The social regulation of uneven development: 'regulatory deficit', England's South East, and the collapse of Thatcherism

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Received 16 April 1993; in revised form 10 December 1993

Abstract. The evolving methodology of regulation theory is explored, with particular reference to the problematic of uneven development. With a concentration on the subnational scale, the notion of localised modes of regulation is critically examined. With a view to operationalising some of these regulationist concepts, an analysis of the geographical contradictions of Thatcherism is presented. Thatcherism, it is suggested, should be interpreted as a failed or failing regulatory experiment, the contradictions of which are manifest in a variety of ways, including in the geographical sphere—in the collapse of the economy of the South East of England (Thatcherism's 'heartland' region) and in Britain's continuing crisis of uneven development. There is scope, it is argued, further to spatialise regulation theory through methodological refinement, and through analyses of regional restructuring and crisis.

"When crises endure, orthodoxies fade" (Boyer, 1990, page xxiii).

Regulation theory has been enormously influential in recent years, providing as it does a means for interpreting—possibly even responding to—the present global economic malaise. We will argue here that a regulation approach can continue to yield insights into contemporary restructuring processes, but that in order to do so the theory itself needs to be refined. We consider two areas in which some further theoretical development is needed. First, the theory's rather abstract conception of social regulation must be unpacked, and analytical tools developed which are appropriate for concrete research. Second, the theory is articulated primarily at the level of the nation-state and contains no explicit conception of uneven spatial development. This void must be filled if regulation approaches are to be deployed at either the subnational or the supranational scales of analysis. By clarifying some of the more important regulationist concepts and propositions, by providing some pointers for further theoretical development, and by focusing on the question of the social regulation of uneven development at the subnational scale, we hope in this paper to make a constructive contribution to regulationist research. In so doing, we aim also to shed new light on the current debates around flexible accumulation and the politics of post-Fordism, in which the implications of regulationist approaches have sometimes been misread.

Popularised in analyses of the breakdown of Fordism and, more controversially, the rise of a potential successor-regime of flexible accumulation, regulation-theoretic approaches have been much used, though perhaps just as often abused. Certainly the terminology of regulation theory has passed easily into mainstream academic discourse. Devices such as regimes of accumulation and modes of social regulation are, however, more than labels. Too often they have been casually applied, robbed of their underlying meaning, and misleadingly divorced from the conceptual architecture of regulation theory, nowhere more so than in premature treatments of
flexible accumulation. We will argue here that a regulation approach—with its emphasis on the reproduction and social regulation of accumulation processes—requires that putative post-Fordisms be regarded sceptically. As Leborgne and Lipietz (1992, page 333) have recently observed:

“most participants in the post-Fordist debate reduce it to a debate about new production systems and, contrary to most French regulationists, hold that there is already a solution, whether neo-Fordist or post-Fordist, to replace Fordism.”

Noticeably, those writers who have remained closest to the underlying tenets of regulation theory have been amongst the most circumspect about the shape of Fordism’s successor (compare Dunford, 1990; Jessop, 1990a; Leborgne and Lipietz, 1988; Lovering, 1990; Scott, 1988). Contrary to some of the more precocious analyses of flexible accumulation, regulation theory is not in fact predictive, though it does provide a set of guidelines for interpreting contemporary experiments in production and institution-building. The theory’s criteria for admission as a regime of accumulation are highly stringent and most certainly are not met by pointing to the occasional flexible firm or Third Italy. While advocates of this approach continue to defend their “high risk theoretical venture” (Scott, 1991, page 133; compare Pudup, 1992, page 191), it is important that such speculative work does not lead to the misinterpretation of contemporary restructuring processes.

But this is not just a plea to go back to the basics with regulation studies. This would be to imply that regulation theory is a fixed and finished conceptual edifice. In fact, it represents an on-going research programme, with a set of conceptual devices and an evolving methodology (Boyer, 1990; Jessop, 1990a). As such, regulation theory is engaged in a continuing dialogue with other approaches in what is becoming a very broadly based movement towards a more institutionally grounded political economy. This spans work as diverse as the US social structures of accumulation approach, the French économie des conventions school, sociolegal studies of ‘real regulation’, recent work on social welfarism and the renewed British brand of institutionalist economics (see Clark, 1992; Esping-Anderson, 1990; Gordon et al, 1982; Hodgson, 1988; Salais and Storper, 1992; Sayer and Walker, 1992). Here there is a common concern with the intrinsically sociopolitical character of restructuring processes, with the role of social institutions in underpinning modes of economic development, and with the historically and geographically specific nature of capitalist (re)production. Regulation theory, with its emphasis on holding together the twin processes of accumulation and regulation, has made a significant contribution to these debates.

Regulation theory, then, continues to develop. Although it is by no means a completed theoretical project, it has nevertheless matured to the extent that its proponents now work from a well-established set of conceptual foundations. The theory holds that capitalist development proceeds through a succession of historically specific phases of stability and crisis, sustained growth and intense restructuring. Emphasis is placed on the role of state forms, social mores, laws, and habits—the so-called mode of social regulation (MSR)—in underwriting sustained phases of growth. These phases, in which the schema of reproduction (the complex of production, consumption, and distribution systems) is broadly in synchronisation, are termed regimes of accumulation. This virtuous relationship between accumulation and regulation is at all times, however, a fragile and partial one, balanced as it is on the knife-edge of political compromise and incipient economic crisis. MSRs provide only a temporary, medium-term means for containing those tendencies, which are seen to be endemic to the system. When these crisis tendencies exhaust the moderating potentialities of the MSR, regimes of accumulation collapse into crisis.
These periods are characterised by haphazard and indeterminate searches for new institutional ways of organising and sustaining accumulation. There is, of course, never any guarantee how or where this new institutional 'fix' will be found, or indeed that it will be found at all.

Clearly vulnerable to accusations of functionalism, regulation theorists have been at pains to stress the relative autonomy of forces of social regulation and the indeterminacy of the political struggles and compromises which shape the course of accumulation: Lipietz (1987) characterises the process by which a system of accumulation stabilises with an MSR as a "chance discovery". In the present interstice, for example, it is far from clear which, if any, of the many competing regulatory strategies will exhibit the durability necessary to mature into a stable MSR, though it is now claimed that some of the leading neoliberalist projects are already reaching their political and economic limits (Dunford, 1990; Peck and Tickell, 1992). More specifically, the distinctive local growth patterns of many of the new industrial spaces, which some take to be emblematic of a new regime of accumulation, have already begun to falter (Amin and Robins, 1990). This suggests that we may be further from a new institutional fix than was earlier implied.

The preponderance of such failed, and failing, regulatory experiments does not undermine the regulationist project. On the contrary, it should drive home the importance of adhering to the precepts of the original regulation approach. If the headlong charge into premature, metahistorical theorising about the character of the emergent regime has taught us anything, it is that reality is more complex, more conditional (Amin and Robins, 1990; Pudup, 1992; Tickell and Peck, 1992). Perhaps it is the case, as Pudup (1992, page 191) has suggested, that the rapid ascendancy of ideas of flexible accumulation occurred because a certain theoretical vacuum had emerged around the question of contemporary spatial restructuring, "because its proponents dared to enter the theoretical breach when existing theory [of regional-economic restructuring] ceased to explain contemporary industrial and regional realities". This may be one of the reasons why some of the advocates of the emerging orthodoxy found it necessary to embrace a new theoretical eclecticism (Scott and Storper, 1990). But such accusations of redundancy in existing theoretical devices can be overdrawn. Perhaps some of the established insights—of the restructuring thesis and of political economies of urban development—were jettisoned rather too quickly.

The argument developed here is that, building upon the foundations of regulation theory and drawing upon the well-established body of work on restructuring, a more nuanced regulationist framework can be constructed. In moving toward this goal, we will focus on two major silences in contemporary debates: first, the question of social regulation itself will be foregrounded—one curiously underplayed even in many regulationist accounts and largely absent from most studies of flexible production systems; and, second, the issue of uneven spatial development will be revisited—one which is not explored explicitly within regulation theory itself, but which is being dramatically redefined in the flurry of work on new industrial spaces. It is argued that carefully formulated regulationist approaches can continue to yield significant insights into the nature and geography of the contemporary transition and, moreover, that economic geography might do well to draw back from its almost exclusive preoccupation with the reorganisation of production, to consider the wider dynamics of accumulation and their interpenetration with forces of social regulation.

