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HANDBOOKS

# Handbook of Local and Regional Development

Edited by Andy Pike, Andrés Rodríguez-Pose and  
John Tomaney

# Handbook of Local and Regional Development

The *Handbook of Local and Regional Development* provides a comprehensive statement and reference point for local and regional development. The scope of this Handbook's coverage and contributions engages with and reflects upon the politics and policy of how we think about and practise local and regional development, encouraging dialogue across the disciplinary barriers between notions of 'Local and Regional Development' in the Global North and 'Development Studies' in the Global South.

This Handbook is organized into seven inter-related sections, with an introductory chapter setting out the rationale, aims and structure of the Handbook. Section I situates local and regional development in its global context. Section II establishes the key issues in understanding the principles and values that help us define what is meant by local and regional development. Section III critically reviews the current diversity and variety of conceptual and theoretical approaches to local and regional development. Section IV addresses questions of government and governance. Section V connects critically with the array of contemporary approaches to local and regional development policy. Section VI is an explicitly global review of perspectives on local and regional development from Africa, Asia-Pacific, Europe, Latin and North America. Section VII provides reflection and discussion of the futures for local and regional development in an international and multidisciplinary context.

With over 40 contributions from leading international scholars in the field, this Handbook provides critical reviews and appraisals of current state-of-the-art conceptual and theoretical approaches and future developments in local and regional development.

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“This indispensable Handbook is one-stop shopping for any course on regional or urban development. Those seeking to understand how regions can develop or transform their economies in an increasingly competitive global environment must read the groundbreaking analyses assembled by Pike, Rodríguez, and Tomaney.”

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“A comprehensive review of the theory and practice of local and regional development, emphasizing the capabilities, learning and governance, with a robustly comparative and international perspective, edited by major scholars in the field.”

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“This is a path-breaking collection of cutting-edge thinking on local and regional development written by a large number of influential scholars whose collective wisdom has clearly defined this important field of enquiry. The work sets a new benchmark for understanding, scholarship and practice.”

Henry Yeung, *Professor of Economic Geography, National University of Singapore, Singapore.*

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*Edited by*  
Andy Pike, Andrés Rodríguez-Pose  
and John Tomaney

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For Michelle, Ella, Connell and my parents

To my friends, colleagues and students at the LSE, who have taught me more than I ever imagined

For my parents, Jim and Sylvia Tomaney



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## Introduction

# A handbook of local and regional development

*Andy Pike, Andrés Rodríguez-Pose and John Tomaney*

### Introduction

The problematic of development regionally and locally sits at a difficult and uneasy conjuncture. Improvement of living conditions, decentralisation, prosperity, wellbeing and life chances for people and places internationally is ever more important in a world of heightened inequalities and inequities and intensifying environmental pressures. Yet powerful social forces are shifting the context and shaping formidable challenges to the understanding, role and purpose of local and regional development. Even before the tumultuous events triggered by the financial crisis at the end of the opening decade of the twenty-first century, numerous assessments already pointed toward the mounting discredit and ineffectiveness of development models nationally, questioned the role of states and other institutions in promoting development and even challenged the purpose and rationale for any form of spatial policy. Doubt was cast too upon the relative weaknesses and inabilities of local and regional agency to influence the profound and transnational challenges of – *inter alia* – energy and food insecurity, climate change and demographic shifts in the context of globalisation. Other views, however, countered that local and

regional development was broadening beyond a narrow focus on the economic to encompass the social and the ecological. They argued too that centralisation provided opportunities to give particular meanings to development and contest prevailing orthodoxies, better tailor policy and resources to local and regional conditions and mobilise latent economic and social potential. Indeed, it was contended that it was regional and local institutions that were especially well placed for constructing and nurturing the collective capacities to adapt to and mitigate constant, far-reaching and disruptive global change. Amidst such differing views in a changing and challenging context, this collection is timely in seeking to take stock and consider current thinking and practice in local and regional development.

Building upon our previous integrative work (Pike *et al.* 2006, 2007), the genesis of this Handbook lies in an effort to begin more systematically and rigorously to map out the terrain of local and regional development in an international and multi-disciplinary context. The powerful and contradictory currents buffeting, questioning and reinforcing development regionally and locally underline the need for a broadly based collection that attempts to bring together and reflect upon



current thinking and provide a reference point for multi-disciplinary and international work in the field. More specifically, the Handbook aims:

- i) To provide critical reviews and appraisals of the current state of the art and future development of conceptual and theoretical approaches as well as empirical knowledge and understanding of local and regional development.
- ii) To connect and encourage dialogue between the (sub-)disciplinary domains between 'Local and Regional Development' in the Global North and 'Development Studies' in the Global South through the international outlook and reach of its coverage and contributors.
- iii) To engage with and reflect upon the politics and policy of how we think about and practise local and regional development.

To fulfil such aims, contributions have been sought from leading voices concerned with issues of development across the disciplines internationally. We make no claim to any exhaustive comprehensiveness – no doubt other topics, authors, disciplines and/or geographies might have been included – but we have sought to identify and incorporate what we believe are the most important and resonant issues for local and regional development. To frame what follows, this introduction identifies and elaborates three central themes motivating and animating the Handbook: the meanings given to local and regional development in an international and multi-disciplinary context; addressing the tensions between context sensitivity and place in their articulation with universalising, 'placeless' concepts, theories and models of local and regional development; and, connecting considerations of development regionally and locally in the global North and South. The organisation of the Handbook is then outlined.

## Defining development regionally and locally

The definitions and meanings of development regionally and locally become centrally important when considered in a more international and multi-disciplinary context. The geographical differentiation and change over time in what constitutes 'local and regional development' within and between countries are amplified internationally. Changing and contested definitions of development seek to encompass and reflect geographical variation and uneven economic, social, political, cultural and environmental conditions and legacies in different places across the world. The search for any singular, homogenous meaning is further undermined by the socially determined definitions of development that reflect the relationships and articulation of interests amongst social groups and their interpretations and understandings of their predicament. The question of 'what kind of local and regional development and for whom?' (Pike *et al.* 2007) is deliberated, constructed and articulated in different ways in different places – albeit not necessarily in the conditions of their choosing and with varying degrees and kinds of autonomy for reflective and critical engagements with dominant and prevailing orthodoxies (Gough and Eisenschitz, Cochrane, Gibson-Graham, Lovering, this volume).

Such diversity about what local and regional development means does not, however, imply that we confront a relative, context-dependent concept. Far from it, perceptions of local and regional development across the world share numerous characteristics and a growing sense that "causes and solutions... are increasingly integrated across borders and disciplines, and revolve around common if differently-experienced patterns of change and the capacity to control it" (Edwards 2007: 3). A first such current connecting local and regional development internationally is the shifting and sometimes turbulent context that imparts complexity,

inter-dependency, risk, uncertainty and rapidity of change upon any considerations of the development of localities and regions. Adaptation and adaptive capacities in regions and localities have come to the fore in order to cope with the kinds of volatile, far-reaching and profound changes unleashed by global economic challenges and successive regional and local crises – such as the Asian crisis of 1997 and the 2007–8 financial crisis. Such concerns have propelled the rapid emergence of ‘resilience’ as a developmental notion internationally, notwithstanding its conceptual and theoretical weaknesses arising from its heterogenous (sub-)disciplinary origins in Ecology, Economics, Engineering and Geography (Pike *et al.* 2010). A second and related international current is evident in the broadening of notions of development regionally and locally beyond its longstanding economic and quantitative focus to encompass sustainable social, cultural, political and environmental dimensions and more qualitative, even subjective, concerns about quality of life and wellbeing (see, for example, Cypher and Dietz 2004, Geddes and Newman 1999, Morgan 2004, Pike *et al.* 2007, Stimson and Stough 2008). In part, this change has been stimulated, first, by the widening of the notions and narrative of sustainability beyond a narrow concern with the state of the physical environment and resources to encompass the economic and the social (Christopherson, Hadjimichalis, Jonas *et al.*, Morgan, this volume). Second, such change has been prompted by the – early stage and perhaps tentative – engagement between ‘Local and Regional Development’ in the global North and the historically broader conceptions and understandings of development within ‘Development Studies’ in the global South (Mohan, this volume). As the shifting context and broadening of local and regional development issues cross international, institutional and disciplinary boundaries at different spatial levels, it prompts some reflection upon our frameworks of understanding and their (sub-)disciplinary roots.

The shifting international context of disruptive and uncertain change, coupled with the widening and intersecting domains of economy, society, environment, polity and culture that impinge upon a broader, more rounded sense of what local and regional development is, means that any single discipline – regardless of its predicament or status – is ill-equipped and perhaps ultimately unable to capture the evolving whole. We see no need, then, to claim or establish disciplinary status for ‘local and regional development’ or its like or the dominance of any singular conceptual and theoretical framework (cf. Rowe 2008). Indeed, we argue that a more fruitful way forward is to recognise that “at the very least...there is no ‘one best way’ to achieve development. No one model should be privileged, nor should any one approach to economic theory” in order to stimulate an ambition to “reimagine growth and development as an inherently thick process, encompassing multiple social processes that can be illuminated differently by insights from different disciplinary fields” (De Paula and Dymksi 2005: 14, 11). Local and regional development has such long established multi- and inter-disciplinary roots that reach up and out from especially economics, geography, planning and urban studies (Bingham and Mier 1993) and, we argue below, can extend and intertwine with ‘Development Studies’ in productive ways capable of invigorating our ability to engage with current and future challenges.

Rather than consensus and unifying, singular approaches, an aspiration for dialogue, establishing ‘trading routes’, negotiating ‘bypasses’ and ‘risky intersections’ (Grabher 2006), even contributing to ‘post-disciplinarity’ (Sayer 1999), underpins such multi- and inter-disciplinary approaches to local and regional development. Such endeavour may have potential if a meaningful ‘spatial turn’ in broader social science is underway and disciplinary boundaries are genuinely becoming more open and porous. Checks and balances in conceptual and theoretical dialogue emerge

in an open context of accountability, analysis, exchange and argument; offering the potential for the diversity of an ‘engaged pluralism’ which is active, inclusive and emancipatory in its intent (Sheppard and Plummer 2007).

Such broad-based and all-encompassing approaches to what local and regional development are are not without problems. Critics may ask what unites local and regional development and gives it coherence in such a plural context? Does such a diverse and varied conceptual and theoretical backdrop allow academics and policymakers simply to pick the theories to suit their interests and justify their interventions? We argue that the stance outlined here need not descend into such a relativist free-for-all. Rather, we see value in approaching local and regional development with multi- and inter-disciplinary insight and in promoting a dialogue aimed at stimulating understanding and explanation of the problematic of development in different local and regional contexts. This stance promotes an appreciation of politics, power relations and practice in multi-level, multi-agent and devolving systems of government and governance. It raises the normative dimensions of value judgements about the kinds of local and regional development we should be pursuing and the adaptation of frameworks in the light of foundational concerns such as accountability, democracy, equity, internationalism and solidarity (Pike *et al.* 2007, Hadjimichalis and Hudson 2007). This Handbook is our contribution to this agenda and specifically includes new and sometimes contrary contributions from leading voices working internationally in an array of (sub-) disciplinary bases in Community Studies, Development Studies, Economics, Gender Studies, Geography, Planning, Political Science, Social Policy, Sociology and Urban Studies.

## Context sensitivity and place

The longstanding and thorny question of how to reconcile the general and the particular

remains central to frameworks of understanding and the practices of local and regional development in an international and multi-disciplinary frame. Localities and regions in South Korea, Surinam and Sweden face shared issues and concerns in securing and enhancing livelihoods, prosperity and wellbeing in the context of globalisation, urbanisation and decentralisation processes. But how they address those issues and concerns is mediated by their highly geographically differentiated contexts, which reflect specific and particular growth trajectories, developmental aspirations and strategies, institutional arrangements of government and governance and other broadening dimensions shaping their development paths and strategies. In these circumstances, the challenge is how we reconcile more general concepts and theories to understand, explain and analyse global development challenges with the need meaningfully to incorporate context and place into the development equation.

