

## The state, regulation, and global restructuring: reasserting the political in political economy

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### ABSTRACT

This paper offers a critique of the recent work on global economic and state restructuring in the broader political economy literature. It argues that much of this work, because of its theoretical reliance on regulation theory, offers only a partial account of the state and state restructuring. The paper offers a framework for understanding state restructuring and the state's role in economic regulation that adds more explicitly political imperatives to the existing regulation account. The methodological goals of the regulationist literature have led it to focus too heavily on the reproduction of capitalist relations as the primary object of state policies and institutions. That focus should be enlarged to include an explicit analysis of the important element of state-citizen relations. In addition to helping reproduce capitalist relations, state policies must also reproduce a condition of political legitimacy between state and citizen in order to ensure the continued reproduction of state institutions and state sovereignty. While the state-citizen relation is closely bound up with economic relations, it also includes non-economic, more purely political aspects. I argue that the imperative of state-citizen legitimacy will play an important role in how the state is restructured in the present crisis. The paper ends by offering a case study of the local state in Los Angeles in order to illustrate how state-citizen political legitimacy can play an important role in state restructuring.

### KEYWORDS

Regulation theory; state restructuring; state rescaling; political legitimacy; welfare politics.

### INTRODUCTION

This paper offers a sympathetic critique of recent work in political economy on state restructuring. More specifically, it critiques that segment of the political economy literature that is concerned to understand the post-1970 round of global restructuring associated with the crisis of Atlantic Fordism and its mode of regulation. The search in the literature is to

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understand how the present crisis might be stably resolved so that a new 'virtuous circle' of accumulation can be established. A primary theoretical inspiration for this literature has been the body of regulation theory, and I take that as the principle target of the paper's critique.<sup>1</sup> I argue that a central shortcoming of this literature to date has been an incomplete analysis of the state and of state restructuring under globalization. The literature's account of state restructuring in the present crisis revolves primarily around the imperatives generated by global economic restructuring. That focus leads to an underdevelopment of the more overtly political logics and imperatives that affect the state. What emerges in the regulation approach is a too *apolitical* analysis of the political economy of state restructuring. Economic imperatives are foregrounded, political concerns tend to be marginalized. This overemphasis produces an incomplete conception of the state and therefore a limited analysis of its changing role in regulating the present crisis.

It is important to be clear that the tendency toward undervaluing political questions is not primarily the result of an ontological position among scholars in political economy that the state and its forms and functions are determined by the economy. Indeed, virtually all regulationists have explicitly rejected the functionalism, reductionism, and economic determinism that many claim characterize the works of Marx, Engels and many Marxists since (Jessop, 1990: 79-109). I do not argue that the literature presents a positive argument that the state is in fact merely an outgrowth of economic imperatives. Rather, what emerges in the literature is an almost inadvertent depiction of state restructuring as following from the shifts in the world economy. The result is a latent, though pervasive, impression that state restructuring occurs as a response to the imperatives created by economic restructuring. The weight of this narrative implies that the state will be restructured so that it can best ensure accumulation in the newly restructured world economy. In the most well-known formulation, this restructuring would result in the state shifting from a form of Fordist/Keynesian regulation to a form of post-Fordist/post-Keynesian regulation.

But if the bulk of regulation authors would reject the ontological position of reductionism, why then does the weight of the narrative result in an apparently reductionist analysis of the state? I argue that the underdeveloped analysis of state restructuring is primarily the result of an overly narrow *methodological* focus on the processes of economic restructuring. The overriding goal of regulation theory (as well as much of political economy more generally) is to explain how capitalist accumulation endures despite its internal contradictions. Those elements of society that are not primarily economic, such as the state, are analysed primarily with respect to this foundational question. Thus, the economy is privileged methodologically, even if most authors do not grant it theoretical

primacy. The incomplete account of the state and state restructuring in the literature is the result of what I call a *methodological constriction* rather than a theoretical reduction.

This methodological constriction is primarily borne of a theoretical reliance on the French regulationist school, an approach that has been widely adopted outside France among political economists in a range of disciplines (Aglietta, 1979; Aglietta, 1982; Delorme, 1984; Lipietz, 1987; Boyer, 1990). I argue that the state in this conception appears to function as a joist in a wider theoretical architecture whose primary goal is to understand how economic crises are mitigated and continued accumulation is assured. Whether or not authors claim the state actually is only the sum of its economic roles, the analytical product of the literature, because of its methodological focus on capitalism and accumulation, depicts a state whose principle role is to intervene to mitigate the economic crises of accumulation that are endemic to the capitalist economy. It may not be that the state's only role *in society* is to ensure accumulation, but that emerges as the state's overriding role *in the regulationist account* of society. This methodological constriction leads authors to underdevelop the extent to which state actors also operate according to a more *political* logic in which the needs of the economy are not necessarily primary. Among the state's other imperatives, I argue, is the need to reproduce the political relationship between state and citizen. This more overtly political logic of the state needs to be more explicitly theorized and addressed methodologically within regulation theoretical research, and its more central role can help expand the regulationist analysis of state restructuring.

I believe there are two principal drawbacks to this incomplete view of the state. First, with the partial view, the state as an institutional element in the wider political economy is only partially understood. Its universe of operations is analysed mostly with respect to its role in economic regulation, and this partial view leads to a partial understanding of the complex forces that shape the state. A partial understanding of the state will lead to an incomplete analysis of state restructuring and misleading projections about the future of that process. Because the state is a key component of the mode of regulation, an incomplete account of state restructuring invites an inaccurate analysis of the mode of regulation more generally. An inaccurate view of the mode of regulation will lead to a misunderstanding of the wider political economy. Thus a more complete and more *political* analysis of the state that explicitly examines the state-citizen relation will yield a more comprehensive analysis of the restructuring of the global political economy.

A second drawback to methodologically reducing the state to its economic functions is that the state appears to be lost as a possible avenue for anti-capitalist political action. If the liberal democratic state's ultimate

logic is to ensure the survival of capitalist accumulation, the possibility of opposing capitalist hegemony from *within* the state is precluded. This is troubling, since the state has in the past offered an avenue for resistance (whether revolutionary or reformist) and can again in the future. Again, while most theorists might reject the ontological position that the state can never be an avenue for anti-capitalist movements, the regulation framework creates a methodological constriction that implies that the state's primary role is to abet the reproduction of the conditions of capitalist accumulation. The state therefore appears as an impossible ally in anti-capitalist resistance.

Although these two drawbacks are related in that they flow from the methodological constriction of the regulation approach, they are distinct in that the first primarily restricts the analysis whereas the second impedes praxis. This paper focuses on the first issue: my goal is to suggest a more complete way to analyse the political economy of the present crisis by adopting a more consciously political conception of the state. It does not undertake a sustained development of the latter critique of the regulationist barrier to praxis; it leaves that issue for other arenas. I have characterized the paper as a sympathetic critique because I believe that understanding the regulation of the after-Fordist crisis is an important project, one of the most important in contemporary political economy. The ultimate goal of the paper is not a better understanding of the state for its own sake, but rather a better understanding of the state that leads to a better understanding of the wider political economy. The critique is necessary because a partial view of the state hinders a complete analysis of regulation. Consciously adopting the explicit premise that the state's logic involves more than just accumulation-preservation enables a more complete view of the state. It enables us to understand that the state will be pulled in multiple directions, not all of which run to ensuring accumulation. Thus its relationship to accumulation will be quite a lot more complicated and contradictory than a narrowly economic view would suggest. An expanded, more political conception of the state, I argue, allows for a better understanding of the changing role it is playing in the mode of regulation and therefore offers a more complete analysis of the wider political economy.

