The State and Varieties of Space Economy.

Par Kevin Cox

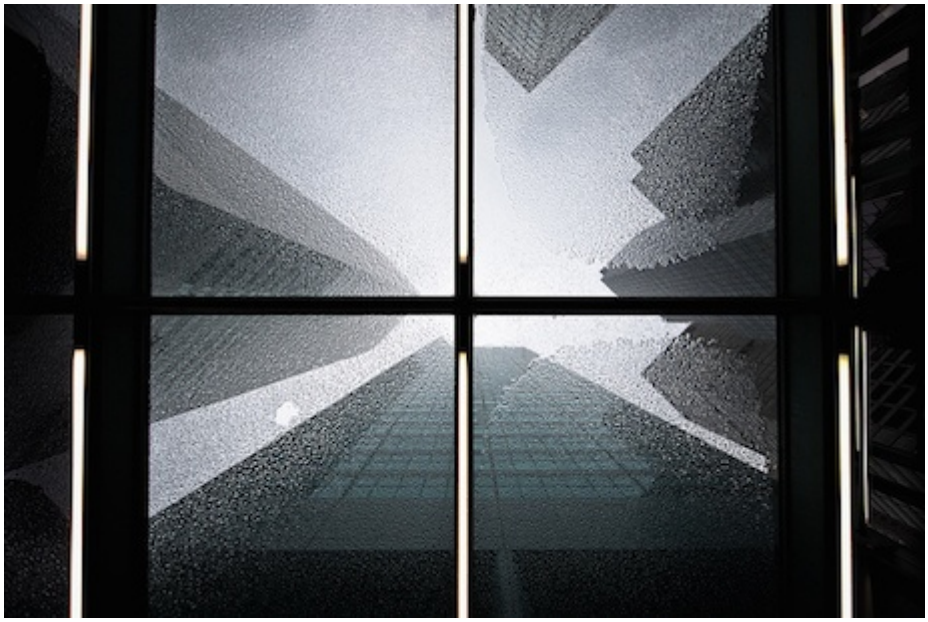


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« A former mayor of Chattanooga[1], Corker said if VW didn't pull back from allowing the UAW (the United Auto Workers' Union) into the Tennessee plant, it risks becoming a « laughingstock in the business world » and causing a domino effect with other nonunion auto plants in the South. » (Woodall and Klayman 2013).

For almost two decades, work on « national capitalisms », or what has come to be called « varieties of capitalism », has been a focus of interest in the Anglophone countries. The emphasis has been on differences in regulatory institutions and their implications for outcomes in terms of various measures of economic performance. « Countries » are part of the language of the literature, even while the focus has been largely on taxonomic groupings. The question as to exactly why institutions should vary has not been broached, even while the

supposedly liberal market economy of the US cannot exist outside of a much more all-embracing social formation that provides political support and discursive cover. But then the institutional turn, as in the interest in modes of regulation, was never noted for trying to situate institutions with respect to social formations *in toto*.

Among geographers, the focus has been welcomed as providing insights into variation from one country to another (Peck and Theodore 2007) (Peck and Zhang 2013). Surprisingly, there has been little thus far on variations in how geographic outcomes *within* countries get structured, aside from some token allusions to new industrial spaces and the conditions conducive to them. There are clearly significant variations. British labor unions have long complained about the relative ease with which multinationals can close plants in the United Kingdom, making the country far more vulnerable to plant closure than say France or Germany. This example also reflects the significance of the EU and *its* institutions for location logics : how multinationals site their facilities with respect to the EU as a whole, rather than particular countries.

This differentiation can be problematic for multinationals. Walmart tried to enter the German market but later withdrew. As Christopherson described, part of the problem were siting procedures quite different from those of the US : « At the local scale, US tax policy and economic development incentives in combination with limited land use controls have favored large scale, space extensive, so-called « gorilla » retailing, encouraging large-scale retailers who offer many goods at low prices » (Christopherson 2007, p. 457). But in Germany, « land use regulations are unfavorable to « Big Box » store development, which is central to Wal-Mart's « pile it high, sell it cheap » approach » (*ibid*, p. 459). Emphatically, this was part of a much bigger problem of transferring standard Walmart practice from the American context where it had been so successful and where the effectiveness of its strategies had been confirmed.