An enduring view holds that local and regional development is especially dependent upon context as a consequence of its engagement with social processes in geographically differentiated and uneven spaces and places. In some ways, an inherent reading of context is ingrained in our understandings whereby the “the very nature of local or regional development – where context exerts a pivotal influence – impedes the translation of theory into practice” and shapes decisively policy intervention because of “the important influence context plays in determining the success or failure of economic development programs...not all local growth strategies work in all circumstances” (Beer 2008: 84, 85). There is even a sense that the complex, uncertain and rapid changes shaping local and regional development has heightened the importance of the specificity and particularity of geographical differentiation and uneven development in the Global North and South. Here, adjectives and conceptions of a ‘spiky’ and ‘sticky’ rather than ‘flat’ and ‘slippery’ world contest for our

understanding and explanations (see, for example, Rodríguez-Pose and Crescenzi 2008, Markusen 1996). Reflecting and understanding the richness of experiences and distinctiveness of places is clearly important but in some ways serves to underline the contingent nature of development regionally and locally. Development in this reading is witnessed at specific and particular times and places when certain conditions and tendencies meet in localities and regions.

A strong emphasis upon context has, however, its downsides and critics. Taken too far, it risks portraying local and regional development as particular, unique and unrepeatable episodes from which other people and places can learn little. From the perspectives of regional economics and regional science (see, for example, Capello and Nijkamp 2009), overly privileging context obfuscates the isolation of cause-and-effect relationships, undermines ‘observational equivalence’ and frustrates the analyst’s search for more widely applicable and generalisable knowledge and approaches as well as the “common element” upon which to base comparative and systematic international understandings, methods and analysis (Stimson and Stough 2008: 177; see also McCann 2007, Overman 2004). If, in caricature, ‘it is all different everywhere’ such critics argue that each situation ends up with a bespoke, idiosyncratic and contingent account of little explanatory use in any different context. Lessons cannot be learned and strategies and policies cannot be developed.

But such views of an overly narrow adherence to such deductive and positivist approaches to social science risk affording insufficient conceptual and theoretical weight to context and geographical differentiation. At worst, the particularities of place are treated as some kind of unexplained residual in mathematical models. This is important because if we conceive of “the economy of any country as a purely macro-economic phenomenon (e.g. national GDP, unemployment, inflation, export performance, and so on)...we often fail to grasp its full meaning

because we tend to abstract away from its underlying geography” (Scott and Garofoli 2007: 7). Overly abstracted views are especially problematic where such general concepts and theories have developed into universalising, somehow ‘placeless’ logics whose general applicability is appealing to academics and policymakers and their needs for broadly based understanding, explanation and comparison. Economic geography, for example, is wrestling with exactly this tension in the wake of the emergence of ‘new economic geography’ or ‘geographical economics’ (see Clark, *et al.* 2000). In policy circles, current international debates mirror this issue in the opposition between a ‘spatially blind’ conception of local and regional development informed by ‘new (economic) growth theory’ and its emphasis upon the agglomeration and spill-over benefits arising from the geographical concentration of growth (World Bank 2009) and the ‘place-based’ view of tackling persistent economic inefficiencies and social exclusion in specific places to promote more balanced and distributed endogenous growth as the basis for EU cohesion policy (Barca 2009; see also Rigg *et al.* 2009, and Tödtling, this volume). In development debates too, place has morphed into an ecological determinism in accounts that seek to demonstrate how low-income countries of the Global South are trapped by their geography (Mohan and Power 2009).

At the heart of this question of how better to address the differences that context and place make to our general concepts and theories of local and regional development is the nature of our abstractions. De Paula and Dymski (2005) reject Krugman’s (1995) argument that the notion of development could be salvaged by stronger links to neo-classical economics and its language of formal mathematical expression. They go on to critique the weak analytical and explanatory purchase of such ‘thin’ abstractions. Instead they claim that “theoretical models can best help us imagine new possibilities

if they are institutionally specific, historically informed, and able to incorporate diverse social and psychological processes” (De Paula and Dymksi 2005: 3). Such combinations of clear conceptualisation and the theoretical purchase of ‘thick’ abstractions offer some promise for local and regional development in affording heightened sensitivity to context dependence and an enhanced ability to situate and interpret the import of the particularity of place in appropriate conceptual, theoretical and analytical frameworks (Markusen 1999). Contributions to this Handbook and elsewhere offer some examples of how this approach might be furthered including adaptations of Sen’s capabilities approach (Perrons, this volume), evolutionary approaches to path dependency, lock-in and related variety (Hassink and Klaerding, this volume), culture and creativity in an urban context (Power and Scott, this volume) and regulation theory-informed policy evaluation (Valler, this volume). Important too is Rodríguez-Pose and Storper’s (2006) emphasis upon the role of community and institutions in providing the pre-conditions and key elements characteristic of appropriate and successful development capable of resolving informational and coordination problems regionally and locally. Given the “enormous challenges” of “finding exactly the right mix of arrangements to fit any concrete situation” because “All-purpose boilerplate approaches are certainly unlikely to be successful in any long-run perspective” (Scott and Garofoli 2007: 17) and the absence of any “universal model or framework guaranteeing success for regional economic development” (Stimson and Stough 2008: 188), our intention is that the contributions to this volume can help prompt critical reflection upon the appropriateness of our frameworks of understanding and policy and an aspiration of better matching and adapting general ideas and frameworks to particular regional and local circumstance in more context-sensitive ways.

## Connecting local and regional development in the Global North and South

Strong and enduring traditions exist in the study and practice of local and regional development within and beyond the academy. ‘Local and Regional Development’ characteristically focuses upon localities and regions in the advanced, historically industrialised and urbanised countries of the ‘Global North’ (see, for example, Blakely and Bradshaw 2002, Fitzgerald and Green Leigh 2002, Pike *et al.* 2006, Stimson and Stough 2008). ‘Development Studies’ is founded upon a concern with the ‘Global South’ and has primarily – although not exclusively – been concerned with the national scale and, latterly, the regional, local and community levels (see, for example, Cypher and Dietz 2004, Mohan, this volume). Such traditions have run in parallel, with limited interaction and cross-fertilisation, and been marked and separated by the language, concepts, theories and terminology of the ‘First’, ‘Second’ and ‘Third World’, the ‘Developed’ and ‘Less Developed Countries’, ‘Less Favoured Regions’ and their recent change toward notions of ‘emerging economies’, ‘transition economies’, ‘post-socialist economies’ and ‘High’, ‘Middle’ and ‘Low Income Countries’ (Scott and Garofoli 2007, Domański, O’Neill, this volume). The legacy of such bounded fields of study lingers in recent contributions that circumscribe the geographical focus and reach of their studies such as Rowe’s (2008: 3) recent collection and its focus upon “advanced western nations”. Yet there is growing recognition that such compartmentalised and discrete approaches make little sense in an increasingly globalised world and create unhelpful gaps in our understanding (see, for example, Murphy 2008, Pike *et al.* 2006, Pollard *et al.* 2009, Rigg *et al.* 2009). In the context of an international and multi-disciplinary engagement with development at the regional and local level,

much can be gained and learnt from connection and deeper interaction, building upon the insights of genuinely cross-national comparative work in a global context (see, *inter alia*, Beer *et al.* 2003, Markusen 1996, Niklasson 2007, Pike *et al.* 2006, Scott 2002, Poon and Yeung 2009).

The arguments for closer linkages and cross-disciplinary, international dialogue are several. First, the dissatisfaction and critique of the development project in the Global South in Development Studies, especially amongst post-colonial writers (Blunt and McEwan 2002, Hart 2002), echoes critical reflection upon the prevailing local and regional development models in the Global North (Geddes and Newman 1999, Morgan 2004, Gonzalez, Turok, this volume). From seemingly different starting points, both strands of work have questioned the underlying basis of the 'developmentalism' of linear, programmatic stages through which each and every country, region and locality must travel to effect development (Cypher and Dietz 2004, McMichael 1996). Moreover, such an approach offers only a "simplistic perspective of progress" and that "the discussion of development could not be restricted to the economic sphere *per se*, that is, it could not be oblivious to the urgent questions of poverty, neither to ethnic and gender inequalities" (De Paula and Dymksi 2005: 4). A rethinking is shared, then, about the goals and processes of development and its underlying concepts and theories such that

instead of relying on one or two organizing ideas, we recognize the need for many – for a thick theoretical approach – because of the diversity of circumstances and of the many divides that arise within the nations of the South. Indeed, these divides equally affect the nations of the North, and make development theory equally applicable to the 'advanced' nations as well.

(De Paula and Dymksi 2005: 23)

This view rejects any call for the dominance and adoption of any one conceptual and theoretical framework – particularly given our approach to reflecting diversity and variety in frameworks of understanding in this Handbook. In particular, this stance recognises that the differences that connecting local and regional development in the Global North and South make are conceptually and theoretically important. There is value in 'theorising back' (Yeung and Lin 2003) from empirical analysis in the Global South at dominant western, Global North perspectives (Nel, Chien, Vázquez-Barquero, Green Leigh and Clark, Dunford, this volume). With parallels for local and regional development, Murphy (2008: 857) frames the dilemma for Economic Geography: "Is the subdiscipline better served by sticking to research topics and locations that have driven many significant theoretical developments over the past 20 years or does a more intensive, extensive and coordinated engagement with the Global South offer an important opportunity to test, extend or retract these theories?" One key area centres on the impulse to question and broaden the meanings given to local and regional development beyond narrow concerns with economy and its quantitative dimensions. Development Studies work is vitally important here in its emphasis upon livelihoods, basic living standards, poverty reduction, capabilities and non-market forms of value, prosperity and wellbeing (Sen 1999). Problematising the meanings given to development allows us to question the assumption that places with higher levels of economic wealth – measured in an indicator like GDP per capita – have achieved more development and are higher up the development ladder than other countries with relatively lower levels of economic wealth. Ostensibly 'poorer' places on wealth measures may actually be pursuing more appropriate, fulfilling and sustainable forms of development regionally and locally (Morgan, Perrons, Turok, this volume).

Second, 'Local and Regional Development' and 'Development Studies' intersect through people and places across the world facing common issues and changing contexts. Albeit that they begin from markedly different starting points and along different pathways and trajectories of change with highly uneven social and spatial outcomes. Shared and common boundary crossing phenomena configure the development problematic in differentiated ways as part of intensified but highly uneven internationalisation and even globalisation (Bowen and Leinbach, Coe and Hess, Dawley, Hudson, Lee, O'Riain, this volume). Examples of such common issues explored in this Handbook include the spatially imbalanced geographical concentration of growth based upon agglomeration economies and spill-overs within nations (Ache, Dunford, this volume), sharpening inter-territorial competition (Bristow, Crouch, Gordon, this volume), shifting migration and commuting patterns (Coombes and Champion, Vaïou, Wills *et al.*, this volume) and decentralising, multi-level and multi-agent government and governance (Cox, Goddard and Vallance, Jessop, Jones and MacLeod, Mohan, Wood, this volume, Rodríguez-Pose and Ezcurra 2009). Inter-connection, inter-dependency and integration in the context of globalisation frame shared concerns around the "increasingly desperate search of households throughout the world for safety, for security, and for freedom from want and freedom from the fear of want" (De Paula and Dymski 2005: 5). As Edwards (2007: 3) puts it:

HIV infection rates...are as high among certain groups of African-American women in the United States as in sub-Saharan Africa, and for similar reasons. The erosion of local public spheres around the world is linked to decisions made by media barons in Italy, Australia and the US. The increasingly differentiated interests within the faster-growing 'developing'

countries (China, India, Brazil and South Africa) make it difficult to see why Chad or Myanmar would be included as comparators but Ukraine, Belarus, Appalachia and the Mississippi delta would not.

Such shared issues and common ground challenge existing categorisation and typologies. In response, emergent understandings interpret a "worldwide mosaic of regional economies at various levels of development and economic dynamism and with various forms of economic interaction linking them together. This notion allows us to describe global geographic space as something very much more than just a division between two (or three) broad developmental zones" (Scott and Garofoli 2007: 13). Developmental impulses and problematics – however geographically differentiated in their definition, articulation and expression – shape the selective incorporation and exclusion of a far wider range of different countries than hitherto, conditioning the potential and paths for territories "arrayed at different points along a vast spectrum of development characteristics" (Scott and Storper 2003: 33).

