Reinforcing unevenness: post-crisis geography and the spatial selectivity of the state

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This paper considers the unevenness of the 2007–08 crisis by examining the literature of England’s North–South divide. From the 1980s this longstanding divide was exacerbated as a result of promoting London as a global financial hub, so when the crisis hit many expected some regional economic convergence as redundancies spread throughout the financial sector. This has, however, not taken place and previous patterns of uneven development have rather been reinforced. Attempts have been made to explain this deepening of established geographical patterns as the result of different regions’ degrees of economic resilience, but this approach is, however, problematic because it naturalizes crises, downscales responsibility and neglects politics. Inspired by Martin Jones’s concept of the ‘spatial selectivity of the state’, the paper will rather argue that to understand the uneven geography of the economic crisis, one has to look beyond localized resilience to how the state’s austerity policies have displaced the crisis’s impacts away from its origins in a London-centred financial sector.

Keywords: economic crisis; austerity; uneven development; resilience; England; North–South divide

Introduction

David Harvey’s formulation that ‘capitalism perpetually strives to create a social and physical landscape in its own image and requisite to its own needs at a particular point in time, only just as certainly to undermine, disrupt and even destroy that landscape at a later point in time’ (Harvey, 2001, p. 333) has become influential when trying to grasp the spatial effects dynamics of economic change. The geography of the 2007–08 financial crisis is, however, a paradoxical one in this respect as pre-crisis spatial patterns have been reinforced rather than restructured (Christophers, 2014). This produces a double injustice as while neoliberal growth did not trickle down as proclaimed it would, the costs of its crisis ‘have been off-loaded onto marginalized communities with remarkable efficiency’ (Peck, Theodore & Brenner, p. 265). This paper aims to deal with the geography of this through an examination of the literature on uneven development in England before and after the crisis. Since the regional inequality of the UK as a whole, when measured by gross domestic product (GDP)/capita, is among the greatest in Europe (Massey, 2007), the hope is that this will provide some insights for a wider understanding of uneven development after the Great Recession.
In January 2015, the Centre for Cities released its yearly *Cities Outlook* report (Centre for Cities, 2015). Focusing on to what degree the British coalition government’s aim of ‘rebalancing’ the economy (Berry & Hay, 2014) had been achieved, it illustrates how enduring uneven development can be. The report shows how the economic fortunes of English cities persistently have diverged for the latest 10 years between those located in the south of the country and those in the north. This North–South divide is a longstanding concern in England (Martin, 1988). It was, however, exacerbated from the 1980s and onwards as a result of promoting London as a global financial hub at the expense of other places (Hudson & Williams, 1995). When the 2007–08 crisis hit the British banking sector, many thus expected some regional economic convergence (Lee, 2014). This has, however, not taken place, and previous patterns of uneven development have instead been reinforced (Beatty & Fothergill, 2014; Clayton, 2011; Hutton & Lee, 2012).

Attempts have been made to explain this deepening of established geographical patterns as the result of different regions degrees of economic resilience (Fingleton, Garretsen, & Martin, 2012; ESPON & Cardiff University, 2014) This approach is, however, problematic because it naturalizes crises, downscales responsibility and neglects politics (Mackinnon & Derickson, 2013; Welsh, 2014). Inspired by Jones’s (1997, 1999) concept of the ‘spatial selectivity of the state’, the paper will thus argue that to understand the uneven geography of the economic crisis, one has to look beyond localized resilience. Rather one should understand it as an active political process in which the state’s austerity measures have been central in displacing the crisis’ impacts away from its origins in a London-centred financial sector.

The paper will first outline how uneven development has been conceptualized as a chronic feature of capitalism before considering the role of the state. Thereafter, it will consider how the North–South divide has been mediated by the British state in the post-war era and then examine how the effects of the recent crisis have been rolled out. The next section discusses how the geography of the crisis is explained through the lens of regional economic resilience; and finally, the paper will, informed by Jones’s (1997, 1999) concept of the state, propose an alternative way of understanding the development of the post-crisis geography as an uneven process of ‘creative destruction’ in which the state has protected the financial sector and its associated places from the effects of its crisis by dumping costs elsewhere.

