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## NEOLIBERAL GLOBALISM AND THE LOCAL STATE: A Regulation Approach

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Over the past decade or more, Australian state governments have adopted, to different degrees, neoliberal policies. As in other countries, these policies have quite dramatically increased social and economic inequalities and frequently produced 'fractured local economies, disempowered regions and fragmented local cultures' (Amin 1994:27). However, state political leaders have argued that the emergence of a very different global economic environment in the wake of global restructuring leaves no alternative to such a shift. Worldwide, a powerful coalition of global corporations, right wing economists, international credit rating agencies and international political institutions has promoted neoliberalism as the only viable framework for the successful transition to a restructured economy and economic regeneration. While proponents of neoliberalism have focused attention on restructuring the nation state, they have also regarded it important to restructure the policies of the state at the local level as well.<sup>1</sup>

The message of neoliberalism has been that the rapid globalisation of the world economy has made it imperative that, in order to survive, local

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1 Australia has three levels of government - national, state and 'local'. However, 'local' governments in Australia have very limited resources and policy responsibilities. 'State' governments, on the other hand, influence some of the nation's key regulatory arrangements affecting both capital accumulation and social reproduction. Consequently, political economy debates about the nature and role of the 'local state' most aptly apply to the 'state' level in the Australian context.

economies must become internationally competitive and the role of government must be totally reshaped. In this process, every corner of society and the economy must be brought into the market sphere. The promoters of neoliberalism have successfully created a discourse around economic policymaking which has effectively 're-imagined' the local region itself and its place in the world. In this discourse of neoliberalism, the local region is no longer 'imagined' as a political, economic and cultural community, but rather as a narrowly 'economic' entity. The primary goal of policymakers then becomes to facilitate entrepreneurial activities within the private sector to achieve increased economic competitiveness (Jessop 1997). Proponents of neoliberalism portray this shift as due to the inevitable failure of Keynesianism and the subsequent restoration of the proper (that is, far more limited) role of government.

Many on the political left also seem to have adopted the view that global changes have left local states with little or no real alternative to neoliberalism. This has led to predictions about the emergence of an enduring neoliberal local state form (Patterson and Pinch 1995; Esser and Hirsch 1989). The idea that local states and communities are firmly locked into a neoliberal policy framework as a result of globalisation is superficially plausible. However, it is based upon questionable assumptions which warrant critical examination, because there are far-reaching implications for political practice. Acceptance of this discourse of inevitability is politically de-powering and detrimental to the generation of any form of progressive alternative policy. Indeed, social democratic parties, in Australia and elsewhere, have recently displayed a 'disarming enthusiasm' for economic orthodoxy and little or no interest in progressive alternatives (Howell 2001:33). The aim of this article is to question the inevitability of this apparent nexus between global economic restructuring and neoliberal policies at the local level. It seeks to provide the basis for a more positive view of the possibilities available to state governments for progressive alternatives to neoliberal policymaking. It does so by using a 'regulation approach' to question the extent to which

neoliberal policy regimes at the state level are likely to prove sustainable over time.<sup>2</sup>

### A Regulation Framework<sup>3</sup>

The 'regulation approach' is a research agenda and a methodology rather than a unified theory. It developed among left-leaning French social science academics in the mid 1970s, providing an influential new analytical methodology for mapping patterns of capitalist development (Aglietta 1979; Leborgne and Lipietz 1988). It has since been expanded by many scholars, drawing on a range of sub-disciplines across the social sciences - including political economy, urban and economic geography, economic sociology and institutional and heterodox economics (MacLeod 2001: 1146). Regulation theory has been described as representing 'an on-going research programme, with a set of conceptual devices and an evolving methodology. ... (T)here is a common concern with the intrinsically socio-political character of restructuring processes, with the role of social institutions in underpinning modes of economic development, and with the historical and geographically specific nature of capitalist (re)production.' (Peck and Tickell 1995: 16).

Emerging as it did near the end of the long post-war boom, a key research question for early regulation theorists was the need to explain how capitalism, a system with a strong tendency towards recurring instability, crisis and change nevertheless regularly manages to experience extended periods of sustained growth and relative stability. Regulationists focused particularly on two features which were seen as

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- 2 Of course, attempting to think about the 'sustainability' of neoliberalism immediately raises a number of conceptual problems because the concept is itself highly problematic and is used in very different ways in competing discourses. One researcher has identified a matrix of nine approaches to the concept - ranging from free market to eco-feminism - each based on very different criteria (McManus 1996:57).
  - 3 The term 'regulation' is derived from the French word which has quite a different and broader meaning than the common English one. Essentially 'regulation' refers to all those formal institutions and informal processes by which a particular social, political and economic order is constituted.

central to understanding and explaining the 'systematic coherence' of individual phases of growth within the longer term unevenness of capitalist development and crisis (Amin 1994:8). Firstly, each expansionary phase of capitalist development was seen to be characterised by a specific 'mode of accumulation' at the level of the whole economy, representing a more or less coherent process of capital accumulation (Nielsen 1991: 22).<sup>4</sup> Regulationists, and others, have often utilised the Gramscian term 'fordism' to characterise the accumulation regime that reached its zenith in the post-war period of the long boom with the shift to mass production techniques and mass consumer markets.