Recognising shared and common issues for development at regional and local levels is not to suggest homogeneity and sameness. Because, third, continued differentiation and the need to recognise context and place in understanding and policy – as discussed above – are central to the 'thick' abstractions needed to provide conceptual and analytical purchase upon heightened and evolving heterogeneity and geographically differentiated unevenness in the Global North and South. While finance is a shared issue for development policy internationally (Wray, Marshall and Pollard, this volume), for example, macro-economic instability remains a particular problem for regional and local development initiatives in many parts of the emerging world in ways that have generally been less familiar until recently to relatively more advanced western economies

(Sepulveda 2008; see also Vázquez-Barquero, this volume). Echoing our concern with context and place, “Centrally mandated development policies are... usually ill-equipped to respond to the detailed idiosyncrasies of individual regions and industrial communities” (Scott and Garofoli 2007: 8). Places across the world face problems in devising and delivering development strategies and adapting and translating concepts and models originated elsewhere. A sense of exhaustion is apparent with traditional ‘top-down’ approaches that appear too rigid and inflexible (Pike *et al.* 2006), where ‘success’ stories are increasingly harder to find. While the number of examples of botched national ‘top-down’ development strategies continues to grow, the cases of successful interaction between the state and the market in the development realm continue to be the exception – and constrained to East Asia (i.e. Wade 1990) – rather than the rule. This predicament has triggered the search for, and experimentation with, more sustainable, balanced and integrated alternatives and complements to longstanding top-down approaches jointly constructed through locally owned, participatory development processes and partnerships between state, capital, labour and civil society (Herod, Gough and Eisenschitz, Moulaert and Mehmood, this volume). But in contrast to the redistribution and equity enshrined in the spatial Keynesianism of the post-war period, the influence of new (endogenous) economic growth theory means “Development strategies today are less and less concerned with the establishment of an autarchic and balanced national economy, than they are with the search for a niche within the global division of labour” (Scott and Garofoli 2007: 5) (see World Bank 2009, Rigg *et al.* 2009). In a context of increased bottom-up regional and local agency working in facilitating national frameworks, the unequal capacity and resource endowments of places may mean unequal development outcomes arising from such ‘self-help’. In a more growth-oriented rather than redistributive spatial

policy framework internationally, what is to be done for the localities and regions with limited economic potential and chronically weak conditions for growth?

This characterisation of local and regional development in the Global North and South creates, establishes and enlarges the common ground and shared concerns with the well-being and livelihoods of people and places across the world. Given our emphasis upon the importance of context and place, this is not to suggest that different places can be treated the same through the rolling-out of universalising, ‘one-size-fits-all’ models or assuming and promulgating the dominance of a specific set of ideas and practices from particular core parts of the world in the peripheries. Knowledge networks are distributed as well as concentrated and flows are diverse, varied and nuanced – cross-cutting, permeating and transcending boundaries as well as being channelled and controlled by various powerful interests (Bathelt, Cumbers and MacKinnon, Vale, this volume). Originating in development economics in India, the wider travels and import of Sen’s capabilities approach provides one such example of Global South to North mobility. Our aspiration is not just about ‘going South’, doing more work to take and test Global North perspectives on local and regional development in more varied contexts or diffusing ‘leading-edge’ notions, techniques and practices from core to periphery (see Murphy 2008). Rather, it is that making such interconnections and encouraging dialogue might stimulate fresh thinking, new options and novel possibilities for often entrenched and intractable problems. We have identified only two areas of shared interest here – defining development at the local and regional level and tackling context specificity/particularity and place – with which to begin such an open, even democratized, discussion (De Paula and Dymski 2005). Our argument connects to Edwards’ (2007: 3) calls: “for development professionals to recognise that problems and solutions are not bounded by artificial



definitions of geography or economic condition, and to reposition themselves as equal-minded participants in a set of common endeavours. By doing that, we could instantly open up a much more interesting conversation.” Ideally, such dialogue can extend and be of use not just to academics and researchers but to policymakers and practitioners in the Global North and South too. A central task to kick-start this dialogue has been to situate local and regional development in its international context. Contributors to the Handbook explicitly deliver on this in their international locations and outlooks contained within the Global North and South examples discussed in numerous of their contributions and cemented in the specific Section VI: Global perspectives (see p. 483). This part specifically explores the legacies and traditions of different approaches to local and regional development supra-nationally and nationally in Africa, Asia-Pacific, Latin America, North America and Europe. If the Handbook can act as a source and reference point for ideas, new thinking, inspiration even, then it will have served its purpose in beginning this broader conversation.

## Organisation of the Handbook

In placing development locally and regionally in an international and multi-disciplinary frame, we have organised the contributions into seven connected parts. Section I: Local and regional development in a global context situates the development problematic against the backdrop of intensified internationalisation. It provides critical reviews and appraisals of the persistent importance of institutional and organisational issues shaping the kinds of development achievable at a regional and local level in the context of globalisation (O’Riain), the contextual influences upon collective action and policy choices in the face of inter-territorial competition (Gordon) and the imperial echoes of the historical evolution of development as capitalist incorporation at

national, regional and local scales in the disciplinary domain of ‘Development Studies’ (Mohan).

Section II: Defining the principles and values of local and regional development addresses the fundamental bases and normative dimensions informing and giving meaning to particular definitions of development. Interventions here confront and reflect critically upon the potential of ameliorating socio-spatial inequalities through more inclusive models of growth and development (Perrons), the tensions and possibilities of ‘inclusive growth’ locally and regionally (Turok), the transformative potential of the sustainability narrative and the role of the ‘Green State’ and the public realm in delivering its regional and local outcomes (Morgan) and the prospects of approaches that reach upwards and outwards from the regional and local in constructing alternatives to currently dominant orthodoxies (Cochrane).

Section III: Concepts and theories of local and regional development demonstrates the diversity and variety of contemporary thinking through critical engagements with recent and emergent approaches. An initial set of contributions addresses the relationships and dynamics of spatial circuits and networks of value production, circulation, consumption and regulation shaping development prospects within and beyond localities and regions (Hudson, and Coe and Hess) and the particular role of labour individually and collectively in shaping the definition, meaning and practice of development regionally and locally in an international context (Herod). The next set reviews influential recent work concerning: path dependence, lock-ins, path creation, related variety and co-evolution emerging from evolutionary approaches (Hassink and Klaerding); the role, legacies and contingencies of socio-institutional relations and structures shaping spatial distribution and proximity in different kinds of innovation, knowledge and learning (Bathelt); the agglomerative and place-bound character of development based upon culture and creativity (Power and

Scott); the roles of path dependency and heterogeneity in moulding the diversity and variety of post-socialist transition experiences (Domariski); and the complex and multi-faceted relationships of current migration and commuting patterns to local and regional development (Coombes and Champion). The remaining group of contributions in this section reflect recent, somewhat more disruptive interventions that question the possibility of regional and local development in cross-cutting territorial and relational space (Lee), the potential and spatialities of more social forms of innovation (Moulaert and Mehmood) and the possibilities of post-development and community economies (Gibson-Graham).

Questions of the state, institutions, power and politics are considered in Section IV: Government and governance. Interventions here engage with and prompt reflection upon the political and institutional questions of how we think about and practise local and regional development. The first batch of contributions address: the different dimensions of statehood, the state apparatus, and state power as well as governance and meta-governance (Jessop); the differentiated conceptions and forms of geographical political economies of power (Cumbers and MacKinnon); the compatibility of territorial and relational readings of space and place in devolved economic governance (Jones and MacLeod); and the burgeoning institutional fixes constructed within and beyond the state as part of attempts to contain the spatially uneven contradictions of capital accumulation (Cox). The second batch considers 'eco-state' restructuring in the local and regional development politics of carbon control (Jonas, While and Gibbs), the democratic deficits and politics of new institutional forms attempting to govern and regulate city and city-regional competition (Crouch), the changing nature of the state in capitalism and geographical specificity in the politics of local and regional development (Wood) and the relationships and tensions in spatial

planning for broader forms of territorial development policy (Ache).

Connecting current conceptual and theoretical developments to emergent approaches to intervention is the central concern in Section V: Local and regional development policy. This section captures and reflects contemporary approaches, policies and experiences of institutions in places seeking to promote and encourage local and regional development internationally. A first set of contributions critically appraises the potential and pitfalls of approaches focused upon: indigenous and endogenous development (Tödtling); the ubiquitous, dominant and malleable policy discourse of territorial competitiveness (Bristow); the complex and culturally nuanced emergence of regional and local gaps in venture finance provision (Wray, Marshall and Pollard); the possibilities, problems and politics of 'green' economic development (Christopherson); the wider and deeper potential of 'ordinary' SMEs and entrepreneurialism beyond the paradigmatic (Hadjimichalis); the potential and pitfalls of attracting and embedding exogenous forms of development regionally and locally through transnational corporations (Dawley); the new policy directions required in the context of multi-scalar and multi-local spaces of innovation networks (Vale); universities forging leading roles in science and technology-led development and attempting to broaden their civic engagement and roles (Goddard and Vallance); and globe-spanning logistics networks coordinating economic interactions between people and places (Bowen and Leinbach). The second set offers a more local and urban twist to development questions in considering the international (im)migration underpinning service economies in cities (Wills *et al.*), the character and consequences of neoliberal urbanism in Europe (Gonzalez) and the division and cohesion of gender and ethnicity in southern European cities undergoing socio-spatial transformations (Vaiou).

Section VI: Global perspectives demonstrates the international connections and

inter-dependencies between local and regional development in the Global North and South. Distinctive supra-national and national histories and approaches to development regionally and locally are discussed comprising the experience of Africa (Nel), urban-focused industrialisation and development in Asia-Pacific (Chien), the local indigenous development connecting productivity, competitiveness, inclusion and sustainability in Latin America (Vázquez-Barquero), the traditions of metropolitan and territorial regionalism shaping local and regional development in North America (Green Leigh and Clark) and the definition and classification of areas and the mechanisms and distributional consequences of financial resource allocation in framing the evolution of cohesion and policy in Europe and its implications for China (Dunford).

Section VII: Reflections and futures closes the collection by addressing critical issues and normative political questions about the further direction and trajectories of development regionally and locally in an international frame. Contributions here consider the language and discursive constructions that shape how we think about local and regional development (O'Neill), the vital question of how we evaluate local and regional development policy and the shortfalls of current approaches and gaps in the coverage and rigour of our uneven analysis of evidence (Valler), the critique of the Neoliberal character of 'New Regionalism' held up as a key idea in promoting development regionally and locally (Lovering) and a return in the current context critically to reflect upon the future potential of what's left of the radical agenda that invigorated vibrant local and regional intervention and development during the 1980s (Gough and Eisenschitz). We then reflect upon some of the central messages and future directions of local and regional development in the final chapter. In sum, this Handbook represents only the start of what we envisage will be a challenging and difficult but fruitful and worthwhile dialogue and

praxis about the problematic of development regionally and locally in a multi-disciplinary and international context.

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# Section I

## **Local and regional development in a global context**

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# Globalization and regional development

*Seán Ó Riain*

## Introduction

Globalization has prompted us to rediscover the region as a force in economic development. Apparently rendered powerless or, worse, irrelevant by economic globalization, the capacity of regions to generate economic and social development has paradoxically been rediscovered by policy makers and scholars alike. Localized inter-personal ties and networks are seen as important resources and sources of 'social capital'. The integration of such localized networks into 'micro-regions' – territorialized complexes of relationships and institutions – is increasingly seen as playing a critical role in production, industrial organization and social reproduction. Finally, 'macro-regions' such as the EU or the NAFTA area are important sources of diversity in the global economy – and of new scales of governance of globalizing processes. Through these local, micro-regional and macro-regional processes, 'regions' are now seen as playing a crucial role in constituting economic globalization.

Furthermore, where once scholars emphasized that regional resources for development were largely determined by historical and cultural legacies, recent research shows that regional economies can be constructed in a

variety of ways by different constellations of socio-political actors. The discovery of the region as a space for generating development and shaping global processes opens up new spaces of social and political struggle and strategy within globalizing economic structures. The stakes of these struggles increase as regional inequalities grow within countries, new regions emerge globally and new patterns of socio-spatial inequality are constructed. But there are opportunities for social as well as economic renewal, as regions play an increasingly important role in social reproduction.