Uneven development and the state

Geographical uneven development is an integral feature of the capitalist economy (Harvey, 1982; Smith, 1984; Storper & Walker, 1989). Earlier in history, natural differentiation, such as concentrations of particular resources, played a key role in shaping these patterns, but with the maturing of capitalism this is no longer as much the case (Smith, 1984). Geographical space is thus not longer an accident of random natural variations, but is actively being produced to accommodate capitalist growth. Smith (1984) addresses this as being the outcome of a dialectic between spatial equalization and differentiation where capital moves like a ‘see-saw’ between localities to exploit their conditions for accumulation. For Storper and Walker (1989) this process of ‘geographical industrialisation’ produces territorial expansion as beneficial localities are sought out by new and existing firms, continued differentiation and specialisation among places, and instability of these patterns as growth centres associated with certain economic sectors rise and decline over time. Massey (1984) furthermore uses the metaphor
of geological layers to explain how this shapes localities as successive rounds of capitalist investment interacts with local social and historical contexts. All these accounts, however, have in common that they conceptualize uneven development as driven by capital’s need to create a ‘landscape in its own image’ to underpin its search for profit (Harvey, 2001, p. 333). It is a process that produces social differentiation as wages and unemployment levels vary according to the fortunes of localized industries (Gough, Eisenschitz, & McCulloch, 2006).

Therefore, if spatially uneven development is a key feature of capitalism, it is, however, not only a consequence of market forces but also the state plays a crucial role (Brenner, 2004; Jones, 1997, 1999). This relationship should be understood as one of mutual interdependence where

the process of capitalist industrialisation generates continually changing patterns of uneven spatial development as particular places and scales are privileged, subordinated, or marginalised during successive phases of economic growth. […] The geography of state power do not passively reflect these pattern of uneven spatial development, but mediate and modify them in significant ways.

(Brenner, 2004, p. 96)

Inspired by the work of Bob Jessop, Jones (1997, 1999) labels this the ‘spatial selectivity of the state’. He argues that the state’s intervention into the economy is neither socially or spatially neutral, but that it ‘privileges scales, places and spaces through accumulation strategies (economic policy) and hegemonic projects (ideology)’ (Jones, 1999, p. 237) where ‘those places that support the basic structure of the state and its objectives are privileged’ (Jones, 1997, p. 849).

Building on this work, Brenner (2004) explains how the capitalist state tends to privilege certain social forces through both ‘state projects’ building organizational coherence among its institutions and ‘state strategies’ intervening in the socio-economic realm. Adding geography to the mix Brenner (2004) distinguishes between ‘state spatial projects’ (geographical administrative structures), and ‘state spatial strategies’ (aiming to influence geographies of economic and socio-political life). This paper will aim to apply Jones (1997, 1999) concept of spatial selectivity as well as Brenner’s (2004) more elaborated framework to examine uneven regional development in England before and after the recent economic crisis. It will do so by focusing on the territorial dimension of state spatial strategies, which is crucially about either promoting spatially redistributed growth (‘equalization’) or agglomeration (‘concentration’) (Brenner, 2004).

Uneven development in Britain

England is a divided country with deep spatial inequalities. Dunford (1995) argues that two major economic regional divisions exists: first, the divide between the North and the South; and, second, that between Greater London and the rest of the country. Martin (1988, 2004) has also emphasized the importance of the division between the southern regions of the South-West, South-East, Greater London, East of England and East Midlands and the North. Mapping the 2001 Census, Dorling and Thomas (2004), however, argue for a more complicated picture where the economy of London (the ‘world metropolis’) has engulfed large parts of South-East while the ‘provincial archipelago’ of northern conurbations now live in its shadow (p. 183). The message of an more prosperous southern core and a struggling northern periphery, however, stands firmly.
The paper will now, in the light of the above discussion, outline how this divide has been mediated by the state in the postwar period and thereafter examine the impacts of the 2007-2008 crisis.

