuals are co-ordinated. Locales are not just places but settings of interaction ... settings are used chronically -- and largely in a tacit way -- by social actors to sustain meaning in communicative acts.[5]

In other words, locales are physical settings that aid social reproduction

by providing the context required for meaningful communication. It is within settings that enduring social relations are materialized through the interaction of actors whose beliefs, understandings, and roles are formed by the surroundings(spatial and temporal) within which they are socialized.[6]

This social psychological approach to social reproduction includes a role for spatial relations that is negated in more abstract capital logic reasoning. Yet there is a problem when geographers conflate the locale with the region or locality. Giddens in fact clearly states that the locale has no necessary spatial scale: "Locales may range from a room in a house, a street corner, the shop floor of a factory, towns and cities, to the territorially demarcated areas occupied by nation-states."[7] Unfortunately this definition is so broad that it is quite unhelpful; nonetheless, the immediate question is not whether the locality can serve the function of a consciousness modulating locale, but whether it should be implicitly privileged at the expense of causal forces operating at other spatial scales. What is really at issue is the more general degate surrounding the explanatory power of historical materialism. This issue will be returned to shortly.

One of the central reasons why locality research is so appealing to critics of economism in human geography is that the emphasis placed on culture, meaning, and intentionality provides scope for agents to interpret broader scale social relations and potentially transform them through locality-based mobilizations. This optimism constrasts sharply with formulations that focus on supralocal power relations rooted in material reproduction. It is not incidental that the growing interest in "local effectivity" developed in Great Britain in the 1980s as a response to politically significant spatial variations in the restructuring process that seemed to render questionable capital logic interpretations, which, allegedly, conceive of accumulation crises as macro structural phenomena producing the same or very similar concrete effects everywhere, including in local civil societies and states. The locality researchers responded by claiming that heightened spatial differentiation, especially in political responses to economic distress, must be explained by addressing the causal role of the particular bundles of accumulation

and reproduction relations found in each locality.

Phil Cooke has been the most prolific and vigorous proponent of this interpretation.[8] According to Cooke, localities should be conceived of as efficacious social actors relative to their initiative-taking capabilities, where the latter is defined in cultural and institutional terms. More specifically, general social processes are not seen as mysterious all-powerful phenomena that determine the nature of every local social relation, but are rather simply those relations that are widely replicated in a multitude of local economies, states, and civil societies.

For locality researchers, because local state and civil society relations are held to be quite autonomous from general economic relations, there is a possibility for significant spatial variability in local economic conditions depending on the cultural and institutional resources of each locality to nurture more successful economic practices in comparison with their neighbours. The logic of capitalist accumulation working through the coercive effects of ruthless inter-capitalist competition thus does not render political and cultural practices spatially invariant, but rather blends with local particularities, which may include differing cultural predispositions towards cooperation or individualistic competition, thereby creating a complex pattern that cannot be undersood without an appreciation for the causal efficacy of meso and micro level contingencies.

An alternative, less voluntaristic, approach to local effectivity has recently been put forth by Kevin Cox and Andrew Mair.[9] According to these writers, spatial variation discloses that localities contain a subset of the social structures which constitute the wider formation; in other words, parts of the accumulation and reproduction structure are necessarily localized to minimize movement, and differentiated to maintain inequality. The division of labour thus takes on a spatial form with each locality constituted by a particular mix of productive forces, employment patterns, reproductive relations, social norms, ethnic and gender practices, neighbourhood organizations, natural resource endowments, and so on. With political and economic change, especially in class relations and technological forms, these localized ensembles modulate

the emerging social order. More specifically, Cox and Mair observe that class formation takes place, in part, within localities and it is here that a territorial consciousness develops, as residents come to define themselves as locals with shared interests. In fact, capital seeks to nurture the working class' local identification in an attempt to reduce consumption and increase the size of the accumulation fund for investment. The result is a local politics that consists of mediating the local social structure's integration into the broader system on terms most favourable to local capital, with little regard for the consequences to other localities. The emergent powers of the locality, in this formulation, are traced to these localized business-directed mobilizations that generate causal forces greater than the mere sum of local individual agents. Local effectivity is thus defended by Cox and Mair, but unlike in the writings of many locality researchers it is devoid of any politically progressive component.