Secondly, unlike more determinist versions of Marxism and political economy, regulation theory emphasises the dialectical nature of the relationship between capital accumulation and capitalism's social, political and cultural context. This places regulation theory within a tradition of neo-Marxism which includes Karl Polanyi, Gramscian cultural studies and critical theory (Painter and Goodwin 1995: 338; Jessop 1999). The concept of a 'mode of regulation' is used to characterise the political and economic institutional arrangements within a particular society at a particular time which provide the political, economic and social 'regulatory framework' needed to support and sustain economic growth. At a general level the mode of regulation which accompanied post-war western capitalism has been characterised as the 'Keynesian welfare state' – a term which is often used as a shorthand summary for the particular framework of political and economic institutions that emerged in conjunction with the mass production and mass consumption phase of capitalism in the post-war decades. The institutional forms that emerged within the fordist era included nationally specific state regulation of labour and wage relations, of competition, and of the national economy's insertion in the international economic regime.

While in theory regulationists acknowledge the equal importance both of the system of accumulation and of its regulatory arrangements in

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4 The accumulation regime that characterised each particular phase of capitalist development was defined by a number of processes including: the relationship between the forces and relations of production; the forms of market organisation; the pattern of distribution; the composition of demand; and the division of labour (Moulaert and Swyngedouw 1989:330).

sustaining a particular regime, in practice the emphasis has often been heavily upon the accumulation process. However, some theorists have sought more explicitly to give equal weight to both in analysing the processes of capitalist stabilisation and crisis. More informal forms of regulation, including cultural and social processes, have also been identified as important in creating patterns of mass integration and social coherence - serving to secure capitalist reproduction during the fordist era. Jamie Peck and Adam Tickell use the term 'mode of social regulation' (MSR) to emphasise the importance of these cultural and social elements in stabilising the 'inherent crisis tendencies of the capital accumulation process' (Peck and Tickell 1992: 349).

Following the collapse of the post-war boom throughout western capitalism, the ideas of regulation theory were taken up in the 1980s and 1990s by French, German and British researchers concerned to understand the urban geography and political economy of the subsequent economic restructuring (Moulaert, Swyngedouw and Wilson 1988; Esser and Hirsch 1989; Jessop 1994; Peck and Tickell 1992; 1994a). In this changed political economic context, regulationists have refocused on identifying key historical patterns in capitalist crises and restructurings. Regulation theory emphasises that the form of any regulatory regime is not predetermined or predictable but is arrived at through political struggles, negotiations and compromises. The particular form of economic, political and social regulation is therefore never static but continually evolving through ongoing political interactions and conflicts. Periods of relative stability only arise from political and economic compromises which have been struck between conflicting interests within the society. These 'temporary institutional fixes', while playing a crucial role in facilitating capital accumulation during a period of sustained growth, invariably prove to be unstable in the longer term and certainly do not eliminate crisis tendencies and contradictions within the system. Ultimately, as capital accumulation falters and signs of economic crisis re-emerge, the regulatory institutional framework also begins to fracture and come unstuck. In fact, crises in the existing institutional arrangements comprising the MSR may themselves contribute to, and accelerate, the next crisis of capital accumulation and period of restructuring. Therefore, it is not inevitable that there will be a stable and

sustainable economic, political and social framework at any particular stage in the cycles of capitalist accumulation.

Regulation theorists are often portrayed as arguing that fordism has now undergone a transition to a new 'postfordist' regime of accumulation. This is largely mistaken.<sup>5</sup> While many of the protagonists in debates around 'postfordism' have utilised regulationist concepts, they fail to comprehend the essential principles of a regulation analysis of the current situation within capitalist societies (Peck and Tickell 1992:350). The regulation approach does raise a number of important questions about the nature of the restructuring process precipitated by the end of the fordist era of sustained growth. What is the nature of the transition currently underway within capitalism? Are we experiencing a genuine paradigm shift to a new era of 'postfordism' based upon flexible specialisation at the local level as many have claimed? Is the nation state being 'hollowing out' whereby its power and autonomy are weakened by a transference of some of its former activities upwards to international bodies and downwards to the local state (Jessop 1994)? To what extent can we identify new forms of postfordist, or neoliberal, forms of regulation which represent a sustainable framework which can support a new phase of capitalist development – or are these neoliberal regulatory arrangements unstable and transitory? Regulationists have tended to be sceptical about the occurrence of a dramatic shift in paradigms, more typically seeing the changes as marking a transition period during which both the processes of accumulation and of political and social regulation are in a state of flux and experimentation. From a regulationist perspective, a coherent post-fordist state structure has yet to emerge or stabilise (Peck and Tickell 1994a).