It also works in the other direction, something wonderfully underlined by VW experience in the state of Tennessee – and which must make VW wonder why it decided to go there in the first place. The occasion was an attempt, by the United Autoworkers' Union, to organize the workers in a VW assembly plant in

Chattanooga, Tennessee. Workers in all other VW plants around the world have union representation, and there is evidence that VW likes it that way ; that it facilitates its practices of working closely with the workers through a works council, with a view of improving efficiency on the assembly line and enabling innovation. But in Chattanooga, the workers had to vote for representation and the election became an arena for political intervention and misinformation by politicians. The concern was that it would affect state « business climate » – a concept that is still barely on the radar screen in the way locational matters are judged in Western Europe. In the event, as a result of a barrage of well-funded propaganda from right-wing circles, union representation was rejected, albeit amidst dumbfoundment, among the politicians, that VW would actually prefer a union : conversely, VW failed to understand the way in which, in the United States, the question of unionization is politically polarizing in a way that it is not in Germany.

In what follows, and drawing on my recent book, *The Politics of Urban and Regional Development and the American Exception*, I try to shed light on these issues of local economic development ; and how and why the US is, in this regard, so different from the countries of Western Europe.

How Local Development Policy Varies.

Considerations of « business climate » in the United States and concerns about attracting investment into a particular state or city highlight the way in which the location of large developments occurs there. What is at stake is, quite simply, a market in locations. Local governments, often supported by their states – as in the Chattanooga case – compete for investments in new industrial plants, branch offices and firm headquarters. They do this, depending on the particular instance, by referring to their state's « business climate », by offering tax reductions and subsidies for labor training and infrastructural changes that might sweeten the deal : a waterline extension or a freeway exit ramp. A municipal airport may offer an airline a subsidy to provide a transatlantic service. The same process works in reverse when a firm decides to move elsewhere : more tax reductions, the use of eminent domain to create expansion space for the firm, and pressure on workers to offer wage concessions. Something similar occurs in

the location of major public facilities, but now largely through the political process : Congressmen and Senators lobby the Department of Defense to ensure that the axe of base closure will fall somewhere other than in their state or congressional district. This is a process that occurs at all geographic scales and not just within the country as a whole ; within metropolitan areas, notoriously divided into numerous municipalities, local governments, driven by the desire for sales taxes, compete for the big regional shopping centers in a way which, evidently, Walmart found missing when it tried to enter the German market. In most cases, firms expect offers and sit back waiting for them to come, which they will. More unusual is the recent case of Amazon where, in an effort to extract the best possible terms for its second headquarters, it itself organized the competition, requesting bids from interested cities ; and of course, there were many of these.

The countries of Western Europe vary in their development practices, but when the specifics are set aside, what emerges is a very different approach to intervening in their space economies. Since the Second World War, central governments have played a central role (Cox 2016, p. 142-150). This has been the case even while both the vehicles to implement policy and its concrete content have tended to shift. In the immediate postwar years, redistributional goals assumed prominence. In all the countries of Western Europe, with the possible exception of Spain, national governments intervened in the locational calculations of firms by offering subsidies to locate their branch plants in areas of relatively high unemployment or underdevelopment, like Western France or Southern Italy ; and then, in some instances, restricted investments in areas defined as experiencing pressures on housing and job markets. In a number of countries, including France, Ireland, the Netherlands and the United Kingdom, central government decentralized some of their more routine operations to provincial cities, particularly those located in economically vulnerable areas. Public ownership of declining sectors, particularly coal in France and the United Kingdom, also protected region-specific employment.

There were, in addition, concerns about how the geography of the space economy contributed to national goals of promoting growth and enhancing positions in export markets. Taking the pressure off labor and housing markets in

the major cities, like London and Paris, was in part responsible for the creation of new towns at a distance where they could not serve simply as dormitories for the big cities. In the 1960s, the movement of branch plants to areas with labor reserves, like the coalfields where female employment was relatively low, would become an aspect of controlling labor costs and countering inflation. There were specific interventions, like the French government orchestration of major shifts in the geography of the country's iron and steel industry, with the goal of enhancing its competitiveness. Airport policy has long been a national responsibility and still is, in the context of concerns about national growth, as in the recent debate about a third runway at London's Heathrow.

Earlier policies, aimed at redistributing employment to areas dominated by declining sectors, have become much less significant in development policy. Responsibility for backward or declining areas has tended to shift to the EU, whose priorities in that regard have not been the more developed Western countries. Rather the new emphasis of national planning has been on supporting those cities and regions where the most rapidly growing sectors of the economy are to be found. This helps to explain the new interest in city regions : a reflection of a widely held belief, in planning and urban and regional economics, in the competitive virtues of agglomeration. In France these are the métropoles : seventeen of them with tax raising powers of their own, and all, with one exception, created since 2015. In England there has been a similar initiative : that of the combined authorities with a more specific emphasis on economic development, but lacking the sort of fiscal power granted in the French case.

