Localism and the (re)creation of Capitalist Space in the United Kingdom

Abstract

The paper conceptualises the notion of 'the local' within the work of Friedrich Hayek and shows how various public policy measures in the United Kingdom, including privatisation, the New Public Management, Total Place, Big Society, and the Localism Act, can be seen to fit within this rubric. This framework is used to inform a conceptual and empirical critique of the form that localist policies have taken in the UK. The paper argues that the emphasis on efficiency and the significance of competition to each of these measures has served to consolidate the rule of money without realising meaningful social gains, and that these forms of localism can therefore be seen to have contributed to the (re)creation of capitalist space in the UK.

Introduction

Since the financial crisis that began in 2007, there have been a number of appeals to various forms of 'the local' in British politics. These include Total Place, the Big Society, and the Localism Act, which have ostensibly been introduced as responses to Britain's perceived budgetary problems,[1] and have been justified, in part, by claims about the relative efficiency of 'the local' in cost terms. This article conceptualises these measures as a continuation of the uneven process of neoliberalisation that began in earnest with privatisation and the emphasis on alternative service delivery systems associated with the New Public Management (NPM), by locating each of these measures within Friedrich Hayek's conception of 'the local'. This political economy approach allows the article to go beyond analysis that views these measures as subterfuge for austerity measures (e.g.

[1] It is necessary to note that the provisions of the Localism Act apply only to England, but the cash savings it envisages in England can be seen as a part of the broader austerity agenda within the UK.

Stephenson, 2010), and provides an alternative perspective to those that have discussed neoliberalisation in terms of the development of 'soft spaces' of governance (e.g. Haughton et al 2013, 217).

By locating these policy measures within the rubric of Hayek's thought, the paper develops a critique that argues privatisation, NPM, Total Place, Big Society, and the Localism Act, have all served to create and re-create capitalist space by facilitating the transfer of resources from the public sector to private sector actors and consolidating the rule of money. Given that various kinds of local action have increasingly been seen to have a key role to play in a transformative politics (*inter alia* Clarke and Cochrane 2013; Featherstone et al 2012; Gibson-Graham 2003; Holloway 2010), the critique offered here provides an important reminder that consideration of the politics of local endeavours is important if they are to realise their potential to begin transcending capitalist space, rather than (re)creating it.

The first section of the paper places 'the local' within the neoliberal political economy of Friedrich Hayek, and shows how this approach allows the local to take varying forms, which may be but are not necessarily, specific places. Section two links public policy measures from privatisation to the Localism Act through this framework by showing how each can be interpreted as forms of planning for competition. The third section provides a conceptual and empirical critique of the neoliberal conception of the local by exploring and challenging the understanding of competition that underscores its rationale, and by showing how discourses about crises of debt and deficit used to justify localist measures have been rhetorically constructed. Section four shows how the neoliberal conception of the local is susceptible to a number of local traps. It demonstrates how privatisation,

NPM,[2] Total Place, Big Society, and the Localism Act have contributed to the centralisation of capital, failed to realise meaningful efficiency gains, and have continued to undermine community identity that contributes to the uneven development of neoliberalisation by introducing competing conceptions of place and by consolidating the rule of money. The conclusion reviews the argument and briefly reflects on the characteristics of a progressive localism.

Placing 'the local' in neoliberalism

The political economy of Friedrich Hayek played an important role in justifying marketisation during the neoliberal ascendancy. Hayek saw the central economic problem in the following terms: which actors are best placed to make decisions about how to use resources efficiently? In other words, he asked how markets can reach equilibrium in the absence of an overarching set of institutions capable of processing and disseminating all necessary information to allow relevant actors to plan effectively (Hayek, 1945, 519). It was Hayek's view that a central institution with sufficient knowledge to plan effectively was both absent and impossible to design. Moreover, he believed that any attempt to create such an institution would be inefficient because it would interfere with the operation of the market, and tend toward dictatorship (see Hayek, 1944, ch. 5; Hayek, 2002 [1945], 31-2).

[2] Discussions of privatisation and NPM could have focused on a broad range of issues, however space dictates that a comprehensive review is not possible here. As such, the paper will reflect on the privatisation of public transport and water services. Discussion of NPM focuses on its use of alternative delivery systems and in particular, 'contracting out', with reference to the expansion of Capita Plc.

As Gamble (1996, 47) noted, Hayek saw 'no middle ground between capitalism and socialism, with even the mildest measures of state intervention capable of pushing a society towards totalitarianism.' For Hayek, centralised government represented an inefficient and potentially authoritarian form of rule.

It is in light of this analysis that Hayek (1944, 43) claimed that 'planning and competition can be combined only by planning for competition, but not by planning against competition.' Hayek made two claims about how planning for competition could lead the market towards equilibrium in the absence of a central organising institution. First, he argued that local knowledge could mediate the problems of scale associated with central planning by reducing the amount of information that economic actors need to make decisions. In other words, market actors do not have to be in possession of *all* economic information, only that information that is relevant to their own action. Second, he argued that competition and the price system were the key institutions in filtering the kind of information that was relevant for economic actors. In order to avoid problems of interpretation of information, competition and the price system would give relevant information meaning for economic actors.