## REGULATION THEORY IN POLITICAL ECONOMY

It is nothing new to offer a critique of political economy that complains of too much focus on the economy. There are at least two reasons why reviving and reorienting the critique is needed. First, as I outlined above, the critique is methodological rather than ontological. Most theorists have moved away from an ontological reductionism, but there remains a latent methodological constriction that is limiting the analysis of the

state. Second, and relatedly, this methodological constriction is presently an issue because of the waxing enthusiasm among political economists for the regulation approach (Burrows and Loader, 1994; Hirsch, 1995; Peck and Jones, 1995; Stewart and Stoker, 1995; Goodwin and Painter, 1996; Moolaert, 1996; Jessop, 1997; Jones, 1997; e.g. Lipietz, 1997; Collinge, 1999; Peck and Theodore, 2000; Ward, 2000). The rise of regulation theory, while it has provided an exciting new approach to analysing capitalist crisis, has meant the growing influence of this methodological constriction, and I believe there is a need for a renewed plea to engage in a more expansive, more political analysis of the state's role in the wider political economy.

The regulation approach is a diverse and loosely bound body of work. The paper somewhat artificially sets out a relatively unified picture of the regulation literature in order to characterize and critique its conception of the state and state restructuring. I am concerned to illustrate general trends in the literature, rather than comprehensively catalogue all regulationist work. As a whole, regulation theory is concerned to explain a central theoretical question in the analysis of capitalism: if, as Marx argued, capitalism is inherently unstable because its contradictory logic leads it inevitably toward crisis, how has it been able to continually overcome crises and persist as a hegemonic mode of socio-economic organization? The answer, regulation theory argues, is that the crises in capitalism are muted and partly resolved by a complex of social institutions and cultural norms that, in combination with an economic regime, are able to stabilize conflict and crisis over relatively long periods. This socio-institutional complex is referred to as a 'mode of regulation' or, as Jessop prefers, the 'social mode of economic regulation' (Jessop, 1994: 21). Its development helps to manage and ensure the stability of the 'regime of accumulation', the assemblage of social, technical, and strategic norms that are relatively standardized throughout the economy. In times of stability, the mode of regulation and the regime of accumulation compliment each other and can effectively manage crisis; they come together to comprise a relatively stable 'mode of development' (Aglietta, 1979; Lipietz, 1988; Boyer, 1990; Jessop, 1997).

There is general agreement in the literature that in the advanced economies the period lasting until the 1970s were characterized by a Fordist regime of accumulation coupled with a Keynesian/welfare mode of regulation. There is also general agreement that the Fordist mode of development has entered a destabilizing crisis in the last 30 years or so (Hirsch and Roth, 1986; Lipietz, 1987). The crisis has been precipitated by the economic shocks of the 1970s, the increasingly global reach of transnational corporations and the internationalization of economic flows, and the erosion of interest rate sovereignty after 1960 (Corbridge, 1988; Glyn, Hughes *et al.*, 1991; Altvater, 1992; Dicken, 1998). Some argue that we

have already seen the rise of a new and relatively stable mode of development orchestrated around flexible specialization (Piore and Sabel, 1984; Sabel, 1989; Scott, 1988 #2179). The 'post-Fordist' regime of accumulation, they argue, is characterized by: vertically disintegrated production; economies of scope rather than economies of scale; flexible specialization; lack of standardization in labour relations; flexible labour markets; and the increasing importance of supply-centred rather than demand-centred production.<sup>2</sup> Despite this new regime of accumulation, however, many argue that the crisis of Fordism has not yet been resolved (Goodwin and Painter, 1993; Painter, 1995). What we are presently seeing, they contend, is groping attempts to stabilize accumulation by establishing a new mode of development. This group refers to the present period as 'after-Fordist' to suggest that a stable mode of development has yet to be established (MacLeod and Goodwin, 1999). Peck and Tickell (1994), for example, suggest that the present rise of neo-liberalism cannot be a stable mode of regulation because it in fact represents a *lack* of regulation. The 'jungle law' of neo-liberalism, they argue, will have to be replaced by a more stable set of relations that can help mitigate the social polarization and general crisis tendencies of unfettered capitalism.

It has been a common criticism of regulation theory that despite its clear interest in non-economic factors as agents of regulation, it has paid too little attention to the state and to the political sphere more generally (Boyer, 1986; Jessop, 1990; Theret, 1990; Bertramsen, Thomsen *et al.*, 1991). That criticism is less applicable today, as regulationists have recently paid considerable attention to the state and state restructuring (Brenner, 1997; Brenner, 1999; Jessop, 1999; MacLeod and Goodwin, 1999; Peck, 2001). However, this work has very clearly tended to analyse the state primarily in terms of its relationship to economic restructuring (Jessop, 1993; Esser and Hirsch, 1994; Mayer, 1994; Cerny, 1995; Hulsemeier, 2000). The central concern is what role the state will play to partly resolve the present economic crisis and help consolidate a new mode of regulation. Hirsch (1995), for example, argues that the pluralist system of nation-states is the specific form of political organization that best suits capitalist production. Within that general claim, he argues that the 'national competitive state' is more appropriate for managing the new regime of capitalist accumulation than the Keynesian Fordist state. The methodological drive to understand the state's role in the mode of regulation has tended to push the analysis toward economic imperatives and away from those imperatives that are not centrally related to reproducing accumulation.

The regulationist account of state restructuring involves three main elements: 1) the state is re-scaling, shifting more responsibility and functions up toward the international scale and down toward the regional/local scale; 2) the state is moving away from the policy ensemble of social insurance and social welfare and toward the policy ensemble

of workforce, job training, and supply-side intervention in production – in short, from collective consumption to collective stimulus to production,<sup>3</sup> and 3) the state (especially the local state) has been increasingly transferring its duties outside of the formal state structure to NGOs, quangos, and the private sector. This last move has been termed a shift from *government* to *governance*. The analysis of all three aspects of state restructuring takes place against the background of the present Fordist crisis. As a whole, regulationists portray state restructuring as an attempt to respond to the new imperatives brought on by economic restructuring. That is, the implication is that economic change creates the need for state restructuring to better meet the needs of accumulation.

With respect to the re-scaling process, theorists argue that the state has been 'hollowed out' such that the national scale has declined in importance, while the global and regional scales have become more important scales for governing (Swyngedouw, 1992; Jessop, 1994; Cerny, 1995; Swyngedouw, 1997; Brenner, 1998). At the global scale, new inter-state and supra-state governance structures have arisen to better match the increasingly international character of economic activity. Examples such as the EU, NAFTA, WTO, OECD, OPEC, and ASEAN are well known. At the regional and local scale, nation-states have sought to devolve more and more responsibility to the local state for duties such as welfare disbursements, social services, the provision of infrastructure, public housing, and socio-spatial planning (Painter, 1995; Stewart and Stoker, 1995; Stewart and Stoker, 1995). These shifts have meant a relative de-territorialization of the state at the national scale, as the nation-state is less able to contain economic activity than it was under the Fordist regime (Dicken, 1998). This de-territorialization at the national scale has been accompanied by a *re-territorialization* at regional, global, and other scales (Cerny, 1995; Anderson, 1996; Brenner, 1999). The argument is that the present crisis has opened up a wholesale reworking of the institutional scale at which politics operate (Jessop, 1999). However, in the regulationist work the clear line of analysis tends to be that state re-scaling, re-territorialization, and the new politics of scale are a response to changes in the world economy. Thus re-scaling, as an example, is seen as a response to new economic imperatives (the global economy is similarly 'glocalizing,' and did so first) and an attempt to better manage the evolving regime of accumulation.<sup>4</sup> In effect, what emerges is a latent assertion (again the product of a methodological focus) that the territorial form that the state will take is the form that best suits the needs of capital. Thus Brenner (1999: 439) argues that the 'newly emergent, rescaled state institutions can be viewed as crucial forms of re-territorialization for capital' and (in: 66) 'the current wave of state re-scaling can ... be interpreted as a strategy of political restructuring that aims to enhance the locationally specific productive forces of each level of state organization'.

