

**RE-THINKING CHANGE IN OLD INDUSTRIAL  
REGIONS: REFLECTING ON THE EXPERIENCES OF  
NORTH EAST ENGLAND**

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## Introduction

In this paper I want to reflect upon regional economic change and the ways in which this is conceptualised and understood, drawing heavily but not exclusively on some thirty years of research on economy, politics and society in the north east of England (see Hudson, 2000). The economy of this region been transformed from a booming core in the nineteenth century to a marginalised and near-bust periphery by the end of the twentieth century, while the region has been blighted by widespread poverty and inequality throughout this long period. The principal question that this paper addresses, therefore, is this: how are the long periods of continuity, punctuated by occasional major shifts, in developmental trajectory and the region's place in the global economy, allied to the persistence in socio-spatial inequalities within the region,<sup>1</sup> to be understood?

In the nineteenth century, the north east was one of the birth places of industrial capitalism, a new industrial region materially and discursively constructed in a space that was formerly largely occupied by a pre-capitalist and non-industrial economy and society. It became a veritable 'workshop of the world', at the core of capitalist production, the British Empire and an emerging nineteenth century globalising economy, built around coal, iron and steel, engineering (notably shipbuilding, armaments, and railways) and chemicals. Now it is an "old" industrial region, with very little remaining of the growth industries of the nineteenth century. To use the adjectives "old" and

“new” in relation to industrial regions is simply to acknowledge that the nature of capitalism ensures that all industries at some point become “old”, as, in a sense, do the regions in which they are – or were - embedded.

The extent and pace of decline in the last quarter of the twentieth century was nonetheless spectacular. As a result, and in strong contrast to the nineteenth century, the north east is now a profoundly deindustrialised region on the periphery of the European Union and on the margins of the global economy. It is very largely disconnected from the decisive circuits of capital and the major growth mechanisms of the contemporary capitalist economy. As a result, not only have the “old” industries largely disappeared but there has been at best a partial and weak “re-industrialisation” via the endogenous growth of “new” industries or the introduction of “old” industries (such as automobile or consumer electronics production) that are “new” to the north east.

In short, the north east has experienced a long wave of growth followed by decline (Mandel, 1978), although with cyclical fluctuations around this long term trend. Throughout, however, the region has been characterised by deep intra-regional socio-spatial inequality (for example, in terms of incomes, wealth, health and living conditions). This was the case from the boom years of the nineteenth century to the profound economic decline that set in during the last quarter of the twentieth century. In the nineteenth century north east England was and now still is a region marked by intra-regional inequalities as nineteenth century liberalism was echoed by late twentieth century neo-

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<sup>1</sup> The re-invigorated debate as to how best to conceptualise ‘the region’ is summarised in

liberalism in national politics and the dominant conception of the national political economy. Intra-regional socio-spatial inequality has remained a constant characteristic in its trajectory of growth and decline.

Seeking to explain the region's particular sequence of growth and decline, combined to persistent intra-regional inequality, requires drawing upon a variety of theoretical perspectives. A critical insight of Marxian political-economy is that uneven development, including spatially uneven development, is structurally embedded within the capitalist mode of production (CMP) and economies dominated by it. It stresses that uneven development is, as it were, genetically encoded into the CMP. This emphasises the broader structural determination of regional uneven development and contextualises the possibilities for regional autonomy and pro-activity. However, while such a highly abstract approach can identify key causal mechanisms and the necessary structural relations that define the CMP as capitalist, it cannot reveal *which* regions will grow and prosper, which will decline. Nor can it reveal which fractions of the classes of capital and labour, in which regions, will 'win' and 'lose' as an integral part of the dynamism of such processes.

A further related limitation of such a structural analysis is that it cannot uncover how the strategies and practices of capital, states, and workers combine in complex ways to create regions that become critical nodes in the accumulation process and regions that become marginal to it. Equally, and

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Hudson, 2001, Chapter 9, and Hudson, 2003a.

critically, it cannot reveal the mechanisms through which regions change from being focal points in processes of growth to locations that are eviscerated by the flight of capital and abandonment by the (national) state as it ceases to regard them as locations for productive activity. Such regions are characterised by a 'surplus population', at best of direct interest to capital or state as a source of migrant labour that could move elsewhere in search of work and meet labour-power demands in other regions. Nonetheless, these are regions that require regulation and surveillance, and forms of state involvement to ensure the reproduction of a population there, not least for reasons of political legitimacy.

Answering such questions about the changing developmental trajectories of regions requires a different type of approach to that of Marxian political economy, drawing on theories grounded in other complementary strands of heterodox social science that seek to reveal the mechanisms, 'messy practices' and emergent effects through which capitalist economies are performed and (un)intentionally (re)produced. In particular, I want to draw on strands of evolutionary and institutional approaches and upon state theory and concepts of governance and governmentality to seek to deepen understanding of the production of 'old industrial regions'. I seek to use these as three inter-related and to a degree overlapping perspectives through which to examine and seek to interpret the socio-economic development of north east England. As such, there is a deliberate selectivity in choice of evidence.