**The North–South divide and the state response**

The policy debate of a growing divide between a prosperous South and a declining North would rise to significance first as Britain’s global economic importance declined in the interwar period (Gardiner, Martin, Sunley & Tyler, 2013). This produced uneven sectoral development between declining export dependent industries and booming industries geared towards domestic consumption which shifted economic activity towards the South and the Midlands while increased centralisation of capital into fewer, larger firms concentrated decision making powers closer to London’s financial and governmental functions (Ward, 1988). The recessions of the 1920s and 1930s would thus hit unevenly, resulting in more severe unemployment in the northern towards domestic consumption’s southern (Gardiner et al., 2013).

It was thus in the interwar period that the North–South divide was consolidated as a key determinant for people’s life changes, impacting upon employment chances and work conditions as well as health (Dorling, 2004). It was, however, really first after the Second World War that the state would seriously address it as part of a new ‘One Nation’ political consensus around a socially inclusive society of full employment and welfare provision (Hudson & Williams, 1995). Policies for spatial redistribution of industrial growth, progressive taxation, regional fiscal transfers and a privileging of the national scale as the key geographical unit for economic regulation (Martin & Sunley, 1997) would thus provide the cornerstones of what Brenner (2004, p. 130) calls ‘Spatial Keynesianism’. This can be characterized as

‘a broad constellation of national state institutional forms and regulatory strategies designed to alleviate uneven geographical development within the national space-economy, and thereby, to promote stabilised national industrial growth’ (Brenner, 2004, p. 130).

With regards to the state’s spatial selectivity, emphasis was put on spatial-economic ‘equalization’ rather than on ‘concentration’ and the aim was to via redistributive policies include disadvantaged areas as well as social groups in the national growth project. This would, however, not last. From the mid-1970s, the oil crisis, the break-up of the Bretton Woods agreement, competition from abroad, the state’s growth rise of neoliberalism would cause the restructuring of the space–economy and provoke a new spatial selectivity of the state (Brenner, 2004; Martin, 1988).

This was partly due to the British economy undergoing a transformation away from the post-war industrial economy with far going spatial consequences. Up to 1976 inequalities in regional GDP/capita were declining (Dunford, 1997, p. 261). From 1972 to 2010, however, a £100 billion growth gap would emerge between the North and the South (Gardiner et al 2013, p. 911). Martin (1988, 2004) argues that this largely can be addressed to an uneven shift from manufacturing to the service economy, such as finance, and puts this into the context of a global structural shift from an ‘industrial’ to an ‘post-industrial’ economy. This change was highly regional specific change, so while the North lost much employment in the manufacturing crisis of the 1980s and has since struggled to recover, the South has added nearly 2.5 million extra jobs during the same period (Rowthorn, 2005, p. 2).
This focus on structural transformation can, however, easily mislead one to believe that the process was inevitable, but the rise of the southern economy was underpinned by certain kinds of politics. With the economic difficulties that started to show in the 1970s, the politics of the post-war economic boom with full employment, a big state and spatial redistribution was slowly replaced, and anti-inflation policies, budget cuts, privatizations as well as a heightened focus on the supposed generative effects of agglomeration became the new policy model (Brenner, 2004). The structural shift would thus be associated with a different form of state spatial selectivity, which, by privileging successful growth in the South rather than aiming to support the declining North, would prioritize economic ‘concentration’ above ‘equalization’ (Brenner, 2004).

Accompanying this was a political discourse redefining the new post-industrial economy as particularly ‘productive’ while struggling industries and the welfare state as well as people and places dependent on those sectors were seen as ‘parasitic’ (Jessop, Bonnett, Bromley, & Ling, 1988). Thus the ‘One Nation’ consensus would be replaced by a ‘Two Nations’ political project aimed at the ‘unification of a privileged nation of “good citizens” and “hard workers” against a contained and subordinate nation which extends beyond the inner cities and their ethnic minorities to include much of the non-skilled working class outside the South-East’ (Jessop et al., 1988, p. 87).