For Jessop (1994: 23) analyzing the post-Fordist state requires two analytical steps: 'we must first detail the key features of a post-Fordist accumulation regime, and then establish what structural forms and strategic capacities correspond to this'. Peck and Tickell (1994: 282, 285), for their part, analyse the state as one of the many institutions in 'a new institutional fix' that has 'the effect of guiding and sustaining the accumulation process'.

The second aspect of the analysis offers more consideration of the actual content of state policies. In addition to being 'hollowed out', Bob Jessop argues, the national state has undergone an overall shift from one set of regulation strategies to another. Under Fordism the state was tended toward what he calls a Keynesian welfare national state (KWNS) (Jessop, 1999). It managed the relationship between capital and labour, helped to prop up aggregate demand, promoted full employment, invested heavily in infrastructure, and was responsible for an extensive programme of social insurance and welfare (Jessop, 1993; Jessop, 1994). As a response to globalization and the shift to a post-Fordist regime of accumulation, Jessop argues that the state is undergoing a tendential shift toward a Schumpeterian warfare postnational regime (SWPR). In its effort to meet the needs of the new flexible regime of accumulation, the SWPR focuses on supply-side intervention such as technology development and job training. Its focus on technology development is a response to the central role of technology as the primary motor of innovation and growth in the present round of globalization. Its focus on job training is a response to the flexibility of post-Fordist economic organization – its need for constant shifts in production (and therefore in job skills) to meet the demands of increasingly volatile international markets. Thus Jessop (1994) argues that the state is undergoing a tendential retreat from the provision of social welfare and security and shifting toward an emphasis on workforce policies more suited to the post-Fordist regime of accumulation (and its focus on supply-centred accumulation).<sup>5</sup>

The third part of the analysis involves the shift from government to governance, especially in the local state. In order to function more effectively in the more flexible, supply-focused post-Fordist economy, the local state has begun to contract out its services to volunteer organizations and private firms and to develop quasi-public bodies, such as quangos, training and enterprise councils, urban development corporations, and public-private partnerships to carry out the functions of local government (Goodwin, 1991; Peck and Jones, 1995; Watson, 1995; Payne and Skelcher, 1997; Walzer and York, 1998; Krumholz, 1999). The shift to governance is an effort to cope with the local consequences of the crisis of Fordism. The local state (government) has responded by transferring many of its powers and duties to complex networks of new state, quasi-state, and non-state institutions (governance) (Cochrane, 1989;

Harvey, 1999c; Hay and Jessop, 1995; Painter and Goodwin, 1995; Johnston and Pattie, 1996; Jessop, 1998; for a counter-argument see Imrie and Raco, 1999; Ward, 2000). The thrust of the argument is that the local state, as an important actor within the diverse structures of local governance, will move away from the Fordist welfare model and toward the Schumpeterian welfare model (Harvey, 1989b; Leitner, 1990; Mayer, 1991; Cochrane, 1994; Jessop, 1994; Mayer, 1994; Painter, 1995; Peck and Jones, 1995; Stoker and Mossberger, 1995).

As I have stressed, the apparent reductionism in the above analyses is primarily methodological in nature: regulation theorists are interested in the role the state plays in managing the crisis of post-Fordist transition, and therefore they characterize state restructuring as a process that plays out in response to economic restructuring. Their analysis of the state focuses too narrowly on its role in economic regulation and overlooks other imperatives. I believe that the way out of this methodological trap and toward a more political account of re-scaling, reterritorialization, and policy reorientation is the addition of a more explicit methodological focus on the overtly political imperatives of the state. This more expansive account would require giving methodological attention to how the state is also crucially concerned with the relations between state and citizen. In addition to economic imperatives, the state is strongly concerned to maintain the political legitimacy of the state-citizen relation. In all three elements of the regulationist analysis of state restructuring, the state is seen to be restructuring in order to promote *competitiveness and accumulation*. The analysis gives much less attention to the state's need to promote *citizen loyalty and political stability*. If we assume that a guiding logic of the state is state-citizen legitimacy (as well as accumulation), we would expect the state to be concerned not only with reproducing the social relations of capitalism, but also with reproducing the social relations between the state and its citizens. The state, in this expanded approach, is concerned both with accumulation and with its own political legitimacy with respect to its citizens.

### THE COMPLEX STATE

Before presenting what I argue is a more expansive way to think about state restructuring that explicitly acknowledges the importance of the state-citizen relation, I want to first refine the preceding critique. The critique that regulationists focus too narrowly on the state's role in ensuring accumulation applies to regulation theory as a whole; however, some recent work has explored more explicitly the notion of political legitimacy in society and the role the state plays in producing it (Theret, 1994; Peck, 1998; Yaghmaian, 1998; Jessop, 1999; MacLeod and Goodwin, 1999; Theret, 1999; Boyer, 2000; Hill and Fujita, 2000; Peck, 2001; Peck and

Theodore, 2001). This new direction toward the expressly political is encouraging and has helped extend regulation theory's analysis of the state and of regulation more generally. However, although this work offers a more comprehensive analysis of political logics than past regulation theory, it nevertheless remains incomplete. I argue that the new focus on political aspects of the state continues to be methodologically constrained because the notion of political legitimacy ultimately refers back too narrowly to the legitimacy of capitalist social relations. It thus underdevelops the importance of the legitimacy of state-citizen relations.

The recent political turn in regulation draws significantly on both the work of Gramsci and that of Habermas, Offe, and O'Connor (Gramsci, 1971; O'Connor, 1973; Habermas, 1975; Offe, 1984). I contend that, by and large, the notion of political legitimacy advanced in this work refers primarily to the political legitimacy of *society as a whole*, rather than particularly to the political legitimacy of the state with respect to its citizens. The state is analysed with respect to the role it plays in securing overall societal political legitimacy. In the case of the Habermasian tradition, the state helps avoid a legitimization crisis in society by masking and partly resolving social relations that can lead to social upheaval (von Haldenwang, 1999; Papadopoulos, 2000). In the Gramscian tradition, the state engages in 'hegemonic projects' geared toward establishing the political dominance of a particular set of social relations (Jessop, 1997; Jones, 1997; MacLeod, 1999; MacLeod and Goodwin, 1999). To their credit, both approaches seek to understand political legitimacy holistically, as a process of establishing a broad societal compromise that can stabilize political relations for a relatively long period of time. This holism is in itself the right approach. Political legitimacy certainly involves more than just the relationship between state and citizen. However, when the holistic approach is mobilized in the context of regulation theory, the theory's methodological focus leads the analysis of legitimacy to funnel back toward an overriding interest in the legitimacy of capitalist social relations. Although regulation theorists reject the idea that capitalist relations determine other social relations, nevertheless capitalist relations are generally thought to be 'ecologically dominant' in the sense that they carry a first-among-equals weight with respect to other social relations (Jessop, 2000). If capitalist relations are ecologically dominant, the most important imperative in legitimating society as a whole will be to legitimate capitalist social relations (over and above other sets of social relations). This way of thinking about society leads to an account of political legitimacy that refers primarily to the political legitimacy of capitalist relations, and tends not to analyse the political legitimacy of the state-citizen relation. Moreover, the methodological goals of regulation theory leads analyses to foreground accumulation and thus reinforce any tendency to think about political legitimacy in terms of the legitimacy of

capitalist relations. The overall result is a strong emphasis on the political legitimacy of capitalist relations and an underemphasis on the political legitimacy of state-citizen relations.

I am not arguing against the notion of ecological dominance, or that the legitimization of state-citizen relations must be thought of as the primary imperative the state must follow. Rather I am suggesting that the methodological constriction of regulation theory leads away from an analysis of the legitimacy of the state-citizen relation and toward analysis of the legitimacy of capitalist relations. This emphasis has led many, even within this new political turn, to under-examine the political legitimacy of the state-citizen relation as an important factor in state restructuring. I reject the idea of replacing the emphasis on the legitimacy of capitalist relations with an emphasis on the legitimacy of state-citizen relations, as might be favoured in a Weberian approach (Krasner, 1978; Skocpol, 1979; Skocpol, 1985; Nordlinger, 1987; Dearlove, 1989; Evans, 1989; Leftwich, 1995). Instead I contend that in the analysis of state restructuring there is a need to *add* a conscious emphasis on the legitimization of state-citizen relations to regulation theory's focus on the legitimization of capitalist relations. I contend that such an addition will help provide a more expansive and complete account of state restructuring. What is needed is not a rethinking of the theoretical argument such that accumulation is devalued and state-citizen legitimacy becomes paramount. Rather what is needed is a self-conscious expansion of the methodological focus to include more explicitly the role that state-citizen legitimacy will play in state restructuring.