I am not therefore seeking to give a comprehensive account of the region's development and historical geography. My aim is both more focused and limited: that is, to explore the extent to which continuity and change in the region's developmental trajectory can be understood in terms of evolutionary and institutional concepts and the varying engagement of the state with issues of socio-economic development and change. This has important practical as well as theoretical implications. Not least, how does the state seek to deal with such regional economic problems and legitimate its activities? What is the capacity of the state to manage the maintenance of or changes in developmental trajectories? Should state policies seek to maintain existing developmental trajectories or seek to move regional economies onto new and different ones?

### **Path dependency or path contingency?**

One way of seeking to understand the changing trajectories of regional growth and decline is to draw upon strands of evolutionary thinking, especially evolutionary approaches in economics that eschew biological analogy and emphasise that path dependence is socially constituted (Metcalf, 1998). As such, path dependence is grounded in the reproduction of instituted forms of behaviour (which are discussed in the following section). Concepts of path dependency are undoubtedly useful in accounting for the long period of secular growth in the economy of north east England. This lasted from the early nineteenth century to the 1920s, albeit punctuated by sharp cyclical movements characteristic of the capitalist business cycle in an economy

dominated by a liberal mode of regulation that allowed markets great scope as resource allocation mechanisms. The booming regional economy was dominated by a small number of major conglomerates (or 'coal combines': see Hudson, 1989, after Harvey, 1917), linked via a range of untraded as well as traded inter-dependencies (which are discussed more fully in the next section) that forged connections between them.

Rapid regional economic growth was therefore based upon close and mutually reinforcing links of intra-regional traded dependencies between the mining of coal and the production of iron and steel, and a wide range of engineering products manufactured from iron and steel (armaments, ships, railways and so on), and chemicals. Markets for these booming industries were often constituted as international, rather than simply national, markets from the outset. Such markets were constructed within the political frameworks of both the formal and informal British Empires, the latter constituted by areas of the world that were not under formal UK political rule but in which UK based capital held a dominant position. For example, companies based in north east England had an iron grip on the market for constructing railways over much of south America. The combination of continuously growing markets and close inter-connections between the inputs to and outputs from production processes in the north east created a virtuous spiral of path dependent growth. This served the interests of the owners of capital and of the coal combines in the region well for around a century.

If, however, this was a successful and path dependent trajectory of growth, the conditions on which it relied were contingent and conjunctural, albeit relatively stable over a long period. As such, the concept of path contingency captures the character of the growth process, and in particular the transition from growth to decline, more adequately than that of path dependency (see Hardy, 2002; Hudson, 2003b). There are a number of issues of particular significance in this context. The first is the collapse of markets, both national and international, for commodities produced in the north east. The second is the transition from a liberal to an interventionist mode of regulation of the regional economy, shaped by dominant capitalist interests in the region. The third is the shift from a social democratic politics of nationalisation and state ownership of key industries in a state managed region from the mid-1940s to mid-1970s (Hudson, 1989) to a subsequent neo-liberal politics of privatisation and pre- and post-privatisation rationalisation.

The secular collapse of international markets for many of the industrial commodities produced in north east England began in the depression of the 1920s and 1930s. As a result, whole swathes of industry in the region collapsed and in some cases this led to the permanent destruction of productive capacity. For example, in shipbuilding there was a state-sponsored strategy to cut capacity (Wilkenson, 1939) while in coal mining the cessation of pumping activities from the mines led to permanent closure due to flooding, especially in south west Durham (Dalton, 1953). By and large, however, it involved mass unemployment rather than the mass destruction of industrial capacity.



The scale and persistence of unemployment was sufficient to generate political concerns and at the same time the owners of capital in the region began to seek new ways of promoting and protecting their interests. One result of this was the invention for the first time, albeit haltingly and uncertainly, of a nascent national government regional policy from the late 1920s. This emergent policy concern registered that regional uneven development had ceased to be simply an undesirable characteristic of capitalist development and had become a political problem for the state. Prominent capitalists in the north east, coming together as the self-styled Northern Industrial Group, took an active role in seeking to construct this policy in ways that served their own interests, relying on their political power to do so, and became key figures in the new regional institutions established to develop and implement it (Hudson, 2004). Re-armament in the 1930s and then the war-time economy (1939-45) restored effective demand for many industrial commodities produced in the region and the post-war settlement involved the nationalisation of industries that formed key sectors of the regional economy (coal mining, iron and steel and the railways). While the nationalisation of iron and steel was short-lived, it was subsequently re-nationalised in the 1960s while shipbuilding was nationalised in the 1970s.