On the first matter, he noted how the particular knowledge of 'people, local conditions, and special circumstances' can be efficient because 'To know of and put to use a machine not fully employed […] or somebody's skill which could be better utilized […] is socially quite as useful as the knowledge of better alternative techniques' (Hayek 1945, 522). Hayek gives examples of shippers who are aware of space in under-utilised tramp-steamers, estate agents who know of temporary opportunities and 'arbitrageurs' who gain 'from local differences in commodity prices' (ibid., 522). This interpretation clearly allows for 'the

local'—the source of efficiency in Hayek's neoliberalism—to take a variety of forms. On the second matter, Hayek (2002 [1945], 12) argued that competition was the mechanism that makes it possible for actors to discover things like 'Which goods are scarce […] or which things are goods, or how scarce or valuable they are' (ibid., 13). In order to demonstrate this, Hayek asks his readers to imagine a situation in which a particular raw material used by domestic industry becomes scarce (perhaps because of restrictions in its export or the exhaust of its supply). The consequence of this will be an increase in price, governed by the law of supply and demand, that signals to users of this particular raw material that they must make cost savings elsewhere or find a substitute material. The specific reasons why they must do so do not matter; the price system has filtered all of the information that is relevant to the execution of the users of that particular raw material's plans (ibid., 526).

In Hayek's neoliberalism then, efficiency stems from knowledge of people, places and circumstances. Each is local, but within this framework the local can take various forms, including market and place-based knowledge that allow actors to make efficient decisions. While place-based knowledge might benefit Hayek's shipper who uses under-utilised tramp steamers or the estate agent with knowledge of a particular opportunity, it is market knowledge that benefits Hayek's arbitrageur, whose advantages stem from knowledge of price disparities between markets. As Cumbers (2012, 65) notes, 'because much important knowledge for the running of economies is tacit knowledge, it is decentralized and localized in particular forms of production and sections of the economy', which gives rise to the 'cherished relationship between markets, individual liberties and the rule of law' (ibid., 63) that is evident in Hayek's work.

Peck's (2010, 18) observation that Hayek 'mainly worked in broad brush strokes' and 'had always envisioned that the new liberalism would have to be "flexible credo"', precisely accounts for the way in which Hayek's approach captures different spatial registers for the local that include both markets and places. In doing so, Hayek provided a framework that fits with the contemporary use of 'localism' in a way that 'is often purposefully vague and imprecise', and is 'intentionally associated, confused, or conflated with, community, decentralisation, privatisation, civil society etc. for political effect', and allows the concept to be 'mobilised by all three of the UK's main Westminster-orientated political parties' (Clarke and Cochrane 2013, 11). The next section shows how this concept of the local can be identified in UK public policy.

Neo-Liberalisation and the Local in UK Public Policy

The previous section showed how the local takes a malleable form in Hayek's neoliberal thought. This section illustrates the way in which this conception of the local can be identified in the cases of privatisation, NPM, Total Place, Big Society, and the Localism Act, because despite the local taking different forms in each, they have all advocated the virtue of local efficiency in competitive contexts.

In the case of privatisation, which began under the Conservative administrations in the period 1979-97, the efficiency rationale has been widely recognised in the literature. As Yarrow et al (1986, 323) note, the central theoretical argument for privatisation lay in its ability to achieve 'chosen output levels at minimum cost, and the correct balance of outputs'. While the Conservative Party's 1979 General Election manifesto 'made little mention of privatization', it had 'become a major political issue' by 1983' (ibid., 327), and

three overarching aims of privatisation that relate to efficiency have since been identified in the literature. Benefits could be realised, first, by 'improving efficiency by increasing competition'; second, by 'reducing the public sector borrowing requirement', and; third by 'easing problems of public sector pay determination' (ibid., 328). These overarching aims drew on the assumption that competition will force the rationalisation of services both in terms of operational methods and in terms of labour market conditions as firms compete for business by reducing costs while trying to maintain reasonable profit margins, and that the transfer of responsibility for certain competencies to the private sector would ease the fiscal burden on the state by removing operational costs from its balance sheet. The extent to which the efficiency gains of competition underscored privatisations has become so entrenched that Megginson and Netter's (2001, 329) more recent assessment of privatisation 'Implicitly […] assume[s] that the goal of government is to promote efficiency'.

The rationale of efficiency was also evident in the agenda related to NPM, the 'set of ideas [that drove] administrative reform' in the early 1990s (Rhodes 1994, 144) under the administrations of John Major. In practice, NPM involved 'reorganizing public sector bodies to bring their management, reporting, and accounting approaches closer to (a particular perception of) business methods' (Dunleavy and Hood, 1994, 9), with the aim of slowing down and reversing growth in government expenditure. In the process, it aimed to provide a 'framework of general applicability' (Hood, 1991, 8) for public administration that could be assessed against its ability to save time and money on demand and supply sides, prevent bias and corruption, and increase levels of public confidence (ibid., 12-13). Rhodes (1994, 144) closely associates NPM with 'alternative service delivery systems' such as contracting out because NPM's objectives can be traced to the New Institutional

Economics, which places emphasis on the use of competition and quasi-markets. In combination, Rhodes suggests business-style approaches to management and reporting and the use of competitive tendering for service delivery were at the heart of NPM's quest for 'economy, efficiency, and effectiveness' (ibid., 144).

The election of New Labour in 1997 on the platform of 'The Third Way' nonetheless saw some continuity with the Major governments, especially with regard to the importance of fiscal responsibility. The backdrop to this was the importance of counter-inflationary credibility to New Labour macroeconomic policy in the context of globalisation (Balls, 1998), and the resultant implication that expenditure by the state could only be justified in terms of its contributions to competitiveness (Hay, 2001; Hay, 2004). This became more significant in the wake of the global financial crisis in 2007-8 and the discussions of debt and deficit that emerged from the Labour government's bail out of Northern Rock, the Royal Bank of Scotland, and Lloyds HBOS. The importance of fiscal prudence, as a result, has underscored several localist endeavours.

