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The Dynamics of Local Intervention: Economic Development and the Theory of Local Government

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The Dynamics of Local Intervention: Economic Development and the Theory of Local Government

Chris Collinge

Summary. A theoretical approach to the large-scale dynamics of local government is derived from Marxian political economy. This is then probed and developed by reference to the history of local authority intervention in the sphere of production over the last 100 years. The historical evidence reveals a pattern of periodic change in the stance of local government towards the local economy, a pattern that is broadly correlated with the main phases of economic change which have occurred since 1880. This observation is consistent with the theoretical position indicated at the outset, and supports the view that progress towards a macroscopic theory of local government will depend upon the continued investigation of the long march of local history.

1. Introduction

There is now a body of literature surrounding the formation of local economic strategies in the UK. However, most writing on the subject is problem-centred, concerned to promote or to evaluate local policies and initiatives. Less attention has been given so far to the history of local intervention, to the way practices have emerged, persisted or changed over a number of years. Even less attention has been given to the explanation of this history or to an assessment of its significance for the theory of local government. Clearly it is important for practitioners to present new policies for discussion and for researchers to measure the effectiveness of new initiatives. But it is also important that the concerns of practitioners, who naturally exaggerate the causative power of their ideas, are not allowed to condition our understanding of events or to obscure their historical determination.

The paucity of scientific analysis in this field no doubt reflects in part the disorganised state of local government theory. There are models of local government to be found within social science but these are divided between various subdisciplines (economics, sociology, politics and public administration) and provide at best a series of partial insights (see Stoker, 1988, for a useful survey). Furthermore, existing theories function by placing local government within a narrow explanatory context which is by and large divorced from macroscopic changes occurring at the level of society and history. The scholar who wishes to understand local government is confronted with a plurality of competing micro-level models which between them

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Urban Studies, Vol. 29, No. 1, 1992 57-75

57
tend to obscure the larger picture. The only way forward out of this impasse is to draw upon the macroscopic theoretical resources of political economy or classical sociology in order to derive a model of the structural dynamics to which local government is exposed in its relationship to other institutional spheres.

Our purpose here is to develop an account of the history of local intervention in the sphere of production and to use this to probe and extend a theory of the large-scale dynamics of local government. The investigation is, however, conducted within certain limits which may be identified as follows.

(i) Every function of local government has both social and economic consequences, and every function can therefore be motivated by social and economic considerations. Services such as housing and education, for instance, have economic effects which may be decisive for their provision. Likewise, services such as business assistance have social consequences which may also be decisive. No sharp distinction can therefore be drawn between ‘economic’ and ‘social’ services in terms of their consequences or the motives of local authorities. To get around this problem, and to define a limit to the subject of the present paper, a distinction is drawn here between activities or services according to whether they are targeted in the first instance at households (known misleadingly as the sphere of consumption), businesses (the sphere of production) or both.

(ii) Attention in this paper is focused upon those practices of local authorities which impinge directly, though not exclusively, upon businesses. It is conventional within the literature to follow practitioners by concentrating upon a narrow subset of local government interventions (such as ‘economic development’) and by ignoring the relationship of this to other functions such as town planning. To address the reality of local intervention, however, it has been necessary in this paper to adopt a more inclusive definition which brings the full range of business-oriented local government practices into view.

(iii) There is a tendency to conceptualise the actions of the state in terms of the policies that are thought to guide them. But an emphasis upon ‘policy’ implies a rationalistic model of organisational behaviour. In reality the activities of local authorities, like those of other organisations, are undertaken on a piecemeal basis in response to particular pressures, and reflect a variety of purposes, many of which are not and cannot be formulated as policy. The focus here is therefore upon practices as distinct from policies.

The paper is structured in the following way. Section 2 sketches out a theoretical approach to the long-term development of local government. Section 3 develops an account of the history of local government intervention in business activity from the 1880s to the present day. Section 4 examines the implications of this historical account for the theoretical position outlined. Section 5 draws general conclusions.

2. Theory of Local Government

Each of the main theoretical disciplines within social science—politics, economics, sociology and public administration—contains or implies an analysis of state institutions, and there are specific approaches to the local tier of government which provide a number of useful insights. But generally these take a narrow view of events by placing them in the context of processes occurring within the immediate social environment, such as intergovernmental relations or the market for public services. There is as yet no analysis which establishes the larger picture by showing how macroscopic processes which govern the broad shape of society and history are reflected specifically in the form and function of local government. That is to say, there is no ready-made interpretation that
describes the relationship of local government, as a dimension of the state system, to developments taking place at the societal level over the longer term. In order to derive a macroscopic model of this sort it is necessary to draw upon the classical tradition of structural analysis within social science and to build this in an appropriate direction.

2.1. Historical Structures

The structuralist model of society and history received its most powerful expression in the writings of Marx and Engels. At the heart of classical Marxism is a theory of history which asserts that human society has evolved through a series of stages, each defined by a particular mode of production: “in broad outline the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society” (Marx, 1970, p. 21). To understand history it is necessary to discover the laws of motion which govern modes of production. The bourgeois economy differs from earlier forms because it possesses an inner dynamism which subjects the means of production to continuous change and improvement. But this dynamism derives from the uncoordinated and exploitative behaviour of many competing units of capital and is for this reason fundamentally unstable. Instability reveals itself in a 7- or 10-year cycle of boom and slump, and over a longer period manifests itself in the tendency for depression to become more pronounced with each turn of the business cycle as smaller enterprises are eliminated and as capital is concentrated into fewer hands. Eventually productive forces can no longer function viably within bourgeois property relations and there follows a period of revolutionary change during which a new mode of production is established.