To be sure, the state-citizen relation does not operate in isolation from accumulation and capitalist relations. States in capitalism that do not effectively provide the conditions for accumulation will eventually lose legitimacy with their citizens. State-citizen legitimacy is closely tied both to continued accumulation and to the legitimacy of capitalist relations. Nevertheless, the universe of state-citizen relations is not fully encompassed by capitalist relations. There remain important aspects of the state-citizen relation that are largely non-economic and are relatively independent of the continued legitimization of capitalism. These elements have to do principally with the political relationship between the state and its citizens. These more overtly political aspects of the state-citizen relation may or may not be the primary imperatives that will shape the course of state restructuring. Nevertheless, they will almost surely play an important role, and they must be taken carefully into account in a comprehensive account of state restructuring. To date, regulation theory has tended to underanalyse these non-economic aspects of the state-citizen relation, and I maintain that it is important to address this weakness.

### LEGITIMACY, MUTUAL EXPECTATIONS, AND POLITICAL STABILITY

As the preceding account suggests, political legitimacy is a complex notion. The process of legitimization can have many targets, among them capitalist relations and state-citizen relations. Since my argument is that regulation theory is increasingly addressing the legitimization of capitalist relations but has not yet fully explored the legitimization of state-citizen relations, this section offers a theoretical account of the state-citizen relation that I hope can serve as a basis for more investigation into the important role state-citizen relations are playing in state restructuring.

In order for the state to remain legally and functionally sovereign, there must be some sense in which the citizenry consents – or, better, acquiesces – to be ruled by the state. I reject the tendency of the classic contract theorists to assume individual free will and voluntarism as the basis for the political legitimacy of the state (Rawls, 1971; Rousseau, 1987; Locke, 1988; Kant, 1991; Hobbes, 1996). Rather, my conception of state legitimacy rests on the notion of the *collective* consent of the citizenry. Unlike liberal political theorists, I do not maintain that each individual reaches a rational decision to obey based on perfect knowledge of the benefits and drawbacks. This has been the position of liberal political theory, and it has been the focus of the critique offered by anti-contractarian theorists such as Hegel, Marx, Charles Taylor, Michael Sandel, and Carole Pateman (Sandel, 1982; Pateman, 1988; Taylor, 1992; see Boucher and Kelly, 1994). Instead, my basic premise is this: in the absence of vast totalitarian force, the rather extraordinary fact of state sovereignty, in which there is widespread concurrence that the state holds ultimate political authority within its territory, must derive fundamentally from a collective willingness to be ruled (or, at the very least, to not actively resist being ruled) on the part of the body of state citizens. This consent does not imply that the citizenry is necessarily acting in its own best interests, a faulty and ideological assumption of contractarian theory that its critics have correctly attacked (see Replogle, 1989: 6–9). I do not normatively evaluate citizen consent, I argue only that overall consent/acquiescence is necessary for state legitimacy. In order for the state and its sovereignty to endure (and for the state to play an effective role in regulation), the state must remain politically legitimate in the eyes of its citizenry.

State legitimacy in liberal capitalist democracies, I argue, is rooted principally in the mutual expectations a state shares with its collective citizenry. Instead of the more common term 'social contract', I use the term 'mutual expectations'. In doing so, I want to stress the notion that the citizenry expects the state to meet certain obligations in return for their allegiance. Furthermore, I want to discard the idea of a contract,

which implies, misleadingly, both fixity and justness in the relationship between state and citizens. Under the terms of mutual expectations, the state agrees to be responsible for providing benefits to its citizenry and ensuring their political rights. In exchange, the citizenry agrees to meet certain obligations, and they offer their allegiance to the state. In this conception there is no need to infer from the fact of citizen consent that the state must *in fact* be legitimately pursuing the best interest of its citizens. Citizen consent need not imply that the state *actually* meets the needs of its citizens; the key is whether or not the citizenry *perceives* that the state is acting in their best interests. My conception insulates the notion of legitimacy from the debate about whether or not the state is in fact legitimate, an issue stressed by many political theorists (even Habermas, 1975; Schaar, 1981; Copp, 1999; Simmons, 1999). Other theorists, on the contrary, have argued that what matters is whether the citizenry *perceives* the state to be legitimate or not (Barker, 1990; Hurd, 1999). What is important to understand is the political relationship between the state and its citizens, not the moral relationship between the state and objective truth.

To secure consent, the state enters into a set of mutual expectations and obligations with its citizens. As long as the state ably meets the expectations of its citizens, citizens will acquiesce to state sovereignty and the state's political stability will be maintained. If the state fails to meet citizens' expectations past a certain threshold, citizen loyalty and state legitimacy may collapse. It is important to be clear that the set of expectations is not fixed, but varies both spatially and temporally. In liberal democracies in the later twentieth-century the state's obligations in these mutual expectations, especially in the Fordist period, have been quite extensive. Among other duties, the state must meet at least five main expectations.<sup>6</sup> (1) It is expected to help ensure that its citizens enjoy sufficient material well being. What is deemed sufficient will certainly vary from state to state and from era to era. But whatever the level, citizens must be satisfied that the state is adequately protecting their economic fortunes. The US presidential election of 1992, in which Clinton is believed to have won in part because the election occurred during recession, illustrates that American voters demand (probably unrealistically) that the state ensure their material well being (Bean *et al.*, 1997). (2) The state must provide some measure of collective consumption goods for its citizens. This duty is partly the result of expectation (1), above, but it is more directly an expectation derived from the taxes paid to the state by its citizens. The body of citizens pays in, and it expects to get collective goods and services in return. This obligation was particularly strong during the Keynesian era, where the state spending played an extremely large role in society. (3) The state must ensure that the political rights of citizens are protected. This means making and enforcing

laws that protect democracy and enfranchisement for citizens. There was of course considerable doubt as to whether the US state was meeting this expectation during the 2000 US Presidential election. (4) The state must play a role in reproducing a coherent community of interest among its citizens. In order for the state to be legitimate, it must preside over a populace that believes itself to be a community with a common political interest. If such a common political interest does not exist – if, for example, there exist within one state several communities of common political interest who call for their own self-determination, as in the former Yugoslavia – the idea of a single state with one citizenry becomes politically unstable. The most important way the national state has reproduced a community of common interest is by fostering nationalism among its citizens. A central and institutionalized feature of this project is public schooling, where students are steeped in the logic of nationalist doctrine. (5) The state must protect its citizens from physical harm. This requires that the state defend its borders from invasion by outsiders and that it maintain order within its boundaries by effectively policing its territory. This expectation caused difficulty for the City of Los Angeles during the 1992 uprising when many thought the LAPD retreated from the developing unrest at Florence and Normandie, allowing it to spread rather than containing it.