For instance, the Total Place Pilots that formed part of New Labour's programme and were commissioned by the Treasury and the Department for Communities and Local Government were designed to help 'local public services work to deliver better value services by focusing on joint working and reducing waste and duplication' (HM Treasury and DCLG 2010, 13). Total Place emphasised 'public services working together to deliver better value services to citizens' in order to try and demonstrate how 'a place-based approach to local public services can deliver better outcomes and improved value for money' (ibid., 14). As a report in *The Guardian* (2010) phrased it: 'At its heart is a simple

concept: tot up all the spending in a locality, identify the duplications, and then get rid of them. The figures are potentially huge.'

Following the general election of May 2010, which resulted in the formation of the Conservative / Liberal Democrat coalition government, Total Place was abandoned, but the introduction of the idea of the Big Society shares this emphasis on efficiency. At its launch, David Cameron (2010, n.p.) emphasised this in his assertion that 'control from Westminster just doesn't work' and had produced a situation in which Britain 'has got the biggest budget deficit in the G20.' Big Society, Cameron argued, was about developing a programme 'that doesn't just pour money down the throat of wasteful, top-down government schemes' (ibid., n.p.), and relied on the notion that voluntary action by those closest to particular issues was the most appropriate way of delivering services. This reflected ideas in the Conservative Party Green Paper, *Control Shift* (Conservative Party 2009), which had also emphasised the benefits of localism in efficiency terms. In particular, it had criticised 'an over centralised state that saps responsibility and initiative from people' (ibid., 2), which it associated with the economic decline of English cities outside London (ibid., 5), as well as the increasing costs of administering local government (ibid., 6). It therefore proposed a series of reforms that would provide incentives for local authorities to encourage businesses and deliver housing (ibid., 9), empower local residents in decision-making over council tax rates (ibid., 16), encourage direct democracy (ibid., 22), and give local people more control over spending priorities (ibid., 25).

The most recent legislative manifestation of localism can be seen in the Localism Act for England, and while Antonia Layard (2012, 134) has noted that 'there was no White Paper discussing the rationale for the Act or the ideology', a Department for Communities and

Local Government guide to the Localism Bill explicitly emphasised the importance of efficiency when it noted that British government 'has hoarded and concentrated power' in a way that does not work and 'leaves no room for adaptation to reflect local circumstances or innovation to deliver local services more effectively at a lower cost' (DCLG, 2011, 1). While the act does not apply to Northern Ireland, Scotland, or Wales, by seeking to incentivise English communities to realise savings as they solve problems by giving them greater flexibility over their budgets (DCLG 2010., 8) the Act's rationale resonates with the neoliberal conception of the local through this emphasis on the relative efficiency of the local in comparison to centralised systems of management.

The different forms the local this section has discussed therefore share in common cost efficiency as part of their underlying rationale. In the case of privatisation and NPM, the significance of competition in the context of marketisation is also clear, as it was by exposing utilities to the rigour of the market that value for money was to be realised, while the emphasis on alternative delivery systems in the NPM made one of local governments' principal functions the facilitation and arbitration of competition between different firms competing for outsourced contracts (Rhodes, 1994, 140-1). The role of competition and the price system in more obviously place-based localist endeavours is perhaps harder to define. However it is nonetheless salient because of the extent to which these measures have put existing providers of similar services into competition with one another, or encouraged the introduction of new kinds of providers into various services.

Within Total Place, the 'whole area' approach aimed to reduce duplication and effectively pitted existing services that might have been considered overlapping into competition with one another. The pilots' emphasis on the involvement of public, private, and third sector

organisations (HM Treasury and DCLG 2010, 10) also facilitated competition by aiming to ensure a broad range of actors participated in public service delivery either as partners or competing providers. This was echoed in the Big Society's emphasis on voluntary actors, and through the Localism Act by reference to various community and neighbourhood actors in the Act's rights to challenge, bid, and build (see Layard 2012, 141-3). Increasing the range of potential providers for a given good or service, whether by decentralisation of delivery or by encouraging a 'do it yourself' ethos, is the *sine qua non* of competition as the appearance of choice catalyses the quest for savings in a market context where efficiency is prioritised.

While the focal point of each policy measure differs, each focal point can nonetheless be read through the malleable conception of the local developed in Hayek's neoliberalism, because they are underscored by an efficiency rationale that juxtaposes the local with the inefficient centralised state, and relies on competition—either through transferring responsibility to markets or introducing new providers (who may be volunteers) to existing marketplaces—in order to achieve them.

Competition & Crisis

The previous section linked various public policy measures in the UK to Hayek's conception of the local through their emphasis on efficiency and competition. This section of the paper provides a critique of this conception of the local in terms of the way it understands the dynamics of competition and crisis. It questions the claims that market competition promotes more efficient outcomes than other forms of planning, and that there was a pressing need to increase efficiency and realise savings following the crisis of

the late 2000s. It argues that the most notable outcome was not the promotion of efficiency, but the transfer resources from the public to the private sector and the consolidation of workers' subjugation to the dynamics of competition and the rule of money, and that this constitutes the recreation of capitalist space.

The conceptual critique of neoliberalism's conception of the local, which has used efficiency as its primary motivation and competition as its facilitator, focuses on the claim that the main effect of competition is to transmit relevant information to market actors so that they might make the most efficient use of scarce resources. While this is a central tenet of Hayek's neoliberalism, such claims about competition are contested. In fact, in light of the crisis of the neoliberal state form in the early 2000s, the notions that 'night-watchmen states' or 'market policing' states are able to create conditions in which markets can operate efficiently by planning for competition appear to be refuted by historical experience.

Advocates of the neoliberal position might argue that the causes of crises do not lie in the inefficiencies of the market and deficiencies of competition, but in the fact that the state has continued to play various roles in economic management that have not facilitated effective competition. Acceptance of this interpretation tends toward advocacy of a creeping libertarianism, in which the state plays an ever-smaller role in the provision and distribution of resources while maintaining a strong role in the protection of private property and the rule of law. However, it is possible to advance alternative explanations of the consequences of the competitive logic of capital that suggest that competition exacerbates tendencies towards crisis in the contradictory relations of capitalism.