So, what does a regulation approach have to offer for an analysis of the impact of neoliberalism and restructuring on local states and regions?

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5 There are many liberal and neoliberal 'postfordist' theorists who have characterised the replacement of fordist mass production and the Keynesian welfare state as a transition from 'fordism' to 'postfordism' – that is, a new economic regime of flexible capitalist production combined with a new minimalist state form (Piore and Sabel 1984; Sabel 1994). Some of these theorists have emphasised the increased importance of the local and regional levels in this transition to postfordism (Hirst and Zeitlin 1991; Ohmae 1995).

Some regulation research is focused primarily upon the nation state and therefore understates the role of both global and local economic processes and structures.<sup>6</sup> However, other regulation theorists have advocated a more subtle awareness of regional differences within countries to account for the significant differences observable in the impact of economic, political and social restructuring at the local level (eg. Peck and Tickell 1992; Goodwin, Duncan and Halford 1993; Low 1995; Painter and Goodwin 1995). Nicholas Low in particular has argued that a finer grained spatial analysis is necessary to account for the considerable regional differences in modes of regulation at the sub-national level. Rather than a single mode of regulation operating within a nation, a national accumulation regime can be comprised of different regulatory arrangements in different regions – reflecting and reinforcing the patterns of uneven development within a nation state as well as globally (Low 1995:212). This perspective emphasises that while processes of capital accumulation are increasingly global, the patterns of accumulation, regulation and social reproduction that emerge in each region are formed within a local context and therefore are different and distinctive. Hence it is pertinent to consider the possibility of distinctive local or regional modes of regulation as well as of accumulation.<sup>7</sup> One significant implication of this analysis is that some regions with particular structures of accumulation and regulation may be favoured by global changes and by national accumulation strategies while others may be equally disadvantaged.

Several British and European studies of the local state (Massey and Allen 1988; Lewis and Townsend 1989; Peck and Tickell 1992) demonstrate the importance of analysing the specific regulatory arrangements

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6 One of the instigators of the regulation approach, Alain Lipeitz, argues that 'struggle and institutionalized compromises tend to arise within the framework of individual nations' (Lipeitz 1987: 21-22).

7 For example, in the UK a number of studies have explored the political economy of uneven development between the south of England and the northern industrial regions under Thatcherism (Massey and Allen 1988; Lewis and Townsend 1989). In a study focusing on the south of England, which was the beneficiary of the Thatcherite neoliberal economic strategy, Peck and Tickell concluded that the region ultimately still proved vulnerable in the process of economic restructuring as sustainable social regulatory arrangements were not set in place by Thatcherism (Peck and Tickell 1992: 357).

operating in individual regions, even within relatively centralised nation states. In countries with federal structures such as Australia, Canada, the US, West Germany and Switzerland it is even more so. In Australia in particular, state governments are responsible for a substantial share of total public expenditures, and while the powers of the states vis-à-vis the national government are circumscribed in many ways, these regional governments are responsible for the policy development and delivery of many important economic, social and administrative services. Australian state governments effectively determine some of the country's key regulatory arrangements affecting both capital accumulation and social reproduction. In relation to accumulation, in the post-war period state governments have accounted for up to sixty percent of public investment activity through provision of basic economic infrastructure such as road and rail, and essential utilities such as electricity, gas and water provision (Davis *et al* 1993:50-51). In the area of social regulation, state public services have been responsible for the majority of government expenditures on education, law and order, some welfare services, some industrial relations, and for most business, workplace, environmental, and social regulations. Through these means, state governments in the post-war fordist era played a significant role in creating and mediating the series of 'temporary institutional fixes' that constituted the regulatory arrangements (or MSR) underpinning Australian capitalism. Similarly, in the 'postfordist' period, Australian state governments have been at the forefront of the process by which both the accumulation regime and regulatory arrangements have been dramatically restructured.

### **The Rise of Local Neoliberalism**

A regulation approach can usefully be applied to understand the role of neoliberalism and its longer term consequences for local states and regions. In particular, the breakdown of the fordist MSR is a major factor in explaining why such policies have been so widely embraced by both capital and local states over the past few decades. During the long boom of the post-war period, successful capital accumulation was supported by Keynesian macroeconomic policies, the development of a welfare state, corporatist class arrangements between capital, labour and the state, and

government intervention to promote investment, stability and consumption (Lipietz 1987). At the sub-national level, the local state also itself played a crucial role during the post-war fordist period in promoting successful capital accumulation and in facilitating political stability and social reproduction (Kratke and Schmoll 1991:543). For example, Australian post-war development involved a relatively high level of local state intervention in the economy (McFarlane 1986; Chapman 1993). The economic strategy developed over the post-war period by state governments in Australia involved seeking to gain maximum benefit from federal industry protection policies, combined with the extensive provision of public economic and social infrastructure and services to attract private investment from foreign investors and away from the other states (Low 1995:211).