## Exaggerated rumours? Rediscovering the region in an era of globalization

In the era after the Second World War a system of relatively stable national economies was institutionalized through an international order of 'embedded liberalism' (Ruggie, 1982). These economies were tied together through a negotiated regime of multilateral trade but buffered from the full effects of these international markets by institutions limiting trade and capital flows. The national economy and the bureaucratic firm acted



as 'time space containers' (Giddens, 1984), institutionalizing a 'spatial fix' for capitalism (Harvey, 1989).

Regions were embedded within the opportunity structures – and constraints – of international corporate hierarchies and national economic strategies. In advanced capitalist economies, large oligopolistic firms – in their most dominant form, 'national champions' – flourished and dominated within their markets and regional locations. Keynesian state strategies sought to narrow regional inequalities as part of the project of building 'national' economies (Brenner, 2004).

The globalization of the economy has consisted in large part of the weakening and even destruction of these institutional buffers between national economies and global markets. Despite attracting the most attention, the globalization of trade has been relatively modest – with world trade growing about twice as fast as world output in recent decades. More significant has been the continuing expansion of transnational production structures with about half of all trade internalized within multinational enterprises by the 1990s (Dunning, 2000; Held *et al.*, 1999). As oligopolistic firms extended their global reach with the rise of transnational corporations (TNCs), relations among nations often tracked the international divisions of labour operating through these TNCs (Hymer, 1971). The majority of trade is in fact channeled through these corporate structures. The structures of the corporations have themselves been reconstituted, however, with hierarchical forms increasingly supplemented and even supplanted by networks and alliances and associated new forms of industrial governance (UNCTAD, 1998; Gereffi *et al.*, 2005). Most significant of all has been the massive expansion of global finance, dwarfing all other forms of globalization and led by the financialization of the US economy (Held, 1999; Krippner, 2005).

Regions appeared at first glance to have been marginalized by these developments as global processes dominated and regional

actors faced enormous difficulties in shaping local economic development. Latest, and arguably most famously, in a long line of analysts, Thomas Friedman (2006) proclaimed that 'the world is flat' as regional and national differences were eroded and rendered less important by the technological, economic and social processes of globalization.

Giddens (1991) argued that globalization occurs through a process of time-space distanciation where time and space are universalized and 'lifted out' or made independent of their immediate contexts. He argued that communication across distance depends upon the existence of expert systems, or systems of knowledge which actors understand and trust (such as the technical language of high-tech industry), and upon symbolic tokens, or media of communication that can serve as coordinating mechanisms for long-distance social relations where social cues and monitoring are absent or opaque (e.g. money). Reich (1991) argued that new information and communication technologies made it possible and even necessary to reorganize firms into 'global webs' and employees into global telecommuters. Regions were relegated to places where inputs for regional development could be created, but where little leverage could be gained over the process of development itself.

Other authors have portrayed a fundamentally different global economy where corporations have colonized local spaces and time has annihilated space in a process of time-space compression (Harvey, 1989). However, regions do not disappear but instead become more crucial to capitalist accumulation in providing a 'spatio-temporal fix' to problems of profitability and over-accumulation. Capital searches out new locations for activity in an effort to cut costs at the firm level and to develop new sources of demand and profitability at the systemic level. Even as neo-liberal political discourse promotes market exchange as a universal ethics, power is in fact re-centralized and new forms of domination emerge (Harvey, 2005). While the kinds of

forces that Friedman, Giddens and Reich observe are real and important, their impact is to generate uneven and unequal development, not a 'flat' world (Christopherson *et al.*, 2008).

In the process, new regional centres of capitalist production enter the dynamic sectors of capitalism, while other regions experience de-industrialization and decline. Brenner (2004) argues that these shifts in recent decades have produced a structural shift towards an increased centrality of urban agglomerations, rather than national economies, in the organization of capitalist accumulation, making strategies of 'locational competition' and urban entrepreneurialism more central (Brenner, 2004; Cerny, 1995). Even as regions become more central to capitalist accumulation the range of policy strategies available is narrowed to 'entrepreneurial' efforts to enhance 'competitiveness'. Questions of social reproduction and increasing inequality loom ever larger, even as policy is increasingly constrained in addressing these issues. Inequality between regions within countries has increased (Barnes and Ledebur, 1998; Heidenreich, 2009) and inequalities within metropolitan regions themselves have increased (Pastor *et al.*, 2009).

A third group of scholars are more sanguine about the prospects for regional development within contemporary capitalism. Piore and Sabel (1984) famously argued that the demands for increased flexibility and specialized learning make embedding the global workplace in local spaces even more critical, an argument that has received wide support from the new economic geography and economic sociology. Under what we might call time-space embedding, the social structure of regions becomes critical to economic development as efficient production and constant innovation require the construction of shared physical spaces where workers can interact and communicate on a face-to-face basis and where shared goals and meanings can be created and maintained (Piore and Sabel, 1984; Saxenian, 1994; Storper, 1997).

Distinctive local strategies of regional development can be expected to persist and, indeed, it is the distinctive social and cultural histories of places that are most likely to generate the kinds of social ties and 'social capital' that are to be the basis of effective regional development. The mobilization of regional 'relational assets' (Storper, 1997) has been crucial to the emergence of dynamic regions that have begun to close the gap with more established core regions (Heidenreich, 2009; Breznitz, 2007).

## The global region

Recent research has spawned a wide variety of attempts to blend these insights from 'global' and 'local' perspectives on economic restructuring and regional development, creating something of a plague of 'glocalisms' in economic geography. A barrage of studies identified a large number of clusters and agglomerations within a globalizing economy. Empirically, we find that the global economy is increasingly organized through 'global regions', with an expanding number of concentrated specialized agglomerations of activity tied together through corporate networks of production and innovation, trade relations, flows of capital and labour mobility of various kinds.

While analysts saw either global or local processes as structurally or historically determined, there was little prospect of combining the two perspectives to understand the emergence of this network of regions. However, scholars increasingly understand local and global socio-spatial structures as mutually constitutive and have been increasingly interested to analyse both the social and the spatial dimensions of global regions as socio-political constructions (for a subtle analysis of scale, territory, place and networks as processual constructions see Brenner *et al.*, 2008).

Piore and Sabel (1984) located the flexibilities and trust that underpinned the success of the 'Third Italy' and other similar

industrial districts in informal social relations rooted in local face-to-face interactions and long-established regional industrial cultures. However, Herrigel (2008) notes that flexibility is increasingly founded, not on informal relations, but on the formalization of procedures, standards and measures of outcomes and performance. These formalized indicators – and crucially the discussions around them – render the tacit explicit and potentially open up the networks of the economy to new entrants. Sabel (1994) argues that such monitoring across organizational boundaries can serve as an occasion for conflict but also for learning through the dialogue around the interpretation of such measures. Similarly, Lester and Piore (2004) see such ‘benchmarks’ as technical instruments that can be the occasion for the stimulation of the formation of public spaces within industries that ultimately prove crucial to innovation. While the mechanisms are relatively poorly understood, the basic point is significantly different from the initial studies of industrial districts – the new analysis of regional industrial systems emphasizes the ability to construct dialogue and public spaces through the use of particular ‘open’ mechanisms of organizational networking and coordination.

Similarly, while researchers have found even more widespread evidence of the importance of agglomeration, their interpretation of these ‘local’ spaces has shifted. Piore and Sabel presented a picture of the Third Italy that emphasized its self-contained character as a local culture, a ‘world in a bottle’ (Sabel and Zeitlin, 2004). Similarly, the imagery of the new international division of labour with an orderly hierarchy of regions in the global production system has been complicated. For example,

a substantial and growing proportion of the trade today is in components – that is, that it is a spatial fragmentation of production and not simply a spatial dispersion (disagglomeration). Fragmentation means that external

linkages now interpenetrate territorially embedded production systems at multiple levels and in multiple ways, which potentially challenges the established imagery of clusters and districts as sticky Marshallian knots of thick localized ties in a dispersed global network.

(Whitford and Potter, 2007: 509)

Similarly, the advantage of particular clusters was often linked to their constitutive role in global production and innovation networks – acting as centres of corporate control (Sassen, 1990), as centres of innovation (Saxenian, 1994), as logistics and operations hubs for macro-regions (Ó Riain, 2004), and so on.

The rethinking of the social and spatial foundations of agglomeration, flexibility and learning offers more room to move for policy and political actors. Social relations can be reconstructed to support new modes of organizing in a global economy. However, even as this offers hope to regional advocates, the threat of international competition is reopened as regions around the world seek to emulate the best known models of such industrial districts.

This is true in part because the building blocks of globally networked regional economies have themselves become more widely available, particularly as inter-firm networks, metrics and standards become more important and intra-corporate organizational integration is weakened (Storper, 2000). Storper argues that international convergence in production techniques and quality and other conventions is only partly driven by dynamics of competition, trade and international investment. There is also a more generalized diffusion of modes of organization of production and innovation (Giddens’ globalizing ‘expert systems’ and ‘symbolic tokens’) often into regions that have little direct relation with the regions of origin of these new forms of economic organization. The generalized diffusion of Japanese manufacturing methods or of the Silicon Valley mode of

work organization are important examples, where the influence of these 'models' of work organization has spread well beyond the specific networks of regions that are tied to the central nodes in Japan and California. The organizational 'building blocks' of networked production, although initially embedded in the regional cultures and institutions of Japan and Silicon Valley (Dore, 1973; Saxenian, 1994), have become more widely available to regions seeking to emulate or adapt features of these dynamic industrial centres.

### **From firms to regions? Global regions and the social reproduction of capitalism**

Regional development in an era of global networks has increasingly become a question of mobilizing and reassembling local and global elements in ways that sometimes seek directly to emulate models elsewhere and at times result in new and innovative modes of organization. In this sense, there is more scope here for innovative regional strategies than is captured by the imagery of urban entrepreneurialism and competitiveness (Le Galès, 2002). Regions are increasingly taking on the mantle worn in the Fordist era primarily by the dominant firms. These firms provided modes of 'organizational integration' (Lazonick, 1996) for the industrial system. We have already seen that regional complexes are increasingly important to the dynamics of competition, the organization of markets and the insertion of economies into international economic regimes. Furthermore, where large firms played a key role in organizing cooperation at the point of production and led the management of the capital-labour relation, regional industrial systems are increasingly important to the institutional coordination of the wage relation and class relations, in an era where inter-firm careers are increasingly common (Benner, 2002).

The social world of the large firm provided a complex organizational mechanism

for providing the social infrastructure for innovation, production, careers, the raising of finance, the reproduction of the labour force, and other critical elements of capitalist economic organization. Firms increasingly externalized many elements of their activities in the face of structural and policy shifts promoting financialization of the economy and the dominance of new conceptions of the firm as a bundle of financial assets (Fligstein, 2001). In the process, regions have become increasingly important to this work of the social reproduction of capitalism.

Regions have long been recognized as centres for the reproduction of labour, hardly surprising given the immobility of labour relative to capital. In effect, creation of pools of labour, ideally highly skilled, has always been a basic condition of regional development strategies – and particularly the ability of regions to attract mobile capital. However, the (in)famous 'creative class' theory (Florida, 2002) goes beyond this to argue that the attraction of mobile labour is a critical element of regional strategy and that the construction of a cosmopolitan urban environment is therefore critical to effective regional development.

But even Florida's latte-sipping 'creatives' find themselves involved in the mundane business of workplace conflicts and career negotiations. Here too the region plays a newly significant role. The ability to build a career across firms within a region is central to the reproduction of a skilled workforce in the most dynamic regions such as Silicon Valley (Saxenian, 1994). The workplace bargain between mobile workers such as software developers and their employers is based, not on the expectation of lifelong employment, but on the expectation of cash, learning and career benefits from particular projects benefits that can be realized in the global but also, more significantly, the regional labour market (Ó Riain, 2000, 2004). There are opportunities and attractions in more mobile labour markets but there are also risks and insecurities. Despite often glaring

differences in wages and conditions, this 'precarity' extends increasingly to all workers especially those in the rapidly growing informational and service sectors and including even members of the 'creative class' (Ross, 2008; Kerr, 2010).