These various nationalisations were informed by a variety of motives, depending on their specific timings (Hudson, 1986). Generally, however, nationalisation reflected the fact that industries seen in various ways as central to national or regional economic performance or national interests

(notably in terms of defence) were no longer sufficiently profitable to attract the required investment in fixed assets and means of production by private capital. Public ownership via nationalisation in this way became a strategy to underpin the region's development trajectory around these industries, as the state replaced private capital as the proximate guarantor of the region's path dependent developmental strategy. It did so, however, in ways that created a trajectory locked-in to existing industries. For example, the newly created National Coal Board was confined to the mining of coal and legally prevented from diversifying into activities such as the manufacture of mining machinery and equipment – activities that remained a source of profit for other private sector companies (Grundy Warr, 1989). Thus this shift to the state as guarantor of the regional development trajectory, and of selected private sector interests, was politically negotiated on terms that were very favourable to the latter. For some it created captive markets while for others it was a means to liberate capital from obsolete and unprofitable fixed assets. In practice, nationalisation became a mechanism to restore capital to a money form that private sector companies could use to diversify their interests, spatially and sectorally.

Nonetheless, those industries that were nationalised continued to decline within the north east. There were two main sets of reasons for this. First changes in the international division of labour as a consequence of the emergence of new centres of production for coal, steel and ships (as well as industries such as chemicals that remained in private ownership) in other parts of the world. Secondly, technological developments led to the creation of

alternatives to coal as an energy resource and raw material for carbon-based chemicals production, and to plastics and other materials as alternatives to steel as an industrial material. Continuing decline in the regional economy led to further policy responses from the state. One response, informed by political concerns over socio-spatial equity and maintaining the legitimacy of state involvement in economy and society in the region, was that national governments strengthened their regional policies to try and attract new private sector investment. Initially, this was typically in the form of branch plants in manufacturing and their analogous workplaces in both private and public service sector activities. However, while there was diversification of industries and sectors, there was homogenisation in terms of stage of production and location in value chains, with a proliferation of low skill, low value-added activities. These factories were “global outposts” (Beynon and Austrin, 1978), located at the end of corporate chains of command and control that stretched across the globe. As the limits to these policies became visible over a number of decades, the emphasis switched more to the formation and growth of indigenous small and medium-sized enterprises (SMEs) – again without conspicuous success (Robinson and Storey, 1981; Storey, 1982).

From the mid-1970s the UK state faced growing fiscal pressures, with fears of a fiscal crisis of the state triggering capital flight from the national territory. In response, the scope and extent of state involvement in economy and society began to rein back as part of a transition from a social democratic to neo-liberal mode of state engagement with economy and society (Hudson and Williams, 1995). Two aspects of this are particularly relevant here. The first is

the cutback in central government expenditure on regional policies. However, it was second, the privatisation and associated rationalisations of the formerly nationalised coal, electricity supply, steel and shipbuilding industries that was of greatest significance in revealing the contingent character of the developmental trajectory in the north east. The nationalised industries were increasingly unprofitable and as such were adding to public sector borrowing in order to ensure their continuing existence. In order to address this problem the state sought to dispose of these industries to private sector interests. Consequently, to try and render them more attractive (that is, potentially profitable) to private capital, the formerly close and politically mediated ties between the nationalised industries were broken as they were allowed to source and sell globally. For example, the electricity supply and steel industries had formed markets for coal, which disappeared as they were allowed to buy coal on the international market, with imports from Australia, Colombia, South Africa. This led to a series of colliery closures in the north east (see Beynon *et al*, 1991). In addition, and relatedly, these industries were subject to successive rounds of capacity closure and job loss in the north east (as well as elsewhere), with the specific intention of making them more attractive to potential private sector purchasers. Furthermore, following privatisation there were further rounds of rationalisation, as the new private sector owners of these companies sought to make them more profitable (Hudson, 1998).

The net result was that by the early years of the twenty first century, little remained in the north east of the coal, steel and shipbuilding industries: one

steelworks on Teesside (currently under grave threat as a result of Corus' continuing crisis and a specialisation in producing semi-finished steel), one shipyard on the Tyne and one deep mine (Ellington in Northumberland, the sole remnant of the Great Northern Coalfield and due to close in three or four years). There was also a few opencast (strip) mines, which had expanded relatively and absolutely in scale as deep mining contracted, precisely because their costs of production per tonne of coal were less (Beynon *et al*, 2000). However, these too are now declining in extent. In addition, the restructuring of ICI, from a company producing commodity bulk chemicals to one focussed on speciality chemicals, and the subsequent fragmentation of the formerly integrated chemicals production structure on Teesside, and the elimination of swathes of heavy engineering, led to substantial capacity reductions. In total these industries employ around 20,000 people; even fifty years ago they employed about well over 400,000 in the north east – a reduction that provides a stark indication of the contingent character of the region's earlier developmental trajectory.