The paper is divided into three parts. In the first we critically examine the foundations of the regulation approach and establish a set of principles for regulationist studies. This is followed by a discussion of the role of time and space in
regulation theory. In the third section we operationalise this approach in an examination of social regulation and regional economic restructuring in contemporary Britain. The focus of this final section of the paper is the recent breakdown of Thatcherism in the United Kingdom. The failure of so-called 'deregulationist' strategies in financial and labour markets in the South East of England, it will be argued, exemplifies Thatcherism's inability to foster the political and economic conditions necessary for sustainable growth. This brief case study is presented as indicative of how regulationist approaches, in which the twin processes of social regulation and accumulation are dealt with simultaneously, might be developed for subnational scales of analysis.

Foundations and principles of the regulation approach

Regulation theory, initially developed as a means of understanding the medium-run stability of capitalist macroeconomic structures, aims to construct a "rigorous periodization of capital according to its own logic" (Davis, 1978, page 212). Regulation theory seeks to explain a fundamental paradox of the capitalist mode of production (Dunford, 1990): how, despite its many contradictions and tensions, does capitalism continue to develop? The Althusserian roots of the early regulation theorists (see Jensen, 1990) remain in the view that "crisis, understood as a process that brutally restores the contradictory unity of the various stages of the accumulation process, ought to be the rule, not the exception" (Boyer, 1990, page 35).

Regulation theory holds that, over a period of decades, the crisis tendencies embedded within capitalism are stabilised and temporarily contained under a regime of accumulation. The two elements of the regime, the accumulation system and the MSR, are accorded equal theoretical weight, although in practice it is possible to identify a subordination of the MSR to the accumulation system (Jessop, 1992). This is evident in the fact that regulation theorists have tended to use the term 'regime of accumulation' to mean both the coupling of the accumulation system with the MSR and the accumulation system alone (Tickell and Peck, 1992).

An accumulation system is a macroeconomic structure which sustains reproduction through a virtuous relationship between production, consumption, and distribution. Lipietz (1988, page 31) defines it as "a way of dividing and systematically reallocating the social product. Over an extended period of time there is a certain convergence between the transformations of production (amount of capital invested, distribution among the branches, norms of production) and transformations in the conditions of final consumption (habits of consumption of wage earners and other social groups, collective expenditures ...)." The accumulation system consists of five key components: (1) the organisation of production and the workers' relationship to the means of production; (2) the speed of capital circulation and valorisation (which influences the development of management principles); (3) the distribution of value (which allows for the reproduction and development of different social classes); (4) the composition of demand; and (5) the manner of articulation with those 'noncapitalist'...
forms which hold an essential place for an economic formation (Boyer, 1990, page 35; compare Graham, 1992). Emphasis on these aspects of economic organisation allows regulationists to show how accumulation within the capitalist mode of production is temporally and geographically variable. It is this argument which underpins the rejection of ‘uniform’ Althusserian Marxism. Regulation theorists insist that there is not one paradigmatically successful accumulation system, but rather that the specific shape of capitalist accumulation can vary considerably over both time and space (Lipietz, 1987).

However, the stabilisation of an accumulation system is not guaranteed by its economic components. Regulation theory explains such stabilisation by reference to ‘institutional forms’ and the MSR. Institutional forms are defined as the codification of social relations (see Aglietta, 1979, page 382; Boyer, 1990). Regulationists argue that the medium-term stabilisation of institutional forms depends upon the social context in which accumulation occurs. This can make reproduction possible through the development of habits, customs, social norms, institutionalised compromises, and enforceable laws. The MSR serves both to reproduce social relations and guide or stabilise the processes of accumulation, by mitigating and containing the conflict inherent in capitalist social relations (Dunford, 1990; Jensen, 1990; Lipietz, 1987; 1988).

Particular forms of capitalist development can only stabilise in the medium term if the accumulation system and the MSR complement one another. Eschewing some Marxisms of the 1970s, regulationists argue that it is not legitimate to construct a dichotomy between the economy (or base) on the one hand and the social (or superstructure) on the other. Rejecting economic determinism, regulationists claim that the MSR is not determined functionally by the needs of the accumulation system. Lipietz (1987, page 15) argues that regimes of accumulation are “chance discoveries made in the course of human struggles and if they are for a while successful, it is only because they are able to ensure a certain regularity and a certain performance in social reproduction. But, just as nature is full of oddities like duck-bills and toucans ... so the history of capitalism is full of experiments which led nowhere, aborted revolutions, abandoned prototypes and all sorts of monstrosities”.

Furthermore, there is not only one ‘correct’ MSR for each accumulation system. In theory, similar systems of production organisation may have different MSRs, although in the long term this will lead to differences between their economic dynamics (Boyer, 1988). Paradoxically, the concept of the MSR remains relatively undeveloped in regulation theory, remaining rather abstract in definition and rooted at the level of the nation-state (Dunford, 1990; Tickell and Peck, 1992). This pre-occupation with the nation-state (both as a scale of analysis and as the site of key social-regulatory functions) may be a reflection of the fact that regulationist tools of analysis were forged in studies of Fordism, notably in Aglietta’s account of the US economy. The regulationist toolkit, however, contains both generic devices and those tailored to the specific nuts and bolts of Fordism. New analytical tools may have to be developed now that so many of the certainties of the Fordist era are dissolving. The new regime, should it emerge, may be articulated at different spatial scales, with different functions being dispensed by local, national, and supranational states, different structures of nonstate social regulation.

Early regulation-theoretical accounts pointed to the emergence of a ‘neo-Fordist’ regime, characterised by further intensification and greater socialisation of collective consumption (Aglietta, 1979). Regulation theory does not, however, attempt to determine the resolution to the crisis of Fordism (Amin and Robins, 1990; Jessop, 1992; Lipietz, 1987). Nevertheless, regulation theory has become increasingly influential.
as speculation into the nature of Fordism's successor has intensified. Some argue that already it may be possible to identify a new regime, alternately labelled post-Fordism or flexible accumulation (Harvey, 1989; Scott and Storper, 1990), whereas others believe that we are in a period of protracted crisis (Amin and Robins, 1990; Clarke, 1990; Lovering, 1990).

The nascent regime of flexible accumulation, it is argued, was prefigured by capital's response to the crisis of Fordism. Falling profit rates in Fordist industries stimulated widespread job shedding, which eroded, along with complementary changes within the political sphere, the power of trade unions. Capitalising on these conditions, firms have adopted flexible labour practices (Storper and Scott, 1990). These have taken three major forms. First, individual pay negotiation has replaced 'traditional' collective bargaining, a corollary of which is that wages are now downwardly adjustable. Second, Taylorist labour processes, characterised by a strict division of labour within the firm, are being replaced by cross-skilling and greater worker autonomy. Third, firms are increasingly turning to forms of flexible labour utilisation, including the use of part-time staff whose hours may be adjusted in response to demand, more flexible arrangements for the hiring and firing of staff, and greater use of subcontractors.

For some regulation theorists, changes in labour relations were initially welcomed as having the potential to emancipate workers from the Taylorist labour process (Lipietz, 1985). This is extremely contentious. Flexible work practices do have the potential to empower labour. Yet they also have the—apparently more often realised—potential to deskil and disempower. The erosion of trade union influence and the growth of 'individualistic' labour relations tends to favour employers, both within the firm (where their negotiating positions have been strengthened) and within the overall economy (because the particularism of employed workers' interests prevents the identification of strategies which can unify all workers) (see Mahnkopf, 1992).

The recognition that new technologies of production have different potentials, the realisation of which depends upon the social (and possibly spatial) context, has led to a more recent reassessment of new labour processes (Leborgne and Lipietz, 1988; see also Cooke, 1988; Gertler, 1992; Peck, 1992).