Alongside policies causing deindustrialization in the North, the South thus benefitted from selective industrial support, tax incentives such as the Business Expansion Scheme, and saw major infrastructure investments such as airport and motorways (Hudson & Williams, 1995). The deregulation of the City of London in 1986, the so called ‘Big Bang’, would further consolidate the South as the core of English capitalism (Leys, 2013). Jones (1997) thus argues that the state’s spatial selectivity throughout the 1980s was geared towards the South-East as ‘the strategically significant region, where economic intervention aimed to promote this area and the City of London at the expense of Northern traditional industries’ (p. 851). New Labour’s Regional Development Agencies would prove unable to challenge this (Hudson, 2013) and although a southern led recession in the early 1990s would for a time seem to even out the divisions (LSE London, 2011) when the ‘long-boom’ up to 2007 took hold London would further consolidate its position as the ‘heartland of that socio-political economic formation that goes by the name of neoliberalism’ (Massey, 2007, p. 8). Later this paper will discuss how this spatial selectivity was maintained in the political response to the 2007-2008 crisis. First it will, however, examine what impacts that crisis has had on uneven development.

**Impacts of the 2007–08 crisis**

The 2007-2008 crisis was ‘a very geographical crisis’ spreading out from the global financial centres where international competition had pushed for ever increased deregulation (French, Leyshon, & Thrift, 2009, p. 286). These places benefitted from the American housing bubble of the early 2000s through predator lending schemes with high fees and interest rates designed to exploit inexperienced and vulnerable mortgage holders, but when house prices dropped and foreclosure rates increased a severe banking crisis developed (Aalbers, 2009). It is this Harvey (2012) denotes as the ‘urban roots of the financial crisis’ (p. xiii); a crisis which emerged after years of over-investment in housing, but reached far beyond the property market. The banking crisis thus spread
through a ‘glocalised’ economic system as ‘local housing and mortgage bubbles became systematically linked into and destablised global financial markets and institutions, with profound impact back down to the local level’ (Martin, 2011a, p. 592).

At first it seemed like financial centres such as London would take the hardest hit (Lee, 2014) and there were predictions that a ‘middle class recession’ or a southern ‘regional problem’ hitting relatively affluent social groups and places would take hold (Clayton, 2011, p. 42). Cooper (2009), for example, identified widespread redundancies in the City of London and envisioned how this would endanger future growth. In the crisis of the 1990s as well as the bursting of the dot.com bubble London had indeed been severely affected, but in 2011, 13 quarters after the start of the crisis in September 2007, London had actually seen a 0.2% increase in employment while the rest of the country had suffered a loss of 2.5% (LSE London, 2011). Thus, London seemed to avoid the worst effects of the crisis. It was even the case that the worst-affected financial institutions were all located in peripheral regions (Hutton & Lee, 2012; Marshall, 2013).

Instead of hitting the heart of the financial sector, the following recession would spread in a regressive fashion, having more severe impacts in relatively disadvantaged places and thus entrenching existing patterns of uneven development both within the UK and beyond (Christophers, 2014). From a European perspective, Groot, Möhlman, Garretsen and de Groot (2011) emphasis how greater relative reliance on manufacturing, which is particularly sensitive to the fluctuations of the business cycle, meant that some regions were more severely affected than others. In the UK, Lee (2014) finds that although there is evidence of provincial financial centres being affected, the recession would be particularly deep in manufacturing regions and areas of already widespread unemployment and low skills levels. Clayton (2011) equally focuses on how the uneven sectoral impact of the crisis meant that places that were more dependent on manufacturing would be hit harder than those that were service sector dominated, while previous pre-crisis levels of unemployment as well as the local population’s qualification levels would determine the severity of unemployment increases. Indeed, Chapain (2011) points to the importance of path dependency, noting that the pre-crisis strength of regional and local labour markets would be crucial in mitigating the effects of the recession.

Overall it therefore looks like that although the crisis emerged in a spatially concentrated financial sector, its impacts will be worse in places less associated with that sector and thus be concentrated in the more disadvantaged regions and localities of the country (Dorling & Thomas, 2011). Indeed between 2007 and 2010, 85% of redundancies were in the North, while London increased its workforce by 5000 jobs (Ertürk, Froud, Johal, Leaver, Moran, & Williams, 2011, p. 5) The crisis is thus likely to deepen rather than restructure previous patterns of uneven development as ‘disproportionate rises in unemployment have taken place in many local areas that have not bennefitied from the economic growth of the past years and are yet to recover from previous recessions’ (Clayton, 2011, p. 27). One way this path dependency has been conceptualized is though the perspective of regional economic resilience, an argument to which the paper now turns.

