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A New Geography of the UK economy?

*Commentary piece linked to the publication of Coe, N. & Jones, A.
(2010)
'The Economic Geography of the UK'*

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&

Andrew Jones

1) Re-engaging with the geography of the UK economy

Just over twenty years ago now, the UK faced what appeared at the time to be a sudden and unanticipated economic crisis – what were people like Ray H and Doreen M writing about at this time for example?. After a severe recession between 1979 and 1982, the British economy had staged a spectacular – if partial and uneven – recovery through the 1980s. This renewed growth had been spurred on by Greater London and its financial service sector with the Thatcher government presiding over the Big Bang in the City, a house price boom and the development of new information and creative industries (e.g. Hamnett, 1989; Hepworth, 1989; Thrift and Leyshon, 1987). Britain appeared to have, at least in part, shaken off the ravages of deindustrialisation and high unemployment, albeit at the expense of an ever widening North-South divide (Martin, 1989). But in 1989 all this came to an end as the economy plunged once more into recession. The then chancellor, Nigel Lawson, raised interest rates to almost unprecedentedly high levels in response to an overheated economy and inflation that threatened to run out of control.

A couple of decades later, and these events have an all too familiar resonance. In 2010, the UK economy is now tentatively emerged from what has been confirmed as the worst economic downturn since the Second World War. At the time of the writing, this recovery looks fragile and far from assured. It seems that history has once again repeated itself (David Harvey's work?); the boom of the 2000s appears to have ended with the bursting of a bubble economy, this time focused on the banking sectors rather than the consumer credit flavoured boom of the 1980s. After a long Blair-Brown decade of growth and employment, by latter part of the 2000s saw the UK economy contract for a full year, unemployment rise to over 2.4 million, and house prices fall 16 percent by 2009 from their 2007 peak (Guardian, 2009a; 2009b). And once again, after an initial focus on the financial sector it has become clear that those hardest hit by this most recent recession are young people, low skilled workers, those employed in manufacturing or construction and those living outside of south-east England: in other words, the usual suspects in the post Thatcher era. Yet it is also clear that important things have also changed in the last twenty years. In 1989, geographers talked about internationalization rather than globalization, and this new concept was a word barely on anyone's lips. - now it is perhaps the major force that will shape the UK's economic future. Equally the challenges posed by the need for developing a low carbon economy, along with the associated opportunities for growth, are a novel and unpredictable feature of the contemporary global economic

landscape that the UK must engage with. As the new Coalition government in the UK is beginning to recognise, in order to retain its position as one of the leading economies globally, then there is an urgent need to understand the current strengths and weaknesses of the UK economy in a wider global economic context (has this been recently recognised by the coalition government?).

In 2008, this emerging state of affairs prompted the RGS IBG Economic Geography Research Group (EGRG) to organise a series of sessions aimed at taking stock of the state of the UK economy and the (then still emerging) crisis. As Chairs of that group, we strongly felt that economic geographers needed to engage with the crisis, and also had much to offer in terms of understanding both the geographical nature and unevenness of this latest recession. A further rationale for the sessions, however, was the sense of a gap in the sub-discipline that had not been filled: namely, an attention to the dramatic transformations of the UK space economy in recent decades. Economic geography had it appeared found new areas of interest in the aftermath of the cultural turn in human geography, and shifting its attention to new foci such global production networks, cluster development and regional innovations systems. Whilst these undoubtedly added new understanding to the nature of the economy, we felt attention had in part been diverted from the more mainstream question of national-level economic development. .

Our view was that economic geographers appear had been diverted from the then prevalent political economic approaches that produced a string of powerful contributions concerned with the uneven development of the UK economy and both its social and economic implications. Foremost amongst these were perhaps John Allen and Doreen Massey's edited book *The Economy in Question* (1988) and the associated Reader, *Uneven Re-development: Cities and Regions in Transition* (1988) which followed on from a body of political economic work in the preceding decade including Massey's *Spatial Divisions of Labour* Written to support an Open University course, these textbooks sought to examine explain the key questions of uneven development across the UK that had developed over the preceding 20 years since the economic turbulence of the early 1970s. At the time of publication, they represented influential contributions to a vibrant body of economic geographical literature concerned with the UK including books such as Hudson and William's *Divided Britain* (1989), Lewis and Townsend's *North-South Divide* (1989) and Martin and Rowthorn's *The Geography of De-Industrialisation* (1986). Was there not stuff in that edited book on the changing geography of the

United Kingdom about the same time? A young Tickell and Peck I seem to recall had a chapter and Danny Dorling.