It must be emphasised, though, that tendentious analyses of flexible accumulation are presently some distance from satisfying the regulationists' criteria as a regime of accumulation. This is not just a matter of 'how much' flexibility there is in the economy, or even of the direction of change. As Haughton and Browett (1995) have demonstrated, much of the 'new' flexibility has been around for decades, changes representing a 'state of mind' as much as a coherent shift in the production system. Firms' desires for flexibility, Gertler (1992, page 260) points out, "have not been fully requited. Rather, one sees a tendency for social scientists to speak more recently of the pursuit of, or search for, greater flexibility". For regulation theory, a crucial silence in the flexible accumulation literature is its failure to specify how this putative flexible economy will be socially regulated (Tickell and Peck, 1992). Stated baldly, until there is an identifiable and sustainable post-Keynesian MSR, there can be no regime of flexible accumulation. In this sense, a regulationist position requires that post-Fordist propositions be treated critically. The two are most certainly not synonymous (compare Graham, 1992).

**Time, space, and regulation theory**

For Boyer (1990, page 29) one of the principal goals of the regulation approach is to explain "how economic and social dynamics vary over space and time" (emphasis in original). Time and space, however, are afforded rather different degrees of analytical
priority in regulation theory. In essence, the theory is a historical one, as is revealed by Boyer’s subsequent comment that the method of regulation theory is to be found at the interface of economic theory and economic history. It would seem, again, that economic geography must wait in the wings. But, although regulation theory is certainly more explicit about the status of time and history in its theoretical architecture—the periodisation of capitalist development proposed by the theory being one of its most distinctive qualities—the theory has equally significant things to say about space and geography. It can be argued, given the avowedly realist ontology of regulation theory (Jessop, 1990a), that the philosophical basis of the approach requires attention to be paid to the historical and geographical specificities of capitalist development, that it requires a simultaneous treatment of time and space.

The regulationist treatment of time, which can be fundamentally counterposed to the pendulum analogy of equilibrium theory, is one in which capitalist development proceeds through successive phases of (relative) stability and change: regimes of accumulation are able to foster the conditions necessary for the maintenance of steady growth in the medium term, but these periods of comparative stability are subsequently disrupted by profound interstitial crises, phases of economic and political dislocation which undercut the uneasy harmony of the established regime. The precise timing of these phases is conditioned by the relatively indeterminate processes of institutional reform and political struggle, which shape the evolving form of the MSR: it is only when the dynamics and contradictions of the accumulation process exceed the moderating effects of the MSR, when this process of piecemeal adjustment is finally engulfed by the wider tensions in the accumulation process, that the regime will break down. This phenomenon of ‘institutional exhaustion’ was one of the factors responsible, for example, for the ultimate undoing of the Fordist regime (see Lipietz, 1987).

These regulatory struggles vary not only over time, but also across space. Regulation theory recognises this in as far as it affords a significant analytical role to the nation-state. Thus, growth and crisis are seen to take different forms in different nations, even under the same regime of accumulation (Boyer, 1990), and the processes of struggle and institutional compromise are seen also to vary from country to country (Lipietz, 1987). Regulation theory can consequently be seen to build from foundations in national social formations: particular regimes of accumulation, defined in abstract terms, may become globally hegemonic, but their concrete forms, their dynamics of accumulation and regulation and their responses to crisis will all vary from nation to nation. By implication, there is not just one single ‘coupling’ between the system of accumulation and the MSR—though its generic form may be sketched in the abstract—but a plethora of national ‘subcouplings’, each exhibiting a different variant of the accumulation—regulation relationship and each occupying a different place within the global order (Tickell and Peck, 1992). This, in turn, opens up the possibility of distinctive subnational couplings being identifiable at the regional or local level (see Peck and Tickell, 1992).

Time, crisis, and regulation theory
There are three problematics in the treatment of time by regulation theory which need to be addressed. These concern the following issues: the role of crisis in sectoral and national economic stability; the implications of treating time as ‘real’ and unilinear, rather than as cyclical; and the inadequate nature of regulation theory’s treatment of transitional periods. These are dealt with separately below.

Central to regulation theory is the understanding that regimes of accumulation are only able to stall the fundamental contradictions of capitalism—they are not
capable of overcoming them. Consequently, crisis remains an inherent component of the system. Three major forms of crisis have been identified by regulation theorists (Boyer, 1990; de Vroey, 1984a; Lipietz, 1987; Moulart and Swyngedouw, 1989; compare Harvey, 1989, chapter 2).

(1) Structural crises stem from the inability of a regime of accumulation to resolve capitalism's contradictory tendencies and occur when the MSR and the accumulation system no longer complement one another. A structural crisis cannot be resolved within a given regime of accumulation. The CEPREMAP regulation theorists argue that there are two possible causes of structural crisis. First, when a developing accumulation system is inhibited by an inappropriate MSR (for example, the depression of the 1930s). Second, when an existing accumulation system is exhausted within the prevailing MSR (for example, the crisis of Fordism) (Aglietta, 1979; Boyer, 1990; de Vroey, 1984a; Lipietz, 1987). However, Dunford (1990) argues that there is only one cause of structural crisis. Basing his critique on an analysis of the crisis of the 1930s, Dunford claims that the differences are only superficial and that "the general [Marxist] laws of motion of capitalist societies ... seem to operate underneath all social and historical developments" (1990, page 313).

(2) Conjunctural crises occur when the MSR and the accumulation system are temporarily out of synchronisation. They are likely to be manifested as recessions. A conjunctural crisis must, by definition, be resolvable within a regime of accumulation, although the regime's internal structure may be modified in the process. Any adjustment will be relatively small, examples being changes in the spatial division of labour or some macroeconomic fine-tuning. Conjunctural crises, however, may be important for the overall longevity of a regime. By forcing minor changes to occur within a regime, conjunctural crises can "restore the unity of the circuit [of capital]" (Lipietz, 1987, page 34).

(3) Microcrises are those which are not systemic in scale and can occur within a regime of accumulation. They are of least significance to the regime of accumulation because they only affect an individual unit or branch of capital which has failed to respond to changes in either the production process or consumption.

These forms of crisis have significant implications for the regulationist analysis of economic sectors and for the adequacy of regulation theory's analytical focus on the nation-state. The timing of microcrises in economic sectors is not always synchronised. Industries can become obsolescent during economic booms and firms go bankrupt even when their industrial sector is thriving. However, microcrises may develop into conjunctural crises, with attendant economic or regulatory restructuring, either if they are in leading economic sectors or if they demonstrate a failure in regulatory systems. For example, the crisis of the commercial real estate sector in London has been both a significant cause, and a contributor, to the depth of the current British recession. Similarly, the failure of the Johnson Matthey Bank in 1984 highlighted the broader failure of regulatory systems and resulted in changes in the system of bank supervision and regulation in the United Kingdom (see Clarke, 1986).

The timing of conjunctural and structural crises points to a more substantial problem in regulation theory—the concentration on the nation-state as the arena of crisis formation and resolution (Lipietz, 1987). The national variants of the Fordist regime of accumulation all encountered major problems during the early 1970s. If each of these regimes began to break down as a result of internal causes, the only explanation for the synchronised nature of the collapse of national Fordisms that is permissible is that of coincidence. After all, each variant had a specific accumulation
system and a specific MSR which was 'coupled' in a unique fashion. Although there were similarities between, say, Fordism in the United States and Fordism in the United Kingdom, there were also substantial differences.

However, the breakdown of Fordism on a global scale, and the increased synchronisation of the economic cycles of the OECD countries since then (see Walter, 1991), suggests that global regimes of accumulation are increasingly bound together and are more than just the sum of national regimes. International trade and the international financial system provide powerful mechanisms for transmitting production and regulatory norms. Although trade and finance have become further internationalised in the last twenty years (Dicken, 1992; Thrift and Leyshon, 1988), even during the heyday of Fordism international trading and financial systems provided powerfully integrative structures in the world economy (see Corbridge, 1988).