### **The perils of instituted behaviour: institutional and cognitive lock-in**

In recent years there has been a considerable re-emphasis upon the 'instituted' character of human behaviour. This is partly a result of the re-discovery of (neo) Polanyian approaches to economic analysis, partly a corollary of a more general concern in parts of economics and sociology with the socially embedded character of action (Granovetter, 1985). There is a

long tradition of institutional approaches in economics, but the main source of inspiration here is the 'old' institutional economics of Commons and Veblen rather than the new institutional economics of Williamson, which is closely linked to neo-classical approaches (see Hodgson, 1988; 1993; Hudson, 2001). 'Instituted' behaviour can be thought of as embracing a wide spectrum from the informality of habits, norms and routines (often unexamined and unthinkingly performed, symptomatic of a Gramscian hegemony of some ideas and ways of thinking over others) to the formality of behaviour within the state and its constituent apparatuses and organisations.

In the 1970s and 1980s political-economy approaches to analyses of regional uneven development placed great emphasis on the role of extra-regional relationships in shaping regional (under)development trajectories. The "institutional turn" in analyses of regional development (Amin, 1998) led to a much greater emphasis upon intra-regional relationships between firms and between economic and non-economic processes. As well as the traded inter-dependencies of the supply chain, appropriate "institutional thickness" (Amin and Thrift, 1994) and the untraded inter-dependencies of non-economic social and cultural ties (Storper, 1995; 1997) within an associational economy (Cooke and Morgan, 1998) were increasingly seen as pivotal to regional economic success in the late twentieth century. However, such untraded inter-dependencies had clearly been of crucial importance in the new capitalist boom regions of the nineteenth century such as north east England. Furthermore, the importance of untraded inter-dependencies in nineteenth century north east England exemplifies the importance of distinguishing

innovations in thought from actual developments in the economy that are being thought about (Hall, 1991).

The net result of the intersection and interaction of the linkages of traded and untraded dependencies was to create and reproduce the conditions underpinning a particular growth trajectory for the regional economy. Many economically successful regions, including for a time north east England, can therefore be seen to possess an appropriate institutional thickness, one that underpinned and supported economic activities located within the region, and helped reproduce regionally-specific competencies, tacit knowledge and trust, regarded as critical determinants of continuing economic well-being. Conversely, however, an inappropriate institutional thickness, often a relict form from an earlier era when it was supportive of regional economic success, can act as a barrier to moving a regional economy onto a new and more promising developmental trajectory (Hudson, 1994), revealing “the weakness of strong ties” (Grabher, 1993). Just as economic growth in north east England in the nineteenth century had been grounded in a supportive institutional formation, by the late twentieth century its legacies and relict form constituted a barrier to a transition to a new regional growth trajectory.

The effects of the legacies of habits and routines established as constituent moments in the formation of the north east region’s ‘traditional’ economy are easily observed. Some of these were relatively permeable and transformable. For example, the strict gender division of labour established as a necessary part of the ‘old’ industrial economy broke down. As male employment fell in

the coal mines, steelworks and shipyards, many of the 'new' jobs attracted to replace them were in industries that targeted female wage labour (for example, clothing and consumer electronics, as well as a range of service activities). In part, this had been presaged during the First and Second World Wars, when shortages of civilian male labour because of conscription led to large-scale incorporation of women in factory work forces for the duration of the two Wars. Post-war, however, married women returned to their place as unpaid domestic workers 'in the home' while unmarried women found work in a range of 'female' industries and occupations, not least the expanding public sector services of education and health, performing 'caring' work socially defined as appropriate for women. This is not to say that such transformations were smooth and uncontested; quite the contrary. There were protracted debates about the replacement of 'male' with 'female' jobs and many men found genuine difficulty in coming to terms with permanent unemployment and their role as domestic workers whilst their wives worked outside the home for a wage. Indeed, many women became both sole wage earner and carried on as the main unwaged domestic worker, bringing its own socio-psychological pressures and tensions.

In other respects, however, established informal habits and routines proved much more resistant to change. For example, the 'old' industrial economy had involved the construction of working class settlements to house workers close to their workplaces in the coal mine, factory or works. Archetypically, this involved the colliery, shipyard or steelworks at the end of the street, and a very short journey to work, typically on foot. Furthermore, sons would follow



fathers into jobs in these workplaces, often based on recruitment practices structured around networks of personal relations of family and friends. As a result, the educational aspirations of many boys were low, as they simply expected to follow in their father's footsteps in this way. Such training as was needed would, typically for most workers, be provided 'on the job', via processes of learning-by-doing, learning-by-imitating and learning-by-watching. With the closure of virtually all the workplaces in these industries, however, such individual trajectories through the labour market are no longer possible.

