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INTRODUCTION: THE SHIFTING GEOGRAPHIES OF THE UK ECONOMY?

Neil M. Coe and Andrew Jones

AIMS

- To introduce the economic context and intellectual rationale for the book
- To profile the range of processes influencing the geography of the UK economy over the past two decades
- To explain the structure, style and approach of the book

Twenty years on: re-engaging with the geography of the UK economy

As the 1980s drew to a close, the UK faced what appeared at the time to be a sudden and unanticipated economic crisis. After a severe recession between 1979 and 1982, the British economy had staged a spectacular – if partial and uneven – decade of growth. With Greater London and its financial service sector at the forefront, the Thatcher government had presided 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 et al., 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, 1988). 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.

Two decades later, and these events have a familiar resonance. By 2009 the UK economy was once again in the midst of a crisis, namely the worst

economic downturn since the Second World War. Again, the boom of the 2000s appeared 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 late 2009 the UK economy had contracted for a full year, unemployment had risen to over 2.4 million, and house prices had fallen 16 per cent since their 2007 peak (Guardian, 2009a, 2009b). However, perhaps most importantly, after initial focus on the financial sector it soon became clear that those hardest hit by the recession were young people, low-skilled workers, those employed in manufacturing or construction and those living outside of south-east England: in other words, the usual victims.

As far as the recent development of the UK economy is concerned, it seems, therefore, that many of the major trends continue to be cases of history repeating itself. Yet it is also clear that important things have also changed in the last 20 years. In 1989, globalization was a word barely on anyone's lips, whereas 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. The time for a book that re-engages with some of the longstanding questions about the UK's economic geography in this changed world is thus ripe. The global economic downturn that began in 2007 posed a set of serious challenges for the UK economy, particularly given that the UK appeared to have been more badly affected than either other major European economies like France and Germany or leading Asian economies like China and even Japan. If the UK is to retain its position as one of the leading economies globally, then there is an urgent need to understand the current strengths and weaknesses in a wider global economic context that has changed significantly over the last two decades.

A second rationale for this book, however, is to plug a gap in the economic geographical literature that has emerged in the last 20 years. Economic geographers appear to have been diverted from the political economic approaches of the 1980s 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 contributions 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* (Massey and Allen, 1988). Written to support an Open University course, these textbooks sought to examine and 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 Williams *Divided Britain* (1989), Lewis and Townsend's *The North–South*

Divide (1989) and Martin and Rowthorn's *The Geography of De-Industrialisation* (1986). Our objective in this book is thus to reconsider the kinds of questions that *The Economy in Question, Uneven Re-development* and this political economic strand of economic geography addressed 20 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. Next, we start to profile some of this economic and intellectual background in more detail, before moving on to outline the organisation and approach of the book.

Rethinking the economic geographies of the UK

We should start by explaining what we mean by the term *the economic geography of the UK*. Our use of the term in this book 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 economic system.

Both dimensions have changed significantly over the past two decades, as subsequent chapters will show. By way of introduction, we would point to six interconnected and overlapping 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. We can only give an initial introduction to these processes here – they will be discussed and evaluated in much more detail in the chapters that follow:

- *Globalisation*: The term globalisation captures 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).

- *Financialisation*: Central to the UK's integration into the global economic system has been the ongoing financialisation of the economy. This can be seen in two senses: first the sheer size and significance of the financial sector; but second, 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 per cent of the world's international bond transactions, 43 per cent of the over-the-counter derivative market, 35 per cent of foreign exchange turnover, 18 per cent of hedge fund assets and 18 per cent 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).
- *Tertiarisation*: The UK's development into a service economy continues apace. The rapid deindustrialisation that was identified in many 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 tertiarization of the UK workforce has also continued: while in 1989 services accounted for 70 per cent of total jobs, by 2000 the figure was 77 per cent, and by 2008, 81 per cent. In 2008, one-quarter of the service employment, or 21 per cent of the overall total, was accounted for by financial and business services, the fastest growing broad employment category in recent times (www.statistics.gov.uk, accessed 8/9/09).
- *Flexibilisation*: The UK labour market has for a long time now exhibited high levels of part-time and temporary working. In June 2009, there were 7.57 million part-time workers in the UK economy, or 26 per cent 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 per cent 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.
- *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 per cent of the total population), by 2005 the figure was 5.8 million (9.7 per cent) and was predicted to rise to 6.5 million (10.4 per cent) 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 per cent 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-politicised debates about the social and economic costs and benefits of immigration, although the economic crisis led to many European migrants returning home from mid-2007 onwards.