To turn to the treatment of time itself, unlike 'cyclical' or neoclassical theories, regulation theory deals with real events in real time and has been most successful as a post hoc theorisation of different regimes of accumulation. Although often used as a predictive tool, regulation theory does not make any claims about the future: there is no guarantee that the current crisis will be displaced by a period of future stability, that any resolution will last for several decades (as did Fordism) or that any resolution will be rooted at the level of the nation-state. It is therefore incorrect to characterise regulation theory as growth-orientated and politically reformist (compare Graham, 1992).

The regulationist conception of the world economy as consisting of a system of intersecting national economies is based to a significant degree upon Aglietta's (1979) analysis of the United States. This contributed to a theorisation of nation-states as credit money-based economies, over which governments are able to exercise considerable influence via the operation of monetary policy (Dymski, 1990). For example, in interpreting inflationary tendencies in capitalist countries from the late 1960s, Lipietz (1987) argues that monetary policy was designed to fuel inflation in order to prolong growth. Such policies are not seen as a long-term panacea—the process of 'creative destruction' is impeded with the result that "'Lame ducks' have been kept alive, productive structures have become rigidified and countries [adopting such policies] may have become less competitive internationally" (de Vroey, 1984b, page 396). However, since the early 1970s the capacity of individual nation-states to determine an independent monetary policy has been reduced (although by no means eradicated) and, with it, the adequacy of the regulationist emphasis on the primacy of internal causes (Altvater, 1992; Dunford, 1990; McMichael and Myhre, 1991; Smith, 1989).

Although the stress in regulation theory on contingent struggles at the level of the nation-state avoids teleology, it effectively means that regulation theory is a theory of regimes of accumulation, rather than transition, a theory of stability rather than crisis. Regulation theory has a very weak grasp on the nature of the transition, being unable to "identify a single motive force to drive the transition from one regime of accumulation to another" (Gertler, 1992, page 267; Tickell and Peck, 1992). This leads to nontrivial problems of interpretation in contemporary applications of regulation theory. As Jessop (1992, page 66) argues, the danger is that vulgar theorisations of post-Fordism can become blinkered in their analysis of change:

"The risk here is that, having constructed a paradigm of post-Fordism, we then assess everything in terms of its role in advancing (or else blocking) the transition to post-Fordism. But, if we cannot yet tell what the final form(s) of a post-Fordist labour process, accumulation regime, or mode of regulation will be, it is
both foolhardy and fallacious to argue that specific structures or strategies must prove functional or dysfunctional in the transition”.

Rather than attempt to characterise the transition on the basis of a putative future, it is necessary to develop an understanding based on emerging institutional structures and forms of production. The theoretical criteria for sorting potentially durable socioeconomic structures from transitory experiments must be demonstrable political and economic reproducibility. If this cannot be demonstrated, then considerable restraint is required in the process of analysis. Do emergent forms of social regulation have the potential to reproduce emergent forms of production? If not, what are the implications for the present crisis? In order to theorise these transitions, regulation-theoretical analysis requires, in addition to a clearer specification of the MSR, a more sensitive appreciation of the spatial constitution of different forms of regulation.

Space, scale, and regulation theory
Regulation theory has essentially three things to say about space: first, the nature of the coupling between accumulation and regulation varies from nation-state to nation-state; second, for a regime of accumulation to stabilise, this coupling must be functional at the level of the nation-state; and, third, capitalism is associated with endemic uneven development, as expressed through the shifting nature of core-periphery relations. A limitation of the theory, however, is that it contains no explicit conception of uneven spatial development, either at the subnational or the supranational scales. So, although regulation theory raises some interesting questions about uneven development, it is unable at the moment to provide the answers. While these are questions which some have now begun to explore (Cooke et al., 1992; Florida and Jonas, 1991; Goodwin et al., 1993; Moulaert et al., 1992; Peck and Tickell, 1992; Scott and Storper, 1990), there are several methodological issues which must be clarified before regulation theory can be comprehensively spatialised. These concern the problematics of internal causality, of functionality, and of scale. Each of these is now dealt with in turn.

Lipietz (1987, pages 21–22) asserts that “struggles and institutionalized compromises tend to arise within the framework of individual nations”, citing this as the reason for the methodological primacy placed on “internal causes” in regulation theory. Although there is evidence that the preeminent position of the nation-state is being eroded from both above and below, given the apparently increasing significance of political struggles and institutional structures at the regional and supranational scales (see Moulaert and Swyngedouw, 1989), we would concur that these processes continue to be significantly articulated at the level of the nation-state, even if they are not exclusively rooted there (see Dunford, 1990; McMichael and Myhre, 1991; Thrift, 1994).

In their substantial critique of regulation theory, Brenner and Glick (1991) have argued that all institutional structures occur within the parameters established by global accumulation processes:

“the given international distribution of productive power will have a central role in determining what institutions are even viable within national economies at a given historical conjuncture, as well as what will be their effect on capital accumulation, since, unless they are shielded in some way, these institutions must directly respond to international competition. ... [The] economic viability and effects of ... modes of regulation will heavily depend on the stage of development of the world economy ... No doubt, defined within that context, institutions have proved, and will continue to prove, extremely important in affecting regional or
national paths of growth of the productive forces ... variations in institutional forms across nations and regions will, in other words, have a major part in determining the hierarchies of productivity and competitiveness among regions and nations (pages 111-112).

Although it is certainly true that regulatory struggles and institutional change are ‘bounded’ processes, Brenner and Glick overstate their case. They hold up the world economy as the sources of inevitable—and apparently unregulated—economic forces. For these writers, institutions are the object of on-the-ground ‘local struggles’, whereas the real direction derives from the ethereal imperatives of global economic restructuring. The world economy is thus ‘naturalised’ (see Block, 1990), presented as if it were somehow analytically prior to ‘domestic’ economies and in some way independent of politics.

Although this analytical subordination of the process of social regulation may simply be a case of turning regulation theory’s a posteriori functionalism back on itself, it is nevertheless mistaken on three grounds. First, it is wrong to imply that the global economy is unregulated, as the international sphere has always been deeply regulated, initially largely through the economic imperialism of the Pax Britannica and the Pax Americana, and latterly and increasingly through the formation of (developing) supranational state structures (see Peck and Tickell, 1994; Polanyi, 1944). Second, it is from a very narrowly functionalist and instrumentalist position that Brenner and Glick (1991, page 111) argue that institutions are “constructed so as to emulate or surpass institutions in place elsewhere in promoting competitiveness in production”. This is hardly an adequate basis on which to interpret, for example, local government restructuring, health policy, or trade union politics. Third, it is somewhat puzzling to assert that, although institutional processes “have a major part in determining the hierarchies of productivity and competitiveness among ... nations” (page 112), they apparently have a negligible effect in shaping the global economic order itself.

But having said this, it is necessary that the relationships between these different spatial scales are theorised within the regulation approach. Regimes of accumulation, and the crisis phases which punctuate them, undoubtedly do take on different forms in different countries, but this is not the end of the story. Rather, they each carry with them a particular form of subnational uneven development, while being embedded within a particular structure of international uneven development.

The contention that the seeds of crisis are inevitably home-grown is consequently something of an oversimplifying one. The regulationists’ central point here, however, is that regimes will ultimately break down as a result of their rising internal contradictions, and, moreover, that these contradictions will be manifest in different nation-states in different ways. The observation that these national social formations are, at the same time, constituted of specific ‘internal’ regional structures and embedded within particular ‘external’ international relations stands not as a challenge to this position, but as a means of elaborating upon it. Thus, although the crisis of Fordism was undoubtedly tied up with ‘internal’ causes, such as the productivity slowdown, rising class conflict, and technological stagnancy, it was also conditioned strongly by the geographical contradictions of the regime of accumulation.