The instituted legacies of the past remain, however, in three important ways in relation to people's commuting behaviour, activity spaces and aspirations and expectations about employment and work. All three represent examples of cognitive 'lock-in' in terms of the ways in which people think of the labour market and their possibilities in it. Firstly, there is a marked reluctance to commute, with even modest journeys-to-work of a few kilometres regarded as unreasonable. In many ways, the region remains a series of small, discrete and spatially bounded labour markets, rather than forming an integrated labour market in which people are linked to employment opportunities across the region. The distance from Newcastle to Middlesbrough, the towns at the heart of the region's northern and southern conurbations, is only 50 kilometres, but per capita car ownership rates are low and public transport provision is often poor and expensive, which militates against intra-regional labour mobility. It is, however, important to qualify this by pointing out that there is a continuing imbalance between demand for and supply of labour in

the region, with many more people seeking waged work than there are available jobs in the region. One response to this has been a growth in long-distance weekly commuting and international labour migration, albeit limited in extent (Beynon *et al*, 1994).

Secondly, there is a continuing legacy of recruitment into the 'traditional' industries via sons following their fathers in terms of low expectations and limited ambition in terms of education and skills acquisition among many young people, especially but by no means wholly young men. This cognitive lock-in lives on despite the disappearance of the coal mines, shipyards and steelworks.

Thirdly, there is an enduring culture of wage labour, a culture of dependency on wage labour and employment by others. People by and large expect to be employed in either private or public sector workplaces rather than to become self-employed, let alone employ others. This is not to say that there is an absence of entrepreneurial attitudes and ambitions, but it is to recognise that these are not funnelled into the more conventional channels of SME formation and development. Such behaviour, especially when seen to be associated a reliance upon welfare state transfer payments<sup>2</sup>, is often regarded as one reason for the persistent failure of state policies that aim to encourage the formation of indigenous SMEs as the route to a new developmental trajectory in the north east. Many redundant workers have considered

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<sup>2</sup> This raises important and more general questions as to the rights as well as responsibilities of citizens, not least their right to lead decent civilized lives in places that remain meaningful to them although abandoned by capital and the state as locations of production (see Hudson, 2001, Chapter 8).

establishing their own businesses but have taken the economically very rational decision not to do so. They are acutely aware that the possibilities of successful SME development are very slim in regional and sub-regional economies that are profoundly depressed by the effects of permanent, large-scale unemployment and lack of waged work in a thriving formal sector economy. Many regard investing redundancy payments in their home (albeit one that they will have great difficulty selling should they subsequently decide to move in search of work) as a safer and more rational investment of their money. In some cases, former industrial workers display considerable entrepreneurial ability and ingenuity in developing business in the informal sector or in or on the fringes of the illegal 'black economy'.

Cognitive and institutional lock-in also exists in the more formal realms of governance, regulation and the state. The origins of regional policy in and for north east England can be traced back to the 1920s and 1930s. During this period a cross-class regionalist alliance, dominated by major capitalist interests, successfully lobbied central government and used their political influence and power to push for the creation of new forms of regional policy. This centred on the attraction of new industries and inward investment to diversify the regional economy and labour market, and helped create new opportunities for capital based in the region while seeking to protect existing capitalist interests and the jobs that they provided. This policy was intensified following the ending of the Second World War, both via strengthened forms of regional policy to attract new branch plant investment and via the nationalisation of sectors that were central to the regional economy (coal

mining, iron and steel production, rail transport). This was allied to policy innovations such as the creation of New Towns as an integral part of settlement policies. Public sector infrastructure investment was concentrated in key settlements ('growth points' and 'zones'), with the intention that these became more attractive to private sector investment, seeking to bring together new employment and people in selected locations (Hudson, 1982). With varying emphases, these policies remained in place for some three decades, and in certain important respects their legacy in terms of cognitive and policy lock-in within the state continues to the present.

The implementation of these policies required the assignment of new, related powers and responsibilities to existing state organisations (for example, the planning responsibilities given to local government). It also required the construction of new formal institutional arrangements in the region. Many of these took the form of appointed quasi-state organisations (such as the New Town Development Corporations and the Regional Economic Planning Council, established in the 1960s), with little electoral accountability in the region because their members were appointed by central government. These bodies tended to be manned (the choice of verb is deliberate) by the same combination of representatives of capital and organised labour as had lobbied for and run the new institutions of the inter-war and war-time periods. As a result, they became locked into a conception of the 'regional problem' that centred on notions of industrial obsolescence, old industries and derelict and polluted built and natural environments that required 'modernisation' as a pre-

condition to attracting fresh rounds of manufacturing branch plant investment, increasingly from outside the UK (Hudson, 1989).

As the limits to this response became increasingly clear in the 1970s, the policy prescription switched from state to private ownership, from large to small firms, from manufacturing to service sector activities, from inward investment to indigenous growth. This was no more than a reflection of dominant perceptions of the causes of growth in more economically successful regions. As such, the transition to a more market-oriented approach was embraced and actively promoted with some enthusiasm by some public sector policy makers in the region, often encouraged by consultants that they hired to give advice on developmental strategies for the region (for example, see Northern Regional Strategy Team, 1977). Others were much more sceptical, more wedded to a stronger directive role for the state, so that there were tensions within the public policy community. These tensions were often exacerbated by the effects of the new policy priorities. For example, the influx of call centres was evidence of new service sector growth but in activities that reproduced a 'branch plant' syndrome of unskilled, low wage work in establishments controlled by firms located outside the north east and vulnerable to competition from lower wage locations in south east Asia and Russia.

