



FROM BOLOGNA TO BASILDON

Regional Initiatives for the 1990s



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SEEDS AGM

Regional Government and the Economy in a European context

Ten days ago I attended a meeting in Bologna of regional governments and development institutions in Europe. The topic was Industrial Policy New Issues/New Models: the Regional Experience. The hosts were the regional government of Emilia Romagna, the fastest growing region in Europe over the last twenty years. The Basques were there, the Catalans, North Rhein Westphalia and Baden Wuerttemberg, and a large number of other Italian regions and municipalities. The head of the Massachusetts Development Agency had been invited. But there were no local authority representatives from Britain or France - the two large centralised states of the EEC. At the end of the meeting the North Rhein Westphalian asked me if there was any hope of the UK getting regional government in the 1990s. He suspected there wasn't.

In the context of the meeting, the question had a double urgency. First, it was quite clear from the experiences described that regional and local government had played a central role in the growth of these regions. The Emilian government has supplied a wide range of support and finance to the small and medium sized enterprises on which their economy has been based. It had encouraged export consortia, common service organisations, technology centres, data banks, sectoral market intelligence, computer aided design systems, training programmes and craft colleges, the underwriting of financial co-operatives, and the representation of their regional interests at the national level.

To take the financial co-operatives as an example. In Modena 500 firms are now members of one such; they guarantee 50% of the loans made to their members, after approval by an elected committee. Because as a group they have helped shape the project, and because they know prospective borrowers much better than does the local manager of a branch bank, the failure rate of loans under their scheme has dropped from the national average of 7% to 0.003%. Since the co-op also acts as a quasi union for the firms, the banks have cut 4% points off the interest rate on loans to members of the consortia.

The small firm industrial districts in middle Italy seem strangely archaic to British eyes. We have tended to equate progress with size. But the astonishing share that Italy has achieved in world exports of many industrial commodities - 21% of men's suits, 28% of wooden chairs, and of cement and artificial stones, 30% of pullovers, 34% of footwear, 35% of handbags, and 56% of glazed ceramic tiles - have largely come from these industrial districts. Sassuolo - a market town in Emilia - is a world centre for ceramic tiles. Prato near Florence, a town the size of Brighton, has 14,000 clothing firms who produce 25% of the

world's mens suiting cloth. Carpi, a town a little smaller than Harlow produces one quarter of Italy's exports of woollen clothing.

These are not Mrs Thatcher's small firm vision made real. Their wage levels are by and large higher than the British mass producers whom they outcompete. They have strong collective institutions, which bind them together as if they were parts of a large firm. What they do have is a capacity for innovation and the unexpected which is foreign to the larger Fordist firms. Prato, for example, produces 80,000 different cloth patterns per annum, which its key middlemen - the *impannatori* - test out on world markets before placing their orders. Italy has its low wage sub contractors, but the success of its heartland districts do not depend on them.

In Baden Wuerttemberg, the networks are organised by two of the larger firms in the region, Bosch and Mercedes Benz. But the clusters of firms around them have an innovation capacity of their own. The regional government has established a successful system of brokerage between the universities and polytechnics and these firms. 1,000 engineers and scientists now work on contract for regional firms, with the regional government taking a 7% cut from any fees received.

These are two examples from among many. Each has its own specificity, and its limitations. What they show is the capacity for local and regional authorities to play a direct part in the production process - as planners, animators, and funders of real services - in a way which central governments would find difficult. The central state can adjust the overall price system; it can have some effect on distribution through taxes and transfers; it can mediate a country's relations with the world market. It can also provide certain types of large scale infrastructure, and intervene in the industrial restructuring of big business. It finds it easier to deal with circulation than with production.

Regional and local governments can operate beneath the national radar line. They are closer to the particular; to different groups of users, and workers, and communities as well as the operating levels of the firms themselves. As we have found in the field of energy, a system based on local and regional government can follow a different kind of strategy (with much greater emphasis on conservation, on inter active metering and combined heat and power) than the large scale power stations of the centralised electricity authorities. Regional and local governments are the most appropriate bodies to integrate transport systems. They can co-ordinate different sections of the state to produce what we might call laser effects in particular parts of the local economy. They can provide support for local workers and users resisting the market logic of international capital. Local authorities in short have a greater

capacity for detail, for the specific, and therefore for playing a direct role in the restructuring of production.