Uneven development and regional economic resilience
In the wake of catastrophes such as Hurricane Katrina (2005) and the financial crisis, the idea of resilience has gained currency in urban and regional policy (Pike, Dawley, & Tomaney, 2010). This section will introduce the concept, examine how it has been
used to explain the uneven geography of crises and critically discuss its limitations. Moving away from its origin in ecology and engineering, the meaning of resilience has become blurred, but Hudson (2010) defines the term as ‘the capacity of ecosystems, individuals, organizations or materials to cope with disruption and stress and retain or subsequently regain functional capacity and form’ (p.12). The concept of resilience is thus linked to the idea that the world is increasingly volatile and uncertain, forcing places to stand robust in the face of various disruptions such as recessions, which ‘can be viewed as ‘system-wide’ shocks that periodically interrupt and disrupt the process of economic growth and development’ (Martin, 2011b, p. 3).

The growth to prominence of resilience in academia (cf. Cambridge Journal of Regions, Economy & Society, 2010) has been matched by an equal interest in policy circles (ESPON & Cardiff University, 2014; McInroy & Longland, 2010). Martin (2011b), however, argues there is no consensus around the conceptualization of resilience and distinguishes between ‘engineering resilience’ emphasizing the ability to return to an pre-crisis equilibrium level of economic growth post-shocks, ‘ecological resilience’ as the ability of a system to absorb shocks without collapsing, and ‘adaptive resilience’ in which shocks can become opportunities to improve future development. This points towards resilience as a multidimensional concept, not easy to pin down. In policy literature, however, it is often simplified as ‘engineering resilience’. For McInroy & Longland (2010) it is thus about ‘the ‘boing’ factor’ (p. 6) and ESPON & Cardiff University (2014) refer to the process as ‘the ability for a system to ‘bounce-back’ or return to pre-shock position’ (p. 5).

**Recessions, resilience and uneven development**

As different regions are assumed to possess different degrees of economic resilience, the concept has been a popular reference point when trying to make sense of the uneven geography of the recent recession. Those regions that are more resilient are likely to be less impacted by crises, possibly increasing uneven development as ‘if it is those regions that are already the more dynamic that are also the more resilient, then shocks could exacerbate a process of divergent regional long-run growth’ (Martin & Sunley, 2015, p. 23). This is indeed what the resilience literature claims to have happened in the recent crisis. An European-wide perspective is taken by ESPON and Cardiff University (2014), arguing that in the recession there were strong positive relationships between relative geographical peripherality and employment loss, where the economically dynamic German heartland of Europe has been less affected than regions in the south, west and east. Davies (2011) uses multivariate regression analysis of the relationship between percentage point change in European regional unemployment and a range of independent variables such as sectors, labour markets and agglomeration effects to establish that the degree of resilience can change over time. Just because a region is resistant in an early phase does not mean that it will be able to recover easily later on. Fingleton et al. (2012) thus argue that it is in particular the resistant to shocks that is uneven between the British regions rather than their ability to recover.

In the UK, the resilience of the regions has been uneven in three main economic downturns: that of the early 1980s, the early 1990s and the recent crisis (Martin, 2011b). Here, Northern dependence on manufacturing was particularly important in the crisis of the 1980s, while the crisis of the 1990s hit the Southern service sector harder. The picture is, however, complicated by the fact that although the South was harder hit in the 1990s, it recovered faster, while large parts of the North seem to have been
caught in a secular decline being less able to switch from manufacturing to new growth sectors. In this sense, the North has been less resilient as the crisis of the 1980s has had severe effects on the long-term development of the region, which can explain the endurance of established patterns of uneven development in the 2007–08 crisis.

A useful concept?