In short, official conceptions of public policy, of the causes of the 'regional problem' and of appropriate policy responses to it, remained locked into a restricted conceptual space. This left no alternative to the contradictions of

particular forms of state engagement with economy and society and the decline of some sorts of private sector activities, other than the encouragement of different sorts of private sector activities, as the limits of existing policies became increasingly visible. The market as resource allocation mechanism became increasingly seen, normatively, as *the* right and proper solution to the 'regional problem'. If it failed to produce prosperity in the north east, this reflected failings in and of the region, to be addressed by people in the region, allied to appropriate supply side policies. These varied shifts increasingly formed integral components of a more general shift away from the long post-war social democratic consensus towards a new neo-liberal governmentality.

### **New modes of regulation, new governmentalities: seeking to break out of lock-in**

In the preceding sections I have argued that we can conceptualise the trajectory of socio-economic change in north east England in terms of path contingency and dependency, encompassing various forms of lock-in and instituted behaviour. I have suggested that the state had a central role in these processes of continuity and change in this quintessentially state-managed region. The state was centrally involved both in creating and reinforcing lock-in to ensure path dependent development between the late 1920s and mid-1970s and subsequently seeking to erode such lock-in to facilitate new developmental trajectories. This has involved seeking to

address the problems posed to such a transition, especially in terms of the attitudes and behaviour of people in the region as part of neo-liberal supply-side approaches. In this section, I further explore such issues via concepts of regulation, governance and governmentality.

Regulationist approaches emphasise the social and political grounding of the economy and the non-random coupling between a particular regime of accumulation and the social mode of regulation that makes it possible (Boyer, 1990; MacCleod, 1997). The latter encompasses both the formal regulatory mechanisms of the state apparatus and a range of non-state regulatory mechanisms located in the spaces of civil society – that is, processes of both government and governance. While stressing the centrality of the coupling between accumulation and the political and social conditions that make it possible, however, regulationist approaches have little to say about the actual practices of government, or about how particular modes of thought and policy styles become (and cease to be) dominant, even hegemonic. Thus regulationist approaches tend to assume the existence of forms of lock-in and the persistence of instituted practices but have little to say about their (re)production. They have even less to say about how one set of practices is replaced by another and radically different set as a shift from one coupling to another is enacted.

There have been attempts to address such issues, however. For example, Jessop (1990) seeks to build upon regulationist perspectives by drawing together neo-Gramscian ideas as to how hegemonic practices are channelled

through complex ensembles of institutions dispersed throughout civil society with Foucault's "capillary" notion of power in theorising the mechanisms of state power and knowledge. This views of power as fluid and relational, exercised from innumerable points within civil society, the economy and the state, in productive networks of power that extend beyond the state. Nonetheless, Foucault privileged the role of the state (the "macro-physics of power") as "the point of strategic codification of the multitude of power relations ("the micro-physics of power") and the apparatus in which hegemony, meta-power, class domination and 'sur pouvoir' are organised" (Jessop, 1990, 239). As such, the state is centrally located in relation to processes of regulation but the specific ways in which state power is developed and deployed vary. Consequently, in theorising the state, it is necessary to allow a significant degree of autonomy to state apparatuses and allow for variation in the administrative manner, style and logic by which the state regulates economy and society as it undertakes the practical tasks of "real regulation" (Clark, 1992). Practices of implementation can decisively shape regional development trajectories.

The Foucauldian concept of 'governmentality' emphasises the practices of government and governance (Dean, 1999) and further illuminates these issues. Governmentality "is intrinsically linked to the activities of expertise, whose role is not one of weaving an all-pervasive web of 'social control', but of enacting assorted attempts at the calculated administration of diverse aspects of conduct through the countless, often competing, local tactics of education, persuasion, inducement, management, incitement, motivation and



encouragement” (MacKinnon, 2000, 296). However, concentrations of expert knowledge can unintentionally give rise to “enclosures”, tightly bound sites of vigorously defended professional expertise, resistant to the wishes of government (Rose and Miller, 1992, 190).

Moreover, such the practices of governmentality are territorially demarcated. Space is an important element of governmentality because “to govern it is necessary to render visible the space over which government is to be exercised. And this is not simply a matter of looking: space has to be re-presented, marked out” (Thrift, 2002, 205). This thereby locates the space of the state as one element in wider circuits of power and moves from a position that sees the state as simply an explanation of other events to one that regards the specific activities of the state as themselves something to be explained. The black box of the state must be opened up in order to explain how it can perform with a degree of functional coherence. As Jessop (1990, 229) puts it, such internal coherence can only be achieved through the successful realisation of specific “state projects” which unites state agencies and officials behind a distinct line of action. Achieving such unity is thereby a contingent matter. Even if it is achieved, however, there is no guarantee that such projects will always and only have their intended effects, as the developmental history of the north east makes abundantly clear.