There were clear differences in the processes of regulation and the role of the local state from region to region. The South Australian state government policy approach during this period has been categorised as a 'high revenue-high-expenditure type' (Gerritsen 1988: 154). It not only stimulated economic development but also actively promoted increased social development, coherence and equity, especially in the decade of the 1970s when the actively reformist Labor government under the leadership of Don Dunstan was in office. At the same time, governments in New South Wales, Western Australia and Victoria maintained fundamentally Keynesian policies to facilitate accumulation but were 'median revenue - median expenditure types' and were less interventionist in areas of social reproduction. The ultra conservative state of Queensland by contrast was seen as a 'low revenue - low expenditure type' with a very different, more conservative, pattern of social regulatory arrangements (*ibid.*).

By the late 1960s the strain was beginning to show in the post-war 'fordist' model. A period of restructuring ensued from the 1970s onwards causing traumatic change at the expense of large sections of the community and, indeed, of sections of capital itself. Capital increasingly perceived the liberal Keynesian political framework and policies of the post-war era as impediments to its desire, and need, to have unrestricted free movement in and out of national economies. This phase of capitalist restructuring is 'global' in scope but it is also 'local' in effect. The

restructuring of transnational capital and the global marketplace has in turn resulted in enormously increased pressure on state governments to adopt 'free market' public policy approaches.

Neoliberalism has gained widespread support from capital since the collapse of the fordist regime of accumulation because it seeks to facilitate and reinforce the processes of restructuring, emphasising their therapeutic role following the 'bust' period of the cycle of capitalist development. By reducing government regulation of business, by reducing government ownership of industry and by lifting geographical restraints on the free flow of capital and commodities, neoliberal policies seek to maximise the ability of (at least some sectors of) capital to restructure. In particular, deregulation and privatisation permit key sections of capital to shift investment out of areas of declining profitability while creating new areas for potentially profitable investment. At the same time, labour market deregulation, the abandonment of corporatist compromise arrangements between capital, labour and the state, and the reduction of state welfare expenditures all reinforce the disciplining of the workforce which is occurring anyway as a result of increased unemployment and labour market competition. In regulationist terms, neoliberalism has been the vehicle for the rationalisation and restructuring of the outmoded components of the fordist MSR which are no longer perceived by capital as desirable or necessary for capital accumulation.

The impact of these pressures on state governments in Australia has been profound. The increased flexibility and mobility of restructured global capital has created a bidding competition between sub-national governments and between local workforces. This phenomenon has been approvingly described within the discourse of mainstream economics in Australia as 'competitive federalism' (Groenewold *et al.* 2001). In practice, the states have adopted beggar-thy-neighbour policies as they compete ferociously for available sources of investment funds. For example, immediately upon its election to office in 1996 the conservative Queensland state government announced that it intended to engage in 'open warfare' to poach business from the other states (*Advertiser* 9 March 1996: 8; see also Broomhill and Spoehr 1996 and Engels 1999). State government policy statements have frequently stressed the need for

the local economy to develop 'global competitiveness' (Bryan 1995). It typically means a strong shift towards what might be termed a more entrepreneurial state role. Alain Lipietz identifies its ideological underpinnings as the adoption of a culture of 'liberal-productivism', whereby all decisions are determined on the basis of their contribution to growth and productivity (Lipietz 1994:343-345). The demands of social reproduction have, temporarily at least, been demoted to a second order priority. The adoption of such a 'liberal-productivist' approach has occurred at the expense of a severe loss of social coherence and political democracy.

This entrepreneurial approach has been endorsed by both major political parties and to varying degrees has been accepted by both local business and the trade union movement. It has been partly driven by the pressures on state governments arising from the restrictionist fiscal policies of successive federal governments, which have themselves been dramatically affected by the impact of restructuring on their own financial capacity. Because the Australian states have had financial responsibility for many of the welfare and social aspects of government activity, the fiscal crisis passed on to them from the federal government has placed them under further strain and greatly contributed to their shift to a narrower and more 'economistic' approach to governance.

These changes in the policies of state governments in Australia illustrate more general trends elsewhere. Bob Jessop has characterised this change of policy direction by local governments as representing a significant shift from local Keynesianism to what he terms a 'workfare state' model. In the workfare state the primary goal is the development of local competitiveness and 'redistributive welfare rights take second place to a productivist reordering' of policy (Jessop 1994:263). Although Jessop sees this shift as representing a long-term change associated with the end of the postwar fordist era to a state role more geared to the demands of neoliberal restructuring, he argues that the workfare state could take neoliberal, neo-corporatist or neo-statist forms depending on local circumstances. Other researchers have been more inclined to see opportunities and spaces for more progressive approaches to remain on the political agenda, and some of these will be examined shortly.