When explaining the crisis geography through the lens of resilience one, however, has to establish the components that makes up an economically resilient region. Otherwise, it will just single out the worst affected places as least resilient simply because they were worst affected. Common cornerstones for economic resilience are economic diversity, the ability to reorganize the economy in times of crisis, smaller scale rather than dependence on one large actor, and supportive social networks and civic society (Bristow, 2010). Diversity and the avoidance of a economic monoculture, which is more vulnerable if crisis strikes out the dominating firm or sector, is a particularly popular determinant of resilience in the literature (Bristow, 2010; ESPON & Cardiff University, 2014; Hudson, 2010; McInroy & Longland, 2010). Looking at the City of London, it is, however, unlikely that its survival in the crisis primarily lays with a diverse economy. Some thus rather argue that ‘contemporary regional economic resilience is driven by specialization in those sectors that are undergoing a structural wave of expansion and growth’ (Martin & Sunley, 2015, p. 29). This arguably diminishes the explanatory power of the concept, reducing it to the observation that those regional economies that prosper will continue to prosper relatively also after a crisis. There is also a lack of clear policy prescriptions, possibly because of the relative novelty of the concept.

This vagueness of the resilience literature has meant that it has received sustained criticism. Pike et al. (2010), for example, argues that there is a lack of theoretical clarity, domination of neo-classical equilibrium models of resilience, not enough engagement with spatial and scalar relations, and negligence of politics. The notion of resilience also carries a range of underlying assumptions that can be questioned. Among several critics, it is the uncritical translation of an ecological concept into the sphere of social sciences (Slater, 2014; Welsh, 2014). The effect of this is to naturalize shocks, such as the crises of capitalism, as well as assuming that it is the components of the system in shock, such as an regional economies, that have to adapt to regain systemic status quo (Welsh, 2014). The crisis thus evolves from ‘a political creation into a naturally occurring phenomenon that requires a program of public expenditure gutting to set it back on its natural path’ (Slater, 2014). Resilience can therefore be seen as a conservative concept, privileging the reproduction of the established order, and in this sense ‘resilient spaces are precisely what capitalism needs’; spaces able to adapt in order to reproduce capital accumulation continually (MacKinnon & Derickson, 2013, p. 254). When ESPON & Cardiff University (2014) furthermore claims that it is the ‘innate characteristics’ of places that determines their resilience (p. 22), the effect is largely to localize responsibility for adaptation and to naturalize uneven development.

In these naturalizing tendencies resilience thinking tends to neglect the role of the state at different spatial scales (also beyond the region/locality) in supporting or holding back economic restructuring and adaptation (Hassink, 2010). But uneven development in general, as shown above, and impacts of crises in particular are not only mediated by locality-specific factors. State policy at the national level is rather crucial for determining the autonomy and resources localities can draw upon when replying to shocks (Pike et al., 2010). So even if resilience might have a relevance in looking at the effects of
the recession, it arguably loses it as the state’s turn towards austerity is examined. Indeed, some proponents of the resilience-concept, like Martin and Sunley (2015), acknowledge the importance of external political context and mention how austerity removes the mitigating role of the public sector during crises. They, however, continue to look inwards localities for explaining resilience without adjusting their view on the usefulness of the concept. It is, however, only by examining the national process of austerity, rather than the localized process of resilience, as a conscious political strategy that the long-run regressive nature of the post-crisis geography can be properly understood. Here the paradox of ‘systemic resilience depending in part upon undermining the resilience of many regional economies’ (Hudson, 2010, p. 11) seems to have been crucial to how the British state has operated in the crisis: securing the resilience of the financial sector at the expense of other social groups and places.

The spatial selectivity of the austerity state

‘There is no socially neutral way of interpreting and resolving the multiple crises of production, politics and ideology triggered by the “credit crunch”.’ (Seymour, 2014, p. 29).