Obligations for the socio-economic welfare of citizens (predicated on continued stable accumulation) are apparent in these five obligations, especially in (1) and (2). These socio-economic duties certainly reached their peak in the Keynesian era between 1945–73 when the parameters of citizenship were expanded to include rights to social well being along the lines of T.H. Marshall's formulation (Marshall, 1965; Marshall, 1991; van Gunsteren, 1998). But even if the state is retreating from the provision of social welfare as many theorists have argued, this does not necessarily mean a commensurate atrophy of the political *expectations* for welfare among liberal democratic citizens. Citizens' Marshallian expectation that the state will ensure their level of social goods will be very difficult to erase, even if economic restructuring seem to suggest a need for a leaner, less socially obligated state. Expectations can remain in place even as the state begins to retreat from meeting those expectations. As Ronald Beiner writes,

the modern welfare state was intended to embody a definite *civic* ideal, in the sense that it grew out of the conviction that the state would have to guarantee a modicum of material security in an insecure world if it were serious about giving a content to citizenship that a relentlessly market-based society would otherwise betray without limit. In this respect, the willingness of contemporary Western democracies to tolerate a much greater flux in the

structures of economic life [Peck and Tickell's 'jungle law' of neo-liberalism] ... cannot help but be symptomatic of a profound crisis of citizenship.

(Beiner, 1995: 20-1)

More than a crisis of citizenship, a retreat from welfare can entail a crisis of state-citizen legitimacy as the state fails to meet the expectations of citizens. Michael Ignatieff (1995) latches on to expectation (3), above, when he sets out a contradiction, noted before him by Marx, between the formal equality of citizens in a liberal democracy and their actual material inequality. He argues that the Keynesian welfare state and its provisions for social welfare were an attempt to partly resolve this ongoing contradiction by offering a measure of socio-economic security to all citizens in order to be seen as meeting the obligation to ensure political equality. Like Beiner, Ignatieff hypothesizes that the present move toward neo-liberalism and away from social insurance will entail a breakdown in civic relationship between state and citizens as the market intensifies material inequality. The contradiction between citizens' political equality and their economic inequality will therefore grow stronger, making political equality (which the state is expected to ensure) seem increasingly to be a lie. What we are likely to see, he argues, is a pendular return to a new set of welfare policies as a way to forestall the crisis of citizenship (and state legitimacy) that neo-liberalism must engender (Ignatieff, 1995).

A return to welfare is one way to resolve the mismatch between state policy and citizen expectations. Another option is for the state to work toward restructuring citizen expectations so that it can more safely retreat from welfare. In the US, UK and Canada, the shift away from welfare has involved a concomitant attempt to rewrite the contract of expectations between state and citizen (Peck, 2001). Welfare policies in all three countries have sought to introduce the expectation that in return for welfare benefits each recipient has the obligation to contribute to society, usually through labour in the open market (Smith, 1995; Secretary of State for Social Security, 1998; Mayson, 1999; White, 2000). The idea of citizen obligation in exchange for social welfare can actually be found quite clearly in Marshall, but the dominant discourse in the welfare state has emphasized the *right* of each citizen to a minimum income. A focus on state-citizen legitimacy reveals that social welfare policies are much more than just a component of the economic relationship between aggregate supply and demand as the methodological narrowness of regulation theory has tended to imply. Welfare policies are also a crucial aspect of the political relationship between a state and its citizens. Any restructuring of the welfare policy ensemble will require a related restructuring of political relationships as well.

Other scholars have noted the political difficulty the state will face in retreating from welfare. Philip Cerny argues that:

so long as the welfare of the people in a capitalist society was secured at least minimally by the state and protected from the full commodification of the market by national politics ... than the image of the national *Gemeinschaft* as the route to the common good could persist, even strengthen and expand, over the entire globe. The latent crisis of the nation-state today involves the erosion of that *Gemeinschaft* and the fragmenting of the political bond from both above and below.

(Cerny, 1997: 255)

The rise of what Cerny calls the 'competition state', a state structured to be leaner and more economically competitive, has created political instability in the nation-state as states are no longer able to insulate citizens from economic downturn through welfare policies (Cerny, 1992; Cerny, 1995). Cerny suggests that the retreat from welfare may be temporary; that capital requires that the welfare state be periodically 'beaten back', so that it does not grow so large that it inhibits economic growth. Payne and Skelcher (1997) make a similar argument in discussing the rise of local quangos in Britain. They suggest that a shift to local quangos has meant a shift from elected bodies to unelected ones as distributors of public services. This shift, while possibly enhancing the economic competitiveness of local areas, 'may undermine the legitimacy of the governmental system as a whole' in Britain (Payne and Skelcher, 1997: 223-4). Theret, for his part, has warned of a slightly different scenario whereby the neoliberal entrenchment of the Canadian state threatens the legitimacy and cohesion of the Canadian federal agreement (Theret, 1999: 507). Others have similarly warned of 'the perils of the welfare state's withdrawal' and the problems with state legitimacy that can be the result (Esser and Hirsch, 1994; Schmidt, 1995; Ferge, 1997; Majone, 1999).

In making policy and in undertaking any structural adjustment, the state must effectively balance the many elements of the mutual expectations it shares with its citizens in order to prevent the destabilization of its legitimacy. In the above examples concerning welfare, state elites might on balance decide that avoiding a crisis of citizenship is presently more important for overall legitimacy than is ensuring economic competitiveness. Two years later, the state might make the opposite evaluation. More probably, state policies as a whole will continually involve a contradictory mixture of both. Whatever the decision, state actors will ultimately take such decisions based on a range of pressures. Economic considerations will undoubtedly be crucial, but more purely political concerns about state-citizen legitimacy will play a key role as well.



Of course the assemblage of mutual obligations between state and citizens is not fixed. It continually evolves over time as the state and its citizens renegotiate their agreements. One way the contract can evolve is by means of its internal contradictions. Just as capitalism evolves dialectically through the twin processes of crisis and resolution, so we can think of the agreement between state and citizens as remaking itself in a dialectical fashion. To take our simplified example of welfare retreat, if two elements of the agreement stand in contradiction (as when accumulation requires welfare and citizens continue to expect welfare), the state will tend to oscillate between a welfare-rich mix of policies and a relatively welfare-rich mix. A dialectic opposition between policies can develop such that the structure of the agreement is gradually transformed, perhaps by the atrophy of one obligation and the strengthening of the other. The state in liberal democracies cannot simply alter by fiat the mutual expectations between state and citizens. It can only change expectations by nudging them out of a condition of contradiction and toward a more stable structure. All the while, the state must preserve some minimal level of balance between the conflicting obligations so that its legitimacy can be maintained. The shadow cast by the imperative of state-citizen legitimacy means that the state will be quite constrained in its attempts to formulate a set of policies that respond to changing economic imperatives. Economic imperatives may require a leaner, more competitive state, but they will often be sharply mitigated by the political imperative of citizen expectations.

### POSSIBILITIES FOR EXPANDING THE PRESENT REGULATIONIST ANALYSIS

In order to illustrate how more attention to the state-citizen relation can improve the analysis of state restructuring and the role the state will play in regulation, I expand below on two of the regulationist analyses of the state mentioned above: (1) the shift in policy from a welfare state to a welfare state and (2) state re-scaling. To briefly restate, the weight of regulationist analysis suggests that the state will move from a set of welfare-oriented policies to a set of welfare-oriented policies to better meet the new economic imperatives that stress supply-side competition. Recall that the terms welfare and welfare are used here broadly, to refer to the policy ensembles associated with demand-side intervention and social redistribution (welfare) and supply-side intervention and economic competitiveness (welfare). Despite the dominant regulationist narrative, however, economic imperatives such as propping up market demand in Fordism are not the only impetus for welfare policies. They have also been a central element of the set of mutual expectations that liberal democracies share with their citizens. Thus they cannot be withdrawn

when economic change renders them less effective for ensuring accumulation, since citizens will likely continue to expect a certain policy ensemble even after its usefulness to the economy has passed. A retreat from social policy, if it is rapid and comprehensive enough, will contravene the expectations of the citizenry and can precipitate a crisis of legitimacy for the state (Feigenbaum *et al.*, 1998). On the other hand, the state is also expected to ensure economic opportunity for its citizens. In an economy that features volatile labour markets and highly mobile capital, a state will need to provide job training opportunities and local investment stimuli in order to avoid the political instability that would result from a widespread unemployment.