Cox and Mair in fact have moved quite far from local effectivity formulations that invert the base-superstructure metaphor at the heart of historical materialism (or at least the epigrammatic version found in Marx's famous Preface to A Contribution to the Critique of Political Economy). Yet even the most circumspect comentators tend to see localities as relatively cohesive entities, at least when it comes to nurturing a geographical consciousness and common identity. This leads Andrew Jonas to observe that locality researchers have failed to adequately integrate "determinant structures which 'occupy' broader spatial scales ... into explanations for events in localities."[10] It may well be true, he goes on to suggest, that a company town is often marked by a strong shared identity, but this is an exception:

> "Locality" is a meaningful concept only in relation to the interests of individual people, and not necessarily to groups of co-located people. The potential danger associated with locality studies is that, in their search for unique local social processes, researchers will reify the locality ... Place, as it were, in this manner takes priority over people.[11]

The question of local effectivity, and more generally the nature of the social production of the space-economy, can be fruitfully approached by returning to the historical materialist interpretation of social

development, which as briefly introduced at the beginning of chapter one in a critique of Banfield's "culture of poverty" approach to material deprivation. Historical materialism represents the key intellectual foundation upon which radical theoretical economic geography has been built over the past two decades, whereas locality research represents an implicity rapprochement with the individualism (i.e., an emphasis on efficacious parts rather than the emergent whole) of mainstream social science. That is, locality research -- when devoid of macro structural theory -- can mirror the localism that characterizes mainstream writings on the community, and which, more specifically, underpins the "culture of poverty" approach to economic inequality.

For Marx, in constrast, local political and cultural relations are rooted in, and explained by, the material circumstances within which they are embedded:

> In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. [12]

More fully, this formulation posits that the social relations of production, or class relations of economic control, constitute the underlying basis for the legal, political, ideological, and ethical relations of the superstructure. Together the social relations of production and superstructure correspond to the level of the development of the forces of production, that is, the means of production and labour power (or workers' skills, experiences, creativity, and so on). The evolution of the social totality is thus constrained by the nature of its constituting economic structure, or, more specifically, the social relations of production and and superstructure are maintained to the extent that they advance the development of the forces of production.

It is possible to read this account as suggesting that temporal and spatial variability is limited, so long as the encompassing logic of capitalist accumulation is present. In other words, local institutional forms of capital and cultural practices are rendered relatively passive

as ontological primacy is assigned to the fundamental class relations of capitalist production. In The German Ideology, Marx suggested something close to this in his discussion of the expansion of capitalist relations and the breaking down of, first, community barriers, and, second, national impediments to the universalization of competition. The establishment of the world market, Marx contended,

> forced all individuals to strain their energy to the utmost. It destroyed as far as possible ideology, religion, morality, etc., and where it could not do this, made them into a palpable lie. It produced world history for the first time, insofar as it made all civilised nations and every individual member of them dependent for the satisfaction of their wants on the whole world, thus destroying the former natural exclusiveness of separate nations ... big industry created everywhere the same relations between the classes of society, and thus destroyed the peculiar individuality of the various nationalities.[13] (emphasis added)

This apparent denial of significant spatial variation in social, cultural, and political relations under capitalism manifests itself in Marxist theoretical economic geography in the form on an abstract restriction on the capacity of territorially-conscious proactive localities to progressively mediate the enveloping logic of accumulation. In reaction, the locality researchers have sought to restore the causal integrity of local social relations. To the extent that Marx's brief writings on local and national autonomy are interpreted as more than a theoretical first approximation, then the conceptualization of localities as locales that nurture identity and provide bases for social mobilization may be quite helpful. But when the notion of locality as actor is developed within the context of the jettisoning of historical materialism, and its replacement with a grounding ontology lacking determination (i.e., where all social relations are said to be of approximate equal causal weight) then locality research becomes a form of intellectual and political regression.

The latter conclusion can be avoided through an examination of the use of abstraction in historical materialism. Often such an inquiry is associated with a rejection of the strict base-superstructure distinction, and a defense of the causal significance of the state, ideology, and culture. The result is a more contextual or conjunctural form of

analysis, which seeks to elucidate temporal and spatial variation under capitalism by acknowledging the reflexivity of bounded social actors. Thus unlike economistic readings of historical materialism that negate meaningful potency to non-economic relations based on an assumption of pervasive social levelling caused by market competition, in this less deterministic formulation difference and specificity are acknowledged to have significant theoretical and political importance. This is an appealing argument to many geographers. Stephen Resnick and Richard Wolff, whose writings have influenced a number of geographers such as Julie Graham, argue that historical materialism should be reconceptualized in such a way that denies ontological primacy for the economic structure.[14] Rather, historical materialism, they argue, should address the totality of all social relations, which form a complex, self-contradictory, over-determined (or mutually caused), nonemergent whole that does not dominate its constitutive parts.

Yet the critique of historical materialism as overly abstract and intrinsically estranged from the complex causality of concrete existence need not lead to relativism. Between economistic essentialism and voluntaristic relativism is a resonable middle ground that does not require rewriting historical materialism, but rather requires a more charitable interpretation of how Marx conceived of the relationship between the economic structure and social consciousness.