The breakdown of the Bretton Woods financial system heralded a long period of international financial turmoil and weakened the insulation of the USA from the world economy. Furthermore, the cost-cutting drive to decentralise production—both globally and within nation-states—played a significant part in destabilising the regime, contributing as it did both to the mounting fiscal crises of local and national states and to the breakdown of the fragile social contract in the core Fordist countries.
The second methodological problem is that of functionality. Regulation theory holds that regimes of accumulation must be functional at the level of the nation-state, though it has to be acknowledged that this may partly reflect the historical particularities of the Fordist regime (and possibly the French origins of the theory itself). Given the strong trend towards the internationalisation of state structures, and the more piecemeal shift towards more regionalised state structures, this privileged role for the nation-state may no longer be assured. It is certainly true that the progressive internationalisation of production and finance has profoundly restricted the scope for national economic coherence. As it becomes increasingly difficult for nation-states to exercise real control over aggregate demand, one response may be to fall back solely on supply-side strategies. Such strategies endeavour to create an environment conducive to accumulation—through, for example, the manipulation of financial, fiscal, and labour systems—and as such become exposed to the vagaries of global capital. Such means are increasingly being used by nation-states in the competitive struggle for mobile global capital. In this sense, the 'supply-side nation-states' of today are becoming more like the local states of yesterday in terms of their purchase upon macroeconomic levers.

The sense in which national economies exhibit functional couplings between accumulation and regulation is consequently changing, such that national macro-economic coherence—at least of the kind seen under the Fordist regime—may itself be a thing of the past. If regulation theory is to be spatialised, it must loosen its exclusive grip on the nation-state: although the nation-state will no doubt continue to be one of the key arenas of struggle, this may not be the scale at which future institution-building is rooted. The question of functionality in accumulation-regulation relationships consequently needs to be opened up at other spatial scales (see Haughton and Browett, 1995; Moulaert et al, 1992; Peck and Tickell, 1992).

This leads us to our third methodological tension in the regulation approach, that of scale itself. Already, we have suggested that the relationship between the regional, national, and global scales of accumulation is being reworked. This raises a crucial regulatory problem: for in sustainable regimes of accumulation the dominant form of uneven spatial development itself has to be regulated. The tensions inherent in core–periphery relations must be accommodated within the MSR if accumulation is to proceed. Again, this is an issue which has not been explored explicitly in regulation theory, but is one which represents a potentially fruitful line of analysis. It is interesting to note, for example, that many contemporary neoliberalist strategies are proving incapable of accommodating their internal geographical contradictions. As the case of Thatcherism below will illustrate, with the benefit of hindsight, such political strategies may be seen as part of the continuing crisis and restructuring of the Keynesian welfare state, rather than as the originators of a sustainable post-Keynesian alternative.

This question of the social regulation of uneven development is, of course, germane to contemporary debates around new industrial spaces. Work in this field has been justifiably criticised for prioritising the issue of regionally indigenous growth dynamics over the wider question of uneven development and new global interdependencies (Amin and Thrift, 1992; Markusen, 1991). Whereas we now know a great deal about how Emilian firms relate to one another, for example, less is known about how they articulate with the wider Italian, European, and global economies. In addressing these silences, the basic conceptual building blocks already exist in established work on restructuring and uneven development (see Harvey, 1985; Massey and Allen, 1988; Storper and Walker, 1989). Established conceptual devices such as the spatial division of labour, territorial reproduction, and urban
'structured coherence' provide a basis for beginning to 'situate' new industrial spaces. These approaches provide a framework for understanding regions as part of a wider system of political-economic interdependencies and as unique conjunctures capable of mediating (and to a certain extent reshaping) processes of economic restructuring.

These frameworks must be further developed, and integrated with regulation theory, if regulationist approaches are to be deployed at the subnational scale. Harvey's notion of structured coherence provides a starting point. This he defines as a specific technological-organisational mix which, along with its dominant set of social relations, "embraces the standard of living, the qualities and style of life, work satisfactions (or lack thereof), social hierarchies (authority structures in the workplace, status systems of consumption), and a whole set of sociological and psychological attitudes towards working, living, enjoying, entertaining and the like" (Harvey, 1985, page 140). Building upon this, it is necessary to explore the possibility that different regulatory functions may be sited at different spatial scales and that it may be possible to distinguish distinctive 'local modes of social regulation' (Painter, 1992; Peck and Tickell, 1992). Local MSRs can be seen to compromise those regulatory practices which underscore structured coherence at the subnational scale. Such regulatory practices, for example, are particularly important for the operation of local labour markets and the reproduction of work skills (Peck, 1989).

The notion of a local MSR is no more than tentatively proposed here. One way to move towards a definition, is to begin by stating what—in our view—it most certainly is not! Local MSRs should *not* be regarded as 'mesocosms' of national MSRs (performing the same functions, but at a lower spatial scale), *nor* is a clear-cut division of responsibilities between the local and the national scales of regulation likely to be found (in which local MSRs have exclusive responsibility for some functions, national MSRs for others). This raises questions about the extent to which a local MSR is 'local'. Although some regulatory functions and practices may be anchored at the local level, others will articulate in different ways in different places. The local state, for example, was responsible for some key functions of social reproduction under Fordism (Goodwin et al, 1993; Painter, 1992), whereas the nationally imposed and ostensibly uniform labour-market reforms of post-1979 Conservative governments in the United Kingdom have been associated with markedly different regional effects (Hudson, 1989; Peck, 1992). Local MSRs should not, then, be seen as the domain of exclusively local regulatory practices (though these may play some small part in their definition), *but as regulatory systems distinctive more for their unique position within wider (national and international) structures of accumulation and regulation.*

Local MSRs are consequently defined more by their 'external' relationships than by their 'internal' idiosyncrasies. Local MSRs, in other words, relate to the regime of accumulation in similar ways to that in which localities were seen in Massey's (1978) original formulation to relate to the wider spatial division of labour: local systems are defined largely by their mode of integration into wider structures, though these wider structures are at the same time partly constituted of, and by, local systems. In the case study of regulatory restructuring in the South East which follows, for example, emphasis is placed on the *position* of the South East within the wider accumulation project and ideological discourses of Thatcherism, rather than on the role of idiosyncratic local process or effects per se.

What we are proposing here is more than a 'spatial division of labour plus social regulation' approach, but one which seeks explicitly to theorise the relationship between social regulation and uneven spatial development. There are two aspects to
this: first, both the processes and the empirical manifestations of social regulation are unevenly developed across space (in the sense that some social-regulatory processes are sited at different spatial scales, but regulatory outcomes will also vary spatially according to their contingent interactions with other social phenomena); and second, this uneven development itself must be socially regulated (in the sense that the national MSR must be capable of containing its geographical contradictions). The local MSR is a constituent part of this broader conception. In this conceptualisation, then, the local MSR is viewed both as resulting from, and contributing to the reproduction of, uneven development.

In the remainder of the paper we attempt to open up some of these issues by operationalising regulationist concepts in a sketch of the political economy of Thatcherism. Here, the issues of uneven development and social regulation are foregrounded in the context of contemporary regional restructuring in the United Kingdom. In this brief examination we focus on two key themes: the changing regulation of labour and finance markets during the 1980s and early 1990s and their specific effects in the South East of England.

The uneven development of Thatcherism

The definition of Thatcherism has perplexed political scientists for more than a decade now (see Benyon, 1989; Jessop et al, 1988). Part of the confusion stems from the fact that Thatcherism was at the same time a regional, a national, and an international political project. The social basis of Thatcherism was one rooted in the south of England, but 'national Thatcherism' can be seen as a variant, and an influential one at that, of the international movement towards neoliberalist and 'deregulationist' political strategies (Jessop et al, 1990). The Thatcherite accumulation strategy, Jessop et al (1988) explain, combined a new authoritarian state form with a selective liberalisation of the economy, favouring the interests of multinational and finance capital. The strategy reasserted and attempted to recohere the interests of the capitalist class in a way compatible with winning a degree of popular acceptance. Thatcherism's well-developed antipathy towards trade unions, towards local authorities, and towards the remnants of the corporatist state was mirrored by the privileged place afforded the interests of business, the property-owning middle classes, and, crucially for our argument here, the conservative heartland of the South East of England.