Marx interpreted these developments in terms of the transition from one historical epoch to another, but subsequent Marxists (such as Lenin and Van Gelderen) and non-Marxists (such as Schumpeter) have postulated that the history of capitalism is divided into stages which are shorter than epochs but longer than business cycles. These stages mark the reorganisation of capitalist society in response to the crises with which it is afflicted. Mandel (1978, p. 120), for instance, argues that “the history of capitalism on the international plane thus appears not only as a succession of cyclical movements every 7 or 10 years, but also as a succession of longer periods, of approximately 50 years”. According to this analysis there have been three long waves associated with the fundamental changes in technology which have occurred since the 1840s. Gordon (1980) argues that each of these stages is characterised by a particular social structure comprising institutions (companies, markets, classes and state and political systems) necessary to permit stable accumulation. Each period of crisis is associated with the dissolution of one ‘structure of accumulation’ and its replacement by another. Aglietta (1979, 1982) has described the transformation that took place in the first part of this century when society moved from a pattern of social organisation based on Taylorism and ‘competitive regulation’, towards the system which emerged after the Second World War involving Fordism and ‘monopolistic regulation’, and, in the closing decades of the 20th century, to the system emerging on the basis of neo-Fordism.

2.2. The State System

Classical Marxism stresses the role of productive methods and relationships in moulding social structures and in giving rise to political domination through the state. It is argued that this pattern of causation can be detected in the occurrence of certain structural correspondences. Marx and Engels (1983, p. 20) argue in the Manifesto of the Communist Party, for instance, that the concentration
and centralisation of capital, together with the agglomeration of population, condition a trend towards political centralisation: "independent, or but loosely connected provinces, with separate interests...become lumped together into one nation, with one government". However, to understand these correspondences it is necessary to discover the factors that link the economy and the state. In the search for mediating factors various candidates have been identified, but neo-Marxists have paid most attention over the last 30 years to the political impact of social class. According to class analysis the form and function of the state respond to changes in the nature and balance of class power as the mode of production develops over time. Marx and Engels themselves sometimes conceived the state as an instrument which the bourgeoisie uses to maintain the conditions required for expanded accumulation. However, on other occasions they viewed it as a vehicle of social stability which is used to secure the long-term interests of capital by regulating and containing class conflict. Subsequently Gramsci and others have taken up this theme and argued that state institutions provide a vehicle for organising a compromise between competing classes and class fractions, and that bourgeois control is not guaranteed but depends on the outcome of an ongoing political struggle. This line of reasoning has culminated more recently in an emphasis upon the autonomy of politics from economic and structural causation.

However, an alternative way of interpreting the observed relationship between the economy and the state is in terms of the fiscal requirements of the latter. Whilst neo-Marxist social and political theory has gained in sophistication over recent years less progress has been made at the economic level of analysis. However, O'Connor (1973) opened up an important angle of approach some time ago by examining the fiscal requirements of state systems and attempting to show how these require-ments can be fused with the political interests of social classes. In capitalist society the state has a vested interest in sustaining private profit and in legitimating the social order: "a state that ignored the necessity of assisting the process of capital accumulation risks drying up the source of its own power, the economy's surplus production capacity and the taxes drawn from this surplus" (O'Connor, 1973, p. 6). Since 1945 private profitability has come to depend increasingly upon public services in the form of social investment, social consumption and social expenses (such as the police and armed forces). By contributing to private production, state intervention has helped to expand the tax base and has to some degree been self-financing. But the instabilities of capitalism remain and when profits are squeezed the government is constrained in its ability to raise revenue and to maintain public services. Eventually the contradictions of the economic system reappear and express themselves in the form of a fiscal crisis of the state.

There have been attempts in recent years to apply neo-Marxist class analysis and, to a lesser extent, fiscal analysis to central-local relations. These have resulted, however, in somewhat static formulations which must be qualified and complemented by means of an historical frame of reference. Cockburn (1977), following Poulantzas, argues that local government is an integral part of the unitary nation state which in capitalist society is "an instrument of class domination" by the national and international bourgeoisie (Cockburn, 1977, pp. 42, 45, 47). On the other hand Duncan and Goodwin (1982, 1986) regard local authorities both as an extension of the national state, expressing interests dominant at the centre, and as "a response to local class relations" expressing interests dominant in the locality (Duncan and Goodwin, 1982, pp. 168, 175; 1986, p. 16). It is in this respect that central-local relations and local government organisation may reflect the dynam-
ics of social class. According to Duncan and Goodwin central government is responsible for supporting capitalist production whilst local government is mainly concerned to secure capitalist reproduction by helping families to supply able-bodied and compliant workers (through education, housing and health and welfare services). Saunders (1984) argues along similar lines—that "the first priority of central government is and always has been to maintain private sector profitability, whereas that of local authorities has been to provide for the consumption requirements of various groups in the population" (Saunders, 1984, p. 28). For him, however, state intervention in the sphere of consumption "does not give rise to class struggles but to conflicts between...consumption sectors" or status groups (Cawson and Saunders, 1983, p. 24).

Geddes (1988, p. 104) takes a more promising and realistic approach to the functions of local government. Like Duncan and Goodwin he interprets the modern state as a form of the capitalist class relationship, but modifies this (after Saunders) by acknowledging that local authorities are more exposed to community than to class politics. Unlike Duncan and Goodwin and Saunders, however, he acknowledges the role of local government in the sphere of production as well as consumption. The state, and especially local government, differs from private capital in that it is able to produce use-values because it is "distanced from the direct operation of the law of value [and]...is not dependent for its survival on itself returning a profit" (Geddes, 1988, p. 88). However, this autonomy is constrained by the resistance of capital and labour to taxation during periods of falling profits: "while in some circumstances the financing of state activities by taxation may permit the state to operate with looser financial constraints than many private capitals, at other times (such as today) the reverse may be the case" (Geddes, 1988, p. 89). Following Aglietta (1979) and O'Connor (1973), he argues that the crisis of Fordism in the 1970s and 1980s was also a fiscal crisis in which an escalating demand for public services coincided with a decline in the tax base and prompted a restructuring of government institutions at the national and local levels.