Supporting these initiatives have been national systems of land use planning. Planners always had a power in Western Europe, absent in the American instance. Much of that power derived from central supervision of local and regional planning. Local planners have been held to strict, centrally mandated standards as to the priorities that they should emphasize. The granting of permissions for the development of large shopping centers is something that has commonly been subject to central mandate. Again, there is a history of scrutiny of local plans by regional or national planning departments so as to assure some relation to projections of land use needs and to ensure that the plans of neighboring local authorities are consistent with one another. This is in very

strong contrast to the United States, where local planning departments have served as weapons in the armory of local governments which are intent on development regardless of what « good planning practice » might dictate.

In the US, there *have* been attempts to implement planning from the center, but they have run aground on the shoals of local and regional resistance and sabotage. As Katznelson and Pietrykowski (1991) described, proposals to organize intervention into the development process by the federal state encountered resistance from the South on the grounds of anxieties about how it might impact on its racial hierarchy and low wage regime. There have, nevertheless, been and continue to be, more top-down sorts of initiative aimed at alleviating geographically uneven development. But in practice they have been subject to centrifugal forces of such an intensity as to compromise, even undermine, their original intent.

A case in point was an initiative of the Economic Development Administration (EDA), a federal agency accountable to the Secretary for Commerce (Barnekov, Boyle and Rich 1989). From 1965 on, the EDA was required to promote the development of areas of persistent unemployment. This was to be accomplished through grants and loans for physical infrastructure, job training programs and long term, low interest loans to firms willing to establish plants in the eligible areas. But the ultimate goal of alleviating pockets of severe economic distress was compromised by the way in which Congress manipulated the various criteria as to what constituted eligibility for these funds. The desire of individual Congresspersons, of course, was that their own constituencies would be included (Barnekov, Boyle and Rich 1989, p. 111). The result was that about 80% of the US population found themselves in the areas eligible[2].

States and their Territorial Structures.

This example suggests that the distinctive structure of the American state is implicated in a major way as a condition for this equally distinctive way of state structuring – or lack thereof – of locational decisions in the private economy (Cox 2016, p. 295-318). This is quite easy to substantiate. In the US, state power is extraordinarily fragmented. On the one hand, it is perhaps one of the most

radical federations in the world ; on the other, the individual states have delegated significant powers and responsibilities to local governments, while facilitating the formation of new local governments : in short, a dual decentralization of state power. This has then created an opportunity structure of enviable magnitude for developers who are intent on attracting tenants or investors for their real estate developments, though often in alliance with others strongly embedded in local economies : historically, the gas and electric utilities, the railroads and the banks.

From the standpoint of local and regional development, the most significant of the powers claimed by the states are those over certain parts of labor law. Some labor law is federal, but other aspects are a state responsibility. Since 1947 and the Taft-Hartley Act, states have had the option of making the union shop illegal ; in other words, employers cannot enter into agreement with labor unions making union membership mandatory for all employees, which greatly weakens union power in states taking up that option : largely states in the American South, the Plains and some of the Mountain states, where unions were already weak. In addition, states control workers compensation insurance for injuries sustained in the workplace : the less generous workers' compensation insurance is in a state, and therefore, the lower the premiums, the cheaper it is for firms to operate there. This control of certain aspects of labor law has become a major aspect of what development consultants refer to as « business climate » and has provided a fertile field of opportunities in the struggle to attract inward investment, particularly in manufacturing, even while its relevance as a location factor varies according to the skill needs of firms.

In metropolitan areas, the multiple local governments of which they consist dispose of powers that, again, can be turned to the purpose of attracting in new development. Local governments regulate land use with no state oversight other than what planning law specifies ; land use plans are not subject to any central scrutiny and approval ; there is no possibility of appealing local decisions to a higher planning authority. Local discretion is maximized. Local governments can also annex land that is not yet within the boundaries of a municipality, so long, again, that state annexation law is observed. This power is of major significance at a time when very big sites are in demand for regional shopping centers, office

parks and multi-use developments. And once the developments are ready to receive corporate tenants, local governments have the power to offer financial incentives : usually reductions in local property taxes for up to ten years. For developers, these powers can be massively enabling.