The South East entered the Thatcher era with the strongest regional economy in the United Kingdom, emerged relatively unscathed from the recession of the early 1980s (which accelerated the ongoing process of deindustrialisation in the north), and experienced strong growth during the remainder of the decade. Although the boom in the South East was popularised as the product of the new enterprise culture, of indigenous growth dynamics (Shields, 1991), it was in fact underwritten by a raft of government policies and programmes. The South East has been shown to have been the main beneficiary of government research and development and defence spending, of mortgage relief and top-band tax cuts, of small firms and training policies, and so on (see Hudson, 1986; Lovering and Boddy, 1988; Martin, 1988). In effect, the Thatcher administrations pursued a 'limited hegemony' strategy, which underwrote the growth of incomes in the south at the expense of the withdrawal of public services in the north, a project predicated on the "uneven impact of economic decline and growth ... and by a major redistribution of income from poor to rich" (Jessop et al, 1988, page 179; Jessop, 1990b). For many, this strategy became all too evident when, in the package of tax cuts announced in the 1988 budget, 60% of the benefit was seen to go to the South East, a region containing
30% of the national population (Hamnett, 1994). The much popularised north–south divide consequently became a central plank in the 'two nations' hegemonic project of Thatcherism (Hudson and Williams, 1989), alongside significant increases in intraregional inequality.

As the economy of the South East expanded during the 1980s, it pulled the adjacent regions of East Anglia, the East Midlands, the South West, and even South Wales into its vortex of growth. As table 1 shows, these growth regions enjoyed increased shares of national GDP growth between 1980 and 1990, while every other region suffered a falling share. Income levels also exhibited widening regional disparities: the same set of regions each enjoyed increases in GDP per head during the 1980s, while all the northern regions suffered falling average income levels. By the end of the 1980s, the labour market across much of the south had come close to full employment (with unemployment levels of around 4%), whereas in the northern regions, unemployment remained between two and three times this level.\(^{(2)}\)

**Table 1.** Gross domestic product by region, 1980–90 (source: CSO, 1991).

| Region                          | GDP (UK = 100) | GDP per head (UK = 100) |
|--------------------------------|----------------|-------------------------|
|                                | 1980  | 1990  | change (%) | 1980  | 1990  | change (%) |
| South East                     | 35.0  | 36.0  | + 2.9      | 116.1 | 118.3 | + 1.9     |
| South West                     | 7.2   | 7.7   | + 6.9      | 92.8  | 94.9  | + 2.3     |
| East Anglia                    | 3.2   | 3.7   | +15.6      | 96.6  | 102.5 | + 6.1     |
| East Midlands                  | 6.6   | 6.9   | + 4.5      | 97.0  | 98.2  | + 1.2     |
| Wales                          | 4.2   | 4.3   | + 2.4      | 84.2  | 84.9  | + 0.8     |
| West Midlands                  | 8.6   | 8.4   | - 4.6      | 93.2  | 92.8  | - 0.4     |
| Yorkshire and Humberside       | 8.1   | 8.0   | - 1.2      | 93.1  | 92.2  | - 1.0     |
| North West                     | 11.1  | 10.0  | - 9.0      | 96.2  | 90.5  | - 5.9     |
| North                          | 5.1   | 4.7   | - 7.8      | 92.5  | 88.2  | - 4.6     |
| Scotland                       | 8.7   | 8.2   | - 5.7      | 94.4  | 92.6  | - 1.9     |
| Northern Ireland               | 2.1   | 2.1   | 0.0        | 78.3  | 75.4  | - 3.7     |

In the midst of the late 1980s boom, as the growth of the South East region rippled out into adjacent regions, politicians and economists began to talk of the 'Thatcher miracle'. Simultaneously, though, others began to point to the spiralling costs of living and doing business in the south. In 1989, for example, it was calculated that, for a Greater London household to enjoy the same standard of living as one in the Northern region, a gross income twice that of the northern family would be required (Champion, 1989). A major component in these cost-of-living differentials were spiralling southern house prices: in the period 1985–87, house prices rose by 47% in the South East, compared with only 6% in the Northern region. In 1988, 46% of gross domestic fixed capital formation in the South East was tied up in its housing stock (alongside just 21% in the region's manufacturing sector), compared with just 30% in the Northern region and 33% in Yorkshire and Humberside (CSO, 1991). Furthermore, the rapid house price inflation in the South East increased the pressure for wage disparities and intensified inflationary pressures in the economy as a whole (see Bover et al, 1989). Although regional wage disparities were widening during this period, in much of the south they continued to lag the rising cost of living: as Reward (1989) showed, although the salaries of managers in

\(^{(2)}\) The disproportionate impact of the present recession in the South East has brought about a (temporary?) levelling of interregional unemployment disparities, though overall unemployment rates remain higher in the northern regions (Martin, 1993).
Greater London were 17% above the national level, living costs for this group were 40% above the national level.

Firms too were starting to count the costs of economic growth. Skill shortages began to reach endemic proportions, constraining production in more than one quarter of manufacturing firms in the South East by the end of the 1980s (Employment Department, 1991). Recruitment difficulties were not, however, restricted to skilled manufacturing workers, but pervaded the entire occupational hierarchy—from catering workers to financial-services professionals, from sales assistants to scientific technicians (Training Agency, 1989). These shortages, in turn, tended to fuel further wage inflation, and subsequently, further upward pressure on house prices. Alongside these rising labour costs, however, firms in the South East also encountered rising commercial property prices, increasing traffic congestion, and accelerating environmental degradation.

Some, including the Treasury, saw these as the inevitable costs of growth, pointing out that—true to the nostrums of neoclassical theory—the rising costs of the South East would induce centrifugal forces in the economy, as workers and firms sought out cheaper locations outside the core (see Johnson, 1991; Parry-Lewis, 1989). Perhaps not surprisingly, this ‘strategy’ failed to work: the South East became yet more congested, its physical and social infrastructure was further degraded, and inflationary pressures continued to build. In the midst of its economic success, the South East was becoming a ‘problem region’. The solution to this problem had to be sought, it was increasingly argued, not in the further ‘deregulation’ of the economy, but in a return to strategic planning and public infrastructure investment (Breheny, 1989; Massey, 1987; Murray, 1989; SEEDS, 1987; Shepley, 1989). Such suggestions, however, were antithetical to the prevailing government policy:

“There is an assumption in the attitude of the Government to planning: that the business community welcomes moves towards a non-plan regime. In the case of big business, there is ample evidence that this is not true in principle or practice. ... It is now beginning to dawn on many people that paradoxically the South East is facing strategic issues of an unprecedented scale and speed at the very time that the last remaining traces of the strategic planning system are being dismantled. ... The Government’s new medicine has been greater deregulation: of the planning system, of infrastructure provision, of finance. If the South East is the Government’s major test of this medicine, then the clinical trial has been a failure” (Breheny, 1989, page 15).

Deregulationist policies, it was becoming clear, were beginning to suffocate the growth of the South East economy. This was clearly reflected, as we will try to illustrate here, in the deepening regulatory crisis in the labour market and the problems caused by the deregulation of the financial sector.

Labour-market deregulation

In the labour market, the major thrusts of the government’s deregulationist strategy have been to curb trade union power, to dismantle the ‘corporatist’ training system, and to promote competitive relations between workers (Johnson, 1991; Robertson, 1986). The desired goal, of a more flexible labour market devoid of ‘restrictive practices’ and dominated by competitive wage-setting, was only ever partially realised. The ‘floor’ of worker rights was lowered, the training system was restructured in accordance with ‘market principles’, and the activities of trade unions were profoundly restricted—all with the aim of “helping the labour market work better” (Treasury, 1984; 1986)—but the sought-for fall in wage settlements was not achieved. The problem, in essence, was that at the same time as a large group of
workers—mostly in the north—were falling through the floor of the wages system, another group—mostly in the south—were bursting through the ceiling. The OECD (1986; 1987), for example, while conceding that antiunion legislation had played a part in making the UK labour market ‘more flexible’, noted also that wage inflation was continuing to be fuelled by the problems of recruiting and retaining skilled workers. A major source of these recruitment and retention difficulties was, ironically, the deregulationist policies of the Conservatives, as the case of training policy demonstrates.