2.3. Stages of the State

If economic changes are discontinuous and periodic, and if developments at the level of production are reflected within the state, then it follows that changes in the state system will also be discontinuous and periodic. According to Marx and Engels (1968, pp. 37, 57), the progress of capitalism was accompanied by the political advance of the bourgeoisie and by a concomitant transformation of state institutions. As the proletariat evolves it too will achieve political dominance and turn the state apparatus to new ends. According to Mandel (1978), the state was weak in the phase of competitive capitalism during the 19th century, but the growth of monopolies at the end of the century prompted the search for overseas investment opportunities and necessitated an extension of the state apparatus to support colonialism. Mandel (1978) describes a further expansion of the state system after 1945 as an increasing number of productive and reproductive functions were taken into public hands. Aglietta (1979) for his part regards the state as an institutional component of the mode of regulation which evolves through stages in accordance with the evolution of capitalism itself. O'Connor (1973) argues that the willingness and ability of capital and labour to fund the state and to support its activities from the economic surplus vary with the size of this surplus over the duration of the business cycle. According to Gordon (1980, p. 22), "the alternating rhythm of rapid accumulation and economic stagnation will require a succession of qualitatively differentiable social structures of accumulation". If this general perspective is
combined with that of Duncan and Goodwin, Saunders and Geddes then it follows that the form and function of local government will develop through a series of stages linked to periodic changes in the state system and in the pattern of economic activity. Any periodisation of the mode of production and of the state system is therefore likely to be expressed in a periodisation of local government organisation and behaviour.

3. Historical Development

Local government intervention in the sphere of production over the last century has developed through four distinct time-periods: 1880–1918, 1918–45, 1945–75 and 1975–90. These periods are considered in turn and in each case the activities of local authorities are placed within a broader economic and political context.

3.1. 1880–1918

Urbanisation developed rapidly during the 19th century and by the 1880s two-fifths of the population lived in the six English conurbations. The mid-Victorian boom petered out in the 1860s and was followed by a period of recession, but economic growth resumed again in the 1880s and continued despite fluctuations up to the First World War (Ashworth, 1960, p. 240). Although Britain began to lose its hold over world industry and commerce as other economies emerged, it would be a mistake to regard this as a period of depression (Saul, 1969). National income advanced from £27 to £42 per head between 1880 and 1915 in constant 1900 prices, Gross Domestic Product (GDP) increased by 80 per cent, and the average annual growth rate, at 2.3 per cent, was as high as it had been half a century earlier: “in spite of certain setbacks the national economy remained essentially prosperous up to the First World War” (Bedarida, 1991, p. 103). This prosperity was based in the 1880s and 1890s upon coal-mining and the mechanisation of manufacturing and transportation. After 1900 the emphasis shifted somewhat away from manufacturing towards commercial and financial services.

Urban growth was associated with rising prosperity on the part of the business and professional classes, but with overcrowding, disease and poverty amongst working people. Central government provided few local services of its own but was concerned to ensure that urban administration was open to newly rising business interests, and was able to suppress public disorder. The system of local government which had been reformed in 1835 was consolidated in legislation between 1872 and 1894 and acquired a settled form that persisted more or less unchanged until 1972. Local authorities—trusts, boards and boroughs—had for centuries provided poor relief, elements of health care and communication links in the form of roads, bridges and canals. As the urban economy developed there was pressure from employers and others for initiatives to control disease, to improve the supply of labour and to lay down an economic infrastructure. Local public services expanded rapidly and local government spending grew more quickly than that of central government between 1890 and 1905 (Ashworth, 1960, p. 225): “by the end of the century councils were supplying gas, water, electricity, education, housing and transport as the definition of the municipal role had enlarged to include responsibility for all that was conducive to the welfare of the urban community” (Fraser, 1982, p. 8).

For many years central government had opposed public water supply but from the 1840s municipal ownership became more acceptable as epidemics spread and as the disastrous consequences of private competition in this field became apparent: “the laying down of main sewers, and the controlling of surface drainage, was clearly not a matter which could be undertaken by private companies. Indeed, one of the most pressing problems was to get rid of
tens of thousands of private enterprise cesspits and middens which blighted early Victorian cities” (Kellett, 1978, p. 40). Attitudes towards the provision of energy and transportation changed more gradually, but by the 1880s industrialists and government were reconciled to municipal ownership. Some councils formed companies themselves whilst others bought out private firms in a process of ‘municipalisation’. The peak years in the assumption of gas supply were 1870–90 whilst in tramways and trolley systems they were 1900–10 (Laski et al., 1935).

The expansion of municipal utilities was inspired by the need to improve the supply of basic factors, to protect local business and domestic consumers from the depredations of private monopolists and to reduce the disturbance caused by competition where a monopoly had yet to develop. However, most progress was made amongst lucrative services such as gas and electricity, and less amongst non-profitable ventures such as water (Waller, 1983, p. 300). Joseph Chamberlain told Birmingham City Council in the 1870s that “when the purchase of the Water Company comes before you it will be a question concerning the health of the town; the acquisition of the Gas Works concerns the profits of the town” (Waller, 1983, p. 304). Gas and electricity surpluses were used by authorities to support other programmes or to reduce rate demands. In 1911 one-third of Birmingham City Council’s income was derived from municipal trading profits.

Town planning was restricted to the private development of prosperous residential and resort areas in the years prior to 1850 (Ashworth, 1954). Piecemeal improvements were made to public health and housing from the 1850s onwards but it was not until the last quarter-century that town improvement schemes began to acquire a planned character. In this context, and following the Public Health Act 1875 and the Cross Acts, the provision of housing, sanitation, highways and transport gradually became more systematic. Turnpike Trusts were dissolved in 1895 and their roads transferred to highway districts. Between 1879 and 1920 there were a number of prominent town planning experiments, including Port Sunlight (1888), Bourneville (1895), New Earswick (1902), Letchworth and Welwyn Garden Cities and Hampstead and Brentham Garden Suburbs (Sutcliffe, 1984). The town planning movement developed in particular between the 1890s and the First World War: “its basic assumption was environmental determinism of social life and individual character” (Hall et al., 1973, p. 92). Pressure from local authorities such as Birmingham and Manchester, together with the desire for a healthy and compliant workforce, contributed to the climate which produced the Housing and Town Planning Act in 1909. The first land use plans prepared by local councils were drawn up before the First World War and by 1915 74 local authorities had been authorised to prepare 105 planning schemes (Ashworth, 1954, p. 191). These were, however, limited in scope to housing and sanitation matters and were not as yet empowered to intervene in industrial location.