This is particularly resonant in Marxist analysis. As John Holloway (1992, 147) noted, Marxism is 'not just a theory of oppression but also, and above all, a theory of social instability', which stems from the contradiction of capitalism's reliance on both the exploitation *and* the reproduction of living labour, which Marx identified as the sole source of value. While the extraction of surplus from living labour is essential for capitalism's existence, competitive conditions mean that firms must attempt to increase the rate of exploitation relative to their competitors if their business is to succeed. From such a perspective, competitive logic provides an imperative for firms to expel living labour from the production process by increasing mechanisation and reducing levels of employment (*inter alia* Bonefeld, 1992, 112; Clarke, 2001, 96-8; Holloway, 1992, 166) as they seek to secure market share by establishing price competitiveness.

Actions of this nature have profound implications for capitalism according to Marxists; since labour alone is considered to be the source of value, the expulsion of living labour that stems from the competitive logic of capital serves to undermine capitalism's own existence. This is because the introduction of machinery serves to shift the organic composition of capital and contributes to the long-term fall in the rate of profit (Fine and Saad-Filho, 2010, 101-2), while attempts to offset this tendency by increasing the rate of exploitation through the reduction of real wages and increasing the length of the working day encounter definite limits as labour is confronted with the discipline of starvation. From this perspective, the competitive logic of capital reveals itself to be contradictory as the expanded production of value under these conditions leads capital to cannibalise itself. While a highly developed credit system might postpone the onset of acute economic crisis, it can do nothing to offset the crisis tendencies of capitalist social relations more broadly because credit itself is sustainable only on the 'expectation of some future extraction of

surplus value' (Burnham, 2010, 35), which will ultimately be disappointed as the proportion of value-producing labour falls in relation to non-value producing machinery.

Such an understanding of capitalist social relations suggests that competition serves to drive and exacerbate crisis tendencies, rather than result in market equilibria as the neoliberal position suggests. It is therefore possible to argue that the conceptual basis of the efficiency discourse that has been a primary feature of localist policies in the United Kingdom since the Thatcher administrations is conceptually flawed. From a Marxist perspective, this kind of discourse simply serves to legitimate the continued separation of labour from its means of subsistence on which capital's existence depends. Regardless of the multi-faceted and contested roots of individual policy endeavours, the extent to which they can be conceptualised as neoliberal with respect to their emphasis on efficiency, allows for Marxist analysis to inform an important critique of British public policy with regard to the way in which the dynamics of markets are conceptualised.

The notion that too much centralisation and not enough competition has resulted in inefficiencies, fiscal profligacy, and problems of debt and deficit, which has been used to mobilise support for the measures discussed in this paper, can also be challenged empirically. In particular, it is possible to argue that the contexts in which privatisation, NPM, and contemporary place-based localist measures were introduced, were rhetorically constructed, with governments narrating their governing strategies as crisis responses in order to foster greater political acceptability.

Common narratives of the 1980s present the decade against the backdrop of Britain's inefficient public sector and an overreliance on the state in the 1970s, which necessitated

improvements in efficiency. Such claims are intrinsically related to perceptions about the inefficiency of the Keynesian state, which manifested in the form of 'overload'. This is a situation in which 'the range of matters for which British Governments hold themselves responsible […] increased greatly' (King 1975, 286), and where, simultaneously, 'their capacity to exercise their responsibilities has declined' (ibid., 288). However, as Hood (2000, 5) notes, it appears paradoxical that countries like the United Kingdom, which were 'first in line for substantial public service reforms in the 1980s and 1990s tended to have public services that had a reputation for relative honesty and effectiveness'. In other words, the extension of marketisation justified on the basis of assumptions about the relative efficiency of various forms of local knowledge under competitive conditions represented a solution without a problem, or as Hood himself has phrased it, a response to a 'malades imaginaires' (ibid., 4).

The debt and deficit discourses that have emerged in the wake of the global financial crisis of the late 2000s, and which underscore the efficiency rationale for schemes like Total Place, Big Society, and the Localism Act, can also be challenged. One alternative explanation has argued that the supposed need to cut public expenditure (and therefore improve efficiency) is not derived from intrinsic weaknesses in Britain's public finances, but stems from concerns about bank liquidity that have limited the amount of capital available for sovereign lending (Ertürk et al 2012, 21). This has resulted in the emergence of a self-reinforcing case for cuts that relies on epistemic communities' assertions that bond markets require cuts, and demands for cuts from bond markets because epistemic communities say they are necessary (Radice, 2010, 131). In turn, this argument conceals the fact that 'Public sector net debt, excluding the financial interventions, was approximately 58% of GDP [which] was not excessive when compared with Britain's

postwar debt which topped 237% of GDP in 1946 and remained above 60% until 1970' (Burnham, 2011, 503). In other words, it is questionable whether the United Kingdom has a sovereign debt problem at all, and even if it does, its origins almost certainly lie in the scale of financial interventions, and not in the degree of centralisation of public service delivery in earlier periods.

Baker (2010, 5) has therefore suggested that the government has used 'rhetorical devices designed to create a sense of moral panic about levels of public debt' which are based on inappropriate analogies between governments and households. As he has starkly phrased it, 'households do not have the capacity to determine the supply of a currency they preside over, which enables government to issue their own IOUs. *It is next to impossible for a country with its own central bank to go bankrupt*' (ibid., 5, emphasis added). As such, even if we accepted that Britain's Public Sector Net Debt (PSND) position was *fundamentally* unsustainable, the fact that its increase stemmed from the recapitalisation of failing financial institutions, a reduced tax take from the financial sector, and increased transfer payments as a result of rising claims in the context of recession, the efficiency agenda that has underscored contemporary localism would represent, *at best*, a treatment for the symptoms of the problem rather than it its ultimate causes (see Hay, 2013, 11). At worst, the efficiency rationale that has informed the decision to defer to various forms of local knowledge in order to provide more cost effective public services represents a *post hoc ergo propter hoc* logical fallacy: even if Britain *did* have a relatively centralised state and a large PSND in 2007, the relationship between the degree of centralisation and PSND is not a *causal* one.