These concepts of regulation, governance and governmentality allow exploration of three sets of issues pertaining to that developmental history. The first concerns the relations between the ‘regional problem’ and notions of

governmentality, linked to the transition (initially in the 1920s) from an analytic recognition of regional uneven development to the political identification of 'problem regions'. A key issue here is the ways in which 'problem regions' are made visible, constituted as objects of state policy via the construction of regional statistics, regional plans (with their focus on outputs) and regional strategies (with their focus on process and outcomes). Furthermore, there are important connections between the ways in which the 'regional problem' is defined and the perception of appropriate forms of regional policies to tackle it. This may involve seeking to help reinforce or to change forms of instituted behaviour and secure or alter the existing developmental trajectory.

The evolution in emphasis from plans (for example, Teesside County Borough Council, 1972) via strategic plans (Northern Regional Strategy Team, 1977) to strategies (ONE North East, 2000) is linked to a *political* shift from predominantly social-democratic politics to a neo-liberal politics. The UK state was at the forefront of making this transition, given particular impetus by the Thatcher governments' of the 1980s and continued in the subsequent era of "New Labour". This has entailed a shift from a belief in the possibility, legitimacy and validity of socially-progressive re-distributive planning via central state action to one that embraces the market as the main economic steering mechanism. This had definite implications for people in the north east as the state sought to cut back the extent of its direct engagement with economy and society there and, not entirely successfully, to encourage greater mobility in the labour market and encourage entrepreneurial behaviour. This switch also lends a certain political specificity to the

experiences of the UK, as neo-liberalism penetrated widely into policy domains - competition, industrial and technology, employment and social - with spatially differentiating results, as well as into those of urban and regional policy. As such, the shift to neo-liberalism radically re-drew the boundaries between state, economy and civil society, at least in part because of fears of a fiscal crisis of the state, to create a UK-specific variant among the “many national capitalisms” (Schmidt, 2002) of neo-liberal late modernity.

Part of this re-drawing of the boundaries has involved re-defining the geometry of state power, with a decentralisation of responsibility for regional development issues to the regional level within the state. Thus the region became socially constituted as an active subject in seeking to resolve the regional problem, the second issue that I want to consider here. Rather than regional policies designed and administered by the central state, there is now a more complex multi-level system of governance that conjoins EU, national, regional and sub-regional in a more complex geometry. However, these new arrangements devolve greater responsibilities to regional and sub-regional levels for dealing with issues of regional economic development and regeneration. This has been emphasised within the region by the creation of the ONE North East Regional Development Agency, the four sub-regional partnerships to which it devolves most of its budget, and the Local Strategic Partnerships now being established across the region under the leadership of Local Authorities (Liddle and Townsend, 2002).

It is important to emphasise that these are not simply changes imposed externally upon the region. There were social forces within the region arguing in favour of such changes, with local politicians wanting greater decentralisation of power and resources to their authorities and an emergent small but vociferous lobby seeking a regional assembly and much greater regional autonomy. In principle, these three levels are intended to produce a seamless web of 'joined up' socio-economic development and regeneration policies in the region, with a heavy emphasis upon "cluster" policies in economic development. Practice deviates somewhat from this principle, however – and there is scant recognition that successful "cluster" policies could engender precisely the forms of lock-in that were previously seen as a diagnostic feature of the regional problem.

The emergent emphasis on regional and sub-regional strategies reflects a perception within neo-liberal policy circles and the UK state as to the need to balance two competing tensions. Firstly, pressures arising from a perception as to the technical impossibility and normative undesirability of planning within the social relations of capitalism, and the uncertainties and unpredictabilities that these unavoidably create. Secondly, socio-political pressures for the state to be seen to be concerned with issues of democratic accountability and socio-spatial inequality. Responsibility for regional issues in north east England, however, has often been devolved to central government appointed QUANGOS (such as Urban Development #corporations). This has generated new forms of 'democratic deficit' as these organisations are politically unaccountable within the region, with evident dangers in undermining the

credibility of the case for devolving power as part of a new governmentality through which to address regional development problems (Beynon *et al*, 1994).

In addition, decentralisation to the regional level has often involved greater reliance on institutions within civil society acting together ('in partnership') with regional, sub-regional and/or local state organisations. The notion of 'partnership' and collaborative working at and between these levels is important, although not all partners have equal power and influence in the partnership. In particular, many partnerships remain dominated or led by parts of the state. Even so, partnership signals a blurring of the boundaries between market, state and civil society as processes of governance partially replace those of government. Allied to this, there has been a discernible tendency towards 'the community' as both subject and object of intra-regional policies to tackle uneven development. This in turn has often been linked to an emphasis upon the 'third sector' or social economy as the route to tackling 'regional problems' and problems of intra-regional regeneration (Amin *et al*, 2002).