Occasionally, where there were local economic uncertainties (such as in Luton in 1899 and Derby in 1906), councils undertook industrial promotion, distributing leaflets extolling the virtues of their areas for investment purposes (Ward, 1990). Sometimes local initiatives took a more active form. The Unemployed Workmen’s Act 1905, for instance, enabled authorities to set up local labour bureaux and to undertake job-creation through public works (an activity first promoted by Joseph Chamberlain in 1886) (Byrne, 1986). However, promotional and job-creation schemes were few and far between at this time and were by and large confined to areas with special problems. Nevertheless through sustained public investment local authorities by 1914 were providing much of the infrastructure that was re-
quired for private enterprise and had laid the basis of a localised Welfare State.

3.2. 1918–45

The economy was faltering in the years leading up to the First World War and the emphasis of economic activity was shifting further towards financial and commercial services and overseas investment at the expense of domestic manufacturing. When the First World War came it reinforced a shift in global power away from the UK and towards the US and Japan. There was a brief post-war boom from 1918 to 1920 but this was followed by a decade of stagnation relieved only by short periods of recovery. Major regional disparities began to appear in the early 1920s and there were riots amongst the unemployed in Dundee, Bristol and Liverpool. In 1929 the world entered a depression which deepened for 3 years, causing a slump in UK production which was felt particularly in regions based upon traditional industries such as extraction, cotton, steel and shipbuilding. However, the 1930s also saw the appearance for the first time of a mass domestic market for consumer goods as the structure of UK manufacturing shifted towards chemical, electrical and metal-based industries. The depression relented from about 1935 to 1937 and these newer activities in more prosperous regions contributed to an overall growth in output. However, unemployment nationally fell below 10 per cent only once—in 1927—during the whole inter-war period, and was on average twice as high in the north-west as the south-east (Ashworth, 1960).

The war encouraged state intervention and expanded municipal responsibilities into food control, war pensions and the housing of munition workers. When it was over the government acceded to pressure from various quarters, including organised labour, by funding an extension of council housing and education services. The proportion of national income devoted to education doubled between 1910 and 1923, and in 1928 local authorities provided 40 per cent of new houses. However, many authorities in depressed areas were now experiencing a fiscal crisis as the demand for services grew and the tax base was eroded. At the same time central government moved to restore pre-war macro-economic conditions by reintroducing deflationary policies such as balanced budgets, high interest rates and an overvalued pound. There was a squeeze on local authority spending and borrowing which was enforced particularly in depressed areas where local authority finances were least ‘sound’ in the eyes of the Treasury (Ward, 1988, p. 173).

Municipal utilities continued to expand in the 1920s, though less quickly than newer local services, and more authorities undertook the supply of water, electricity, tramways, trolley systems and bus services. By 1937 local authorities were supplying 65 per cent of the nation’s electricity and 33 per cent of its gas (Finer, 1950, p.40). There had always been opposition to municipal enterprise from amongst those businesses whose interests were directly threatened, and more generally from those who opposed municipal spending (Kellett, 1978). Following the war, however, opposition became more widespread, with some local authorities themselves arguing that municipal enterprise should not take profitable markets away from hard-pressed private companies. The attitude of central government seems to have changed in the late 1920s and the last Private Act empowering the extension of municipal trading was granted by Parliament in 1929. Alongside the reorganisation of traditional industries government also promoted a restructuring of utilities and the merger of local authority companies (Ward, 1988). In 1926 the Electricity Supply Act set up the Central Electricity Board to oversee the establishment of a national grid, and within 8 years the number of generating stations had declined from 500 to 146 (Finer, 1950, p. 163).
The planning powers of local authorities under the Housing and Town Planning Act 1909 were strengthened somewhat by legislation in 1919, 1925 and 1929 and in the Town and Country Planning Act 1932. However, “whatever changes took place after 1918 in the statutory basis and in the concept of town planning there was very little change in its practice” (Ashworth, 1954, p. 207). The provision of industrial estates had been integral to the development of Garden Cities, but planning as it emerged during the 1920s and 1930s retained its original focus upon housing and sanitation and tended “to be largely negative, a case of preventing nuisance rather than encouraging sound development” (Fogarty, 1948, p. 28). The report of the Departmental Committee on Garden Cities and Satellite Towns advocated in 1935 that industry should be attracted to areas “by local authorities, through town and regional planning and other powers” (Ashworth, 1954, p. 221). However the positive response to depression came through regional policy and industrial promotion, not through town planning. The first modest steps towards a national regional policy were undertaken by government through the Special Areas Acts 1934, 1936 and 1937, which introduced rent, rate and tax concessions and the construction of trading estates. In 1937 the persistence of regional problems induced government to appoint a Royal Commission on the Distribution of the Industrial Population (the Barlow Commission), which helped to develop the approach to regional and local planning that was implemented after the Second World War. Planning activities spread slowly after the 1932 Act; operative planning schemes covered just 3 per cent of the area of Great Britain in 1942 and were concentrated not in areas of decline but where development was anticipated (Fogarty, 1948).