Conceptually then, the efficiency rationale for drawing on various forms of local knowledge in order to make the most efficient use of scarce resources can be questioned because competition can be interpreted as a driver of crisis prone accumulation rather than as an informational filter that allows market actors to adjust seamlessly to prevailing conditions. Empirically, the view that it has been necessary to use various forms of local knowledge to foster efficiency in the face of crises can be questioned because of the extent to which it appears that British governments have persistently narrated strategy as crisis. By conceptualising localist endeavours through a reading of Hayek and employing an empirically informed Marxist critique of the foundations of that framework, various localist endeavours are revealed to be solutions without problems that have recreated capitalist space by providing an intellectual rationale for the transfer of resources from the public to the private sector. The next section examines the dynamics and consequences of this recreation of capitalist space.

Knowledge & Place

The previous section critiqued the neoliberal conception of the local in terms of its understanding of competition and crisis and argued that it facilitated the recreation of capitalist space. This section examines this dynamic by questioning neoliberal understandings of knowledge and place and demonstrates that *a priori* assumptions about the efficiency of the local are susceptible to local traps. It does so by discussing the consequences of privatisation on public transportation and water service provision, public sector outsourcing, and place-based localist policies such as Total Place, Big Society, and the Localism Act. It argues that these measures have contributed to the centralisation of capital, failed to realise efficiency gains, and fragmented communities. Both, it suggests, are

ways in which capitalist space is recreated in an uneven way by consolidating the rule of money.

Privatisation and NPM

This sub-section discusses instances of privatisation in public transport and water services, and public-sector outsourcing. The aim of this discussion is to draw on three cases where the entry of individual firms into particular markets was facilitated by and encouraged because of their local knowledge, conceived either in terms of place, in terms of expertise, or some combination of both, to demonstrate a general tendency for this rationale to undermine itself in practice. This has been manifested in the expansion of individual firms beyond the scope of this local knowledge, negligible efficiency gains, and in some cases indirect state subsidy through preferential tax arrangements. These tendencies add indicative empirical support to the critique of localist endeavours in Britain that can be identified within the rubric of the local as imagined by Hayek, and demonstrate specific ways in which resources have been transferred to the private sector, and can therefore be understood to have recreated capitalist space.

The first indicative case is that of public transportation. Quintessentially a place-based public service in historical perspective, the privatisation of bus services has resulted in the growth of influence of a few key players since the transfer of assets from The National Bus Company in the 1980s, as the significance of 'place' as the site of 'the local' has been replaced by that of 'the market'. The case of Arriva Busses is illustrative; it currently employs 17,700 people and operates 5,800 busses in the United Kingdom, and the firm's current structure is the pinnacle of a transformation of a small Sunderland-based

motorcycle shop—Cowie—to a branch of the German logistics behemoth Deutsche Bahn (Arriva, 2013), which operates in 130 countries and reported revenues of €39.3 billion in 2012 (Deutsche Bahn 2013). Similarly, the transformation of Aberdeen Corporation Tramways into First Group has seen it able to acquire 20 per cent of the UK bus market since privatisation (First Group, 2013).

Both of these firms have also been able to acquire significant rail franchises, with the Arriva Group operating 14 per cent of Britain's railway network through 6 rail businesses (Arriva, 2013) and First Group holding a 25 per cent market share through 4 rail business in Britain as a whole, with a near monopoly in Scotland where it operates 95 per cent of the network (First Group, 2013). While it was specialist knowledge that allowed these firms to enter the market after privatisation—in keeping with the rubric of Hayek's conception of the local—the subsequent centralisation suggests that increasingly the power of these firms stems from the consolidation of first mover advantages that have allowed them to benefit from economies of scale relative to other firms, rather than from the benefits of any form of local knowledge that they possess. The notional benefits of the local on which justifications of privatisation relied can therefore be seen to have expanded the sphere of private ownership while simultaneously providing opportunities for expansion that have counter-intuitively undermined any connection to the local defined either in terms of a particular place or a particular market.

The case of water service provision reveals a similar picture. For instance, following privatisation, the ownership of several water firms has passed into the hands of large foreign firms or investment groups. In 2001, the German RWE group acquired Thames Water to facilitate infrastructure acquisitions in the United States and China (Thames

Water, 2013a), before being acquired by Kemble Water Holdings Ltd., an investment vehicle owned by various pension funds and institutional investors from around the world (Thames Water, 2013b). Similarly, following its privatisation in 1989, Yorkshire Water became the Kelda Group, which engaged in overseas expansion, including acquisition of infrastructure in the United States (Kelda Group, 2013), before being acquired by Saltaire Water in 2008. Saltaire Water is a private equity consortium comprised of investments from Citigroup, HSBC, Prudential, and GIC Special Investments—the sovereign wealth fund of Singapore (Global Water Intelligence, 2007). In each case, the rationale for the transfer of resources from the public to the private sector was putatively the relative efficiency of the specialist knowledge of these firms in given geographical and market contexts, but ultimately has seen ownership transferred to non-experts and control maintained by a professional managerial class whose responsibilities revolve around profit-seeking, which has been pursued through the expansion of the businesses beyond their established competencies in the United Kingdom.