### **The Limits of Local Neoliberalism**

Undoubtedly, neoliberalism has played an important role in providing a 'conditioning framework' which has facilitated many of capital's short-term goals in the restructuring process (Grinspun and Kreklewich 1994). While advocates of neoliberal globalism habitually overstate the achievements and inevitability of local neoliberalism, the discussion above also suggests that critics of neoliberalism may have underestimated the logic and benefits for capital, at least in the short term, arising from the neoliberal restructuring of the local state (Gough 1996:392). However, this does not necessarily mean that neoliberalism provides a regulatory framework which can sustain the successful transition to a new accumulation regime. In fact, there are several indications that neoliberalism has so far provided a very unstable framework for any new postfordist regime – particularly at the local level.

### **A Sustainable Regime of Capital Accumulation?**

In the first place, while the shift to a neoliberal policy approach may have been successful in facilitating global capital restructuring and in restoring profitability to some sectors of local capital following the collapse of postwar fordism, it is not evident that it has succeeded in creating new modes of productive accumulation within the majority of regions. A considerable body of international research has demonstrated the negative effects of the globalisation process on local regional economies and the failures of neoliberalism to deliver either economic or employment growth in response to the challenges posed by global restructuring. For example, British Geographer Mike Geddes has argued that, in 'the context of overall levels of unemployment, neoliberal industrial policy has ... been associated with the collapse of many local economies' (Geddes 1994:157). In a study of the impact of restructuring strategies in Europe, Ash Amin and Anders Malmberg conclude that policies of the entrepreneurial model of local economic development have exposed 'local communities to the horrifying prospect of becoming the playing field for a thousand-and-one different entrepreneurial

ventures, bound together by nothing more than the profit-seeking adventurism of the private sector' (Amin and Malmberg 1994:244). The capacity of neoliberalism to solve the problems of local economies is also questioned by Jamie Peck and Adam Tickell who argue that evidence of its failure to produce recovery can be found even in the 'showcase' regions of neoliberalism such as Britain's M4 motorway corridor and the Californian technopoles (Peck and Tickell 1994b:295).

In contrast to the exaggerated claims of the advocates of local neoliberalism, it appears that the processes of neoliberal restructuring are more commonly resulting in ongoing systemic instability for local economies. Of course, not all regions and localities are in decline – even in semi-peripheral countries outside the dominant core economies. Cities and regions are actually being structurally transformed in a very uneven process. A small number of large cities in the core economies have clearly become central nodes in international administrative, financial, commercial and informational networks. Simultaneously though, many former industrial centres are unable to make a transition to the informational economy. Only some cities and regions are able to flourish under neoliberal globalism (Castells 1993). Consequently, what we are witnessing is a growing polarisation between different economic regions and the exacerbation of spatial inequalities as shifting global markets produce winners and losers in the international competitive arena.

Within Australia, there is clear evidence of the unequal impact of global restructuring and the application of neoliberal state strategies. The key 'global' cities, Sydney in particular and Melbourne to a lesser extent, are able to use their existing resources to extend and deepen their global reach. Simultaneously the more peripheral regional centres, such as Adelaide, are facing severe obstacles in their attempts to make the transition to the informational economy (Badcock 1997; Forster 1995). To a large extent these different outcomes of the restructuring process are the result of differences in the patterns of accumulation and the regulatory arrangements that emerged during the fordist era in different states. However, the emerging economic and social polarisation has been compounded by federal and state policies following the collapse of the fordist accumulation regime and the subsequent process of restructuring. Federal government cuts in funding to state governments have impacted

more harshly on the smaller states (Carson 2000). The shift to a beggar-thy-neighbour approach to attracting international and national investment has also greatly disadvantaged the weaker states who have little hope of winning in such an unequal competition.

The state of South Australia is a particularly vulnerable local economy in the current restructuring scenario. Historically it has occupied a somewhat marginalised position within the overall Australian economy - itself occupying a semi-peripheral and vulnerable position within international capitalism. For over a hundred years after its foundation as a state in 1836 the South Australian economy was dominated by agricultural production. The twenty five year period following the Second World War saw the rapid development of manufacturing, supported by state assistance, to the point where the economy became heavily reliant upon it for employment and economic growth (Rich 1986:212). However, the manufacturing sector provided a brittle and limited base for the local economy. In the first place, investment came primarily from outside the state, the sector increasingly comprising branch offices of interstate and transnational firms. When the impact of global economic restructuring hit South Australia during the mid-1970s the effect was to cause many of these firms to restructure, rationalise or relocate their production. Secondly, investment in manufacturing was focused on the production of a rather narrow range of goods, especially in whitegoods and motor vehicles. With the downturn in these industries in the 1970s, the local economy was left without a broad range of manufacturing activity which could act as the base for diversification. Thus the breakdown of postwar fordist accumulation and the impact of global restructuring affected South Australia particularly severely.

Importantly, however, the problems faced by South Australia have been compounded by the failures of an economic policy approach heavily influenced by neoliberal principles over the past two decades. Successive state governments have focused on neoliberal policy goals of debt reduction, privatisation, and labour market deregulation, while cutting public sector infrastructure and employment. The result has been that the South Australian economy has stagnated over the past twenty years. Its unemployment levels have typically been the highest in the country (with the exception of the yet more peripheral state of Tasmania), there has

been population loss through labour migration and extensive capital flight has occurred (Spoehr 1999).