Economic stagnation in the 1920s and 1930s persuaded councils in affected areas to look for positive ways of alleviating unemployment. Some authorities initiated public works schemes; between 1924 and 1927 the new road from Birmingham to Wolverhampton was constructed at least in part for reasons of job-creation (Johnson and Cochrane, 1981). Some authorities followed the central government practice of assisting unemployed people to find work elsewhere. Others attempted to attract industry by rent and rate reductions, promotional advertising and the preparation of serviced sites. Indeed during the 1920s and 1930s there was something of a drive by local authorities to influence the location of industry. Some 30 development committees were set up (in Sheffield, Nottingham and Cardiff in 1920 (Municipal Yearbook and Public Services Directory, 1920, p. 525). Ward (1983, 1984, 1990) found a similar number of major authorities providing publicity, industrial land and buildings and (to a declining extent) concessions on the supply of electricity. Fogarty (1947, p. 18) states that “in the ’thirties some 85%...of the County Boroughs were actively enough involved in development work for their names to appear in the lists [of development organisations]”. The Health and Watering Places Act 1921 permitted the promotion of tourism, and the Local Authorities (Publicity) Act 1931 empowered councils to spend the half-penny rate product upon general publicity. A contemporary report by Political and Economic Planning (1939, p. 28) tells us that “the power to purchase, lay out, and develop land, or to advance money to a purchaser or lessee for the erection of buildings, gives to local authorities means of attracting industry”. In 1936 and 1939 respectively “Liverpool and Jarrow obtained Private Act powers, enabling them to build factories, to make loans to industrialists and to develop industrial estates” (Camina, 1974, p. 88). Apparently, “while publicity on the part of municipalities designed to attract the tourist and the holiday-maker goes back a very long time, systematic publicity directed towards the industrialist is a much more recent activity” (Political and Economic
Planning, 1939, p. 221). Some local authorities “such as Birmingham, Bristol, and Leicester, have vigorous municipal development offices, which run propaganda and issue information designed to attract industrialists to the town. Others belong to regional development councils for the same purpose” (Political and Economic Planning, 1939, p. 175). These councils (for instance, the Scottish Development Council and the Lancashire Industrial Development Council), together with a number of more local associations, were created to improve the co-ordination of local authority promotional activities and were sometimes funded by central government through the regional Commissioners appointed under the Special Areas Acts. Indeed in some instances their activities included ‘economic advice’ and (in the Scottish case) a local business finance company (Political and Economic Planning, 1939, pp. 222-224).

During the 1920s and early 1930s government macro-economic policy was conservative, deflationary and hostile to public spending. Nevertheless, if we consider the inter-war period as a whole then the extension of public services after 1918 and the crisis of local government finance during the 1920s combined to increase the dependence of councils upon central government. The proportion of local government spending financed centrally increased significantly and grant-in-aid expanded from £23m in 1915 to £108m in 1937 (Finer, 1950, p. 476, adjusted for constant prices). Following the slump in the early 1930s, government monetary and commercial policy was gradually reoriented with the abandonment of free trade and the gold standard. At the same time there was a tendency for some local services to be nationalised. Central government assumed responsibility for poor relief in 1934, for trunk roads in 1937 and for regional policy when it was introduced under the Special Areas Acts (Ward, 1982, 1984).

During the 1920s and 1930s the central state grew more rapidly than local government and the proportion of public spending undertaken by local authorities declined from over 50 per cent in 1910 to 35 per cent for most of the inter-war period (Ashworth, 1960, p. 406). A new attitude began to form in which local councils were viewed as an instrument of national policy, and the ground was prepared for additional services (energy utilities and health care) to be nationalised after 1945 (Finer, 1950, p. 315). The inter-war period may therefore be seen as one of transition from a locally organised economy and Welfare State to ones organised at the national level.

3.3. 1945–75

Following the Second World War the UK economy shifted decisively in the direction of those newer industries (motor vehicles, electrical appliances and retailing) which had emerged in the inter-war period. GDP grew on average at a rate of 2.8 per cent per annum in the 1950s and 1960s, which was slower than other Western economies but faster than at previous periods. In this context and under the influence of Keynesian economics there emerged a bipartisan political consensus in support of a managed economy and the Welfare State. A favourable economic climate, together with counter-cyclical demand management policies, held unemployment below 1m for almost the whole period.

In the 1920s and 1930s municipal gas, electricity and other services had been merged, rationalised and placed on a national footing. After the war these, together with health services, were finally removed from local control. Highways, buses, water, housing and education were, however, retained at the local level and new planning and welfare services were introduced. The net effect of legislative changes between 1934 and 1953 was to integrate local government into a national Welfare State and to shift local authority economic intervention away from the supply of energy and towards land use management. On this
basis the proportions of GDP and public spending absorbed by local authorities once again began to grow.

Land use planning by local authorities developed modestly before the war but was advocated by the Barlow Commission and acquired statutory foundations between 1947 and 1953: “from Barlow came the notions of correcting regional imbalances of employment and of containing conurbation growth linked together as two parts of a single policy” (Hall et al., 1973, Vol. 1, p. 106). Subsequent legislation made the Board of Trade responsible for promoting the dispersal of industry to the depressed areas and gave local authorities the job of containing development pressure and managing overspill. This split perpetuated the pre-war division between a centrally administered policy concerning the inter-regional location of industry (regional policy) and a locally administered policy concerning the management of urban growth (town planning) but at the same time it encouraged town planning to reflect the land use requirements of industry and to combine this with its earlier housing and environmental preoccupations. In the context of economic growth and on the basis of legislation laid down between 1947 and 1953 town planning expanded rapidly to become the predominant mode of local economic intervention during the 1950s and 1960s.