It also helps that local governments are willing to use these powers. This too reflects on a state that decentralizes not only powers but also responsibilities. In the United States, local governments depend, for their revenues, on the local tax base : largely taxes on property, sales and incomes. There are state grants but, and aside from public schools, these have no equalizing intent : no process through which revenues can be transferred from more fiscally endowed local governments to those that are less so. Accordingly, embellishing the local tax base is a major concern of local governments, which makes them easy prey for those coalitions of developers, sometimes supported by the gas and electric utilities and perhaps a local bank, eager to attract in new investment.

The contrast with the unitary states of Western Europe and even the federal ones is very substantial indeed, even while there is some variation between them. In no country do local governments have complete control of land use regulation. Plans are scrutinized for consistency with land use projections and planning standards by a higher authority, whether the central government, the region, the *land* or the province. They are then approved, negotiated, or sent back for revision. Local tax incentives for new developments are strictly regulated or disallowed altogether. Unlike in the US, EU law forbids their use in order to counter the threat of plant closure. When small, local government-owned regional airports tried to entice the low cost carriers through gate subsidies and landing fees – something taken for granted in the US – the EU moved to prohibit it (Cox 2016, p. 258-260). As in the US, cities can expand into their hinterlands through annexation or, as in the case of France, intercommunal arrangements, but it is a process that either requires central government consent or is orchestrated from the center as part of national policy. On the other hand, the sort of fiscal challenges that local governments confront in the US have, in virtue of central equalization of revenues in accord with local needs, been for the most part absent, though nationally imposed austerity is resulting in strain.

Finally, and again to underline what a strange country the US is from this standpoint, labor law is everywhere a matter for central or federal states ; there can be no regional variation of the sort that allows cities to draw on those differences in order to boast of a favorable « business climate ». Significantly, the pressures on the states of the US to engage in policies that will, they believe, enhance inward investment are intensified by the absence of the sort of equalization policies that have been the rule in the German and Spanish federations.

Situating Territorial Structures.

One approach to understanding these contrasts is through an examination of the relation between national capitalisms and state form[3]. Both the US and the West European states are clearly capitalist, but their more concrete imbrications turn out to be quite different. In the US it is as if the state has itself been formed in the image of capital. The American state is organized so as to enhance the possibilities of competition between its constituent parts, while avoiding monopoly. In some cases, as in the Progressive reforms at the beginning of the twentieth century which allowed the easy formation of multiple local governments in metropolitan areas, this was quite intentional : big cities needed competition in order to counter the abuses of machine politics, and the existence of competition for residents elsewhere in the metropolitan area would accomplish this end. The competition of states for inward investment through respective « business climate » mimics the competition of firms for markets. Government policy is often implemented through delegating to private firms and this is likewise justified through appeal to the virtues of competition and avoiding the absence of choice that a state monopoly of, say, health care or the provision of social housing, would allow. The American state is also remarkably open to capitalist influence and the rule of money : financial support for preferred candidates, the revolving door between the private sector and the state are aspects of this. It is worth recalling that the primary election was an innovation of the Progressives with the purpose of introducing more competition into the choice of candidates ; but of course, their campaigns for the nomination have to be funded.

The states of Western Europe are very different. The boundary between state and capital is a matter for policing rather than breaching. There have been – limited – reforms of the territorial organization of the state, but more with a view of harnessing local and regional entrepreneurial energy than of explicit reference to competition. Privatization has gone further since 1980, but is still resisted in a way that it is not in the US, and public ownership of firms continues to be discussed as an option – no anxieties about a monopolistic state there ! Likewise, the revolving door is looked at much more critically, and limits on election campaign financing put further barriers between capital and state. One can argue that in the US the state has been privatized, which is still far from being the case in Western Europe.

In trying to understand this, one point of entry is the different balance of class relations. In terms of the subsumption of labor to capital, the US is *sui generis*. This applies to all moments of the social process. In none of the advanced industrial countries is the labor movement so organizationally weak : no political party of the left and low union membership. Labor union practice is also different : more a matter of an interest group alongside many others than an ideologically inspired movement that sees capital as a whole as the enemy. This shows, obviously, in the relative weakness of the welfare state and, as an aspect of the welfare state, any serious spatial policy aimed at mitigating geographically uneven development. In the US, « planning » is a dirty word in a way that it never has been in Western Europe.