### **A Sustainable Regulatory Framework?**

From the perspective of a regulation approach, the failure of neoliberalism to restore growth and employment in many regions reflects the problem of providing a framework for the establishment of a new phase of capital investment – a new postfordist ‘mode of accumulation’. It seems that neoliberalism has actually inhibited the emergence of any potentially new phase of productive investment. The widespread adoption of neoliberalism by governments, while facilitating restructuring by some sectors of capital and benefiting certain regions, has created a situation which has encouraged capital to withhold new productive investment and to seek short-term profit-making in unproductive areas of speculative investment. This is a scenario which is ultimately unsustainable (Dierckxsens 2000). While capital has enthusiastically embraced a more market-oriented role for government to meet its short-term needs, in the long term it requires the state to actively regulate and facilitate social and economic processes. This point was profoundly made by Karl Polanyi and has been reiterated more recently by neo-Marxist scholars (Polanyi 1957; Bryan 2000:333). The free market approach promoted by neoliberalism is fundamentally incompatible with capital’s longer term need to generate a viable postfordist regime of accumulation – at both the national and local levels.

The capacity of neoliberalism to provide a stable regulatory framework for a new phase of capitalist growth is further called into question by the limited extent to which it actually has succeeded in becoming the dominant local state form. A number of analysts have argued that, although neoliberalism has been destructive to many local economies, it has entrenched a regulatory framework which is now extensive and effectively comprises a new hegemonic local state form.<sup>8</sup> However,

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<sup>8</sup> British geographers Paterson and Pinch develop the view that neoliberalism has undermined the scope and authority of local government itself and thereby also

there is reason to question the validity of this perceived hegemonic spread of local neoliberalism. While there has been a strong shift to neoliberal policies at the local as well as the national level, there has also emerged, albeit in a fragmented way, a range of interventionist local economic policies and approaches which are neo-Keynesian in nature. Increasing competition between urban regions since the 1970s has pushed many local governments towards the adoption of a more entrepreneurial neoliberal approach, but has led others to adopt more interventionist strategies (Kratke and Schmoll 1991:545). British geographers Aram Eisenschitz and Jamie Gough argue that, despite the dominance of neoliberalism at the national level, most of the quite rapid growth of local economic initiatives in developed capitalist countries are neo-Keynesian (Eisenschitz and Gough 1996:434).

Even in cases where sub-national governments have adopted a fundamentally neoliberal approach to policymaking in general, their 'basket' of policies sometimes includes elements which are essentially neo-Keynesian (in the sense of seeking to use non-market co-ordination to address particular market inadequacies and failures). These seemingly contradictory policy trends not only represent different responses to restructuring by different local states but often are manifested side by side within the same strategy. Sub-national governments in most industrialised countries have come under pressure from many conflicting sources and have therefore faced increasing difficulties in formulating coherent policy responses to the challenges raised by globalisation. In Australia, the policy approaches of state governments over the past decade, while increasingly influenced by neoliberalism, have continued to manifest a number of elements of a more interventionist economic strategy towards promoting growth. In South Australia, for example, maintaining support for tariff protection for local car manufacturing industries is a pragmatic concern taking precedence over neoliberal policy commitments. In general, state governments face considerable pressures to reconcile neoliberal policies with other more politically reformist and socially egalitarian goals.

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reduced the local state's long-term capacity for autonomy (Paterson and Pinch 1995).

How then are we to explain the continuation of forms of state intervention at the local level even within the context of an increasingly neoliberal global world? A number of reasons can be identified. Of key importance has been the failure of national governments to resolve the economic problems arising from the end of the postwar boom, leading to greater emphasis on state-led economic growth strategies at the local level in many countries (Sengenberger 1993:315). Moreover, the increasingly uneven impact of global restructuring on sub-national regions has forced many regions, especially those most severely disadvantaged by it, to adopt a more active state economic strategy rather than rely solely on aggregate national growth and the 'invisible hand' of the market.

In addition, it is important to note that some scope for political choice in economic strategy remains. While neoliberal policies have been adopted by social democratic governments, it is nevertheless true that their most consistent, and rigorous, application has occurred only under conservative regimes. In Australia, the initial adoption of neoliberal policies occurred in New South Wales with the election in March 1988 of the Liberal government led by Nick Greiner (Pragnell and O'Donnell 1996). This marked the beginning of a decade of domination by conservative governments in all states after the previous decade of domination by Labor. The NSW government was quickly outpaced, however, by the radical free market policy approach taken by Victorian Liberal Premier Jeff Kennett (Alford and O'Neill 1994). Kennett's government represented 'an extreme in cuts to public services, privatisation and deregulation of the labour market' (Low 1995: 211). The neoliberal agenda was extended by the Western Australian Liberal government headed by Premier Richard Court, who initiated three 'waves' of anti-union industrial relations legislation (Spoehr and Broomhill 1996). Finally, in South Australia the moderate faction of the Liberal government that had been elected in 1993 was replaced in 1996 by a faction that took the neoliberal agenda to further extremes by privatising or contracting out not only transport and government services but also the supply of water and power (Spoehr 1999). However, the political pendulum swung quite dramatically in the Australian states in the middle and late 1990s. While a federal conservative government replaced Labor in 1996 and toughened up the implementation of the