The crisis seems to have reinforced, rather than restructured, previous patterns of uneven development. This geography has, however, not only been a result of market forces but also the state has played a key role. The initial political response to the crisis was to turn to market intervention through, for example, rescuing banks (Callinicos, 2012). This would, however, put fiscal pressures on the state and austerity politics, which by ‘reducing or freezing labour costs, tax increases, privatization, a reconfiguration of public services and the welfare state or a combination seeks to deal with the state’s budget deficit’, became the new policy norm (Donald, Glasmeier, Gray, & Lobao, 2014, p. 5). By its proponents this is assumed to boost economic growth as the private sector with less state involvement will be given room to flourish (Blyth, 2013). Due to their greater reliance on welfare services, however, disadvantaged places and social groups are disproportionately hard hit by austerity and it is therefore assumed to increase socio-spatial differentiation (Kitson, Martin, & Tyler, 2011). In England it can be argued that the uneven regional effects of austerity have been twofold; the impacts of central government’s funding for local authorities and the regional consequences of welfare reform. This section will examine each of these processes before discussing how to understand austerity.

Geographies of austerity

English cities are now under increasing pressures from shrinking budgets (Meegan, Kennet, Jones, & Croft, 2014). This stems from the large scale reductions in central government’s local authority funding. The 2011-13 financial settlement between central and local government was particularly important, reducing grants to local authorities while freezing council tax levels (Wilks-Heeg, 2011). These cuts have, however, not been evenly spread out across local authorities with northern councils seeing deeper reductions than their southern counterparts (Wilks-Heeg, 2011). Meegan et al (2014) show that there is a positive relationship between levels of deprivation and depth of budget cuts. Between 2010/2011 and 2014/2015, for example, the more deprived Liverpool will lose as much as £329/person in public spending power while the
relatively affluent Bristol will only see a £117/person reduction (p. 143). Disadvantaged communities are thus harder hit, despite efforts from local authorities to dampen the effects by focusing their cuts in services disproportionately on the more well off (Hastings, Bailey, Besemer, Bramley, Gannon & Watkins, 2013). In addition to reduced local council funding the government has embarked on a project of welfare reform, combining shrinkage of the deficit with providing ‘incentives’ for people to take up work by reducing their benefits (Beatty & Fothergill, 2014). Unlike the financial settlement this is uniformly imposed on local authorities, leaving out the possibility of local choice of which services to cut. This involves reductions of range of benefits, capping of the total amount any household can receive from different types of benefits, introduction of Universal Credit to replace several previous benefit types as well as harsher conditionality tests and sanctions (Hamnett, 2011). As the geographical distribution of welfare payments is uneven both in terms of relative reliance on benefits in general and importance of different benefit types (a legacy of previous rounds of economic decline), welfare reform will have uneven impacts (Hamnett, 2013). The effect will be to hit poorer places harder, where the South-East outside of London and some rural northern areas are least affected while northern old industrial areas, some seaside towns as well as some London Boroughs will see larger income reductions (Beatty & Fothergill, 2014).

For regional uneven development, austerity is thus likely to have detrimental effects. As central government functions (disproportionally concentrated in London) have been relatively protected, on the other hand, the capital has increased its proportion of public sector jobs in both absolute terms and relative to the nation as a whole (Sheffield Political Economy Research Institute, 2015). Wilks-Heeg (2011) predicts that the 2011–13 financial settlement will likely mean that the North of England will lose more than 450 jobs per 100,000 public sector jobs, almost double the losses of the South-East (p. 646). Thus, the North–South divide is deepened as the public sector previously provided an important component of many regional economies (Wilks-Heeg, 2011). Equally, the effect of welfare reform will be to undermine further already struggling economies as benefit income reductions will produce knock-on effects for local consumption and employment (Beatty & Fothergill, 2014). Inner London stands out here as reductions in housing benefits is likely to displace the poor, thus gentrifying many areas (Hamnett, 2010) and possibly increasing their economic prospects.