In both cases the transfer of resources from public to private ownership clearly resonates with the idea of new enclosures because resources that were publicly owned are now privately owned. However, the growth of a few key firms, whose ownership has subsequently passed to institutional investors and has led to the expansion of competencies beyond the remit of the original businesses suggests that the neoliberal conception of the local has allowed the consolidation of first-mover advantages to dilute any claims to local knowledge they might have had at the point of acquisition. In other words, the ambiguity of the form the local might take has not only created new capitalist spaces, in facilitating the expansion of particular capitalists beyond the specialised competencies initially imagined, it has facilitated the on-going expansion of these spaces. It appears

counterintuitive that in the process, the notion of the local on which the opportunities for such firms was based, seems to dissolve into a privatised centralism.

This dynamic is even more clearly demonstrated by the trends in outsourcing facilitated by NPM, which consolidated trends towards outsourcing and competitive tendering as a way of identifying providers with specialist knowledge that could deliver services and provide the greatest value for money. The case of Capita Plc. is illustrative in this respect. Capita Plc. was formed in 1984 within the Chartered Institute of Public Finance and Accountability before a management buy-out in 1987 and a listing on the London Stock Exchange in 1997 (Capita, 2013a). At this stage, it employed 320 staff and had an annual turnover of £25m. By 1996 it had expanded into varying branches of service delivery including the Driving Standards Agency Theory Test and recruitment assessment services for the British Government. In 2012, Capita recorded a turnover of £3.3 billion with £425.6 million pre-tax profits from 52,500 employees (ibid.). It currently operates in 18 distinct sectors, ranging from education to defence and utilities to travel and leisure; it offers 18 distinct services ranging from consultancy and change management to financial services, and from administration and business support to life and pensions; it provides 15 distinct solutions, including creating jobs, engaging employees, and improving customer loyalty (Capita 2013b). Ironically, it appears that a firm whose opportunity stemmed from its specialist market knowledge in the context of government belief in the efficiency of particular knowledge, now possesses specialist knowledge of (almost) everything.

Over time, then, forms of local knowledge that played a significant role in the process of privatisation and NPM are revealed as contradictory, creating a situation in which many market actors are ultimately local neither in terms of the markets nor the places in which

they operate. Centralisation of this kind can be subjected to a general critique in terms of their ability to distort prices and wages. However, the efficiency benefits claimed for the use of these forms of knowledge imagined by their advocates are also highly questionable.

For instance, since 1997 the percentage of trains significantly delayed or cancelled on First Great Western and First Scotrail franchises has not fallen from 2.2 per cent and 1.6 per cent respectively; in fact, in the second quarter of 2013/14 these figures had increased slightly to 2.6 per cent and 2.1 per cent (Office of Rail Regulation 2013a). While First TransPennine has consistently performed better against the 5.7 per cent significantly late or cancelled since the beginning of its franchise, in the second quarter of 2013/14, 6.7 per cent of trains were cancelled or significantly delayed; First Capital Connect has increased its punctuality only marginally, with a fall to 3.4 per cent from 3.5 per cent of trains significantly late or cancelled between 2004 and 2013/14 (ibid.). Arriva's railway subsidiaries have performed better, with significant improvements by Arriva Trains Wales and Cross Country and a steady performance by Chiltern Railways, however Grand Central has consistently seen between 5.8 and 12.8 per cent of its trains running significantly late or cancelled since the beginning of 2011 (ibid.). These statistics are particularly resonant in the context of average price increases of 4.3 per cent between 2012 and 2013 and a real terms increase in the rail fares price index between 2004 and 2013 of 17.5 per cent (Office of Rail Regulation 2013b). In other words, not only do the British people no longer own these significant assets, they must also pay more to use a service that has scarcely improved.

For bus services, the picture is no better. Outside of London, operators have discretion over the routes they operate and rely on Local Authority subsidy to provide services on

routes deemed unprofitable, which means the costs of providing a regular and geographically comprehensive bus service are socialised while the benefits are privatised. As a recent report from IPPR (2014, 9) notes, 'operators can cease unprofitable service provision rather than providing a cross-subsidy from other services. If the LTA cannot fund the service, it is lost to those who need it.' In the context of austerity, two-thirds of LTAs in England have cut bus services and '77 per cent of England LTAs are either planning to, or cannot rule out, further cuts in the future' (ibid., 31). The result has been rising fares, 'by 35 per cent above inflation between 1995 and 2013' in England, with a fall in overall patronage of 32.5 per cent since 1986. Meanwhile, 'The Competition Commission found that average profits for operators were 3.5 percentage points above the mid point of its calculated range of appropriate returns' (ibid., 4). Away from London, privatisation has therefore resulted in a scaled back and local authority subsidised service that yields handsome private profits.

The case of bus services is also indicative of the way that deferring to 'the local' in the context of competition for resources between places contributes to uneven development. This is because while private firms are not expected to cross-subsidise loss-making routes outside of London, within London 'buses are indispensible to the mayor's statutory duty to promote and encourage safe, integrated, efficient and economic transport facilities in London' (ibid., 3), which is achieved through tight regulation of service levels and payments of a fixed income which leaves all fare risk with Transport for London (ibid., 8).

As Massey (1984, 100) noted, regional differentiation in production left some areas leading and others lagging 'in the process of economic growth', and there is no reason to think regional differentiation in service provision will produce different results. Politically, this is

significant because images of places in opposition with one another has historically meant that 'Trades-union and other working-class-based struggles can find themselves caught, and thereby weakened, in the us-them structure of, for instance, North *versus* South', while 'London has an identity that sets its interests against others, veering over the yawning inequalities within London itself (and indeed on occasions *using* that very inequality to argue that "London" needs more resources from the national treasury)' (Massey 2007, 15). Regional differentiation of this kind, proceeding from the 'top-down' on the basis of economic efficiency or political expediency, therefore appears to be divisive rather than progressive.