Marx's study of history suggested to him the error of separating the ideal and the material, not the irrelevance of the former. The ideal can only be understood, Marx argued, when contextualized in material circumstance. In The German Ideology Marx laid out his critique of the study of social development in terms of "pure consciousness," stating: "From the start the 'spirit' is afflicted with the curse of being 'burdened' with matter."[15] But in the same work he proceeded to critique "pure materialism," or the study of material relations without regard for "human sensuous activity, practice."[16] Marx's Third Thesis on Feuerbach thus reads:

> The materialist doctrine that men are products of circumstances and upbringing, and that, therefore, changed men are products of other circumstances and changed upbringing, forgets that it is men who change circumstances and that it is essential to educate

> the educator himself. Hence, this doctrine neccesarily arrives at dividing society into two parts, one of which is superior to society.[17]

The reference to education reveals that Marx clearly rejected a simple cause-effect relation between the material and the ideal, but rather saw the production of social consciousness as deeply problematic. If the ideal was merely derivative, as the pure materialist such as Feuerbach believed, there would be no use in the dissemination of the bourgeoisie's worldview amongst the working class. It is precisely because social consciousness is so important that it is a vital terrain of class struggle. The conscious production of social life, and the need for the dominant class to construct a self-legitimizing "commonsense," discloses Marx's appreciation for the difference between a relation that is mechanically determined and one that is self-consciously constructed. The former is alien to Marx because it negates "sensuous activity," and the manner in which the ideal — in specific circumstances — becomes material.

The debate in historical materialism surrounding the causal efficacy of the material versus the ideal is rooted in the use of abstraction in social theory. This is because the more abstract, or simple, a causal account, the greater the degree of determination and the lesser the role of the creative human agent. Conversely, the more concrete an explanation the greater the role of consciousness-induced variability. In general, Marx's abstractions were derived to represent the workings of a relatively pure (i.e., competitive) capitalism, rather than refer to the more abstract category of class societies as a whole, or a more specific national or regional social formation.[18] Marx's theoretical writings, in other words, abstract out the details of particular countries or individuals, and focus instead on competitive capitalist structural relations. It would be a mistake, therefore, to conceive of his writings on social development as a powerful general theory, which may be applied deductively to real world practice without reference to mediating causal processes. Rather, historical materialism is best understood as a heuristic, based on the thesis of asymmetrical causality that is traced to the fundamental processes of material reproduction, and which suggests,

and in fact requires, explication at less abstract levels of explanation. Conjunctural analyses are helpful to inquire into the relative causal power of basic social relations as they vary from setting to setting. It is also true, however, that causal analyses that fail to draw on higher level theorizations are of limited value. What is required is a continuous process of dialectical explication where higher level abstractions modify, and are modified by, lower level abstractions.

This epistemological formulation, which states knowledge is achieved through abstraction, represents a clear rejection of empiricism. For Marx, real world empirical facts, or the domain of the "real concrete," cannot be know through pure induction.[19] Rather, knowledge is socially constructed through intellectual categories that may either be estranged form the material world or concretely derived to represent material relations. The latter are called concrete abstractions: they seek to specify simple, basic relations that constitute the real concrete, and thereby disclose the underlying necessary structures that are manifest through social practice. It is important to acknowledge that the social relations of the real concrete cannot be infallibly appropriated into the "thought concrete." The basic act of categorization in the search for causal relations necessarily requires the setting aside of seemingly extraneous detail, precluding full and complete intellectual representation. But this does not mean that all representations are of equal value. Rather, the validity of a conceptualization is determined through the successful movement from the simple categories of the thought concrete toward increasingly complex categories with sufficient causal depth to identify the underlying generative relations that produce the real concrete.[20]

With these observations in mind it is possible to return to the issue of the causal efficacy of the locality, as posited by the locality researchers, and to the question of whether the anti-essentialist critique of capital logic uneven spatial development theory is overstated. Although the current interest in the locality stems in large part from spatial restructuring, it also has an epistemological impetus from a widespread desire throughout the social sciences for more concrete forms of explanation. In some cases this concern manifests itself in

vigorous criticisms of theory-building itself. David Ley in such a critique defines theory in unfavourable terms as an "a priori deduction, an imposition of more formal intellectual abstractions upon the data."[21] Andrew Sayer does not go quite this far, but nonetheless defines abstractions as one-sided approximations that must be "agnostic" about their concrete realizations.[22] By drawing such a sharp distinction between the abstract and the concrete, theory is seen by definition to be estranged from specific events and practices. It is a short step from this conception to the notion that the abstract-concrete and global-local distinctions are equivalent. This appears to be an attractive way of defending locality research, but it is mistaken.[23] There are two misunderstandings at work: first, the abstract-concrete distinction is best conceived not as a dichotomy but as a continuum; second, and most important, the abstract-concrete continuum is by no means equivalent to the global-local continuum.