Surprisingly for an era of capital mobility, regions prove important to the organization of capital. Integration within the division of labour is increasingly provided across, rather than within, firms. New forms of modular contracting allow firms to recombine their networks (Sturgeon, 2002, 2003) and the network of inter-firm relations across global regions proves important in allowing this recombination to occur (Saxenian, 1994, 2006). Furthermore, industry and professional associations often play a role within regional economies that were played by the major disciplines (such as production management, marketing, personnel, and so on) within large firms (Jacoby, 1988). Flows of investment capital to the most successful regions have been organized through the embeddedness of venture capitalists within the regions themselves – most famously in Silicon Valley but also, increasingly, through networks of venture capitalists that link centres such as Silicon Valley with more peripheral regions (Saxenian, 1994; Saxenian and Sabel, 2008; Zook, 2005). The literature on regions and the decline of Fordism emphasized the effect of capital flows – and particularly outflows on regions (Bluestone and Harrison, 1982; Scott and Storper, 1986; Storper and Walker, 1991). However, regions can themselves become central to the constitution of particular flows of capital.

Finally, regions are increasingly placed at the centre of the innovation process that is at the heart of contemporary capitalist development. Regional studies have shifted in recent decades from asking where industry has gone, to investigating how new centres of innovation-based growth have emerged. A variety of frameworks have emerged that utilize concepts of economies of agglomeration, endogenous development, networks

and governance to identify 'territorial systems of innovation' (Moulaert and Sekia, 2003). While Moulaert and Sekia point to the conceptual ambiguity in these frameworks, research programmes around industrial districts, innovative milieux, new industrial spaces, learning regions and more have pointed to the critical importance of territorialized processes in an innovation economy.

The decline of Detroit, and even the geography of IBM, has been displaced from the centre of regional studies by the study of Silicon Valley and its many imitators. Mowery (2009) shows that there has been a rapid increase in the numbers of scientists and engineers working in small firms as part of an 'open system of innovation' and Block and Keller (2008) document a significant shift in the sources of the most innovative scientific breakthroughs in the US, with Fortune 500 company labs dominating in the 1970s but federal labs, universities and collaborations among smaller firms taking the lead in the past decade.

Lester and Piore (2004) argue that the decline of corporate labs such as those in AT&T and IBM and the general externalization and rationalization by large firms has destroyed the public spaces that were essential to innovation within US firms. In the process, new public spaces outside the corporations have become crucial – even though weakly supported. Crucially, they argue that public policy – including regional development policy – will be sorely misguided if it follows exhortations to mimic the private sector. It is precisely the replacement of these public resources and spaces that have been neglected by the private sector that is the primary task of the public sector – and of the region.

## Varieties of capitalist regions

The 'global region' is therefore constructed out of global elements even as it plays a critical role in constituting globalization.

However, it is not simply at the mercy of global flows and processes but is involved in providing the conditions for the mobilization of labour, capital and knowledge – and in shaping how they are organized and combined into particular pathways of development.

This in turn opens up the possibility that there may well be many types of regions within the global economy. We have seen that some of the differences between regions can be described in terms of their location within global networks (core vs peripheral, etc.) or their roles within those networks ('centres of corporate control', 'manufacturing platforms', etc.). However, in addition to these structural features of regional differences, there are also differences that can be traced to the constellations of organizations through which the region operates.

The influential literature on 'varieties of capitalism' poses two main types of capitalist economy – liberal market economies such as the US and UK, and coordinated market economies such as Germany and Japan. Furthermore, liberal market economies are seen as better suited, institutionally, to promote innovation-based industries through their flexible capital and labour markets and close university-industry ties (Hall and Soskice, 2001). But the degree of coordination within liberal economies is badly understated in this literature. It turns out that there are a wide variety of coordinating mechanisms at work within the liberal market economies (and indeed important elements

of markets in the coordinated economies) (see Peck and Theodore (2007) for a more detailed discussion of the difficulties with this approach).

Moreover, even within liberal market economies, there are also a variety of regional forms of coordination. Dunning (2000: 24–25) describes six types of spatial cluster, drawing on previous work by Markusen (1996) and others. In Table 2.1, organizes the six types along two different dimensions: (1) the extent to which private or public actors predominate in the region, and (2) the organizational structure of the region and mode of coordination by these dominant actors. While each of these spatial cluster types seeks to mobilize local resources in pursuit of a niche within the global economy, the effects of politics and institutional legacies and strategies on the form each 'global region' takes is clear.

Private firms take the lead in many global regions. In some a single 'flagship firm' acts as the hub around which many smaller, dependent firms form spokes – for example, around Boeing in Seattle or around Pohang Steel in Korea. This differs from the classically integrated firm which generated relatively few 'spokes' around itself. The opposite of this 'hub and spoke' structure is the classical 'industrial district' structure of networks of small firms with no single dominant firm, such as in Northern Italy's textile industry (Piore and Sabel, 1984). Industrial districts, however, are susceptible to transformation

**Table 2.1** Varieties of global regions

		<i>Lead sector</i>	
		Firm-centred	Public or quasi-public institution-centred
Organisational structure	Dominant actor	Flagship firms/'Hub and spoke'	Government institutions at centre
	Network of actors	Industrial district	Public-private learning economies
	Attraction of external actors	Export-processing zones	Science and technology parks

Source: Based on Dunning (2000)

into 'hub-and-spoke' structures if lead firms become dominant and smaller firms become dependent upon them (Harrison, 1994). It appears that the Finnish high-tech cluster is going through a process like this as the once relatively decentralized industrial structure that spawned Nokia is incorporated within Nokia's umbrella and becomes dependent upon it. In the process, Nokia is rendered vulnerable by the lack of diversity and innovation in its products and organizational structure (Saxenian and Sabel, 2009). Private firms are also central to a third form of regional cluster – the export processing platform. In this case states seek to attract firms from beyond the region and are often able to build agglomerations through heavily subsidized infrastructure, low taxes and other incentives. There may be smaller 'hub-and-spoke' structures within the platform regions. However, the challenge for regions such as Ireland, Singapore and many others is to turn this agglomeration into more deeply embedded clusters – whether those be of the hub-and-spoke or industrial district variety. Regions rarely stay completely stable but are constantly shifting in their structure and development.

Other regions are based primarily around public sector organizations or clusters of public-private networks. Mirroring the hub-and-spoke structure of a single dominant organization, some regions are based around a major public facility – a federal lab such as Los Alamos in the US, a military research facility such as in Aldershot in the UK, or a university. Closely related is the more diversified region which consists of a network of larger public and private institutions – primarily R&D laboratories and universities. These clusters are based on the promotion of 'institution-building learning economies and the sharing of collective knowledge' (Dunning, 2000: 25), with the Research Triangle in North Carolina in the US perhaps the best-known example. Finally, science and technology parks form the third public sector-led region, with the institutional and material infrastructure for science and

technology-based firms put in place in an effort to attract external firms – although with the significant possibility that what it produces in practice is a slightly more sophisticated export platform. The most successful examples, like Hsinchu Science Park in Taiwan, blend elements of this model with the public-private learning economy and the industrial district by fostering genuine networking and technical community within the park.

## **Contingency, politics and the global region**

Regional development is not a pathway to escaping the challenges of globalization. However, it may provide the opportunity to shape the ways that regions participate in the global economy. Our brief review of the varieties of forms of organization of spatial clusters reveals the persistent importance of institutional and organizational factors, even in a world of regional development where global structural pressures are great, global networks are increasingly important and global models and metrics are widely diffused. There are significant variations in private sector-led regions while public organizations remain important, even within liberal economies.

Capital flows have certainly reshaped regions in significant ways, with the international integration of corporate operations changing the internal dynamics of regions. In addition, financialization of the economy particularly in the US and other liberal economies (Krippner, 2005) has threatened the basic organizational and social infrastructures of production and innovation. In the process, some regions are abandoned while others experience boom periods. In the face of the financial crisis, however, we are likely to see regions emerge as more vital than ever in the processes of global economic recovery as they provide one of the major reservoirs of productive and innovative capabilities.

The 'technical communities' of workers are also critical to the network of global regions. Ethnic diasporas, especially of technical professionals, provide important conduits of information and social ties between regions around the world. Crucially, these migration and mobility linkages enable peripheral regions to generate regional development and innovation through ties to core regions that go well beyond the typical transfers involved in attracting foreign investment or setting up export platforms (Saxenian, 2006). In the process, the innovation system of core regions has increasingly stretched beyond their own borders to incorporate more peripheral regions such as the extension of the Silicon Valley network to include innovation and production in places such as Israel and Taiwan, and perhaps to a lesser extent India and Ireland (Saxenian, 2006; Breznitz, 2007; Ó Riain, 2004).

The increasing internationalization of professional associations, scientific organizations and universities also forms a transnational technical community that is part of the infrastructure of regional development. Debates about integration into global networks now involve discussions about how best to attract and build, not only investment by firms, but also the institutional networks within which those firms and systems of innovation are embedded. Regional policy makers are increasingly involving themselves in building the social structures and institutions within which new forms of economic organization operate – in the process becoming 'lay' economic sociologists and geographers.

Public actors continue to matter therefore. New forms of developmental statism have emerged that place the mobilization of regional 'relational assets' (Storper, 1997) at the heart of their efforts. 'Developmental network states' have played an important role in the growth of high-tech regions in the US and its networks of global regions (Block, 2008; Breznitz, 2007; Ó Riain, 2004). These states have been instrumental in forming new professional labour forces, in supporting

and shaping innovation and innovation-based firms, in underwriting emerging technical and industrial communities, and in promoting the intersection of local and global networks (Ó Riain, 2004). Regions that are tied to national states (e.g. Ireland and Singapore) are particularly well placed to mobilize the political and institutional resources that underpin regional development.

Cerny dismisses such strategies as subvenient to the broader project of liberal marketization and simply incorporating regions into ever more dominant capitalist social relations:

The outer limits of effective action by the state in this environment are usually seen to comprise its capacity to promote a relatively favorable investment climate for transnational capital – i.e., by providing an increasingly circumscribed range of goods that retain a national-scale (of subnational-scale) public character or of a particular type of still-specific assets described as immobile factors of capital. Such potentially manipulable factors include: human capital (the skills, experience, education, and training of the work force); infrastructure (from public transportation to high-technology information highways); support for a critical mass of research and development activities; basic public services necessary for a good quality of life for those working in middle- to high-level positions in otherwise footloose (transnationally mobile) firms and sectors; and maintenance of a public policy environment favorable to investment (and profit making) by such companies, whether domestic or foreign-owned. (Cerny, 1995)

However, our exploration of the broader role of the region in the social reproduction of labour, capital and knowledge points to more far-reaching possibilities for the political



shaping of regional social and economic outcomes. The substantial list of areas of interventions offered by Cerny leaves a significant range of action that goes well beyond ensuring competitiveness. Network state developmentalism integrating many of the elements of human capital, R&D, infrastructures and welfarism and incentives that Cerny describes has had profoundly different developmental consequences than alternative modes of regional or national development such as clientelism, simple corporate boosterism, growth machines or financialization. It is perhaps best to see 'competition state' strategies as one form of regional development, rather than as the structurally determined outcome that Cerny poses.

In addition, each of these areas can be structured in ways that make significant differences for patterns of inequality. Despite progressive emphasis on the decline of demand-side Keynesian strategies, much of the pattern of inequality in different societies is shaped by the supply-side, where more or less equal investments can be made in different groups of workers, and the organization of production, where significant differences in workplace organization persist despite the kinds of global convergences noted above (e.g. Cole, 1991; Lorenz and Valeyre, 2007; Heidenreich, 2004). It is telling that the social democracies that continue to combine innovation and equity have also emphasized many of the kinds of policies that Cerny describes. The trade-off between competitiveness and equality in regional development seems less pre-determined than the 'competition state' theory suggests.

In the face of the current global financial and economic crisis, most regions are already experiencing severe economic declines. However, the crisis has also seen increased attention being paid once again to Keynesian-inspired efforts at stimulating demand. While some of these efforts are being undertaken at the national level (such as in the US), increased attention has been focused on macro-regions such as the European Union

and their role in both stimulating and regulating credit and finance. This is particularly interesting because patterns of regional inequality in Europe show increasing inequalities between regions within nations, but decreasing inequalities between regions in different nations within the EU (Heidenreich, 2009). If the EU can rise to the challenge of an integrated fiscal and regulatory response to the crisis (which appears unlikely in mid-2009 but may become even more necessary as the crisis continues), the European economy in 2015 may be managed more heavily through macro-regional macro-economic coordination and micro-regional coordination of production and innovation. If this global and macro-regional capacity for macro-economic coordination can be built, then regional capabilities and regional development are likely to be critical building blocks of any emerging 'New Deal'.