The conference sessions were a success, with good contributions from leading economic geographers and strongly attended. At the outset, in organising the sessions we had also planned to consider some kind of publication that could be used for teaching. We therefore decided to move forward with this, and the result is the recent publication of the EGRG's new edited collection *The Economic Geography of the UK*. We hope this book will take up the gauntlet set down by re-igniting the political economic strand of economic geography that *The Economy in Question* and other textbooks addressed twenty years ago from the viewpoint of an economic geography that has arguably widened both its theoretical perspective and its understanding of what constitutes the economic realm. In this short commentary, we aim to provide a brief outline of the major themes and arguments covered in the book which we hope will inspire readers to take a closer look at the book itself.

2 Rethinking the economic geographies of the UK

We should start by explaining, as we do in our Introduction to the collection, what we mean by the term *the economic geography of the UK*. In the book, the use of the term is twofold. On the one hand, it refers to the distribution of economic activities of different kinds across the UK and the underlying processes that produce those uneven patterns. On the other hand, it denotes another meaning – perhaps better thought of as *the UK's economic geography* – which concerns the complex range of multi-scalar connections that constitute the UK economy. These relationships are not neutral but are inevitably about the exercise of power, control and dependency. This, then, is not the UK economy as a bounded space, but as a porous and open system that plugs into economic processes at other scales – most notably within the European Union and global economy (*cf.* Allen *et al.*, 1998). In other words, it is about the UK's position with the global economy.

Both dimensions have changed significantly over the past two decades, and we argue in the book that it is helpful to think through in relation to at least six different but interconnected sets of processes that have shaped the UK's space economy in recent times. The list is not exhaustive, but does, we believe, capture the major dynamics at work.

The first of these is (economic) *globalization*, a term used to capture the increasing functional integration of the global economic system, manifest in the intense but highly geographically uneven cross-border flows of goods, services, money, technology, knowledge and people between national economies (Dicken, 2007). As the Economist (2007: 4) describes, ‘Britain’s economy is one of the most open among the big rich countries’. Trade flows are a good indicator of such openness: in terms of merchandise trade, in 2007 the UK was still the eighth largest exporter in the world (US\$438 billion) and the fifth most important importer (US\$620bn). The resulting negative trade in goods of some US\$180 billion is offset by a strong performance in commercial services trade; exports of US\$273 billion in 2007, the second highest in the world, significantly exceeded imports of US\$194bn, the third highest figure (www.wto.org, accessed 8/9/09). Flows of Foreign Direct Investment (FDI) in and out of the UK are also extremely high, peaking at US\$224bn and US\$266bn in 2007 (UNCTAD, 2008).

Second, we draw on an increasingly used concept in economic geography – *financialization*. This we suggest is central to the UK’s integration into the global economic system and can be seen in two senses: the sheer size and significance of the financial sector, but also in terms of the wider influence that it has over the rest of the UK economy. In 2007 the UK financial services industry provided employment for some 1 million workers and generated net exports of US\$67 billion – the figure for the US by contrast was US\$7bn – helping to offset the negative balance of payments on merchandise trade described above (IFSL, 2009a). In 2008, the UK – with the City of London by far the leading centre – accounted for 70 percent of the world’s international bond transactions, 43 percent of the over-the-counter derivative market, 35 percent of foreign exchange turnover, 18 percent of hedge fund assets and 18 percent of cross-border bank lending. Another salutary measure of London’s influence is that in October 2008 London was hosting US\$1700 billion of foreign exchange trading *every day* (IFSL, 2009b).

Third, *tertiarization* has long been evident as UK economic becomes ever more dominated by service sector activity. The rapid deindustrialization that was identified in *The Economy in Question* and other studies during the 1980s has persisted: while in 1990 there were some 4.6 million manufacturing workers in the UK – already a dramatic fall from the 7 million of 1979 – by 2009 the figure had dropped to just 2.9 million (ONS, 2009). As a result, the shift to service employment or tertiaryization of the UK workforce has also continued: while in 1989 services accounted for 70

percent of total jobs, by 2000 the figure was 77 percent, and by 2008, 81 percent. In 2008, one quarter of the service employment, or 21 percent of the overall total, was accounted for by financial and business services, the fastest growing broad employment category in recent times (<http://www.statistics.gov.uk/>, accessed 8/9/09).

A fourth process is *flexibilisation* which refers to the rise of part-time and temporary working. This is also a longstanding trend in the UK economy. In June 2009, there were 7.57 million part-time workers in the UK economy, or 26 percent of the total – of these 1.89 million were men, and 5.68 million were women. These figures intersect with 1.45 million workers, or 5.8 percent of the total workforce, on temporary contracts. All these figures are very high when compared to other leading economies, particularly the proportion of temporary workers, and have slowly but steadily increased over the past two decades (ONS, 2009). While the relative flexibility of the labour market is argued to be attractive to businesses and inward investors, for a significant proportion of the workforce insecure employment has become the norm.