Thus in navigating between welfare and welfare the state is caught between distinct obligations in its relationship with citizens. If it moves wholesale toward welfare, it will fail to meet citizens' expectations of welfare and can precipitate a crisis of state legitimacy. If it continues with welfare and eschews any move toward welfare, it would fail to mitigate the negative economic impact on citizens due to economic restructuring and could likewise precipitate a crisis of state legitimacy (Pierson, 1996). Either strategy, moreover, has the potential to cause a more general crisis of capitalist and societal legitimacy. If we are presently seeing an overall shift toward welfare and away from welfare, the state is working to meet the economic opportunity provision of its pact with citizens while it is violating its social policy provision. This violation cannot continue indefinitely and unproblematically. Either the state will have to swing back toward welfare (even if the economy has no imperative for it), or it will have to restructure its mutual expectations with its citizens to reduce the political pressure to provide welfare. The most likely scenario will be a complex and geographically uneven combination of both: an ongoing oscillation between continually evolving versions of welfare and welfare states – all the while struggling to avoid a crisis of state legitimacy – until the state/citizen relationship is restructured so that either welfare or welfare is no longer a fundamental expectation citizens have of the state. In addition to the contradictions inherent in capitalism, a primary concern for the state will be the contradictions inherent in the political relationship between state and citizen. The state's main goal will be to restructure its obligations to its citizens in a way that is compatible with prevailing economic imperatives but that also minimizes the political contradictions between state and citizen.

However the state resolves the contradictions and reproduces the political relations that sustain it, the process is likely to be more complex than a tendential shift to welfare as required by the changing regime of accumulation. I suggest the dialectic process of development posited above provides a good model. The state will move between a relatively welfare-rich policy ensemble and a relatively welfare-rich

policy ensemble until one or the other can be progressively choked off as a primary duty the state has to its citizens. Admittedly, it is more likely that the state will be able to atrophy the welfare responsibility than the economic stability responsibility. Thus, if the post-Fordist economy continues to require a welfare policy mix (although the economy too is constantly evolving), the likelihood is that the state will eventually work to reduce its welfare responsibility and move toward a welfare state. This *would* result in the tendential shift posited by regime theorists, but the shift would be messier and more politically contingent than the regulationist account implies.

The second and more geographical aspect of state restructuring offered by regulationists is that of state re-scaling. The argument is that the world economy has undergone a progressive re-scaling to become at once more global and more regional (sub-national) in character. The national-scale state, in this situation, is increasingly inappropriate for governing economic activity. Thus, regulation theorists argue, there is an economic imperative for states and governance institutions at both the supra-national and sub-national scales to provide an appropriate scalar institution to regulate economic activity. The result has been the rise of supra-national state-like institutions and sub-national-scale state and governance institutions.

To focus on the local scale, the argument is that the internationalization of capital and its increasing mobility has also meant growing competition among regions for capital investment. A new boosterism has arisen in which regions compete with each other to capture more mobile capital for local investment much more so than they did in the past (Boyle, 1999; Short, 1999). Institutions that promote regional economic cooperation have proliferated, in Seattle, Chicago, San Francisco, and other places in an effort to more effectively attract capital to urban regions (Brenner, forthcoming). Furthermore, theorists of flexible specialization argue that the new economy has given rise to new industrial regions where industries cluster geographically and specialize in a certain sector, such as electronics, aerospace, or high technology. These are triggered, they argue, by the increasing importance of positive external economies in the post-Fordist regime of accumulation coupled with continuing spatial transactions cost as the friction of distance has not yet entirely disappeared (Piore and Sabel, 1984; Christopherson and Storper, 1989; Hirst and Zeitlin, 1989; Sabel, 1989; Best, 1990; Porter, 1990; Scott, 1993; Sabel, 1994; Saxenian, 1994; Storper, 1997). This 'regionalization' of the global economy has meant the need for a regionalization of the national-state - a devolution of responsibilities to the local state. This analysis of re-scaling is compelling, and it is in part playing out in many regions in the developed economies. However, the overall thrust of the argument, because it focuses so heavily on how the state helps ensure

accumulation, implicitly reduces the state's scalar restructuring to a response to the changing needs of capital.

If we expand the analysis to also include state action motivated by a concern for state-citizen legitimacy as well as by the needs of the economy, we might see the devolution of authority alternatively as a strategy pursued by the national state to insulate itself from the citizen discontent during a period of economic and political restructuring. As the national state works to manage the contradictions in its obligations to citizens between the responsibility for welfare and the need for workfare, it will be subject to some measure of citizen discontent as it falls short either in providing collective consumption or in providing economic opportunity. My analysis above suggests that an oscillation in policy between welfare and workfare may allow the state to avoid a general crisis of legitimacy, but lower levels of discontent are unavoidable given the contradictions in state responsibilities around this issue. The national state might prevent the discontent from growing into a destabilizing legitimacy crisis if it can blunt discontent by diffusing it geographically downward to the local state, so that citizens' ire is not focused on the national-scale state. Local crises of legitimacy may arise, but unless they coalesce into a nation-wide movement, the national state will be largely insulated from an overall legitimacy crisis. Moreover, in addition to being trapped at the sub-national scale, the discontent would be geographically uneven, as richer local governments in richer regional economies will be able to maintain a higher level of social services while poorer governments will be forced to offer a relatively lower level. This geographical unevenness will make a unified national movement less likely, further protecting the national state from a destabilizing legitimacy crisis. Thus re-scaling could also be seen in part as a strategy for the national state to ease the political pitfalls associated with the transition away from Keynesian welfare and to avoid a crisis of state legitimacy. Devolution would allow the state to rework the welfare/workfare tensions embedded in the state-citizen relation within a scaled shell of political immunity. To regulation theory's stress on the imperative of accumulation and competition, this account would add the more overtly political imperative of state-citizen legitimacy. The challenges of the present economic crisis are real, and they are influencing state policy greatly. But the state's actual response to the needs of the new regime of accumulation will be a much more complicated and contradictory one as it strives to meet its varied obligations in its political contract with its citizens. Whatever the aggregate response will be, it is crucial to understand how the state will construct a response that is designed not only to defend accumulation, but also to preserve state-citizen political legitimacy.

### CRISIS OF LEGITIMACY IN THE LOCAL STATE IN LOS ANGELES

I offer the following empirical example<sup>7</sup> as an illustration of the complex political context in which states are responding to economic restructuring. I present the case of the local state in Los Angeles as an illustration of how the state can be swayed by imperatives beyond that of accumulation, and how the imperatives of accumulation and state-citizen legitimacy can stand in contradiction. In the Los Angeles case, the local state has increasingly found it necessary to tend to its legitimacy, even when that imperative conflicts with that of local economic accumulation. Since the regulation approach is a macro-scale theory, the behaviour of a single local state does not confirm or refute its generalist claims. The example of Los Angeles is intended more to offer a rich description of how the imperative of legitimacy can make the reality of state restructuring significantly more complicated than the regulationist account would make it seem.

The city of Los Angeles is an extremely large municipal government that contains about 3.5 million people. Over the past five years or so, the city has been subject to a developing legitimacy crisis with respect to the state-citizen relation. Secession movements have sprouted in several areas of the city, from the harbour area in the south to the San Fernando Valley in the north. Secessionists complain that city government is too large and is therefore unresponsive. They believe they are disenfranchised as citizens and that representatives do not adequately see to their needs. And they are widely dissatisfied with how the city allocates collective consumption goods (Purcell, 2001). The city recently acknowledged the depth of the discontent when it decided to entirely rewrite the city charter, mainly to address the concerns of critics and to defuse secession efforts. The new charter was adopted in 1999, but it is unclear if the new government structure will assuage the discontent.