What is crucial in understanding these differences are different histories. In the US, capitalism developed on what was virtually a tabula rasa. There were no pre-capitalist residues to confront ; no peasantries and no *ancien régimes*. In Western Europe, the practices and discursive claims of a nascent capitalism had to encounter quite different framings of social life : of individual and community and their relations, and of civil society and the state ; the state would not be viewed with American-style suspicion but competition and its effects on the community would be seen more critically. The two different aspects of the commodity form, so central to capitalism, would be given different emphases : exchange value in Western Europe would never achieve the dominance over use value characteristic of the US. Capitalist development would have to

confront a moral economy (Thompson 1971) of the form absent in the US, giving an intensity to resistance likewise absent (Calhoun 2012) Capital has been viewed with a suspicion in Western Europe that is alien in the US : more something to be controlled than allowed to dictate terms. Its dysfunctionality has to be countered : externalities internalized through the planning mechanism ; development directed into certain areas ; the national space organized for national prosperity.

Inherited state forms would also make a difference. It cannot be said that in the American case, a particular set of class relations gave birth to a state form that would facilitate their reproduction. The creation of the radical federal structure in 1789 had very little to do with the class relations of capitalism because, for the most part, it pre-dated them. It would, though, prove to be a significant condition for capitalist hegemony and the subordination of the working class. It would come to be the basis of a competition between the individual states that would mirror capitalist competition and promote a discourse of the virtues of markets and choice, but to the disadvantage of the labor movement. As the latter tried to gain the support of the federal government, the power of the states would be used by capital to undermine it through claims about the danger of monopoly power : a condition, in other words, for American anti-statism.

There is an analogous argument to be made for the centralized states of Western Europe. The absolutist state obviously precedes the emergence of capitalism, even while it can be regarded as an important condition for it. Its centralizing institutions would accordingly be the stage for class struggle : that was where power resided and continues to reside. That the (central) state had a monopoly of power was regarded by the labor movement as an advantage : it allowed a uniformity of labor law that would work against capitalist competition in terms of wages and conditions of work. Even for those not inclined to vote for parties of the left, the central state has been seen as an important counterweight to the corrosive effects of market relations : testimony to a different view of capitalist pretensions.

Urban and regional policies in Western Europe have been a response to a more qualified view of capitalism and its developmental trajectory, and the results show in correspondingly different location logics and geographies. After the Second World War, central governments across Western Europe tried to stimulate development in backward areas and redevelopment in declining ones by providing incentives for the location of branch plants there. Development policy also became important in the US, but it would be mediated not by the federal government or even the states but by local governments competing with one another. The emphasis was on « business climate », which meant a different set of priorities for corporations : notably the desire to escape from labor unions. Today, in Western Europe, national development policy focuses on the areas most likely to prosper in a globalizing world. In the US there is no such national policy. Rather there is a strong antipathy, among states, local governments and corporations, against the federal government picking what are called « winners and losers ». If, of course, welfare state policies were more homogenizing and redistributive, then that antipathy might be reduced ; but that would call for a very different state form and that, in turn, for a different set of sociohistorical preconditions. Accordingly, countries matter in the production of geographies of development, and state agencies are to the fore ; but the different ways in which they are to the fore requires a more profound contextualization.

Résumé

La littérature sur les variétés du capitalisme est relativement aspatiale. La focale est bien plus sur les différences entre pays que sur les différences à l’intérieur des pays. Néanmoins, nous pouvons identifier des processus, variant de pays en pays, qui aident à créer des différences de développement entre villes et régions, même si de manières dissemblables. Le contraste entre les États-Unis et les pays d’Europe de l’Ouest est radical. Dans ces derniers, les politiques de développement ont été soumises aux interventions de gouvernements centraux forts. Aux États-Unis, le développement est bien plus la responsabilité des gouvernements locaux, qui sont en compétition en vue d’attirer des investissements. Ces contrastes dérivent, en premier lieu, des différences dans la structure des États ; et, plus généralement, du fait que les formations sociales

sous-jacentes sont différentes.

Notes

[1] And current US Senator.

[2] Barnekov, Boyle and Rich quote from Grasso: « There is little evidence that the agency's programs have succeeded in promoting the economic development of chronically depressed areas. Rather, the agency seems to have concentrated on achieving the goal of a wide geographic dispersal of aid, with a disproportionate share of the funds channeled to States with disproportionate representation in Congress » (Barnekov, Boyle and Rich 1989, p. 79). Arnold (1981) provides an excellent discussion of how local influences tend to prevail and trump federal visions of how local development should proceed.

[3] For a more detailed development of these arguments, see chapter 8 of Cox (2016).

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