New forms of corporate organisation have emphasised the importance of decentralising responsibility to operators and operating units, reserving strategic power and system design to the centre. They have favoured less structured forms of decentralisation as a means of promoting innovation and what they call 'continuous improvement'. There is a parallel argument for decentralisation in the state. What is different in the state, however, is that strategy and system design should also be democratic. Indeed, it may be more effective as well as more democratic if it is built up from the base. SEEDS on its shoe string budget has already shown the value of regional sector strategy. The Emilian government has undertaken a similar range of studies. They have shown that local and regional authorities should play as significant a role in setting the course as in carrying it through. The task of regional government is not just to fill in the squares sketched out by national government. As in fractal geometry where each element appears as a miniturisation of the whole, so we should recognise that the local is also national, but on a smaller scale.

The importance of the above is that the UK cannot succeed in restructuring its industry by reliance on macro management in the Keynesian tradition, or by centralised intervention through monopoly institutions (whether they be called the Industrial Re-Organisation Corporation, the National Enterprise Board or the National Investment Bank). You cannot lay out a garden from an aeroplane. And this is doubly true if our aim is not merely the quantity of growth, but its quality; if the restructuring is to be democratic rather than simply in the interests of capital; and if those many elements of life that are ignored by the market - from city culture to the detoxification of the soil - are to become the loadstars of the social economy. The green issues need national governments - as legislators and countervailing powers to the interests of the market. But they also need local and regional governments as service providers and regulators and for their capacity to link users and producers around a programme of qualitative growth.

In some ways the initiatives taken by local authorities in the UK have been more adventurous in pursuit of alternative paths of growth than have been those of their continental counterparts. The UK has put a greater emphasis on strengthening user powers and on developing popular planning. They have been more aware of the alternative paths of technical change and their social implications (with the German unions substantially ahead of German local authorities on this). They have put more emphasis on health and safety, and on gender and race issues, than many on the continent; and they have seen part of their role as contributing to a coalition of countervailing power in the regions against particular multi-

nationals. Where the continental regional governments have had greater success is in breaking down the academic walls - still so high and so insulating in the UK. They have developed effective, specialist institutions for working within sectors, and they have had a greater influence in preventing the spread of Fordist retailing which has so weakened local and national industry - as well as city centres - in Britain. These reflect different traditions and class compositions. What stands out from the continental experience is the scope that well resourced, and formally empowered regional government has had for shaping and stimulating its local economy, and the importance of the results not merely for the region, but for the national economy as a whole.

The second reason for urgency arising from the Bologna meeting is that 1992 is giving a new significance to regions within the European context. On the one hand 1992 is further eroding the independent regulatory powers of the nation state. National Keynesianism is being cornered. At the same time the increased deregulation of the European market is already sharpening the regional divisions in the community. The South of Spain has a GDP only 18% the size of the region of Hamburg, the South of Italy just under a quarter. The North of Spain - in spite of its heavy industry - has a GDP less than a third that of Paris and the Paris basin. Just as the social charter seeks to reduce the social inequalities resulting from the consolidation of the market on a European scale, the EEC's regional programme seeks to do the same for spatial inequality.

To this end the Commission is encouraging regional governments and quasi publics - both in the underdeveloped and the deindustrialised regions - to expand their policies of indigenous growth. The New Issues and New Models in the title of the Bologna meeting referred to a move away from inter regional competition for footloose industry, to the development of 'real services' to encourage locally centred growth. Regional institutions are being strengthened as a complement to Community power in the economic field. The shape of a new regional policy within the Community is emerging.

There are, I think, a number of problems with this approach, First, regional policy is still concentrated on the depressed regions, whereas SEEDS has argued strongly that prosperous regions must also be included within regional plans. Our argument is partly that there are major divides within the prosperous regions themselves, and partly that it requires strong regional government within the prosperous regions to control growth and divert it elsewhere.

Secondly, effective regional policy requires a regionalisation of government and EEC level policy, which for the UK at least is still weak. Regional government would play an important part in such regionalisation.