Regulationist analysis sees state devolution to the local and regional level primarily as a strategy to create a state structure more appropriate to the 'glocalizing' world economy. However, if we see re-scaling instead as a move toward geographically diffusing political instability in the wake of welfare retrenchment, we can expect many local states to struggle with growing crises of legitimacy as their responsibilities grow, and their abilities to meet those responsibilities either shrink or stay the same. To a great extent, state re-scaling has contributed to Los Angeles' present crisis.<sup>8</sup> The retreat of federal government money, especially under presidents Reagan and Bush, greatly hampered the city's ability to provide adequate collective consumption goods across its vast territory, and it intensified the geographical struggle over collective consumption by rendering those resources more scarce. All areas in the city have long

complained that their locality is ignored by city government, and these complaints have begun to boil over as Los Angeles has been given more responsibilities but not the power and financial resources to meet those responsibilities (Peck and Tickell, 1994). The new mismatch between the local state's responsibilities and its abilities has thus worked to exacerbate the displeasure of Angelenos with city government, perhaps most keenly in the area of collective consumption.<sup>9</sup>

The current legitimacy crisis is also the result of the substantive policy shifts toward competitiveness that Los Angeles has recently undertaken. In many ways, Los Angeles stands as a model for the type of policy restructuring that regulation theorists predict for local government (Stoker, 1990; Mayer, 1991; Painter, 1991; Goodwin, Duncan *et al.*, 1993; Mayer, 1994; Stoker and Mossberger, 1995). The city has worked to make itself more competitive in an era of global capital. It has pursued public-private partnerships (PPPs) with zeal. It features a permanent PPP called the Community Redevelopment Agency (CRA) that oversees local redevelopment schemes. In addition, more temporary, project-specific PPPs are common in Los Angeles and are typical of local states in the developed economies (Fainstein *et al.*, 1986; Eisinger, 1988; Squires, 1989; Harvey, 1989b; Stephenson, 1991; Krumholz, 1999). The city has turned frequently to 'third sector' institutions such as Community Development Corporations and other non-profit groups to provide collective consumption goods such as low-cost housing and commercial redevelopment, again a typical strategy (Peirce and Steinbach, 1990; Vidal, 1992; Stoecker, 1997; Keating, 1990 #2190). Also typical is the city's recent efforts to expand its transportation infrastructure to encourage the growth of trade. The city and other area local governments have launched a multi-billion dollar project underwritten by federal grants to build a truck and high-speed rail right of way (called the Alameda Corridor) between the port and downtown Los Angeles. Mayor Richard Riordan recently proffered a \$10 billion plan to significantly expand the Los Angeles International Airport. Riordan contends that the economic health of the region depends on significantly expanding the airport's capacity (Pasco, 1999).

Los Angeles County's welfare-to-work programme, like many others in the US and beyond, is a diverse set of institutions whose overall design is to move recipients into the labour market, making it more flexible. The various programs focus on education, training, and job search, as well as temporary financial assistance (which is usually for a maximum of 60 months). Participants must sign an actual contract that outlines the respective responsibilities of the participant and the county. These changes in local government policy are being undertaken with an eye toward the region becoming more competitive economically. The mayor's Office of Economic Development, which is closely tied to the local booster community, trumpets Los Angeles as the 'Capital City for the 21st Century'

especially with respect to investment and trade. Overall, the regulationist account would seem to apply well to Los Angeles: the city has struggled with the increased responsibility and diminished capacity characteristic of state re-scaling, and it has pursued new policy strategies to better enable investment and more flexible labour markets in the region.

However, the procession towards competitiveness is not necessarily so tendential as the regulationist analysis would suggest. Many of the city's efforts to stimulate economic growth by creating a leaner, more entrepreneurial local state have gotten it into profound trouble with its citizens, and particularly with local activists. The Community Redevelopment Agency, for example, is regularly blasted at neighbourhood meetings for its anti-democratic structure and for its habit of granting large government subsidies to development schemes that are opposed by local residents. A former Los Angeles City Councilman named Ermani Bernardi has sued the agency several times, most recently to preserve a \$750 million spending cap on its downtown redevelopment projects (Martin, 1997). The CRA is encountering increasing local opposition to its projects. CRA critics complain that the agency's decision-makers are unelected and unaccountable to citizens, yet they make decisions that profoundly alter citizens' local geographies. Furthermore, opponents argue, the unelected boards are empowered to distribute large amounts of the taxpayers' money to help build development projects that local residents are opposed to in the first place. The new 'streamlined' structure of these quasi-state governance institutions is precisely the kind of competitive-ness adaptation that a SWPR theorist might predict, but it is also precisely what citizens are objecting to. Opposition has not brought redevelopment to a halt, but the agency has contributed greatly to the growing feeling of disenfranchisement among local citizens.

Other instances of the state's shaky legitimacy abound in Los Angeles. Perhaps the most important was the case of the new charter. The architects of the charter have all clearly expressed in interviews and informal conversations that their central goal in writing the charter was to strike a balance between the desires of regional business interests for a more competitive city and the desires of disgruntled citizens for a more responsive government. They were very worried that a failed charter reform process would increase the likelihood of widespread secession. In the case of the charter, a desire to make the city more competitive was strongly balanced by a need to placate simmering citizen discontent.

Perhaps no example better illustrates the tension between economic competitiveness and political legitimacy than the recently completed Staples Center project, now home to the Los Angeles Kings, Los Angeles Lakers, and Los Angeles Clippers. The Lakers and Kings were playing in the outdated Great Western Forum in the City of Inglewood and wanted to build a new arena. They entered into negotiations with the

City of Los Angeles to begin a project in downtown Los Angeles, just north of the city's convention centre. At the outset the city was represented in negotiations by Steve Soboroff, a local commercial real estate broker who was an unofficial advisor to Mayor Richard Riordan but who held no official government position (in 2001 he failed in his candidacy for mayor). The early negotiations took place out of public view until a local reporter discovered the story and began writing columns critical of the clandestine nature of the process (Boyersky, 1997; Boyarsky, 1997). The columns stirred up further opposition, primarily from populist councilman Joel Wachs and a network of activist neighbourhood associations. Soboroff had been negotiating a deal that, as in many other cities, would be immensely favourable to arena developers (Keating, 1997). He was offering tax breaks, nominal rent, and at least \$70 million in public money toward the arena's estimated \$250 million cost.

Wachs decried both the secrecy and the favourable terms of the deal. He started a group called 'Citizens Against Secret Handouts' (CASH) and began sending out mailings that proclaimed the grave concern people have about 'giving their hard earned tax dollars to billionaire team owners and mega-millionaire players'. He urged that the city drive a harder, less costly bargain. However, Wachs was only one vote on a council of 15, and he was the only council member willing to take a stand on the issue. He sensed a political opportunity though, as there was significant displeasure with the giveaways among local activists. He gambled that this resistance ran deep enough for him to go out on a political limb. He knew he could not muster enough votes on the council, so he launched a city ballot initiative that would have rewritten city law to require that any new sports facility receiving public funds would have to be approved by voter referendum. He began campaigning for his ballot measure, speaking with great flair at neighbourhood association meetings in various parts of the city. He was playing to extremely favourable responses, and it appeared as if a genuine movement was developing to pass the initiative.

Soboroff and the developers took Wachs' initiative to be a real threat, and they began asking if they could share the stage with Wachs at the association meetings. Soboroff and the developers offered standard economic development arguments. Investment in the city is good for all, they said; it creates jobs and boosts city revenue. If the city doesn't offer favourable terms, the developers will build in a city that will. Residents responded to these arguments with outright contempt. At several meetings I witnessed, the developers were nearly jeered off the dais. They saw the arena deal as yet another case of their government arrogantly ignoring their interests. As the anti-arena movement developed, and it appeared Wachs' initiative might significantly delay or derail the project, the developers began to renegotiate the terms of the deal. Eventually

Wachs and the activists won: an agreement was reached whereby virtually all of the risk and cost of the development was assumed by the developers and very little by the city. In effect, the developers were welcome to build in Los Angeles, but they would receive relatively little financial assistance from the city to do so. The city knew that the developers could go elsewhere if its terms were not competitive with those of other cities, but in city government that fear was outweighed on this issue by concerns about a backlash from constituents for spending their taxes on a project they didn't really want. In the context of a growing local-state legitimacy crisis, the city feared the wrath of their citizenry more than they feared capital flight. In the end, the developers chose to absorb the costs and go ahead with the project rather than seek another municipality. Wachs' gamble paid off in an extraordinary political victory whereby the city chose to assuage the discontent among its citizens rather than meet the imperatives of economic development.