Literature on industrial promotion for this period is in short supply and the little there is suggests that the level of activity was much reduced and was largely confined to depressed areas. Morgan and Hockaday (1973) found that industrial development committees were formed in west South Wales between 1945 and 1955, “while after this date the great majority of committees and sub-committees formed have been in the Valleys (where industrial committees were being formed at the rate of one per year between 1958 and 1971)” (Morgan and Hockaday, 1973, p. 18). It is not until the 1960s and 1970s that articles and papers begin to reappear on the subject. According to Camina (1974), local and regional agencies started to play a more active role in industrial development from the late 1950s. Pressure from local authorities was in good part responsible for the Local Authorities (Land) Act 1963, which permitted councils to acquire sites by agreement, to develop these, to erect buildings and to offer mortgages. A survey of local authorities in development areas in 1970 revealed that since 1960 57 per cent of them had been advertising to attract industry and 35 per cent had done so in the national press (Green, 1971, pp. 14–15). Camina’s (1974) study of the period 1965–71 reveals the existence of local government industrial development activity. Over half of county boroughs and almost half of county councils were involved in providing industrial land for sale (52 per cent and 47 per cent respectively) or lease (80 per cent and 46 per cent respectively). However, the provision of industrial premises was less common. Only 24 per cent of county councils and 35 per cent of county boroughs had industrial premises available for lease and 22 per cent and 9 per cent respectively had these available for sale. Most authorities provided key worker housing (61 per cent of county boroughs) and about half advertised the area to attract mobile firms. Financial assistance in the form of grants and loans was provided by a sizable minority (41 per cent of county councils and 34 per cent of county boroughs) but was restricted to the acquisition and use of land and premises.

Economic growth began to slow down towards the end of the 1960s and the balance of trade in manufactured goods declined sharply. Unemployment started to rise, first gradually and then more rapidly during the early 1970s (Maunder, 1980). Increasingly, the problem of poverty in urban areas was recognised, and provided a focus for local action following the introduction of Urban Aid in 1968. Although inner-city problems were conceived initially in environmental terms, as
the 1970s wore on it was acknowledged that they required social and economic solutions. These circumstances were reflected within the planning profession and the search for positive ways of responding to economic change received limited expression in the Town and Country Planning Act 1971, which introduced strategic planning for county councils. However, there was renewed dissatisfaction with the limitations of planning powers: “control is unfortunately mostly negative: a developer cannot build on land not allocated for building, but he need not build on it even if it is designated for building” (Eversley, 1973, p. 90).

3.4. 1975-90

The oil shock of 1973 struck an economy that was already weakened through lack of investment and productivity growth. Manufacturing output declined by 3 per cent between 1970 and 1980, leading some commentators to conclude that Britain was deindustrialising. In 1974 500,000 people were unemployed, but by 1977 this had risen to 1.5m and by 1982, 3m. Budgetary policy was broadly reflational for the first half of the decade but following a balance of payments crisis in 1974 it became broadly deflationary (Maunder, 1980). When the Conservatives came to power in 1979 they cut public spending and raised interest rates to 17 per cent. This created massive deflationary pressure and accelerated the process of structural change. Between 1979 and 1981 national income fell by over 7 per cent and manufacturing output by 18 per cent. Gradually, the rate of unemployment began to decline from 1986 but remained above 2m until 1988. The economy grew between 1983 and 1990 but it took until 1987 for manufacturing output to reach the level it had attained in 1979 (Green, 1989, p. 28). More recently, recessionary conditions have returned, however, and in the first quarter of 1991 UK unemployment once again exceeded 2m.

The demands placed upon local authorities in the post-war period, together with the growth of urban and regional problems in the 1960s, prompted a major reorganisation under the Local Government Act 1972. This extended the two-tier system to all areas and created larger subregional councils with new powers and duties. Although the responsibility for water and for personal health care was transferred to separate, centrally appointed regional boards, the net effect was to increase the scope of local government and to involve it further in strategic and economic issues. This new structure had been many years in preparation but it came on stream at precisely the moment when central government decided it must restrain public spending. There was downward pressure upon local authority revenue support from the mid-1970s and cash spending limits were imposed (Kirwan, 1980). Between 1975/76 and 1981/82 the proportion of local spending funded through central government grant fell from 63 per cent to 54 per cent (Boddy, 1984).

As the recession developed much new unemployment was concentrated in the urban parts of those regions that had been or still were prosperous. The decline of urban areas added to the sense of impotence within the planning profession: “planners’ powers were mainly negative: they could prohibit development, but there was little they could do to stimulate it when the motive to invest failed” (Donnison and Soto, 1980, p. 22). According to Lawless (1980), there was more flexibility in land use planning and a greater willingness to prioritise the locational needs of industry. But in the context of economic depression and urban deprivation town planning entered a period of crisis and many planners turned towards community or economic development (Loughlin et al., 1985). Community Development Projects were initiated by the Home Office in 1969, and they progressed rapidly towards an economic and political analysis of urban disadvantage. A similar evolution oc-
occurred amongst local government and voluntary sector schemes funded under the Inner Urban Areas Act 1978. It was difficult to ignore the association between poverty and race and the threat this might pose to social order. Attention gradually turned towards the problems of ethnic minorities, women and other groups subject to discrimination.

There was a steady increase from the mid-1970s in the number of authorities providing industrial sites and premises. A survey by the Association of District Councils (1982) in the early part of that year revealed that the vast majority of district councils (over 80 per cent) assisted industry and commerce by providing land whilst about half of all district councils also provided industrial premises. This compares with a maximum figure of 35 per cent found a decade earlier by Camina (1974). Drawing on a large number of case studies, Lawless (1980) also shows the diversification of land and buildings provision from around 1975. Some authorities were targeting premises upon specific areas or types of enterprises. Some were extending the scope of their economic activities beyond land and buildings and in particular were beginning to promote small firms. Bramley et al. (1978) note the efforts of local authorities to supplement and extend Department of Industry advisory services. The Tyne and Wear Act 1976 permitted Tyne and Wear County Council and its metropolitan districts to help companies by providing grants for plant and equipment (Rogers and Smith, 1977).

Many authorities had become involved after 1975 in job-creation and training through schemes funded by the Manpower Services Commission. Some Labour authorities were looking for ways of diverting economic benefits towards poorer communities and were attempting, albeit with little success, to establish equity investment funds (for instance Tyne and Wear and South Yorkshire). Wandsworth and one or two other Labour authorities began in the late 1970s to assist worker co-operative. We see here the gradual transition from industrial promotion to economic development.