previous Labor government's 'soft' neoliberal agenda, the conservative state governments began to fall one by one until, by the end of 2001, South Australia remained the only state or territory not to be governed by Labor. While the current Labor state governments are certainly continuing to be influenced by neoliberalism they are not pursuing it with the full enthusiasm of the conservative parties.

### **Problems of Social Reproduction**

Finally, can neoliberalism provide a stable and sustainable social regulatory framework which is capable of ensuring secure reproduction in a 'postfordist' era? Social reproduction requires far more than a coherent mode of accumulation. As Polanyi observed, 'the human economy ... is embedded and enmeshed in institutions, economic and non-economic. The inclusion of the non-economic is vital. For religion and government may be as important for the structure and functioning of the economy as monetary institutions ...' (quoted in Jessop 2001:214). During the postwar 'fordist' period, growth and stability was underpinned not only by a specific set of economic and political regulatory institutions but also by a more informal set of social and cultural arrangements.

So, while a range of nationally and locally specific Keynesian political and economic institutions provided the 'temporary institutional fixes' which were critical to supporting accumulation, the postwar period also saw the emergence of a set of cultural norms and values which played an important role in securing social reproduction. These included the increasing adoption of the values of mass consumerism, of modernism, of state welfarism and of the 'male breadwinner model' of the nuclear family. Of course, such values were far from hegemonic and were contested and contradicted by competing values in a dynamic process of evolution. They were also variable and place-specific, reflecting the existing culture of different countries and regions as well as the dynamics of the social processes at work in each locality. Also important in influencing the different fordist patterns of social reproduction were the patterns of class, gender and race relations within each country and region. For example, gender relations under the fordist regime of capital

accumulation supported the use of women's unpaid labour for the undertaking of a range of productive and reproductive activities within households and communities. Men's paid labour, in turn, was remunerated at levels which could support the household/family system. Together these more informal processes of social regulation were crucial in defining and securing a pattern of social reproduction which seemed unusually stable, at least for a quite lengthy period of time during the postwar era.

With the collapse of fordism many of these dominant norms and values, as well as patterns of class, gender and race relations, have also experienced dramatic changes. Of course, these aspects of the fordist mode of social regulation had been undergoing changes prior to the onset of global restructuring. Indeed, the changes that were occurring (increasingly rapidly by the 1960s) in these social and cultural phenomena were actually significant contributors to the breakdown of fordism itself. For example, the male breadwinner model in gender relations was being rapidly transformed by several dramatic changes that were occurring, including the increasing participation of women in the paid labour market, the increasing financial independence of women (from men at least if not from the state) through the introduction of the welfare system and the transforming influence of the women's movement.

So, an important question is: to what extent are new sets of values and patterns of social arrangements observable at the local level which have the capacity to secure social reproduction and to provide medium term stabilisation for a new postfordist phase of economic accumulation? At first glance, the discourse of neoliberalism appears to have been remarkably successful, not only in influencing the thinking of policymakers, but also in bringing about a significant change in popular culture and values. Many commentators have observed the increasing adoption of the neoliberal values of competitiveness and individualism – the individual manifestation of the culture of 'liberal productivism' identified by Lipeitz (1994: 343-345). For example, the norms and values of neoliberal capitalism appear to be increasingly embraced by a new generation of shareholders and small investors. The percentage of shareholders in the population has risen sharply in many countries.

Welfare recipients and even prisoners are now conceptualised as 'clients'. Fewer and fewer workers belong to collective trade unions. More and more citizens proudly display the logos of global corporations on their clothing. These all appear to be signs of a widespread adoption of neoliberal values, auguring well for the success of a new mode of social regulation capable of supporting a more competitive, flexible and individualised form of capital accumulation.

However, there are reasons to be sceptical of the extent and depth of this new neoliberal 'mode of social regulation'. The adoption by governments of market-oriented policies has resulted in a quite dramatic decline in government activities in relation to broader socio-economic goals. It has thereby reduced the traditional support provided for welfare and social reproduction. The neoliberal policy approach has produced a severe downgrading of social policy and the transfer of social and welfare services to the private sector as the focus of the local state, as with the nation-state, is shifted towards 'capital accumulation' at the expense of 'social reproduction' (Eisenschitz and Gough 1993: 59-75). In Australia, this tendency is most directly reflected in static or even reduced state government expenditures on public health, education, housing, transport and community services at a time when demands on these services have substantially increased as a result of the social impact of economic restructuring. At the same time, state governments have significantly increased expenditures on 'law and order' areas while strengthening regulatory arrangements governing social welfare recipients (Carson 2000). In other words, there has been a marked shift away from social welfare to social authoritarianism as the primary strategy for maintaining social control.