Fifth, we highlight in the book the continued importance of *immigration*: Although the UK has long been an important destination for migrants, immigration has become increasingly significant in economic and political terms. While in 1990 the number of international migrants in the UK was 3.7 million (6.5 percent of the total population) by 2005 the figure was 5.8 million (9.7 percent) and was predicted to rise to 6.5 million (10.4 percent) by 2010 (<http://esa.un.org/migration/>, accessed 8/9/09). In terms of the workforce, by mid-2009 there were 3.7 million non-UK born workers in employment, accounting for 13 percent of total employment (ONS, 2009). The accession of several east central European countries to the EU in 2004 initiated an especially rapid and large wave of immigration of perhaps 1 million workers, with the majority coming from Poland on a short-term basis. The influx triggered a wide range of often highly-politicized debates about the social and economic costs and benefits of immigration, although the economic crisis has led to many European migrants returning home from mid-2007 onwards.

Finally, the book process known as *neoliberalization* is used to describe a national political agenda that was first chartered by the Thatcher administrations in 1980s and continued – to varying degrees – by subsequent Conservative and New Labour governments. Neoliberalization is used as shorthand for a complex combination of policy trajectories including trade and financial market liberalization,

the privatization of state assets, the promulgation of flexible labour markets and a scaling-back of direct state influence over economy and society (for more, see Tickell and Peck, 2003). Importantly, these processes should not always be taken as reducing the size of the state apparatus. While that was certainly true under Conservative rule in the 1990s – public sector employment fell from 23.1 percent of total employment to a low of 19.2 percent over the years 1992-99 – under New Labour public sector employment has expanded again somewhat, reaching a total of 20.7 percent of the total, or 6 million jobs, by March 2009 – and especially significant in regions like the North East of England (ONS, 2009).

The economic geographies resulting from the intersection of these powerful forces are many and varied, and can be analyzed at different spatial scales. However, what is certain is that they have reworked and yet maintained the powerful structural and spatial inequalities within the UK economy that go under the broad sobriquet of the North-South divide (Amin *et al.*, 2003). Equally certain is that the UK economy is now far more open to the vagaries of the global economy, and the financial system in particular, as was illustrated starkly by the speed with which bad debt in the US sub-prime housing market precipitated the start of a deep recession in the UK economy in 2007-09.

3 The Book's Contribution *The Economic Geography of the UK* is not a factual compendium on the UK economy and its position in the world system. We could not have hoped to compile a systematic and comprehensive review of all research into the UK economy over the past two decades, or, indeed, an intellectual history of the different theoretical perspectives that have been adopted in that research. Nor does the book aim to cover every single aspect of the UK economy; that would be impossible. Instead, the various contributors offer a series of thematic windows onto the geography of the UK economy, covering the various aspects that we deem to be most pertinent and timely. Each chapter takes a particular topic and seeks to reveal the underlying geographical processes that are at work at various spatial scales, be it intense social networks within the City of London, patterns of uneven regional development within the national system, or the UK's shifting position in global divisions of labour, migrant flows and patterns of trade and investment. The choice of topics deliberately represents a broad take on what constitutes the UK economy in line with the widening sensibilities of economic geography as a sub-discipline (e.g. see Lee and Wills, 1997). Chapters on government finance, housing, pensions and energy, for example, might not have found their way into some economic geography textbooks. Equally, in compiling the collection we

unavoidably had to miss other topics out; the public sector, the creative industries, tourism and leisure, and transportation come readily to mind, for example, as topics that could merit inclusion (which were covered for example in the changing geography of the UK edited book).

When approaching the authors we were rather more prescriptive than is often the case with edited collections. We asked contributors to give highly readable and accessible accounts for an undergraduate audience both in geography and beyond, and the chapters are deliberately self-contained so they can be used selectively by lecturers or teachers, perhaps in a different order, or to underpin the syllabus of an entire course. In short, we placed the emphasis on concise, punchy and engaging chapters rather than dense accounts riddled with references and intellectual background. Instead, as the new editor of this journal advocates (Dodds 2010), we wanted to produce a stimulating collection that invites debate beyond the academy, and would be of interest to policy-makers, the media and government agencies.

We want to end this commentary, therefore, by offering a brief outline of some of the key geographical themes covered in the book. In the first of these, there are two broad-ranging chapters examining the national-level geography of the UK economy. In his chapter, *Setting the Scene: Uneven Economic Geographies*, Danny Dorling offers an analysis of the fortunes of England's urban areas, again returning to his recurrent argument in this journal and elsewhere that the North-South divide is still very much alive and well (c.f. Dorling 2005; 2010). . Provocatively, and already taken up by the UK media, he moves from asserting its continued importance to actually drawing a line on the map to distinguish the two territories. We think this is well complemented by Ron Martin's exploration in the following chapter of the persistent uneven regional geographies underpinning the service industry-lead 'long boom' of the late 1990s and early 2000s. His analysis suggests that the recent economic crisis is unlikely to change the underlying regional trajectories.