There is reason to believe that such a 'New Deal' can go beyond economic production to enhance social well-being and participation, in an enriched model of 'integrated area development' (Moulaert and Sekia, 2003). While many analysts of global regions have emphasized their role in production and innovation, we have emphasized here that those contributions are intimately tied to the role of the region as a centre of social reproduction. This provides the opportunity to link sustainable economic development to social progress and egalitarian forms of development. While this is politically difficult, it is not impossible – research on varieties of capitalism and on regional variation in production systems shows that there remains significant scope for designing alternatives to neo-liberal economic organisation. Changes in global governance will no doubt be essential to protect such alternative pathways from the threats posed by financial liberalization and related processes. However, such political and institutional changes will not emerge from expert elites but will need to be backed by supportive and sustainable coalitions. We might expect that regions that provide more

successful models of social and economic development will be central to those coalitions.

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# 3

## Territorial competition

*Ian Gordon*

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### Introduction

The notion of territorial competition refers to a form of collective action, undertaken on behalf of economic interests within a particular territory, which serves to advance these in competition with those of interests located in (some or all) other territories (Cheshire and Gordon, 1995, 1996). From one perspective, this involves an extension to broader spatial scales of the types of location marketing traditionally practised by private developers. Alternatively, it may be seen as extending local governments' use of public goods provision to attract/retain desired residents into the productive economy. A more distinctive third dimension to the process involves specific investment in organisational assets to create a market in membership of the territory's economic community (Gordon and Jayet, 1994).

The concept was developed in the context of integrating European economies in the 1980s and 1990s, where such competition attained a new importance. In North America particularly, local competitive activity in the form of boosterism had been a well-known phenomenon for very much longer (see e.g. Cobb, 1982; Ward, 1998). The idea of 'territorial competition' is intentionally much

broader, however, encompassing not only attraction of inward investment, but all/any forms of collective action which served its purposes. The point is not to treat all these forms as equivalent, but rather to direct attention to the choices made among them in different contexts, instead of treating the practice of one or another in isolation.

Defining territorial competition in this broad way might seem to make it synonymous with local/regional economic development in general, and thus not worth discussing separately in this volume. But there are two distinguishing features which give analyses of territorial competition a particular flavour. The first is that they do not presume that such competition is necessarily functional – whether for a territory which is pursuing it, or for a wider set of areas – or indeed dysfunctional. Rather that is a key question to be investigated, both theoretically and empirically. Second, their dual emphasis on collective action and particular economic interests raises questions about the political processes underlying specific forms of territorially competitive activity (or their absence). From this perspective, there is nothing inevitable about a commitment to any serious form of local/regional economic development – even given a more solid understanding

(than in the past) of how these can/should be pursued. Rather it is expected to depend on those structures, institutions and constraints which shape political action, and inaction, within the areas concerned. Nor does the idea of territorial competition presume that the interests to which it is directed will naturally or necessarily be those of the local economy/residents as a whole. Rather the expectation is that the mixture of interests which are effectively served will reflect the same political processes that determine whether and in what ways 'places' actually develop one form or another of competitive/developmental activity.

The perspective is thus essentially one of political economy – giving a central role to the interaction between 'political' and 'economic' processes – and might be seen as an extended/generalised version of the North American analyses of 'growth machines' (Molotch, 1976). However, the aspiration of those writing within a 'territorial competition' framework is not simply to provide a critical exposé of the gulf between idealised expectations of place-based economic development and the thrust of 'actual existing' competitive activity. The aim is rather to develop the kind of realistic understanding of the behavioural and political economy factors which is necessary if ways are to be found to correct the biases in how local/regional development functions or fails in particular kinds of context.

The significance of such factors is substantially affected by the territorial dimension, since the areas on behalf of which competitive actions are to be pursued will generally be far from closed in economic terms, or completely autonomous politically. This presents a pair of key issues about: the extent to which such activities could or should have effects outside the initiating areas ('spatial externalities' in the jargon); and how higher levels of government/governance – whether regional/national or international – may constrain these territorially competitive activities, whether just to conserve their own power

resources or to optimise outcomes across a wider territory.

Over the past quarter century, territorial competition seems to have become a global phenomenon, spreading beyond Europe/North America to play a strong role (for good and bad) in the development of newly industrialised and transition economies (Rodríguez-Pose and Arbix, 2001; Chien and Gordon, 2008; Hermann-Pilath, 2004, Jessop and Sum, 2000), and with sub-national agencies in many countries playing key roles in the competition for FDI (Oman, 2000). In each context, a characteristic interplay between political and economic factors shapes the form, intensity and outcomes of local economic development policies – sometimes with important consequences for national development too. But the expectation is that these will play out in different ways, depending on a set of economic, political and institutional characteristics which figure within a general model of territorial competition. In the remainder of this chapter, we shall look in turn at: the economics of place competitiveness; the politics of territorial competition; and a normative framework for assessing outcomes from the process and regulating it; before summarising key issues.

### **Place competition, place competitiveness and territorial competition**

Spatial competition may be understood in several different ways in relation to local economic development policies. In particular, there are three that need to be distinguished, which for convenience we will refer to as place competition, place competitiveness and territorial competition (though these terms are not used consistently in the literature).

*Place competition:* At the most basic level, it is a simple matter of fact that individuals and businesses located in a particular area tend to

compete not only with each other, but also with people/businesses located in other areas. The competitive position of each, in terms of price and quality, reflects a combination of factors – associated with: the assets they have available; the technologies they can deploy; costs/prices in the local market; extraneous influences on supply/demand in their specialisms; and ‘pure chance’. Their combined effect across all local businesses/individuals produces some places which are ‘winners’ in terms of aggregate activity/earnings levels, while others are ‘losers’ in the place competition. Whether or not this division has evident local causes, it is likely to have local consequences – though not all of the place’s businesses/residents will be affected in the same way (or at all).

What it means for a business to be ‘located’ in an area can vary greatly, depending on: who owns it; the status/role of local operations; and how far these are embedded in the local economy. Direct benefits from the competitive success of local business establishments (in product markets) and local residents (on labour markets) clearly accrue to those who own the crucial assets, notably: shareholders, who may or may not live within the area (in the first case); and those with increasingly valued kinds of human capital, who may or may not remain within it (in the second case). In addition, their success is likely to have some positive income spill-overs within the local/regional economy, in terms of property values, money wages and (probably) employment rates.

Spatial economic theory suggests that the effects on property values will tend to be localised, because these assets are immobile, whereas the labour market effects may get rapidly and widely diffused. For the average resident, real (expected) earnings may not actually change, though there will generally be both winners and losers within any affected economy. If the supply of local residential/commercial space is somewhat inelastic, the success of some local businesses will mean higher costs for all, thus lowering the demand

for others who sell price-sensitive products in external markets. Despite such uncertainties, the existence of spill-over effects means that members of the local community may reasonably believe that they have some stake in the competitive success of local businesses and residents – even when there is no collective involvement either in producing competitive assets or in sharing out their benefits.

*Place competitiveness:* Outcomes of such inter-place competition may be wholly or largely determined by exogenous factors. There are cases, however, where the competitive position of representative firms in an area is substantially influenced by the presence or absence of quasi-public goods, i.e. of competitive assets which are freely available, on a non-rivalrous basis, to all located within the area. Relevant examples could include: facilities traditionally provided (if at all) by local authorities (e.g. education, transportation, specialist research institutes); others dependent for their existence/sustainability on appropriate regulation of private activities by such an authority (e.g. via development planning); and a further set whose provision essentially depends on private activity, but where economic incentives cannot be counted on to secure (any or adequate) provision (e.g. pools of skill/tacit knowledge and support services, or networks of established cooperation). What these competitive assets have in common is that they are endogenous in character, in the sense that their availability is not fixed but rather reflects the shaping of an area through a combination of its economic history and its political economy (Massey, 1984).

The importance of place competitiveness in terms of such assets has been substantially enhanced over the past quarter century or so by two broad shifts in the form and intensity of economic competition. The first involves the market for mobile industrial or commercial investment projects, which grew substantially in importance as constraints on

trade, communications and multi-plant co-ordination of productive activities were successively overcome (between the 1960s and 1980s). As far as inward investment was concerned, this enlarged the pool of potential projects which could be 'won', even by less established centres. As a result, however, the practice became much more competitive, since firms with plants to locate could now actively consider many more locations, and play these off against each other. And, at the same time, the existing activity base of economic 'territories' (both old and new) became more vulnerable both to the relocation of specific functions from established centres that could now be made to operate in some cheaper location, and to onward movement by footloose recent arrivals, tempted by better 'deals' offered elsewhere. The second involves a quite widespread (though still ongoing) shift in the basis of product market competition from simple price (or value-for-money) criteria to quality (or rather to the distinct qualities of differentiated products). This shift toward some version of 'flexible specialisation' (Piore and Sabel, 1984; Storper, 1989) seems partly to have reflected changes in the tastes of (more affluent) consumers, facilitated by new production technologies which made short production runs much more economic. But in the advanced economies it also represented a defensive response by home producers who could no longer attempt to match prices from plants in those low-wage economies that now offered feasible locations for relatively standardised products.

In Porter's (1990) terms, this shift allowed businesses, and the places that housed their core functions ('home bases'), to develop distinctive forms of 'competitive advantage' as an alternative to the 'race to the bottom' which pure price competition (and comparative advantage) promised in an increasingly globalised economy. The kinds of local public goods that appear to sustain competitive advantage of this kind are themselves qualitative – in relation to capabilities of local suppliers, complementary skill/knowledge pools,

knowledgeable consumers and vigorous competition – and combine in ways that allow fortunate places to offer distinctive kinds of environment relevant to firms occupying different types of market niche. As with Krugman's (1995) more aggregative emphasis on the strength of agglomeration economies, Porter's evidence for the beneficial effects of clustering implied that such places could enjoy continuing dynamic benefits (i.e. faster growth), rather than simply one-off (or temporary) boosts to the level of local activity.

*Territorial competition:* One further step beyond this, 'territories' – or some body acting on their behalf – may be seen as playing an active collective role in securing the conditions to promote competitive success for firms and individuals based in their area. This is the strong sense of purposive 'territorial competition', rather than of simply de facto 'place competition' or 'place competitiveness'.

For this concept to be applicable, it is necessary first of all for there to be substantial aspects of place competitiveness which can be manipulated in predictable/positive ways by some collective agency in the territory. That is partly a technical issue, as to whether such agencies possess both the relevant expertises and effective autonomy to apply them. But it is also a political one, because of the diversity of economic interests within any territory, which not only complicates the process of mobilising collective action but also increases the likelihood of it being captured by particular sectional interests.

There is a theoretical precedent for such purposive activity in Tiebout's (1956) treatment of inter-jurisdictional competition between (nearby) local authorities offering rival bundles of local public goods/tax rates to attract residents. Within the framework of his analysis, such competition serves – as authoritative decision-making on its own could not – to stimulate provision of an optimal mix of public goods – including those



generated directly by an optimal pattern of residential segregation. This outcome depends crucially on three assumptions which are a good deal more problematic when translated to the context of competition for economic activity rather than residents: a large number of competing jurisdictions, each of efficient size and with free mobility between each; absence of any impacts spilling over territorial boundaries; and jurisdictions simply motivated to maximise growth (in Tiebout's version) or 'profits' (Bewley, 1981). Where these do not apply, competition alone will not necessarily secure desirable outcomes, independent of the processes through which policies are shaped and regulated.

Famously, Krugman (1996a) has argued against the pursuit of 'competitiveness' policies on behalf of territories (whether national or urban/regional), for reasons most commonly identified with the claim that unlike firms they 'cannot go bankrupt'. The relevance of that argument is not clear – since firms do not compete only to avoid extinction. But it can be understood as part of a broader concern about the lack of mechanisms to ensure that policies advocated in these terms are actually geared to advancing overall economic interests, rather than some (disguised) sectoral benefits involving larger costs for others in the economy, as he believes to be much more commonly the case (Krugman, 1996b). Just as at the national scale protection for the steel industry may be (falsely) claimed to advance overall US competitiveness (Krugman, 1996b), so at the urban scale boosterist arguments may be used to generate profits for developers while residents suffer in fiscal and environmental terms (Molotch, 1976).