Thirdly, rebalancing the regions requires not merely a redistribution of resources and projects, but the establishment of alternative cores of attraction. This in turn demands strategic regional plans of the boldness of Barlow and Abercrombie. Britain's past regional policy - based as it was on regulations and incentives - succeeded only in redistributing to the peripheral regions semi-skilled Fordist industries, both manufacturing and services - leaving the high value added production in the South. As traditional manufacturing in the regions has declined, the sharpness of the distinction between North and South has increased. Just as individual decisions on the environment and transport do not add up to a coherent whole - so those on regional location need a common strategy. That means a plan for infrastructure and for public investment, and public services, whose aim would be to redirect the gravity of the market. But it would have to be a plan that covered all the regions, not just those that are underdeveloped or depressed.

The problem for the Community is that at the same time as weakening national powers, there is no compensatory shift which would allow the Commission to play this rebalancing role for the European regions. With the Community structured as it is, it is easier to deregulate than to plan. What is needed therefore is a series of industrial institutions which can intervene directly (like the European Investment Bank) on the basis of a plan. This is where the regions become so important as partners to agencies of industrial restructuring, and where the co-ordination of regions across the Community in the manner begun in Bologna is so timely. Just as Italian enterprises have found ways of joint working which provide the dual benefits of centralisation and decentralisation, so the same is required at the regional level. Indeed a number of speakers at the meeting went further in suggesting that the network of co-operation should be extended to Eastern Europe - building on what has already begun.

My argument is that regional governments are needed within the EEC as it now stands, because of an impasse between the national governments and the central commission. The former are losing the power of macro regulation, but maintain significant power to block. The latter still have a grossly inadequate democratic base, and have been curbed by national governments and by the strength of international business in their strategic role. A greater strategic capacity is needed in Brussels. But even when it comes, such a capacity needs to respond and reflect an already growing region base.

The prospects for regional government in the UK.

For both these reasons the need for regional institutions in the UK is immediate. But how can we answer the question from North Rhine Westphalia? We are some 2¹/₂ years away from a general election. The Labour Party is committed to regional government. But even if they do win, how long will it be before effective structures are set up?

On the formal side, the size of the South East has always been one of the major difficulties for regional government. How can we have one region of 17 million people beside say East Anglia within under 2 million? Would this not confirm the dominance of the South? And if it is to be divided, how? From North to South through London, or from East to West? Is Stevenage to be separated from Crawley by a regional wall? Or should we follow the doughnut pattern of Paris and the Ile de France, expanding London, and unifying the outer South-East?

The continental experience suggest this is a non-problem. North Rhine Westphalia is a Lander with a population almost exactly that of the South East including London. 4 of the 11 Lander have populations of less than 2 million. These disparities have not been a major disadvantage.

In the case of the South East, I would favour a modified Paris form, a restored GLC with boundaries extended to include the M25, together with a rest of the South East authority following the boundaries of SERPLAN. If the SEEDS Transport Plan becomes effective we will have new orbital routes - particularly rail routes - to give an infrastructural unity to this reconstituted region of the outer rim.

This is the formal side. But it is one which - even with political will - is unlikely to become effective until the last years of the century. What in the meantime? It is here that the SEEDS studies are suggestive. They have indicated the need for a whole range of specialist regional institutions, among them the following:

- a regional transport authority, charged with integrating all forms of transport .
- a regional energy authority
- a South East environmental agency
- a South East Cultural Industries Enterprise Board
- a series of regional economic institutions, including a company turn around agency, regional development bank and a venture capital fund

- a technology agency geared to linking universities and polytechnics with the social, political and economic problems being addressed in the public and private sphere
- a South East training authority
- a regional economic strategy unit, charged with developing sectoral and labour market strategy at the regional level
- a regional food commission, concerned with developments throughout the food chain in the South East, from farming and food processing to retailing and catering
- a South East strategic land use planning unit
- a regional land bank and property development agency.

The aim of such institutions would be (a) strategy development; (b) the encouragement of action at a local level, not least through convening meetings of local authorities on particular problems; (c) providing resources for new initiatives - whether through sectoral enterprise boards, through sub regional authorities, or through co-operative action between enterprises, trade unions or user groups.