- *Neoliberalisation*: Underpinning the above processes has been a national political agenda that can broadly be construed as neoliberal, a path that was first chartered by the Thatcher administrations in 1980s and continued – to varying degrees – by subsequent Conservative and New Labour governments. Neoliberalisation is used as shorthand for a complex combination of policy trajectories including trade and financial market liberalisation, the privatisation 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 per cent of total employment to a low of 19.2 per cent over the years 1992–99 – under New Labour public sector employment has expanded again somewhat, reaching a total of 20.7 per cent of the total, or 6 million jobs, by March 2009 (ONS, 2009).

The economic geographies resulting from the intersection of these powerful forces are many and varied, and can be analysed 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 housing market precipitated the start of a deep recession in the UK economy in 2007–08.

The approach and organisation of the book

In this final section, we introduce the approach and structure that underpins this volume. The book that follows is not a factual compendium on the UK

economy and its position in the world system. Neither is it 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 can we hope to cover every single aspect of the UK economy. Instead, what follows is 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, we have 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.

It is important to recognise that at the time the chapters were being prepared – 2009 – the UK was in the midst of a severe recession, the final implications of which were still being worked through and debated. Nearly all the authors have touched upon the recession in their analyses and profiled its initial impacts, and several have speculated on the likely outcomes for their particular topic. More considered and detailed analysis of the economic-geographical impacts of the downturn will have to wait for future volumes, however. The chapters themselves are designed to be highly readable and accessible accounts for an undergraduate audience both in geography and beyond, and are deliberately self-contained so they can be used selectively by lecturers, in a different order to that presented here, or to underpin the syllabus of an entire course. In short, we have placed the emphasis on concise, punchy and engaging chapters rather than dense accounts riddled with references and intellectual background. Instead, advice on further readings is designed to offer a way into that background and broader debates for those who want to learn more.

With these various points in mind, the four parts of the book unfold as follows. There are two further chapters in Part I, *Setting the Scene: Uneven Economic Geographies*. Danny Dorling (Chapter 2) provides a multi-variable analysis of the fortunes of England's urban areas, demonstrating that the North–South divide is still very much alive and well. Provocatively, he moves from asserting its continued importance to actually drawing a line on the map to distinguish the two territories. In turn, Ron Martin (Chapter 3) explores 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. Overall, these two chapters offer powerful mappings of the UK's economy and society, thereby serving as invaluable backdrops to the chapters that follow.

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 2008–9, as billions of pounds of taxpayers' money were pumped into ailing banks to preserve the integrity of the whole national economic system. While John Allen (Chapter 4) 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 (Chapter 5) 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 (Chapter 6) 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. Andy Pike and John Tomaney (Chapter 7) 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 (Chapter 8) 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 (Chapter 9) 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 (Chapter 10) 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. James Faulconbridge (Chapter 11) 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. Brian Ilbery and Damian Maye (Chapter 12) 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. Neil Wrigley (Chapter 13) explores 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, while to conclude the section Michael Bradshaw (Chapter 14) 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. To open, Kevin Ward (Chapter 15) profiles the emergence of a UK labour market that is increasingly characterised by flexibility and insecurity for many workers. Jane Wills and her co-authors (Chapter 16) explore 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. Alison Stenning (Chapter 17) argues that 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. The volume ends with a short *coda* (Chapter 18) in which we seek to distil some of the key threads and implications of the preceding chapters.

What emerges from the chapters is a series of compelling geographic themes, both old and new. For example, while the formation of a North–South divide through the spatially concentrated decline of manufacturing and concomitant rise of financial and business services was already ongoing by the late 1980s, the UK's labour markets, migrant flows, retail sector, food systems and energy dilemmas, among many others, look markedly different to those that confronted scholars two decades ago. This book is concerned with starting to make sense of these *geographical* stories of continuity and change.

Further reading

- Allen and Massey (1988) and Massey and Allen (1988) still offer powerful tools for understanding the UK economy and are well worth revisiting.
- For positioning the UK against broader economic trends, Dicken (2007) is by far-and-away the best guide to the evolving geographies of the global economy. For a general introduction to economic geography, see Coe et al. (2007).
- For general texts on the human geography of the UK published in the last decade or so, see Dorling (2005), Hardill et al. (2001), Gardiner and Matthews (1999) and Mohan (1999).

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