## The politics of territorial competition

Even where there is a strong functional argument for a public agency to take on some particular role – and widespread understanding

of it – we cannot assume that it will necessarily be pursued in practice in any serious/effective way. In general, governmental activities tend to be sustained through a high degree of inertia – with demands and supports flowing from established sources, organised client groups, vested staff interests, public expectations and programmed operations. Getting additional or novel responsibilities into the portfolio requires more pressure, to overcome initial hurdles and win a start-up budget, in situations where potential beneficiaries are liable to be less well organised than in cases where policy activity itself sustains organisation. This has two likely consequences. The first is that where new activities do make it on to the agenda and crowded budgets of public agencies they may not be very substantially resourced. The second is that, where they are, the form in which they are pursued may strongly reflect the particular political forces that managed to get them there.

The emergence since the 1980s of a new set of arguments for local economic development policies and/or more strategic forms of territorial competition is a case in point, for places lacking a longer history of such activity. For such arguments, and the real economic circumstances they invoke, to generate robust forms of competitive activity depends on a combination of:

- at the micro-level: effective mobilisation by potential beneficiaries with the capacity to organise themselves into a successful promotional coalition within a suitably defined territory; and

- at the macro-level: tolerance and/or active support by higher levels of government for local agencies to take on independent/competitive roles in pursuit of economic development for their territories.

The micro-level requirement has two aspects. The more basic is the presence within the territory concerned of a set of actors with

significant 'spatially dependent' economic interests and the political/economic resources to pursue these (Cox and Mair, 1988). Such interests may include: ownership of land or immobile infrastructure; dependence on local markets, particularly where sales rely on persona; contact/reputation, or non-local expansion is otherwise constrained (as historically with state-based banks, utilities, etc. in the US; Wood, 1996); or other locally networked assets. For public authorities it may involve: dependence on a local tax-base (as in e.g. North America, though much less in Western Europe); for individual public officials it may involve: career prospects linked to measured local economic performance (as in China; Chien and Gordon, 2008). Their strength is institutionally variable therefore, but within nations is also likely to vary with different patterns of specialisation, and the balance between local and (multi-)national firms. Additionally, however, these interests need some basis for getting round the fundamental dilemma of collective action, as Olsen (1971) identified it: namely that it is rarely in the immediate interest of those with a recognisable stake in the success of some collective action, actually to expend significant resources of their own in pursuing it. Where no such basis exists, the likely outcome is some purely symbolic 'competitive' activity. This warrants a critical look at how substantively significant much advertised developmental action actually is. But where particular bases are found for escaping this dilemma, these will have consequences, first for the composition of the promotional coalitions that emerge, and then (consequently) for the set of 'collective interests' and policies that come to be pursued – which also require careful examination (Cheshire and Gordon, 1996).

Some circumstances may just be generally supportive of cooperation, on the basis of solidaristic sentiments (as in the case of national minorities such as Catalans in Spain). But at best these provide a starting point, and other factors will generally produce biased outcomes. Three common forms can

be identified. The first starts from Olsen's observation that very small groups of actors with large individual stakes in a particular set of linked outcomes can more easily secure their mutual engagement than can any larger group. This leads to an expectation that major-landowning/development interests are the most likely core for a viable coalition (as in Molotch's 'growth machines' in the US). A second involves a bias toward historically dominant sectors, including staple industries in structural decline, on the basis that these are liable to have the strongest habits of cooperation, and most generally credible construction of what the territory's collective interests might be. The last embodies a bias toward (greater) localism on similar grounds. At a general level, the political economy perspective raises a suspicion that such coalition-building is more likely to serve elite interests than those of the average local resident, and to encourage an understanding of local development processes that conflates the two.

Beyond this, the specific kinds of bias that have been identified suggest potentially serious biases toward types of policy which are less likely than others to advance a territory's strategic economic prospects, by: focusing excessively on attracting inward investors to prestige new property developments; a form of 'lock-in' which concentrates on reinvigorating mature/obsolete sectoral complexes, rather than on renewing the local economic base; and/or defining the economically relevant territory too narrowly, ignoring complementarities with neighbouring areas, which are treated instead as the key competitors.

At the macro-scale, two key considerations are the degree of centralisation of, first, the state and, second, of national politics. On the one hand, state centralisation (as in say the UK or France as against effectively federal states) simply limits the scope of territorial agencies for genuinely independent action, as in the case of West European states before the 1980s, where both economic policies and

fiscal control were jealously guarded monopolies of the central government. One factor in the eventual rise of territorial competition here seems to have been recognition that within a Single European Market where urban services became freely tradable urban competitiveness became a matter of national economic interest. In some developmental states elsewhere, notably China (Chien and Gordon, 2008), mobilisation of local competitive forces, within a framework of continuing central control, has been seen more directly as a servant of national economic objectives.

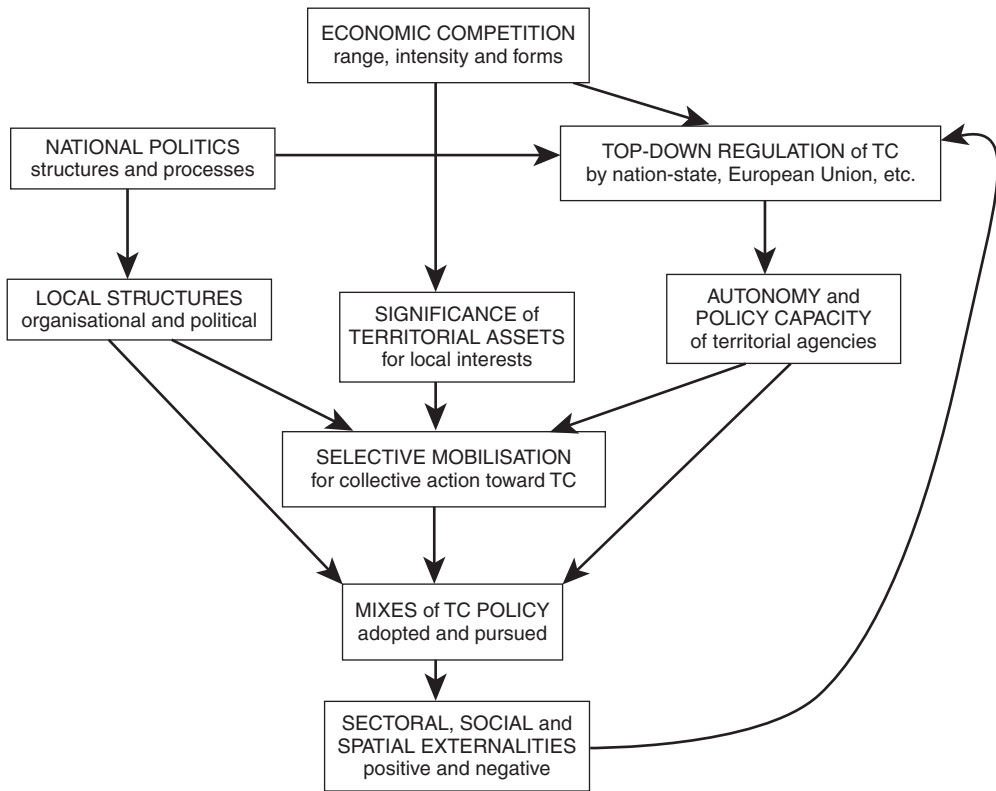
In relation to politics, the issue is rather different, relating to the role that territory plays in the processes through which national power is acquired. On the one hand are highly integrated systems in which political conflict/competition is fought out on a nation-wide basis in relation to generally recognised ideological differences and/or socio-economic groupings (as has tended to be the case in Western Europe, or in India through the 1950s/1960s). On the other are systems where national power is to a greater degree acquired through politicking in a series of semi-independent territorial polities, serving as arenas for political contests played out on different bases. This has always been the case in the US, but is also true in Brazil (Ames, 1995) and became so in India after the 1980s when the dominant Congress party lost its political cohesion (Schneider, 2004). In these situations, where power has to be built up sub-nationally, the territorial division of economic activity (as of the 'pork barrel') is an inescapable aspect of politics, and constrains any potential development of nation-wide ideological or class-based competition. Territorial competition is then (for better or worse) an expected and natural component of the political system. By contrast, in the former case, serious territorial competition presents a potential challenge to the maintenance of an integrated national politics (and party system) structured around such nation-wide issues. In the face of such

threats, national (or EU-wide) regional policies have been promoted to sustain political cohesion – rather than the 'economic and social cohesion' to which EU policies are nominally directed. And these may be adapted to assist, integrate (and domesticate) nascent forms of territorial completion, through conditional funding in relation to national goals and programmes (Gordon, 1990).

To summarise, while the pursuit of material interests of one kind or another is fundamental to the politics of territorial competition – and hence to the policy mix and outcomes to be expected from it – this does not mean that any reasonably free market economy should be expected to develop a common form of territorial competition, operating with similar intensity, and producing the same mix of outcomes. Rather the political economy perspective suggests that territorial competition – and thus local economic development as conventionally understood – should operate in ways that are highly contingent, but related in intelligible ways to a small set of factors. These include the character of national politics, the institutional/regulatory regimes under which territorial agencies operate, local economic structures, and the significance of territorial assets for interests within the local economy (Figure 3.1). In no case, however, can it be presumed that an effective capacity to engage in territorial competition can necessarily be mobilised, or that this would serve a set of community-wide economic interests.

## **Outcomes: good, bad and regulated**

Like other kinds of policy, economic development policies launched under a territorially competitive initiative may yield unsatisfactory outcomes – whether through poor policy choice or failure to assure the necessary conditions for implementation (including actual provision of all required resources, including finance, skills and compliance). Other chapters



**Figure 3.1** Processes shaping territorial competition (TC).

Source: Adapted from Chien and Gordon (2008: 7)

in this volume provide ample examples of this. But territorial competition presents some specific issues in relation to the desirability of outcomes which can be related to the conditions under which such activity comes into being in particular places and times.

One starting point for thinking about the problem is a simple normative distinction between policies which are (and may be expected to be):

Purely wasteful – with no net gains;

Zero-sum in their effects – i.e. purely redistributive, with gains for some being matched by losses for others; and

Economically productive/capacity-building – with overall net gains across the system (Cheshire and Gordon, 1998).

The distinctions here are not quite as simple as they look. In the first case, even the most ‘wasteful’ policy is likely to yield benefits to somebody, even if only to those who worked on it, the politician publicly launching it, or the mobile firms who succeed in extracting a high price for their locational favours. The basis on which we should judge whether some policies are ‘purely wasteful’, however, is whether they involve net losses overall to the territorial agency’s legitimate stakeholders. In the second case, ‘zero-sum’ policies are ones that escape the ‘pure waste’ category, by yielding net benefits to stakeholders within the agency’s own territory, but do so simply by capturing benefits from elsewhere (maybe in the form of mobile firms or product market share), or imposing comparable costs on other areas. Essentially then, they are

spatially redistributive in their effects, possibly in ways that improve spatial equity, but as likely, or more, not to do so. In most cases we might expect there to be no equity issue, since competitive interactions of this kind most commonly involve areas in a similar economic position, and/or within the same functional economic region (for the latter see e.g. LeRoy, 2007).

To the extent that economically stronger areas have more assets to deploy in such competition, however, in the absence of external assistance to assist the competitive efforts of others, there is likely to be some bias toward outcomes that reduce rather than enhance spatial equity. Often, however, substantial effort may be required to achieve this outcome, including effort expended in contests where the territory ultimately loses out to other active competitors, as well as in those where it 'wins'. Taking these 'transaction costs' into account, the aggregate result of seeking to compete on this basis will generally involve negative-sum outcomes (i.e. net costs overall), rather than simply a zero balance.

For the active territorial 'players' (i.e. places pursuing such gains, through e.g. policies to attract mobile firms) the expected pay-off might still be expected to be positive – at least relative to the position they could expect to be in if they refrained from competing. This is often presented as a 'prisoner's dilemma' situation, in that active players may not actually achieve gains as compared with the status quo but be forced into competition by the knowledge that they will end up worse off if they refrain and allow others to take all the spoils (see e.g. Ellis and Rogers, 2000). That danger can seem particularly real, given a great excess demand for mobile investment projects, meaning that agencies cannot tell when the next desirable project might come along. For example, Thomas (2008) cites an estimate from Loveridge (1996) of just 200–300 large-scale projects annually in the US being pursued by some 15,000 investment attraction agencies.