The danger with such a portfolio of agencies is what we would be setting up yet more unaccountable quangos. This is where the model of the Italian consortia is relevant. For it is a feature of the Italian institutions that they are controlled from below - by co-operatives of users of the services, by associated local authorities, and so on. SEEDS itself has been set up on these principles, and has been stronger for it. A similar model would be appropriate for the new regional agencies. For example central government funds could be made available to a consortia of local authorities - districts and counties - wishing to establish a South East Environmental Agency. It might have a number of distinct subsidiaries - dealing with toxic waste, water pollution, recycling, energy conservation, tree planting, and so forth. The participating councils should contribute a portion of the funds themselves - through issuing bonds, through an environmental levy on empty property, and through the easing of restrictions on local authority finance more generally. Such ventures would not be mandatory. They might include only a minority of authorities. But they would offer the possibility for existing councils to take immediate initiatives at the regional level - under democratic control - prior to full scale regional councils being set in place.

Another distinct feature of this proposal is that these institutions would be small and specialised. It is one of the lessons of continental and American economic intervention that small specialised units are often more effective than large ones. The Emilians have been careful not to overexpand successful units, instead starting another unit if there is a new task

to be carried out. The Baden Wuerttemberg Steinbeis Foundation - the main body for economic development in the Lander - has over 2,000 personnel on its book, but only 33 of them are at head office, 179 are located in a score of semi-specialised branch offices, and the remainder are on retainers while being formally attached to other employment. Similarly Massachussetts have kept their interventionary institutions small and distinct in purpose - often with a core staff of only 3 or 4 people working to a state appointed Board.

Not all these institutions succeed. A number of the real service centres had to be restructured because they were ineffective. But their specialist nature has made this a more straightforward task. At the same time others have been very successful, and the lessons of that success are transferred to the companion institutions in the social sphere.

One of the outcomes of such an immediate plan of action would be to show how a regional authority might work, and provide an operational core for a regional government once it had been established. An elected regional government might choose to allow these units and agencies to continue semi autonomously, defining its own functions in terms of consolidating the strategy, establishing priorities, and auditing the work of the units. It would also hopefully act as a force to strengthen the democratic control of national public services and industries, through re-inforcing the consultative groups, and funding a range of user groups and information services in parallel with the work of any new department of consumer affairs.

My own preference in designing new organs of regional government is to give them wide discretionary powers, leaving it open to the authorities whether or not to pursue them. For example the Emilian government has chosen to provide a substantial aid programme to developing countries, and has taken a range of environmental and energy initiatives. This is where the politics of the regions comes in. It may be that the political structure of the South East would not encourage policies that a London or Scottish authority might undertake. That is what regional democracy is about. It does not prevent national or municipal government pursuing such policies - given the availability of funds from the centre.

Central discretionary funds are I believe crucial for the development of an innovative, diverse set of regional economic initiatives. In terms of preparing industrial strategy for example it would be open to many different bodies to apply for them - local authorities, trade unions, industry associations, or research bodies. Each would have their own source of core funding - in the regional government case a form of property tax - but each could draw funds from the national discretionary pool.

Fordist forms of government, like Fordist industries, have tended to move forward in discontinuous steps, with large scale projects for innovation or restructuring. What local and regional government has taught us - both in the UK and elsewhere - is that it is often more effective to start incrementally on many fronts, bending institutional frameworks to new purposes, leveraging funds from a range of sources, bringing in new staff to work with the established professionals. Institutions like Departments often reflect - like the strategy of generals - the battles of the last war. We do not need to wait for the next one to make changes.

SEEDS itself represents a modest version of this policy of proceeding in small steps, with what is to hand, however minimal. With a core staff of three it is remarkable how much has been achieved, and how much learned about working on strategy with a range of authorities. So, in answer to the question from our colleague from North Rhine Westphalia we could say that regional government in the South East is already in operation. But the scale of the economic problems of this country - as of our region - and the pace of change and reshaping of policy that is taking place at the European level, all require a substantial change of gear in the move towards regional authorities. I have suggested some things that could be done immediately. They would themselves be a preparation for what remains a necessary longterm goal, the substantial decentralisation of economic, political and cultural power from Westminster and Whitehall to democratic regional and local assemblies.

Robin Murray

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