The Los Angeles case does not prove the primacy of state legitimacy to the policy decisions of local states, but it does illustrate how concerns about state-citizen legitimacy can sway state decisions, even when they run counter to local economic competitiveness. What I think the case of Los Angeles illustrates is that (1) state-citizen legitimacy and accumulation are both necessary imperatives that will play an important role in state policy and state restructuring; (2) these imperatives can correspond, but they can also contradict each other; and (3) state restructuring in an era of capitalist crisis will be significantly more complicated and affected by concerns about state-citizen legitimacy than a narrow methodological focus on economic regulation would predict. The case of the Staples Center suggests how these three principles might look in practice. The case of Los Angeles as a whole suggests that including the issue of state political legitimacy in the analytical mix can help appreciate some of the intricacy of state restructuring. In responding to the changes in the regime of accumulation, the state must negotiate more than just the needs of capital. It must also avoid crises of state legitimacy.

## CONCLUSION

In short, it is not necessarily clear that the state will move smoothly and tentatively toward a globalized Schumpeterian workfare state. I propose that a more likely future entails a complex effort by the state to restructure itself while maintaining political legitimacy. This effort will certainly entail a struggle to adapt to the changing needs of the world economy, but it will include much more besides. The process will be messy, contradictory, and geographically uneven. The City of Los Angeles, for example, is presently in a phase where state-citizen legitimacy has many times taken precedence over the imperative of accumulation.

More generally, in the case of welfare/workfare there will be a continuing tension between retreat from welfare and the need for workfare. The imperative for accumulation may require a SWPR, but the welfare component of the mutual expectations between state and citizens makes such a shift problematic for state legitimacy. The state may in the end become a full-fledged SWPR, but for capitalist democracies such a move will require renegotiating the mutual expectations with their citizens, a difficult and highly political project. I have posited a dialectic progression – a 'wobbling' back and forth between welfare-rich and workfare-rich policy ensembles until one or the other can be diminished as an imperative for legitimacy. For state re-scaling, it is important to give specific attention to the role state-citizen legitimacy will play in the process. As the national-scale state struggles with both a diminished capacity to regulate international capital flows and the dangerous trick of retreating from welfare, it will need to deflect discontent. By geographically diffusing discontent the national state is taking the reasonable gamble the discontent will remain at the local level and not work its way up the scales to focus on the national state. This scalar strategy will likely be mixed with a welfare/workfare 'wobbling' to maintain state legitimacy.

So the process of state restructuring is larger, more complicated, and more political than the present narrow methodological frame of regulation theory perceives. Any transition to a post-Fordist state, whether it is re-scaled, hollowed-out, glocalized, Schumpeterian, workfare, or other, will be messier, less unidirectional, and more geographically uneven than regulation theory implies. The state is fundamentally a political institution as well as an economic one. Adding the imperative of state-citizen relations to the regulationist focus on capitalist relations, I argue, offers a more comprehensive way of thinking about the state, and it allows for an expanded analysis of both state restructuring and the state's role in the regulation of the capitalist economy. Such an approach, I believe, is compatible with the regulationist project. As I have argued, the too apolitical analysis of the state in regulationist work is more the product of the literature's primary methodological focus on the continued hegemony of capitalist relations. Integrating the new focus I have outlined requires (1) more direct attention to the state as a key component of the mode of regulation, and (2) a more expansive and self-consciously political approach to the state, one that proceeds from the assumption that one of the state's paramount concerns is state-citizen legitimacy. I believe such an expansion of the methodological focus advances the analysis of both state restructuring and economic regulation without fundamentally altering the regulationist project, and it helps reinvigorate analysis of the political aspects of political economy.

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NOTES

- 1 Other approaches in political economy that focus on the recent round of global economic restructuring, such as debates in globalization theory (Harvey, 1995; Held, 1995; Hirst and Thompson, 1995; Wade, 1996) and flexible specialization (Piore and Sabel, 1984; Hirst and Zeitlin, 1991; Sabel, 1992), are similarly subject to the critique to the extent they share with regulation theory an overly narrow account of the state. I base the paper's critique around the regulation tradition, but the critique extends beyond regulation theory to all approaches in political economy that devote insufficient attention to the political imperatives of state restructuring.
- 2 Again, to an extent I am folding the flexible specialization approach into the regulation approach. I do not claim that the two are equivalent. However, the central critique holds equally for the flexible specialization approach as for the regulationist approach. If the regulation approach under-theorizes the political imperatives that shape the state, the flexible specialization approach effectively ignores it. Thus, I critique it as a subset of the regulation approach, since it would provide no solution to regulation theory's methodological narrowness with respect to the state.
- 3 The terms 'welfare' and 'workfare' are used throughout the paper to refer to the larger policy ensembles that I have termed 'collective consumption' and 'collective stimulus to production', respectively. They are not used refer to the more specific policy shift of 'welfare to work' codified in the 1996 Welfare Reform Act in the US.
- 4 Piven and Cloward attack the idea that state restructuring is a reaction to global economic restructuring (Piven and Cloward, 1997). They argue instead that the retreat from social welfare in the US is the result of a concerted political offensive on the part of capital to dismantle the political gains won by labour during the Fordist era. For them, the move away from welfare is better seen as the result of a political victory for capital over a weak political resistance by labour, rather than a rational response by the state to new economic imperatives.
- 5 Jamie Peck and Nik Theodore's recent work on welfare reform suggests a distinctly political set of motives have been key in driving the transition from welfare to 'workfare', a process which constitutes a significant part of the broader shift from the KWNS to the SWPR (Peck, 2001; Peck and Theodore, 2001).
- 6 This list is not meant to be exhaustive, but rather to give a sense of the range of the state's responsibilities.
- 7 The account draws on two years of field data collected in Los Angeles between 1997 and 1999. The project was designed to understand the role that neighbourhood movements played in local politics. It collected primarily qualitative data: interviews, ethnographic observation, archival sources, and a mailed survey. Neighbourhood groups were involved in a diverse range of issues, such as secession, charter reform, school district reorganization,

and the more common local land-use struggles. As the Staples Center project developed, neighbourhood groups became increasingly involved. The data collected on Staples include interviews with neighbourhood-group members and elected officials, observation of neighbourhood-group and city council meetings, and archival sources (primarily material from the anti-arena group) and Los Angeles Times articles, which themselves played an important role in the politics.

8 Evidence that this re-scaling of responsibility has 'stuck' can be seen in California Governor Pete Wilson's recent attempts to deflect responsibility back up to the federal level. He sued the federal government for \$15 billion in damages resulting from the federal government's alleged failure to control what he called the 'invasion' of undocumented persons into California from Mexico and other places in Latin America (Freedberg, 1997). His argument was that the federal government fails in its responsibility to keep them from entering, and California and its counties are responsible for providing social services for the immigrants. Without comment, the US Supreme Court denied Wilson's eventual appeals. In grandiose fashion Wilson's suit made a point, but it entirely failed to launch any sort of widespread questioning of the devolution of responsibility that was the target of its ire.

9 It is important to note, however, that the present crisis is also endogenously driven to a significant degree. Secession movements in Los Angeles have a long history, especially in the Valley. The present crisis is partly a result of politics that stem from the unique local history and geography of the city. The discontent in the Valley, for example, runs back to a dubious real estate swindle in which the Valley was railroaded into joining the City of Los Angeles in 1915. The Valley has felt ignored by the remaining city throughout the twentieth century and has made periodic secession attempts. The degree to which such endogenous variables are in place will of course contribute to the geographical unevenness of the political crises of local states as state re-scaling continues.

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