Part II, entitled *Landscapes of Power, Inequality and Finance*, contains six chapters that deal with some of the most powerful forces shaping the UK economy over the past two decades, and in particular the nexus of finance and the state that came so prominently to the fore in the financial crisis of 2008-09, as billions of pounds of taxpayer's money were pumped into ailing banks to preserve the integrity of the whole national economic system. While John Allen focuses primarily on the City of London, and how we might conceptualise the extraordinary power it exerts over the

whole UK economy, Shaun French, Karen Lai and Andrew Leyshon consider the UK's financial services industry as a whole and profile other cities – such as Bristol, Edinburgh, Leeds and Manchester – that have also emerged as significant centres of financial employment, although the City of London clearly remains the apex of the system. The following two chapters move the focus onto the state and its attempts to drive economic development in the UK. Steve Musson analyses the powerful geographies that underpin government spending of over £600 billion per year in the UK and also profiles the ways in which state funds are increasingly dispersed through forms of public-private partnership, whilst Andy Pike and John Tomaney augment this national analysis with a consideration of the impacts of regional devolution on economic development patterns in the UK. The final two chapters in this Part look at topics at the very intersection of state and financial sector activity. First, Chris Hamnett debates the multi-faceted position of the housing market within the wider economy and its central role in the financial crisis that started to unroll in 2007. Second, Kendra Strauss and Gordon Clark offer a multi-scalar geographical analysis of the challenges facing the UK's pension system, a critical component of the wider financial system.

Part III of the book, *Landscapes of Production and Circulation*, moves the focus beyond the finance-state nexus to examine other key sectoral components of the UK economy. Ray Hudson details the profound challenges that manufacturing activities have faced in recent times, showing how these have been heavily shaped by both state policies and shifting international divisions of labour. In contrast, James Faulconbridge charts the inexorable rise of business service activity in the UK economy since the 1980s, a highly geographically uneven growth story that has reinforced the dominance of London and the South East within the wider space economy. This Part also extends its analysis beyond the simple manufacturing / services divide. In this respect, Brian Ilbery and Damian Maye relate the changing nature of agriculture and food networks in the UK, and in particular the restructuring of arable farming in the past two decades in response to a number of health, environmental and ethical issues. Relatedly, Neil Wrigley then goes on to explore the shifting geographies of UK food retailing against a backdrop of increasing concentration of retail capital, tightening regulation, and greater engagement with the global economy. In concluding this Part, Michael Bradshaw considers the energy challenges facing the UK in relation to issues of energy security and the pressing need to curb carbon emissions.

The final part, *Landscapes of Social Change*, moves the lens onto the labour market and the geographically uneven experiences of living and working in the UK economy. Here a piece by Kevin Ward profiles the emergence of a UK labour market that is increasingly characterised by flexibility and insecurity for many workers. From a slightly different perspective, another chapter by Jane Wills and her co-authors explores the powerful intersections of these trends with new patterns of in-migration that are producing a new migrant division of labour, most powerfully in London's labour market, but also in other urban areas across the UK. This fits well with Alison Stenning's subsequent examination of how the UK economy has been powerfully affected by 20 years of post-socialism in east central Europe through a range of economic processes, most notably but by no means only large scale in-migration since the accession of several east central European states to the EU in 2004.

We round off the book with a short *coda* and in it we suggest what emerges from the chapters overall are a series of compelling geographic themes, both old and new. In ending this short commentary, we also want to highlight what we think are some of the key wider messages from the book that are relevant to policymakers and others outside of geography. We would point to four in this respect:

- Regional inequality have persisted in the UK economy despite various policy interventions in recent decades, and there is little evidence of any narrowing in the North–South Divide
- The UK remains heavily dependent on financial and business service sectors which are concentrated in London and the south-east, and again policy initiatives over the last couple of decades have not been successful in redressing this.
- Manufacturing industry continues to decline as a proportionate contribution to UK GDP and this decline is significantly worse than other advanced industrial economies in the G8 (e.g. Germany, France, Japan)
- Regional economic inequalities continue to produce significant social inequalities across the UK, and unless this economic unevenness is tackled by policy, there is little chance that social inequalities can be reduced.

Overall, then, this book is concerned with starting to make sense of these *geographical* stories of continuity and change in the UK economy – an approach that in recent years has not, we think, received enough attention in favour of national level concerns about the scale of the budget deficit or crisis of the financial system. We hope this book will contribute to a rebalancing of policy discussion

towards a greater sensitivity to what is going on *within* the uneven spaces of the UK economy, rather treating it as a homogenous whole.

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