The restructuring of the training system has involved the abolition of the strategic body for labour-market planning (the Manpower Services Commission), the disempowerment of the network of the industry training organisations (the Industry Training Boards), and the establishment of a voluntarist and market-driven system of privatised Training and Enterprise Councils (TECs). The result has been that state support was effectively withdrawn for all but the most basic skills provision and ‘make-work’ schemes for the unemployed (Finegold and Soskice, 1988). Employer-led TECs, launched in 1988 to develop locally tuned training responses, lack the financial or organisational resources to respond to the pressing needs for training amongst the employed labour force. Because the TECs inherited from the government the responsibility for training schemes for the unemployed, they are at their weakest in buoyant areas of the country where unemployment levels have, historically speaking, been low (Peck, 1991). The geography of TEC funding continues to ‘favour’ the north (because of its accumulated unemployment problem), whereas TECs in the previously expanding labour markets of the south—where the training deficit amongst the employed work force is at its most acute—continue to receive comparatively low levels of funding (Emmerich and Peck, 1992). As a result, the South East contains some of the most organisationally and financially weak TECs, despite suffering from the most severe problems of skills shortage.

The Conservative’s dismantlement of the legislative or organisational framework for intermediate and high-skill training in Britain has left firms dependent upon internal systems of skill formation (where feasible) and the haphazard process of labour poaching. Accelerating skilled labour turnover, deepening skill shortages, and spiralling wage inflation have followed, as the ‘unfettering’ of market pressures forced employers into short-termist ‘dog-eat-dog’ strategies: firms unable to protect their ‘internal’ investments in skills ceased to train altogether. The deregulation of interfirm relations in the labour market effectively paralysed the private training system. The chronic problems of underinvestment in skills reached endemic proportions in the booming local economies of the South East by the late 1980s (Murray, 1989).

The deregulationist training strategy failed because it was predicated on the mistaken notion that the restoration of competitive pressures was an adequate basis on which to revive skill training. The central flaw in this approach is that skills are, to a large extent, ‘collective goods’ (Streeck, 1989). Firms pursuing their individual ‘rational’ self-interest will tend to underinvest in skills because they cannot be assured of realising the return on their training investments (especially when they are surrounded by actual or potential labour poachers). Therefore, far from helping the labour market to work better, the ‘reregulation’ of the British training system was inevitably going to exacerbate problems in skill formation. Symptomatic of the wider problem of overexploitation of the region’s social, economic, and physical infrastructures during this period, this training crisis was part and parcel of the wider crisis of regulation which was eventually to suffocate the south’s growth pattern (Leadbetter, 1991; Peck and Tickell, 1992).
Notwithstanding the internal contradictions of deregulationist training strategies themselves, then, such policy programmes also contributed to the wider problem of the mismanagement of uneven development. This is because deregulationist policies tend to produce chronically uneven regional effects, such that the same policy programme produces different consequences in different regions (Peck, 1992). Deregulationist training policies, for example, despite being conceived and applied nationally, produce very different regional effects. These policies have played a role in the polarisation of the skill and wage structure in the expanding economies of the South East by underwriting secondary sector recruitment, induction, and employment, and by exposing the higher echelons of the primary sector to external labour-market forces, labour poaching, and wage inflation. The same policy package unleashed a different set of forces, however, in the high-unemployment areas of the north, where the principal impacts occurred in terms of the containment of unemployment and the unpicking of the welfare safety net. Our argument here, then, is that labour-market deregulation strategies were unable to contain their internal tendencies to exacerbate uneven development.

Significantly, when these strategies begin to falter in the core region, questions are inevitably raised over their national efficacy. In labour-market terms, the present recession in the United Kingdom was triggered by rapid labour shedding in the high-level service industries of the South East (Leadbetter, 1991). The unprecedented sight of young financial-services professionals being cast out onto the dole symbolised for many the end of the frantic ‘Lawson boom’ of the late 1980s. This incipient labour-market crisis rapidly filtered through the housing market, exacerbating the emerging problem of collapsing house prices. Mortgage repossessions rocketed, particularly in the South East: in 1990, the year in which the recession first struck, more than 61,000 court actions were entered against mortgage defaulters in the South East, leading to a rate of repossession in this region more than twice that experienced in the rest of the country (authors’ calculations; Lord Chancellor’s Department unpublished data). Thus was sent into reverse the leapfrogging of salaries and house prices which had played such a significant role in the overheating of the South East’s economy during the 1980s.

Financial sector deregulation

In many ways, the financial sector occupied a privileged position in the Thatcherite accumulation strategy (see Jessop, 1989). Whilst the director of the Confederation of British Industry, Terence Beckett, was preparing his members for a “bare-knuckle fight” with the government over monetarist economic policies, the City supported economic policies which emphasised a “strong pound” and “sound money”. However, the financial sector was fundamentally restructured during the 1980s, as the government sought to retain London’s position as a first-order world financial sector in the face of global financial sector deregulation (for example, see Bank of England, 1989) and as traditional, informal mechanisms of regulation began to break down (see Moran, 1991). The major elements of the government’s strategy to retain London’s dominance were to dismantle ‘impediments’ to the free flow of capital (via, for example, the abolition of exchange controls in 1979); to open up British financial markets to foreign banks [so that foreign banks accounted for nearly one third of all lending to UK residents in 1991, although following a dip in US lending in 1992 it fell below 30% for the first time for a decade (Tickell, 1994)]; to invigorate the securities markets (for example, in the ‘Big Bang’ of 1986 restrictions on bank involvement in securities trading were removed); and to promote vigorous competition in domestic financial markets (for example, by manoeuvring
the building societies into direct competition with the clearing banks). The thrust of government action in the financial sector was not strictly deregulationist—it involved significant amounts of the reformalisation and recodification of regulation (such as in the 1987 Finance Act). As Cerney (1991, page 177) argues, deregulation "can often mean not that spontaneous market forces are freed and the autonomous dynamic of capitalist accumulation given new momentum, but rather that the state is forced to impose new market-oriented rules. ... Thus, the state must, in effect, 'force them to be free'."

In many respects, the Thatcherite strategy of supporting the City was immensely successful. Technological changes and rapid product-market development were transforming the banking sector worldwide, most notably through the process of disintermediation, where industrial companies raised money directly in financial markets rather than through banks (see Thrift and Leyshon, 1988). These developments favoured London, both within the international financial system and by increasing the City's domination of the British financial sector. There are now more foreign banks with offices in London than in any other city in the world, despite the weakness of British manufacturing industry. Employment in the financial sector burgeoned during the 1980s, rising from 7.2% of all employment in 1979 to 12.1% in 1990 (data obtained from National On-Line Manpower Information System, Durham University). Banking was one of the few industries in which Britain remained on the world stage [for example, on one measure of 'global banks', the top two institutions were British (The Banker 1993)].

The regulatory restructuring and growth of the financial sector had weaknesses built into it, however, which meant that the successes of the mid-1980s were unsustainable and severely weakened the overall Thatcherite accumulation strategy. Most notably, three factors—the relaxation of exchange control regulations, neoliberal ideology which stressed that interest rates were the principal mechanism for controlling economic growth, and the desire to maintain London's position in the global financial system—forced the government to shadow the Deutschemark at an overvalued exchange rate, forcing up interest rates and placing British exporters in a precarious position.

The growth of lending to UK companies by foreign banks provided manufacturing companies, particularly large ones, with access to a more competitive range of lenders. Although in the short term this undoubtedly reduced the costs of finance for such companies, it also loosened the traditional relationships between bankers and borrowers. Whereas in the 1970s industrial companies would have a small range of bankers, by the mid-1980s the list of banks would often go into double figures—and for the largest companies exceeded one hundred. Loosened relationships between banks and borrowers may have potentially disastrous results for both parties because during cyclical economic downturns bankers are less willing to risk their assets on companies for which their intelligence sources are not well established and where their margins have been low (see Lisle-Williams, 1986). Deregulationist...
ideology—which stresses the primacy of the market—undermined the integrity of bank–industry relations.