The turn to the third sector signals recognition that state policy attempts to break unwanted forms of lock-in, for example by encouraging greater labour mobility and entrepreneurial activity via establishing SMEs, have largely been ineffectual. People wish to remain in their places but not to become entrepreneurs in the formal mainstream economy. The growing focus upon the social economy is recognition both of this and the fact that increasingly

large swathes of the territory of regions such as north east England now fall outside the decisive circuits of capital. They have been eviscerated by capital flight and effectively abandoned by the state beyond a residual commitment to maintain a minimum level of welfare provision there. However, it is precisely the impoverished condition of such places that militates against the development of a vibrant 'alternative' social economy there, amplified by a more general state suspicion of potentially "subversive" social economies such as LETS (Local Exchange Trading Systems). Thus the turn to the social economy represents an attempt to reconcile tensions between immanent accumulation and rationality crises on the one hand and legitimisation crises on the other as both capital and the national state lose interest in the region as a space for the production of surplus value. In its turn, however, it creates political tensions at local and regional levels as the developmental limits of the social economy become clear. For example, over much of north east England, the social economy is most notable by its absence, particularly in those areas in which it is needed most (Amin *et al*, 2002), and where it does develop tends to reproduce the socio-economic inequalities of the mainstream within it (Bowring, 199x).

The third issue that I want to consider also flows directly from this growing marginalisation of the region in the concerns of capital and the national state. This is the emergence of Task Forces as a characteristic policy response of the new neo-liberal governmentality and, more particularly, of the particular politics of 'New Labour' to tackle place and/or industry specific problems of economic decline. There are marked similarities between such Task Forces

and the “project teams” that have come to characterise much of the contemporary economy (Grabher, 2002). Such Task Forces have exploded in number and have become endemic in north east England – though not only there. They have been established as ad hoc bodies intended to deal flexibly and rapidly with specific policy problems, typically associated with the (un)expected decline of a particular industry or sector (including coal mining, clothing, electronics, steel, textiles) and its consequences on the places in which it was formerly concentrated (Pike, 2002). Others seek to arrest or reverse decline – for example the Teesside Chemical Initiative (Chapman, 2003) for reasons that are explicable in terms of sub-regional politics and the difficulties of imagining Teesside without chemical production, rather than a more realistic assessment of the global political-economy of chemicals production. The membership of these bodies consists of a mix of private and public sector representatives, typically drawn from a cast of “usual suspects”. Self-defined key players in the region find new niches in these partnerships from which to exercise power and preserve their own influence (Robinson and Shaw, 2000), often drawn together around notions of partnership and perception of a shared regional interest (as they first were in the 1930s). They can be characterised as non-statutory (that is, non-QUANGO) and multi-agency organisations, with selected and defined membership, with initially an indeterminate but always temporary lifespan. Typically, however, like the earlier QUANGOS they are opaque, unaccountable, closed off to wider political and public scrutiny, with the hand of central government often prominent and with limited links to and co-ordination with the actions of other public policy bodies. Fundamentally, they are designed to mop up and paper

over the consequences of economic decline, a combination of sticking plaster and sponge. They symbolise the transition from a concern with planning to one with strategy, understood as developing ad hoc ways of coping with the consequences of unplanned, unexpected and emergent changes in economic circumstances in a region marked by long-term structural economic decline.

## **Concluding comments**

In this paper, I have argued that concepts of path contingent and dependent development, instituted behaviour, especially in terms of cognitive and policy lock-in, and governmentality allow a deepened, more nuanced understanding of the changing position of regions such as north east England in/out of processes and circuits of capital accumulation. They thus facilitate a better understanding of processes of regional uneven development. Allied to structural political-economy understandings, they help reveal more subtle perspectives upon the practices of key social actors that recognise the power of structural constraints while revealing more about the determination of regional developmental trajectories within them.

Finally, by way of conclusion, I want to make some brief comments about the broader implications of the approach to understanding regional change that I have explored. While the empirical focus in this paper has been on a single region, the north east of England, this region exists, as it has done for



centuries, as part of a global political-economy. Other regions have experienced similar trajectories of growth, decline and occasionally renewal. The approach explored here could, therefore, be used as the basis both for analysis of other regions - both other declining “old industrial regions” and contemporary “hot spots” of growth - and for inter-regional comparative analysis. Focusing upon the determinants of trajectories of change and the specific institutional forms of different regions could help unravel the reasons as to why regions change in varying ways – some as “winners”, some as “losers” - within the structural limits of a capitalist political economy. As such, it could help throw light on the key questions as to how and why regions experience different forms and trajectories of change, as to how the fortunes of different regions relate to one another and of how regional change both reflects and helps reproduce those systemic limits. The growing inter-connections between regions within a neo-liberal globalising economy in the twenty first century further reinforce the case for deepening understanding of the co-evolution of regional development trajectories.

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