In the water industry, it is no clearer that the greater value for money for consumers and the public purse promised by privatisation has been realised. While the water price index has stayed relatively stable since 2000 (in contrast to other privately provided utilities in the UK which have all seen large increases) (Castle Cover, 2013), it was revealed in late 2012 that several of Britain's largest water firms were benefitting from preferential tax arrangements despite large profits. These arrangements saw Thames Water receive a £76m rebate against profits of £650m and in the context of £1.08bn of dividends paid over the previous four years (Telegraph 2012), while Yorkshire Water paid no corporation tax against profits of £186m in 2012/13 (BBC, 2013). Overall, the picture appears to be one in which the cost of water provision is subsidised by the state in order to preserve the profits of large corporations. While individual taxpayers receive the benefit of lower service charges, they must also contribute to the shortfall in tax-take that arises from such corporation tax arrangements.

In the cases of public service and utility provision, the negligible efficiency gains of privatisation and the growth of outsourcing firms that have benefitted from NPM suggest the conception of the local used to justify privatisation and outsourcing on efficiency grounds has led public policy in several areas into a trap. In stark contrast to Hayek's claims about the efficiency of knowledge of particular circumstances of time and place, there have actually been new enclosures, the centralisation of capital, and subsidisation of private profits by the state. While the cases discussed here could not provide a definitive account for reasons of space, each of them indicates a general tendency for the form that the local has taken in the process of neoliberalisation to consolidate the separation of the majority from the means of subsistence, and resonates with Marxist understandings of primitive accumulation as significant process in both the 'genesis and existence' of capital (see Bonefeld, 2011).

Place-Based Localism

While more contemporary localist endeavours like Total Place, Big Society, and the Localism Act have placed a greater emphasis on the local in terms of places rather than markets, they too have been susceptible to local traps for at least three reasons. First, because the purported benefits of local knowledge fail to address the fact that individual rationality can produce collectively irrational outcomes. Second, because the malleable conception of place that underscores these endeavours creates and expands competition between actors without consolidating community identity. Third, because the efficiency rationale that underscores all of these measures emphasises the significance of money as an end in itself, which contributes to undermining the coherence of community as it

contributes to transforming the appearance of relationships between people into relationships between things.

Total Place, Big Society, and the Localism Act, at a general level, share in common the notion that local people are more able to identify the public services that they need and the best ways to deliver them, than the centralised state. The idea that people know what they need is, of course, intuitively appealing. However, assumptions about individually rational action conceal a far more complex situation in which the potential for sub-optimal outcomes to be produced is abundantly clear. In the discipline of International Relations, such problems of individual rationality are usually demonstrated with reference to 'The Tragedy of the Commons', however, they have also been formally demonstrated in the public policy literature by Pettit (2001, 725-27), who outlined a simple three-player game to show how, when asked to express preferences for tax increases, increased defence expenditure, and increases in other expenditure, individually rational outcomes can produce a majority in favour of tax reductions *and* a majority in favour of increasing defence expenditure *and* a majority in favour of increasing other expenditure. In other words, without an overarching institution to mediate the potential for individual rationality to produce social irrationality, the potential for sub-optimal outcomes to result from community decision-making remains.

While the potential for community identity to provide the cohesion necessary to mitigate against this problem is demonstrated by the success of communities like the Mondragon Cooperatives in Northern Spain, it is unclear that the coherent community identity that underscores its success (Gibson-Graham 2003, 139) exists in the United Kingdom. Indeed, in his contribution to *The Purple Book*—a reflection on policy from British Labour

politicians supported and promoted by the left-wing think-tank *Progress*—Peter Mandelson (2011, 31) suggested that appeals to the benefits of local decision-making rely on an outmoded sense of community that has lost any practical relevance. While this is likely an exaggerated analysis of the state of affairs, the regional differentiation Massey (1984; 2007) identifies, and which is reflected in the uneven provision of certain services between places, has the potential to undermine social cohesion by placing communities in competition with one another for scarce resources, and the localist endeavours introduced since 2007 have arguably done little to clarify and consolidate cohesion with their conceptions of community.

Total Place, for instance, incorporated 'a wide range of socio-economic and demographic characteristics, and different local authority structures', with some of the pilots being sub-regional to reflect greater efficiencies that can be achieved from working across local authority boundaries (HM Treasury and DCLG, 2010, 14). Effectively, Total Place defined community in terms of the economies of scale that could be realised in different areas of action, rather than serving to consolidate any form of local identity that might help to alleviate the problems of collective irrationality discussed above. Similarly, David Cameron's (2010, n.p) speech launching the Big Society in July 2010 referred variously to people's 'homes', their 'neighbourhoods' and their 'workplace[s]'. Those interested in education would set up new schools, while those interested in business would train workers, and those interested in social harmony would rehabilitate offenders (ibid., n.p). In effect, this consolidates sectional interests rather than encouraging the development of community interests, and does little to address the problems of cooperative organisation raised by Beatrice and Sidney Webb nearly a century ago; namely, how is it possible to prevent the interests of different kinds of communities coming into conflict with one

another, as each sees its own interests to be of greater importance than those of others (see Webb & Webb summarised in Gibson-Graham 2003, 137-8)?