These policies have further increased the extent of social fragmentation and exacerbated the negative effects of global restructuring itself. They have resulted in the emergence of severe social problems, increasing inequalities and the breakdown of the processes of social cohesion and reproduction in many local areas. Many of these problems are felt most acutely at the local level and pose increasing challenges for the local state. Rather than providing the basis for a new social and cultural consensus, therefore, neoliberalism has increasingly fragmented and divided communities. Furthermore, economic restructuring and

neoliberalism are reshaping the responsibilities and the organisation of the household/family system, having a profound impact on everyday life and gender relations within many households. The changes by capital and the state to the support of the family/household system have undermined the 'fordist' arrangements whereby women provided their unpaid socially reproductive labour within the context of a family wage (Smith 1998:12). Many working class households now depend on two income earners. The number of single parent households is rising, requiring other women to seek paid employment to support their dependent children. At the same time, the demand by employers for 'flexible' work patterns is reducing women's capacity to provide unpaid productive and reproductive labour.

Ironically, these changes are occurring simultaneously with a resurgence of rhetoric from right wing governments about the importance of the nuclear family and family values. In so doing, the state is effectively attempting to shift the burden of welfare and social reproduction back onto the 'private' realm of the household and the individual. Thus, the rhetoric of family and individualism is being used to facilitate a quite deliberate attempt to significantly restructure social reproduction. This has important consequences both for individual and family welfare and for the broader process of social reproduction within the economy and society (Broomhill and Sharp 1994: 144-150). The destructive and fragmenting impact of these neoliberal policies on communities and households create severe doubts about the long-term potential to maintain a structure which secures social reproduction.

### **Conclusion**

In spite of the undoubted influence which neoliberalism has exerted over state governments, a regulation analysis suggests scepticism about its ability to underpin a new postfordist era of capital accumulation. While neoliberalism has been effectively used as a vehicle for restoring short term profitability for certain sections of capital, it has not provided the basis for the emergence of a new localised and flexible postfordist regime of accumulation within the majority of regions in core and semi-peripheral countries. In fact neoliberalism only prolongs this crisis by

maintaining unproductive investment and systemic instability. As such, it is the return to the 'jungle' of unfettered national and global markets, creating havoc for local communities (Peck and Tickell 1994b). Nevertheless, because neoliberalism does serve the short term class interests of extremely powerful global and local forces it will require staunch political resistance to overcome its influence.

The breakdown of fordism has precipitated a crisis of capitalist regulation as well as a crisis of capital accumulation. Despite the hopes of some analysts, and fears of others, there is little evidence that a new stable and coherent neoliberal regulatory arrangement has emerged to replace the local Keynesian welfare state. Local neoliberalism is neither universal nor monolithic and a coherent post-fordist local state structure has yet to emerge or stabilise. On the contrary, governments at the local level have faced extreme difficulties in formulating coherent policy responses to the challenges raised by globalisation and economic restructuring. As elsewhere, in Australia this confusion has produced a hotchpotch of policy responses from state governments. Looking from a regulation perspective, it seems that we are now experiencing a period of 'institutional searching'. The partial adoption by state governments of neoliberal policies can be seen as a temporary and unstable 'institutional fix' - indicative of the regulatory crisis facing local states rather than its solution. Furthermore, the ability of neoliberalism to provide a stable framework for social reproduction is even more problematic. The destructive and fragmenting impacts of neoliberal policies on communities and households create severe doubts about its long-term potential to provide a new mode of social regulation, capable of sustaining both capital accumulation and social reproduction for local communities. But as Alain Lipietz reminds us: 'the history of capitalism is full of experiments which led nowhere ... abandoned prototypes and all sorts of monstrosities' (Lipietz 1987: 15).

The embrace of neoliberal policies by Australian state governments is partly a result of the powerful global economic and political forces which have exerted strong pressures on them. It is also partly because state governments have been squeezed by the effects of the application of neoliberal policies at the national level. These global and national changes are resulting in the fragmentation and fracturing of local

economies and political institutions in a way which has reduced the 'manoeuvring space' available to local states. However, state governments clearly have far more room for maneuver than is acknowledged in the discourse of neoliberalism or, indeed, in some political economic analysis. Contrary to the arguments of proponents and critics of neoliberalism alike, the extent to which neoliberalism has become the only viable policy approach for local states has been much more circumscribed than appears to be the case at first glance. Many of the problems faced by state governments in Australia are the result, not of the overwhelming impact of globalisation at all, but rather of policies that, for a variety of reasons, they have themselves chosen over the past decade or more. Globalisation presents a challenge for local regions but it should not be an excuse for governments' failure to seek policy alternatives which will provide better outcomes for the whole of society.

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