There was a surge in economic development activity at the height of the recession in the early 1980s. Sellgren (1989, p. 236) tells us that between 1978/79 and 1985/86 there was "considerable growth in the resource commitment to economic development by authorities at both the County and District levels". Likewise, Mills and Young (1986) detect "a strong trend towards an increasing financial commitment to economic development", with 50 per cent of authorities reporting a budgetary increase over the previous financial year. In major cities and conurbations the local government elections in 1981 produced Labour councils committed to socially-oriented economic strategies pulling together the more active strands of industrial and urban policy. The authorities mentioned most regularly in this context are West Midlands, Lancashire, Merseyside, West Yorkshire, Leeds, Sheffield, the Greater London Council (GLC) and Hackney. Although reflecting different positions on the Left, they each shared a conception of the locality that was economic rather than locational, and a conception of the economy that was social in the sense that it embraced both industry and the community. Most, though not all, targeted business assistance towards indigenous firms selected according to sector, size, social composition (ethnicity and gender) and legal form. A wide variety of policy instruments was developed, including municipal investment through local enterprise boards. Special attention was given to the conditions of employment (through planning agreements, low-pay campaigns, the involvement of trade unions and contract compliance), access to employment (through training, contract compliance and planning agreements) and efforts to improve the quality of life for people out of work (Mawson and Miller, 1986).

These strategies were influential but were confined to a small number of larger
authorities. Most councils achieved a more gradual transition towards economic development by supplementing land, buildings and advertising with other measures. By 1984 a majority of authorities (63 per cent) were providing business advice (Mills and Young, 1986) and by 1986 financial assistance in the form of grants and loans was provided by a majority of metropolitan districts. Training was provided between 1984 and 1986 by 55 per cent of metropolitan districts, as against 15 per cent of shire districts (Audit Commission, 1989). Throughout the 1980s there was a consistent emphasis upon land and premises, which were still provided by 84 per cent of authorities in 1989 (Coulson et al., 1989; Mills et al., 1989), and some larger cities such as Birmingham and Glasgow took as their objectives sustained image-building, and marketing themselves as 'places' (Bianchini, 1991). The emphasis upon business advice increased sharply during the second half of the decade and was provided (albeit through independent agencies) by 88 per cent of authorities in 1989 (as against 63 per cent in 1984). Financial support likewise expanded and encompassed 59 per cent of councils; most grants were still given for property, but grants and loans for investment or feasibility studies were provided by a significant proportion of authorities. The number of councils providing training and co-operative development increased more modestly, however, and community business initiatives were supported by a minority of authorities (18 per cent). Just as the range of economic activities broadened, so the commitment of local authorities to these grew. Well over half indicated in 1989 that the importance of economic development and the number of staff working upon it had increased over the preceding 3–4 years up to 1989 (Coulson et al., 1989; Mills et al., 1989).

As in the 1930s, recession prompted local authority action but was associated with financial pressures and legal restraints which made action more difficult. Throughout the 1980s central government endeavoured to contain public spending and to divert it away from local authority services such as education and towards centrally administered activities such as defence and unemployment benefit (Green, 1989, p. 72). The Local Government Planning and Land Act 1980 extended central control over council expenditure assessments and capital outlays. The Rates Act 1984 introduced rate-limitation and in 1985/86 18 authorities were rate-capped (Stoker, 1988, p. 162). The Local Government Act 1985 abolished upper-tier councils in the English conurbations (the metropolitan counties and the GLC) in order to reduce local authority spending and to remove a power base for policies that were antagonistic to those of central government (Byrne, 1986, p. 52). A further 12 authorities were rate-capped in 1986/87 and 19 in 1987/88. These events were associated with political tension between central and local government.

Following Widdicombe, the Local Government and Housing Act 1989 for the first time gave authorities a discretionary power to promote the economy. However, the Act also gave the Secretary of State sweeping powers of regulation. During the 1980s an alternative network of institutions was put in place to administer economic services in local areas on behalf of central government. The real value of funds available to local authorities from the Urban Programme in England fell by 28 per cent between 1983/84 and 1988/89 and is set to fall by another 14 per cent by 1991/92, whilst the funds available to Urban Development Corporations, City Grant and other initiatives under government control have increased (Audit Commission, 1989). Particular services have been removed from local government by privatisation and the organisation of local authorities is now threatened with fragmentation. Most significantly of all, the whole basis of local government finance was changed with the introduction of the Uniform Business Rate and Community
Charge (Poll Tax) under the Local Government Finance Act 1988. These new arrangements have imposed massive fiscal pressure on local authorities, which is likely to continue if the new Council Tax is introduced. In the current recession local government is one of the most depressed sectors of the economy and is experiencing widespread budget reductions and mounting job losses. It is doubtful whether the commitment to economic development can be sustained at the present level under these conditions.

4. Theoretical Implications

The historical evidence shows that the evolution of local state intervention in the sphere of production over the last century can be described in terms of four predominant modalities: municipal utilities, town planning, industrial promotion and economic development. It also reveals a correlation between the phases of local intervention in terms of these modalities and the development of the UK economy.

(i) Despite fluctuations there was sustained growth in national income from 1880 to 1914, associated particularly with the mechanisation of manufacturing and transportation. At the same time there was a great expansion of municipal enterprise (water, gas, electricity and transportation), making this the predominant mode of local intervention. The roots of town planning are also to be found before the First World War in a number of influential planning experiments which were initiated both by voluntary and municipal action.

(ii) The inter-war period was marked by economic stagnation and slump, associated particularly with the decline of staple manufacturing industries in the outer regions of Britain (Ward, 1988). The tide of opinion turned against municipal enterprise, which was first restricted and then reorganised along the lines required for a national service. Town planning continued to develop but failed to take off, whereas industrial promotion expanded rapidly and became an important mode of local government economic intervention.

(iii) Following the war there was a long period of growth associated with the mass production of consumer durables and the creation of a mixed economy. Gas and electricity were nationalised in the late 1940s and enjoyed another phase of expansion under central control. Industrial promotion all but disappeared, surviving only in depressed areas, but town planning took off and became the predominant mode of local government economic intervention.