One can thus see how the deepening of England’s uneven development in the long run is not only a result of how a crisis has rolled out unevenly in accordance with differences in resilience between localities. This geography has rather been politically constructed. Initially the state, like most of the international community, reacted to the crisis with ‘Twelve-Month Keynesianism’ and funds of up to 40% of the nation’s GDP were ‘spent, lent, or otherwise guaranteed’ to secure the financial system (Blyth, 2013, p. 54, 59). This, however, increased public debt, thus converting the financial crisis into a fiscal crisis and providing the rationale for austerity. As the British state chose to save the economic sector, which is disproportionately located in the South while public sector cuts primarily disfavours the North and other already disadvantaged places, it can therefore be argued that it has maintained its mode of spatial selectivity of privileging London and the South-East. To explain this, however, one has to examine the nature of austerity not only as a ideological choice but also as a class project.
Austerity as a class project

The rationale behind austerity should not be reduced to an effort to restore economic growth. In this respect there are several signs that it is not working (Blyth, 2013). It should rather be put in the context of the hegemonic role played by finance in British capitalism (cf. Jessop, 2014) and in dialogue with Harvey’s (2005) conceptualization of neoliberalism as a class project, the major achievement of which has ‘been to redistribute, rather than to generate, wealth and income’ (p. 159). Over-dependence on the financial sector made Britain particularly vulnerable to the crisis of 2007–08 (Leys, 2013). This has, however, not resulted in shifting priorities since not only has neoliberalism made the City of London into the heartland of the national economy but as financial capital became hegemonic in a ‘finance-dominated accumulation regime’ this has managed to secure the continued domination of neoliberalism in the political sphere (Jessop, 2014, p. 101). That is because

when finance capital is dominant […] it can manoeuvre to delay, dilute, and otherwise weaken attempts to regulate its operations. The costs for this are transferred to the state and this, in turn, provides the opportunity […] of doubling up on the neoliberal vilification of the state, to cut entitlement programs, and to roll out further austerity measures. (p. 117)

Holgersen (2014) argues that such austerity can be conceptualized as ‘creative destruction’. In this view capitalism temporarily escapes its crises through the devaluation of capital; destruction providing a clean slate to start over by giving room for new investments and restored profitability. This process can take many shapes, such as deindustrialization and physical destruction through war, but the imposition of austerity on the public sector is one form of devaluation (Holgersen, 2014). Instead of letting the financial sector restructure the state bailed it out, then targeted destruction towards the public sector and through this ‘placed the burden on the shoulders of average people, as it was wages, savings and welfare […] that became devalued’ (Holgersen, 2014, p. 8). This works by displacing devaluation away from the financial sector and thus prioritising the resilience of the financial system over ordinary peoples lives. As such austerity is a class project; ‘societal punishment for the crimes of the wealthy […] imposed on everyone but the guilty’ (Peet, 2011, p. 398).

The creativity supposed to come out of this is difficult to see, but as austerity has uneven spatial effects the workings of the City of London has in the destruction phase been given priority over the economic health of other places. This links with Jones’ (1997) observation that the state privileges ‘those places that support the basic structure of the state and its objectives’ (p. 849). The crucial interdependence between the neoliberal state and the ‘finance-dominated accumulation regime’ (cf Jessop, 2014) has forced it to protect financial capital and its associated places at any cost. The resulting economic landscape thus seems to confirm Harvey’s (2011, p. 11) thesis that ‘capital never solves its crisis tendencies; it merely moves them around’. Here shifting them from the financial sector onto the state and from the City of London to the North.

Conclusions

This paper discussed spatially uneven development after the 2007-2008 financial crisis, using England’s North-South divide as a case study. It started out by discussing the links between uneven development and state intervention, thereafter focusing on how the shift from ‘Spatial Keynesianism’of redistributing economic growth to the ‘Two
Nation’s political project of privileging the South as the engine of the national economy has deepened uneven development in England. Next it outlined the effects of the crisis, showing that it exacerbated this divide by hitting already disadvantaged places harder, before examining the contributions of the literature on regional economic resilience in explaining this geography. The resilience literature, however, only gives limited understanding as it naturalizes crises, overlooks the political response and localizes the explanation for uneven geography. By examining the effect of austerity, the paper has instead argued that the geography of the crisis has been deeply political as it is shaped by the choice to bail out banking while imposing austerity on the public sector. The British state’s spatial selectivity of privileging the South has thus been crucial in redistributing the effects of the crisis away from the heartland of England’s financial capitalism to its peripheries.

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