This tension has reached a pinnacle in the Localism Act. Although the Act applies only to England, and therefore appears to appreciate the significance of place by distinguishing England from Scotland, Wales, and Northern Ireland, this is as precise as the Localism Act's conception of place gets. As Layard (2012, 135) noted, its conception of the local is highly malleable, 'drawing on different and often competing, understandings of this imagined place', which range from Local Authorities, to Communities and Neighbourhoods. In particular, the three key elements of the Localism Act, the 'right to challenge', the 'right to bid', and the 'right to build', each draw on a conception of community that 'is differently defined' (ibid., 135). Community, for instance, variously includes parish councils, charitable bodies, local authority employees, persons or groups with community connections, or corporate bodies established to enhance the social and economic well-being of a particular area (ibid., 141-2). What unites people in these various conceptions of community is not the shared interest of a community in general, but the specific interests of various groups within a community. When these interests conflict, the result will be competition and means, in a climate of austerity, that services delivered are those with the greatest financial backing and potential to realise profit, while other services fall by the wayside. As Layard (ibid, 140) has suggested, the competing conceptions of community employed leave aspects of the system ripe for exploitation by policy entrepreneurs in neighbourhood forums, while the 'right to challenge' provides the 'potential […] to use the cover of community as a 'trojan horse' to privatise individual local authority services' (ibid., 141).

Some commentators might argue that the dissolution of community identity is the inevitable product of globalisation and the communications revolution. However, it is equally plausible to explain it as a specifically capitalist problem, and intrinsically tied to the efficiency discourse that has underscored the rationale for each of the policy measures discussed in this paper, because it stems from the centrality of money to the mediation of exchange relationships. As Simmel (1991, 18) noted, the 'interdependence of personal and material relationships which is typical of a barter economy, is dissolved by the money economy', and people may become isolated and indifferent to one another by virtue of the anonymity money provides (ibid., 21).

The forms of localism that have prevailed since the early 1980s consolidate this in at least two ways. First, because they justify private ownership on the grounds that forms of local knowledge are more efficient than centralised knowledge; and, second, because they introduce competition between various kinds of local (specialist and place-based) communities, which revolves around efficiency and cost-effectiveness. Appeals to the local in varying forms therefore does little more than provide a palatable façade to extending the rule of money by giving people an illusion of control despite the obvious potential for inefficiencies to emerge.

As such, claims that 'The Big Society sits as much within the tradition of the small-is-beautiful ideas of Schumacher […] or the mutualism of the co-operative movement as to de Tocquevillian liberalism or the traditional conservatism of societies' small battalions' (North, 2011, 821) can be questioned. This is because the liberal and Marxist traditions take starkly opposed positions on efficiency. In the former, money is treated as a reflection of value so that austerity helps protect it as an act of market facilitation and market

policing. However, in the latter money is treated as a relationship of power which is treated as an end in itself, and consolidates the appearance of social relationships as relationships between things (*inter alia* Holloway, 1992, 151; Holloway, 2010, 168), contributes to uneven development that pits the interests of places against one another, and in the process depoliticises these negative consequences on the grounds of 'necessity'. It is by challenging money's status as a relationship of power and questioning its treatment as an important end in itself that 'the local' becomes progressive. However, policy measures including privatisation, NPM, Total Place, Big Society, and the Localism Act, have not done so and in fact consolidate money's existence as a relationship of power and its treatment as an end in itself because they are based on the logic of thrift and efficiency that is central to neoliberal political economy. As such, they have served to create and re-create capitalist space by transferring resources to the public sector to private actors and consolidating the rule of money.

Conclusions

The paper showed how the neoliberal conception of the local in the work of Hayek is malleable, accounting for knowledge and place and advocated on the grounds of efficiency and the benefits of competition. This framework was used to link privatisation, NPM, Total Place, Big Society, and the Localism Act, in terms of how they have relied on efficiency and competition as a significant part of their rationale. This conception of the local was then critiqued conceptually and empirically in terms of its understandings of the relationship between competition & crisis and knowledge & place. Specifically, the paper argued that competition can be understood as a driver of crisis dynamics in capitalism rather than an informational filter, and that historic appeals to the uncertain position of

public finances in order to justify the various forms of local action on the grounds of efficiency have been rhetorically constructed. Finally, the paper argued that the notion that local knowledge—whether it is market knowledge or place-based knowledge—is not necessarily efficient. The paper showed how conceptions of the local that can be located within the broad rubric of neoliberal thought have facilitated the centralisation of capital, often failed to produce meaningful service improvements, extended the fragmentation of communities, and consolidated the rule of money. Ultimately, the subjugation of social relations to market logic has facilitated the transfer of resources to the private sector, created new enclosures, and introduced market logic; it has recreated capitalist space.

The paper's critique of the way in which 'the local' has been used in the UK does not intend to suggest that 'the local' cannot be progressive. Rather, it's aim has been to show how, in a context where it is frequently assumed that the local is more desirable in social and economic terms than other forms of organisation, that 'the local' is not a neutral concept, but can be and has been defined and deployed in political terms with regressive consequences. The local may well be able to provide important social benefits, however it is essential for us to continue thinking critically about how the local is placed in conceptual and empirical terms if a progressive localism is to be realised. In order to do so, it is necessary to challenge the economic common sense on which the process of neoliberalisation relies. The foundations of progressive localism are not therefore likely to be 'top-down' processes focused on achieving efficiency, but 'strategies that are outward-looking and that create positive affinities between places and social groups negotiating global processes', and which 'are not merely defensive' but aim to constitute new kinds of relations between places and people (Featherstone et al 2012, 179).

The complexities of place mean that it must go beyond the intuitively appealing suggestion that local people know best and will respond to incentives. While political projects like the Kilburn Manifesto Project are attempting to foster broader acceptance that the choices in front of people extend beyond consumer choices to 'multiplicities that matter—like what kind of society we live in' (Gibson et al 2014, 2040), contemporary forms of localism that have found their way to the legislative agenda appear to simply to consolidate 'technocratic government […] with just another form of anti-politics: naïve, populist liberalism' (Clarke and Cochrane 2013, 17).

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