(iv) Unemployment and business failure increased sharply from the mid-1970s as newer manufacturing industries and regions based upon these went into decline. The planning profession entered a period of crisis and many of its practitioners lost faith. However, industrial promotion was revived and during the 1970s and 1980s one strand of this evolved into economic development, which became the predominant mode of local government intervention.

The historical evidence therefore reveals a pattern of periodic change in the form of local government intervention in terms of the four modalities identified and suggests that this pattern is broadly synchronised with long-term changes in the economy which have occurred since 1880.

To understand the observed correlation it is necessary first of all to analyse the four modes of local intervention in terms of the roles to which they are most suited. Municipal enterprise in the late 19th and early 20th centuries served primarily to control the disruptive consequences for industrial capital, as well as for more prosperous communities, of competition in utility markets that were naturally monopolistic. Likewise, town planning as it emerged in the last quarter of the 19th century and took off after 1945 served as a way of managing land use in order to limit the disbenefits for capital, and for local communities, of a free-for-all in the market for
real estate. Each of these activities enabled local authorities to prevent individual companies from disrupting the environment for capital as a whole and for particular communities, and on this basis was used to achieve what has been referred to as 'growth management' (see DiGaetano and Klemanski, 1991). As regards industrial promotion, this developed in the 1920s and 1930s and again in the 1960s and 1970s, and was used by local authorities to combat economic decline (which was harmful to local employers, communities and councils alike) by advertising the area and providing sites for inward investment. Likewise, economic development, which emerged during the 1970s and 1980s, offered business assistance in a variety of forms in order to protect local industry and communities by resisting decline and stimulating indigenous investment. Each of these modalities was therefore used to encourage capital formation in order to defend the fiscal and political foundations of councils by means of what may be called 'growth promotion'.

It is now possible to shed some light on the evolution of local intervention. 'Growth management' and 'growth promotion' modalities represent the contrasting responses of local authorities to the fiscal and political conditions created by the different phases of capitalist development. Growth management modalities have generally developed with the economy, expanding during periods of economic prosperity and stagnating during periods of recession. Growth promotion modalities have, on the other hand, developed against the phases of the economy, expanding during periods of depression and retreating during periods of growth. Given the characteristics of the modes of intervention concerned, this phasing is consistent with the theoretical position outlined in section 2 and shows how that position can be developed and sharpened by exposure to historical inquiry. In particular, it suggests that the macroscopic perspective offered at the outset must be combined with an analysis of local government organisation and regime development for a discussion of regime theory (see DiGaetano and Klemanski, 1991).

Our argument here can be advanced a step further by considering how the observed link between private production and local government is mediated. There are several issues to be resolved, including the relative impact of local as against national circumstances upon the state system, the relative importance in this context of fiscal as against political pressures, and the role of class and community interests in local politics. Regarding the first of these issues it might be argued that the link between the economy and local government is mediated at the national level, through political and economic pressures upon central government which are communicated down through the state system to the local level. The evidence regarding all four modalities shows that local authority action has been constrained throughout by the need to acquire central government support and has been guided increasingly from the centre as the state system has expanded and become more highly integrated. However, the evidence also shows clearly that local authorities have responded directly to local economic circumstances during each of the four phases of economic change since the 1880s. They did so by establishing municipal utilities at the end of the 19th century, town planning before 1914 and especially after 1945, industrial promotion in the 1920s and 1930s and again in the 1960s and 1970s, and economic development in the 1970s and 1980s. Local circumstances have given impetus and direction to local government intervention throughout the period under consideration, even if this impetus has been qualified, displaced and channelled to varying degrees by central control. This conclusion is consistent with dual state theory, which argues that there are different pressures acting at
the national and local levels of the state system.

The second set of issues identified above concerns the impact of political and fiscal pressures upon local government. The historical evidence shows that local business, class and community interests have each exerted a political influence on local authorities. The evidence also shows, however, that fiscal pressures at the local and national level have combined with these interests to shape the actual behaviour of local authorities. Any theory which deals only with the political dimension of local government and ignores the causal impact of fiscal conditions will be wholly inadequate. A key theoretical issue is therefore to understand the way in which the impact of these two dimensions is sorted out and resolved in practice.

5. Conclusions

It has been argued here that existing models of local government overlook a dimension of fundamental importance by ignoring the impact of processes occurring over the long term and reflected at the level of society as a whole. The historical evidence reveals extensive intervention by local authorities in the sphere of production over the last 100 years, and therefore challenges the opinion of Saunders, Duncan and Goodwin and others regarding the focus of local government upon consumption issues. The evidence also shows that the disposition of local government towards the local economy has alternated between 'growth management' and 'growth promotion' as the economy has moved between periods of prosperity and depression. This pattern is broadly consistent with a model of the large-scale dynamics of local government which has been derived from Marxian political economy, and supports our general conclusion that progress towards a macroscopic theory of local government necessitates the investigation of the long march of local history.

Notes

1. Mawson and Miller (1986) provide a useful historical account in their introduction. Sellgren (1989) has conducted a valuable longitudinal study. Ward (1982, 1984, 1988, 1990) has produced a number of important studies of local industrial development prior to 1939. The present paper takes up his and Mawson and Miller's (1986) hints regarding the parallels between the 1930s and the 1980s.

2. The value of 'political economy' as a disciplinary context for this paper lies in its location at a point prior to the fragmentation of social science. The approach adopted here is, however, also influenced by arguments set out in a different context by Archer (1982) which themselves derive from the comparative and historical school of sociology.

3. Johnson and Cochrane (1981) make a similar point when they say that "there is a certain artificiality in attempting to work from goals to activities... in general, broad policy objectives proceed from or support particular activities rather than determine very decisively what is to be done" (pp. 44–45). They conclude that "it is more accurate to argue that activities search out their own goals" (p. 133).

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