However, if almost everyone participates in such competition, e.g. by offering cash incentives/tax breaks to firms who will locate a plant in their area, the expected net benefits may be very low, with only a modest penalty for abstinence. For any given project potentially available to, and desired by, all territories, models of the competitive process demonstrate how the 'winning' area will have to offer an incentive (of financial plus any natural advantages) at least equal to the perceived value of this project for the area which attaches the second highest value to it (King and Welling, 1992). From the perspective of an average territory, participation in such contests may then move toward the 'purely wasteful' category, with zero expected gains and significant entry costs. In the US, at least, these entry costs increasingly include the employment of site consultants, who offer territories the prospect of net gains through access to superior information, but serve primarily to boost competitive activity (Markusen and Nesse 2007; Thomas, 2007). Indeed it is striking that in a recent listing of nine ways to curtail the 'economic war' among the US states, at least two-thirds were clearly directed at issues involving waste for the states involved, while only one focused on issues of 'zero-sum' inter-state predation (LeRoy, 2007). OECD's international study similarly emphasises the advantages for states in pursuing transparent, rules-based approaches and avoiding rent-seeking (Oman, 2000). A careful econometric review of likely impacts of state and local economic development incentives in the US concludes that:

for an average incentive project in a low unemployment local labor market, benefits and costs are of similar magnitude....whether the net benefits are positive or negative is unclear.

(Bartik, 2005: 145)

The implication is that for a substantial proportion of such projects the balance will be clearly negative (even without taking account

of the fixed costs of competing). Examples of such purely wasteful financial competition are numerous, including cases where regions within a developing economy end up competing with each other for FDI projects, as in the Brazilian 'car-wars' documented by Rodríguez-Pose and Arbix (2001).

The same logic applies where territories offer not actual cash payments (maybe because that is unlawful in their position) but rather a standard package of generalised concessions or locational attractors, fitted to the needs of a typical firm with mobile projects. In such cases, for projects with few locational constraints, all regions within a country (if not further afield) are effectively competing with each other, and monopoly power rests with the firm just as in the textbook case of tax/subsidy competition. This monopoly power derives ultimately from an excess demand from territories for mobile projects, which no individual agency can significantly modify. But it is substantially reinforced when areas pursue undifferentiated attraction and incentive policies, which allow firms to extract the maximum rent, by pitting all potential locations against each other.

By contrast, the economically productive/capacity-building category of policies includes not just the now familiar range of 'high road' initiatives aimed at boosting the long-run productivity of local business and public sector activity (Sengenberger and Pyke, 1992; Malecki, 2004); but also selective attraction of inward investors within specific target groups, using incentives that emphasise and reinforce distinctive actual/potential strengths of the particular territory. Pursuit of distinctiveness – with a locational offer that other territories could not match – could then serve as a means of countering the monopoly power of the mobile firm, both at the point of inward location and subsequently, when it might otherwise threaten an onward move. Where successful, this strategy would allow territories themselves to show net benefits from induced inward investment (Wins, 1995). From the perspective of the territorial com-

petition literature, we can thus identify three broad types of pathology in the way that sub-national economic development activities are characteristically conducted – whether in advanced or developing economies, and whether in liberal democracies or more authoritarian regimes. These involve: a tendency for territorial agencies to pursue policies that are unlikely to yield net benefits for their constituents; an over-emphasis on competing against other areas (often within their own functional regions) for a limited pool of investment projects, whether directly or via generalised promotional strategies; and a failure to focus effectively on developing distinctive assets that could build a competitive advantage in particular economic niches, where territories could credibly establish some market power. As Turok (2009) indicates, this requires more than simply espousing the idea, or adopting some conventional notion of how distinctiveness can be achieved (whether through high-tech, creativity or iconic design).

These failings might be seen simply as components of a 'low road' development (or perhaps underdevelopment) strategy, for which other chapters offer a more detailed critique. Where the Territorial Competition (TC) perspective differs from other parts of the Local Economic Development (LED) literature is in suggesting that these pathologies are not simply reflections of ignorance, incompetence or lack of sophistication on the part of LED practitioners. Rather they are seen as predictable outcomes of the problematic politics of building collective territorial action, and of more or less rational behaviour on the part of those actively engaged in it. An obvious example is the neglect of spatial externalities by those territorial agencies which focus on the competitive aspect of their relations with other areas (including their neighbours), rather than the potential for collaboration. The seriousness of this problem clearly varies both with the extent to which agencies (including local governments) are free to pursue whatever competitive initiatives they

choose, and with the particular pattern of incentives facing them.

In the first respect there has been a marked contrast, between a general lack of constraint on state/local competition in North America, and the situation in Western Europe, where national governments have traditionally restrained 'wasteful' domestic competition, and the EU has buttressed this with an effective cross-national regime limiting the use of state aid for competitive purposes (Sinnaeve, 2007). In relation to incentive structures there may be a similar pattern of difference among advanced economies, with those (notably the US) which make sub-national governments substantially autonomous in fiscal terms encouraging more cut-throat competition, than those where fiscal federalism dilutes the financial gains (or even eliminates them, in the UK case). Elsewhere, as in China, the central state may actually purposively design the incentive structure to encourage, not simply tolerate, vigorous local competitive action (Chien and Gordon, 2008). Translating some version of the European regulatory system to other national/regional contexts seems a rational response to the evident neglect of spatial externalities by which territories' competitive activities are unconstrained, though there is scepticism of its feasibility in the US case (Sinnaeve, 2007; Thomas, 2005).

From the TC perspective, however, neglect of such externalities is not the only issue involved in the pathology of predatory incentive competition. As important are: the excessive localism of the 'territories' on behalf of which agencies act (relative to the scale of functional economic units); and the seemingly irrational bias toward inward investment as the central priority in much competitive activity (Cheshire and Gordon, 1998). These are important in themselves, because a large proportion of incentive-based competition actually involves nearby areas which should logically be collaborating on a common development strategy, and because much of this appears wasteful even from the perspective of

the area which is supposed to benefit – if not from special interests in these areas.

Beyond this, however, the TC analysis wants to situate these issues in a root problem of the building of effective collective action to pursue competitive strategies on behalf of a representative set of interests across coherent economic units. Without some active, independent source of leadership, it is argued, the structures and forms of intervention that are developed will be subject to some combination of: weakness in resource terms, leading to the adoption of superficial, symbolic policies, including a substantial element of copying of conventional/fashionable initiatives (isomorphism, as Chien (2008) terms it), rather than development of tailored/differentiated strategies; and structural biases, reflecting the unrepresentative sub-sets of interests which are able spontaneously to build viable coalitions to promote competitive initiatives, including particularly those with stakes in development projects for which inward investment is an essential requirement.

### **Conclusion: competition, competitiveness and local economic development**

Place competitiveness as well as place competition are clear realities in an economic environment, where market competition is pervasive and strong place characteristics play a crucial role in protecting communities from race-to-the bottom forms of pure price competition. There is a functional role thus to be filled by collective actors who can respond coherently, rationally and in a representative way to the challenge of building and sustaining the appropriate combination of territorial assets.

Vigorous market competition between places ought to provide both motive and the right set of incentives to steer public agencies toward more effective performance in support of this activity. However, the capacity to fill these roles is not naturally or necessarily

available, and the collective action problem in evolving appropriate action coalitions is such that rhetoric about competition and competitiveness will often not be matched by organisations and activity which are both genuinely substantial/strategic and representative of the collective economic interests of functional relevant territories. To understand the limits of actual existing LED activity and the forms of 'competition' in which it engages – and progressing beyond these – it is necessary then to attend to the ways in which contextual influences on the political base of territorial competition shape (and bias) the choice of policies and the way they are implemented.

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## Local and regional 'Development Studies'

*Giles Mohan*

### Introduction: What is development?

Discussing local and regional development in the Global South necessitates engaging with empire, race and nation. The whole idea and practice of development is marked by imbalances of power about who decides what defines development, who its agents are, and what territories it constitutes. It is vital, therefore, to begin by asking how we understand development. My starting point is Hart's (2001: 650) distinction between 'D' and 'd' development whereby:

'big D' Development (is) defined as a post-second world war project of intervention in the 'third world' that emerged in the context of decolonisation and the cold war, and 'little d' development or the development of capitalism as a geographically uneven, profoundly contradictory set of historical processes.

Hart follows the Polanyian view that unleashing of markets generates a 'counter-movement'. Hence, "Far from the counter-movement representing some sort of external intervention in an inexorably unfolding

teleology, these opposing tendencies are contained within capitalism" (Hart 2001: 650). This forces us to consider not only how Global capitalism must be actively "created and constantly reworked" (ibid.), but in a Gramscian sense how it can be resisted and made otherwise.

Within this counter-movement the relationship between power and knowledge is a form of governmentality (Watts 2003). In practice, this means analysing "the rationalities of rules, the forms of knowledge and expertise they construct, and the specific and contingent assemblages of practices, materials, agents and techniques through which these rationalities operate to produce governable subjects" (Hart 2004: 92). Governmentality has been used to examine international NGOs and multilateral agencies, and the intersection of different spaces of power (e.g. Ferguson and Gupta 2002). Hence, knowledge about development and its practical application in 'management' and 'planning' is very much about control and discipline.

From its inception in the Enlightenment, development has involved trusteeship, which saw science and state direction coming together to secure the basis of social harmony through a process of national development. Colonial trusteeship was all about the

mission to civilize others and to give experience to the 'child-like' colonial peoples. While trusteeship was often rejected after 1945, because of its colonial connotations, the idea 'implicitly reappears' many times in post-war conceptions of international development (Cowen and Shenton 1996). During this period many former colonial administrators went on to take posts with NGOs like OXFAM or taught university courses on development administration and management (Kothari 2006). This is not to view colonial administration as a homogenous set of practices and ideas but rather to seek to understand the continuities to 'post-colonial' times, even as important changes have taken place in the ideology of development.

While the D/d development framework gives us a dialectic for understanding how development functions structurally that is not to say that historical changes do not occur. An important issue for studying development is the ways in which discourses and practices have evolved. McMichael's (2000) characterization of development having moved from 'developmentalism' to 'globalism' is instructive here, as is his observation that such moves have been a response to the crises of a previous regime. McMichael argues that developmentalism, essentially a social-democratic welfarism, was a response to the crisis of nineteenth-century monetary control via the gold standard and the destabilizing effects of the two World Wars. As we will see, this Keynesian developmentalism came during the period of formal decolonization and underpinned state-led, protectionist and redistributive development policy. Globalism, by contrast, is a counter-mobilization to the constraints of social protectionism, which seeks to engender market rule through institutional coercion which has weakened the power of some states.

But how does the discipline of Development Studies function as part of the governmentality of development? In general there has been a tendency, generated by both those outside development studies and within it,

to treat the developing world as so exceptional as to require a different set of analytical concepts or development studies imports concepts into inappropriate situations. This exceptionalism is manifested in a number of ways.

First is a 'provincialising' impetus arguing that globalization has missed out much of the developing world, so for all intents and purposes we can ignore them. They simply do not matter to the dominant forces that shape the contemporary world. But as the brief discussion of McMichael's work (*ibid.*) shows, globalization has affected the Global South in numerous ways and is significant for the lives of those living there, even if they are relatively powerless. Increasingly, the neoliberal consensus of McMichael's globalism informs all development policy, whether in the Global North or South, which has seen a convergence of concerns around entrepreneurialism, cost recovery and devolution, and with it an attempt to apply similar institutional economic theories to planning.

Second is an 'exoticizing' tendency, which runs that 'the other' in the Global South are so different culturally and politically that 'we' can never really comprehend them. This lack of comprehension is manifested in mono-causal explanations (Chabal 1996), with policy makers accepting crude takes on politics, which they would never accept in analysing their own situations. Or we see potentially patronizing 'participatory' approaches, which are discussed later, that encourage the 'beneficiaries' to reveal their needs through child-like, playful techniques that actually conceal the ignorance of the policy researcher.

Third is a spatial and intellectual separation which parcels together inappropriate territories and scales. On the one hand, we get a geographical separation with Development Studies focusing on the 'over there' regions, which generates a spatial, ethical and epistemological distance between the producers of the knowledge about development and the subjects of this knowledge. As Eyben (2006)