Deregulated financial markets and housing policy contributed to an explosion of debt. Outstanding lending to UK residents rose by over 450% in real terms between 1980 and 1989 (Tickell, 1994). With their high proportions of homeownership, the southern regions became the most heavily indebted areas in Britain. This eroded one of the political basis of support for Thatcherism. High debt levels and historically high interest rates hit the privileged south harder than other regions, leading to a rapid slowdown in consumption from 1990. These (temporary?) difficulties interacted with other effects of the deregulationist policies of the Thatcherite experiment further to undermine accumulation in the south. First, within the financial sector, competition began to yield the same bitter fruit of unrestrained competition in other industries: job cuts. 40,000 jobs (6.4% of the total) were shed in banking and finance alone between June 1990 and September 1992. As the region with the heaviest concentration of financial services industries it was inevitable that the burden of restructuring would fall most heavily on the south. Second, the ‘casualisation’ of labour has increased the unpredictability of employment. Rather than using reduced debt levels as an opportunity to increase their consumption, workers in the secondary labour market—and in destabilised primary labour markets—in the south began to increase their savings, pushing the cyclical downturn of 1990 into a full-blown recession. In the financial sector, then, deregulation acted to undermine not only the integrity of the City (see, for example, the lax regulation of the Bank of Credit and Commerce International or Robert Maxwell’s theft of his employees’ pension fund), but also to weaken wider processes of accumulation in the south.

**Thatcherism as a failed regulatory experiment**

We have only been able to hint here at the possibilities of a regulationist analysis of ‘deregulation’. Further work is most certainly needed. What we have tried to point to, however, is that, first, regulation theory requires emphasis to be placed on the reproduction of economic systems and, second, that care has to be taken in distinguishing between durable political-economic systems and opportunist experimentation. Our contention is that Thatcherism did not work as a regulatory experiment because it was unable to sustain economic growth, even in the privileged southern core region. Thatcherism’s temporary tenability lay in the particular way that it exploited the historical conjunctures of mass unemployment, deindustrialisation, and class dealignment. The great irony, of course, is that Thatcherism was more effective in subordinating the periphery than in sustaining the core; more effective in containing decline and poverty than in underwriting reproducible growth and wealth generation.

Thatcherism proved incapable of sustaining the late 1980s growth pattern in the United Kingdom because it has not been able to contain its internal contradictions. Significant amongst these are the geographical contradictions of Thatcherism, popularised in the ‘north–south divide’ debates of the late 1980s, but materially manifest in the collapse of the South East economy in the present recession. Thatcherism’s failure, then, was, first, a generalised failure of social regulation and, second, a specific failure to establish appropriate institutional forms for the regulation of uneven development. We are not claiming here that these institutional forms should

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(4) Throughout the 1980s, homeownership was consistently higher in the southern regions of England and Wales than in the north of England and Scotland (CSO, 1992). Furthermore, house prices in the South East, South West, and East Anglia consistently exceeded those in other regions by wide margins (see Hamnett et al, 1991, figure 2.6), although house price inflation since 1987/88 has been higher elsewhere (Hamnett, 1993).
necessarily have been situated in the South East, but that Thatcherism broke down because appropriate combinations of local and national structures of social regulation did not exist.

In this sense, the mode of national growth fostered in the United Kingdom in the 1980s, and centred so strongly on the South East was a fragile one (Allen, 1992), one destined to break down partly because appropriate mechanisms for the regulation and reproduction of the economy had not been set in place. One of the reasons for the spectacular collapse of this growth pattern in 1990 was, we would argue, 'regulatory deficit'. This has wide connotations for neoliberalist strategies, which on the basis of the British experience, seem incapable of riding the roller coaster of the economic cycle. Contrary to previous experiences of macroeconomic mismanagement, however, the Thatcherite roller coaster left the rails at the top of the cycle, not at the bottom.

To sum up, although it has been possible here only to provide an indicative sketch of how regulationist concepts can be operationalised at the subnational scale, the example of Thatcherism and the South East illustrates how the conception of a local MSR might be mobilised. We have argued that local MSRs should not be seen as the sphere of exclusively local regulatory processes. Rather, the concept has been used here to explore the way in which subnational regulatory structures articulate with wider regulatory structures, particularly at the national scale. The uniqueness of the South East MSR derives from the particular way in which it articulated with these wider structures, specifically its crucial and privileged role in Thatcherism's national accumulation strategy. This said, Thatcherism in the South East faltered significantly as a result of its internal contradictions. The regional economy suffered from problems which in many ways have come to typify those of deregulated growth regions—overheating, inflation, housing-market and labour-market imbalances, and overexploitation of resources. For these 'internal' reasons, the region's economy became dysfunctional.

The bursting of the South East's bubble economy was therefore inevitable. Because of the region's privileged place in the Thatcherite accumulation strategy, this however amounted to more than a local problem. It reflected that failure of the national growth model fostered in the 1980s, anchored as this was in the South East. This, although the recession which began in 1990 has for the United Kingdom been a national recession, it was one which began in the South East and which took a different form in that region to any other part of the country (CLES, 1993; Tickell, 1993). Local regulatory failures can, therefore, have ramifications beyond regional boundaries: the breakdown of growth in the South East has dealt a potentially fatal blow to the Thatcherite project, now stumbling from one crisis to another, albeit under new management.

Conclusion
In this paper we have deployed, in a critical way, a regulation approach to explore both the theoretical status and the concrete form of uneven development in contemporary capitalist restructuring. The key strengths of the regulation approach lie, first, in its ability to account systematically for the evident historical and spatial discontinuities in capitalist development and, second, in the emphasis which is placed upon the role of social, political, and institutional factors in the analysis of these development processes. It must be emphasised that regulation theory is not a theory of post-Fordism, but a conceptual framework for understanding the historical and geographical evolution of processes of capitalist growth and crisis. Indeed, adherence to a regulation approach necessitates a degree of restraint in the interpretation.
of contemporary restructuring processes, one which has been lamentably absent in some of the recent contributions to the flexibility debate. In particular, the emphasis in regulation theory on macroeconomic coherence and on medium-term reproduction can be seen as something of an antidote to the tendency to read off regime-wide conclusions from emergent forms of production organisation. We suggest that a useful contribution to the post-Fordist debate could be made by evaluations of contemporary regulatory experimentation. For all the studies of flexible production, we still seem to know comparatively little about 'flexible regulation'.

This said, regulation theory itself is an incomplete project. Here we have explored the conceptions of time and space implicit in the regulationist approach, arguing that the theory's purchase on the question of temporal change is rather more developed than its grasp of spatial restructuring processes. The theory remains rooted, first and foremost, in the national social formation, containing no explicit conception of the notion of uneven development at either the subnational or the supranational scale. Building upon established conceptualisations of uneven development, however, we have argued that processes of social regulation need to be seen as operating a variety of spatial scales. Thus, regulation theory can, and indeed must, be spatialised. This is necessary if the theory itself, with its implicit methodological emphasis on the nation-state, is to avoid the indignity of being tossed into the dustbin of Fordism.

We wish to maintain, however, that carefully formulated regulationist approaches can continue to yield insights into the nature of the contemporary transition. Regulationist concepts, themselves still developing, can usefully be extended both to subnational and to supranational scales of analysis. On the basis of a preliminary analysis of the political economy of regional restructuring under Thatcherism, we have argued that a potentially fruitful line of analysis is the social regulation of uneven development itself. As the case of Thatcherism illustrates, the priority in regulationist research must be to establish which features of the contemporary phase of political-economic experimentation are reproducible. Novelty per se is no basis on which to construct an explanation. Flexibility may be new, but is it sustainable?

Acknowledgements. We would like to thank participants at the conference of the IGU Commission on Industrial Change (Orlando, August 1992) for comments on an earlier presentation of this paper. Andrew Jonas, Andy Leyshon, Linda McDowell, Michael Storper, and an anonymous referee at Environment and Planning A made helpful suggestions on earlier versions of this paper, and Tom Tickell deserves our thanks for digging out the mortgage repossession data. Responsibility for the contents of the paper—of course—remains our own.

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