To take each matter in turn, Marx's notion of the possibility of concrete abstraction reveals that all representations need not be one-sided and a priori, but may, depending on their level of concreteness, be cogent, although incomplete, attempts to grasp the workings of real world social relations. In other words, the greater the complexity of the abstraction, the more multi-dimensional and less agnostic toward the real concrete the thought concrete needs to be. To reiterate, it is a mistake to believe that abstraction can be avoided and that researchers should go straight to the data, in the name of anti-deductivism, assuming that observation can be the product of direct, unmediated experience. Inductivism merely evades the important task of critically probing where the conceptualizations necessary to make sense of the world come from. To ignore this task is not to achieve pure understanding, but to risk unwittingly accepting the "commonsense" abstractions that sustain the dominant social order.

The avoidance of theory leads to the second problem: the conflation of the concrete -- defined as the specific -- with the local. Without a theoretical understanding of social causality it is quite natural to posit an immediate experience as unique, that is, locally generated.[24] The possibility that local practices are internalized relations within

a broader totality discloses the error of eliding the local with the unique, and therefore agency. This error contradicts the ontological reality that causal efficacy has no necessary spatial scale. Recall that Marx's concrete abstractions help to reveal that capitalism is bound into an embracing totality of social relations according to the universalization of maximizing behaviour which is rooted in the value-form. This conception is not the product of an a priori assumption that assigns causal force to idealistically conceived social objects, but is concretely derived from a study of the material relations of capitalism, which, although imperfectly, seek to negate relations that contradict the law of value.

At a lower level of abstraction than that usually engaged in by Marx, it is apparent that capital is not wholly successful in its attempt to overcome all spatial barriers. Nonetheless, capitalist social relations, as they interprenetrate local practices, are theorizable precisely because local contingencies do not fully undermine or render unrecognizable macro structural necessity. The relative capacity of local conditions to negate macro structural relations, that is, the proactive capabilities of localities, can only be appreciated through a theoretical study of the real concrete. Anti-essentialists may proclaim profound contingency and celebrate the unique, but this is not the product of a serious materialist investigation of real world relations, where commonality in fact is not difficult to find. More specifically, it is the ontological necessity of material reproduction that gives social life much of its regularity; nonetheless, necessary relations are mediated by social and environmental circumstances (such as site-specific cultural and institutional practices), which suggests that causal intensity does vary, within limits, over time and space.[25]

Rather than deny the possibility of privileging necessary social relations for fear of essentialism, the social world is more fruitfully conceived of as consisting of four relatively autonomous, asymmetrically related domains -- the economic, political, cultural, and natural -- each possessing their social causality when activated through human agency. The task of the theorist is to develop increasingly complex and powerful concrete abstractions that specify relative causal efficacy. When

studying the locality this means explicating how local social relations are imperfectly and asymmetrically bound within the embracing logic of capitalist accumulation. An analysis of the universalizing properties of capitalism suggests that local cultural practices and institutional forms are permeated by capital to become internalized relations within the broader totality. Local conditions are thus not wholly site-specific, but are more accurately interpreted as localized practices that are reproduced to the extent that they encourage (or at the very least do not threaten) capitalist accumulation; even at lower levels of abstraction that provide greater scope for agent-induced variability, the logic of capital as the dominant structural tendency is still clearly discernible. Nonetheless, the very fact that the value-form does not determine capitalist accumulation in a mechanical fashion, that, for example, capital must control labour to extract surplus value, implies various types of social resistance.[26]

The critical consciousness necessary for resistance against dominant structural relations develops within settings, or (to use Giddens' terminology) in locales, some of which are local. Because the locality assists in the anchoring of discourse and understanding, especially for ordinary people, it can be an important base for progressive social change. These initiatives modify, within the broad parameters set by the law of value, the shape of capitalist accumulation. If such practices mature into conscious struggles against the value-form, suggesting that they have diffused to the global scale and negated spatial competition, then, provided that material circumstances are favourable, genuine social transformation may be possible. Up to this point, however, local political action cannot negate the necessity for uneven spatial development, because this tendency is deeply rooted in the value-form. Social mobilizations intended to create a more just space-economy thus do not halt the process of equalization and differentiation at the heart of capitalist spatial development; they also do not controvert the essential truth of uneven spatial development theory derived from capital logic reasoning.

The political significance of a capital logic approach to uneven spatial development is now clear. By referring to a relatively abstract

or pure capitalism, the theory discloses that even under ideal conditions, which the system in the concrete could never attain, spatial inequality would still persist; even if capitalist relations were introduced into a virgin territory marked by regional equality disparities would rapidly emerge. Spatial development theory founded on the assumption that uneven spatial development is simply the effect of contingent impediments to the "free market" (created by inappropriate state policies or the culturally retarded poor) is thus misconceived.

NOTES

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