CENTRE FOR LOCAL ECONOMIC STRATEGIES

local space

europe and the new regionalism

ROBIN MURRAY

SEEDS

To my dearest Franca,
on St Valentines Day 1991,
with love, Robin

LOCAL SPACE

Europe and the new regionalism

Economic practice and policies for the 1990s

ROBIN MURRAY

February 1991

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CLES is a charitable educational and research trust and is local government's think tank. The Centre links the work of local councils in job creation and economic planning with that of all interested agencies in the UK and Europe.

SEEDS is an association of local authorities in the South East of England, formed to develop a comprehensive economic, social and environmental strategy for the region.

The agenor Research Unit was set up in 1986 to promote critical research on policy issues in the European dimension. It is an off-shoot of the agenor group, a Europe-wide network working to reduce the barriers to contact and understanding between progressive groups and individuals in the European community.

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Introduction

In the past decade, all over Europe and North America, regional and municipal authorities have been pioneering new forms of economic intervention in their local economies. The immediate occasion for these initiatives were the slumps of the mid-1970s and early 1980s which hastened the de-industrialisation of many of the 'smoke-stack' and 'rust-belt' areas, and raised unemployment levels in some regions to over 20%. The long upturn which followed only slowly reduced these levels, as aggregate unemployment remained high, and the process of de-industrialisation continued.

What became clear was that it was not just a regional issue, it was also an urban one. Even the cities in prosperous regions had extensive zones of economic hardship and industrial decline which too commonly remained insulated from neighbouring areas of prosperity. The cities were the distressed areas of the 1980s.[1]

Since national macro policies were increasingly blunt in solving these regional problems, local and regional councils took their own initiatives. At a meeting of European regional authorities in Bilbao in July 1988, some 20 development banks or similar agencies which had been set up in declining regions during the previous 10-15 years attended. At a similar meeting in Bologna in November 1989, there were not only agencies, but a large number of local and regional councils directly involved in economic policy.

Not all these initiatives have come from de-industrialising regions. Some have been in peripheral regions still on the path of initial industrial development. Others have come from prosperous regions. Indeed one of the striking things about the last 15 years is how some of the most successful regions in Europe over this period, such as Baden Württemberg in West Germany, or Emilia Romagna in Italy, have had municipal and regional governments playing an important economic role within them. They have acted as agents of support and synthesis in areas of 'diffuse industrialisation' — that is to say areas with small and medium-sized industry. One of the questions in reviewing the experience of the 1980s is how far declining and yet to be developed regions can learn from these cases of 'diffused industrialisation'?

It is the sheer variety — of circumstances and type of initiative — which has been perhaps the greatest strength of the regional economic movement of the 1980s. There has been no one way, no one model.[2] The demand has been for action and results — always a good discipline in the field of policy. But such an approach has its own limitations. Micro job programmes may destroy some jobs while creating others. With given demand, the rescue of a firm will not add to economic output, and may merely preserve outdated capacity. Financial incentives and cheap premises can merely subsidise particular firms, with little if any overall economic impact.

One of the charges against these initiatives is that they hinder the process of restructuring. Another is that they are trying to drain the ocean with a teaspoon. Both points have substance. What may appear as a positive initiative when presented as a photograph of a council leader opening a factory building or saving a firm, seen at a distance will be no more than a feather on time's flow. There is a danger that local economic policy may be merely a form of publicity for local councils — part of the post-modern politics of symbols and signs rather than a significant contribution to the economy of substance.

To dismiss the new local economics for these reasons, however, would be to take the position of a destroyer not a creator. Like the Duc de Berry who, in 1789, considered the revolution and decided to ignore it, those who consider the economic achievements of local and regional governments in the 1980s with the same disdain fail to recognise a movement which promises to have a long-term

historical significance, not only for particular local economies, but for the pace and quality of macro economic growth as well. It is as important as that. But for it to be so, local authorities must stand back from what they have already achieved, and consider their work against the broader background of macro economic development and social trends. It is only by connecting with these that the full potential effects of local economic activity will be realised.

If the virtue of the local is action and diversity, its vice is parochialism. There is often a sense amongst both politicians and council officers that broader long-term questions are not for them — they are the province of higher levels of government — national and international. This I believe to be mistaken. Economic policy is not a question of levels but of arenas. The local is the national, just as the national is the local. Those directly involved with particular firms and sectors at a regional level are commonly in a better position to consider these issues globally and devise policy accordingly, than are national or European planning bodies cut off in metropolitan bureaucracies.

The most significant of the local economic initiatives have been those which have developed a coherent local strategy that can be seen to have a bearing on broader economic and social policy. I say 'most significant' without wishing to minimise the achievements of more eclectic councils. But I feel firmly that it is now important for all those concerned with regional economic policy to begin to make these connections.

For the bulk of the post-war period regional policy was about redistributing growth geographically. It can no longer be so confined. What we know now is that policies based solely on geographical distribution of micro activities have not worked and are not working. We also know that the freeing of the internal market within Europe from 1992 is likely to increase regional inequality. The question is as urgent as that.

It is often the case that new historical developments emerge from the fringes — areas less bound in to the confirmed structures of the centre. Politically it is the new social movements which have set much of the agenda for the 1990s. In economic policy it is the local which constitutes the fringe and whose work — significantly closer to the new social movements — contains within it the seeds, and in some cases the fruits, of the new agenda. This book therefore covers three things: in the first chapter the broader context for regional policy as it has been emerging in the 1980s; in the second chapter the experience of local and regional councils in the economic field; and in the third, the implications of both macro and micro developments for regional economic policy in Europe in the 1990s.

Chapter One

THE CHANGING CONTEXT OF REGIONAL POLICY

In the early period of capitalism in Europe, the location of the leading sectors of industrial growth was tied to the availability of material inputs (coalfields, water-power, and ports for the overseas sources of supply) as well as labour from the land. With the diffusion of mass production (the so-called Fordist phase) the centre of gravity shifted to the main domestic markets. The large processing and assembly factories were built on the periphery of the major conurbations — Turin, Milan, Paris, London, the West Midlands.

In the past 25 years there has been a new shift. The improvement of transport, the internationalisation of markets, and the strengthening of labour (and land prices) in the conurbations has led to the 'ruralisation of industry'. There has been a flight of manufacturing from the large cities to greenfield sites, to less developed or depressed regions within the country, and from the 1970s onwards to the peripheral areas of Europe and the Third World. The industrial development of Ireland, Portugal, Spain and Scotland has been centred on the peripheralisation of Fordism organised for the most part by multinational companies.[3]

As industry dispersed, new core economies emerged. They reflected the change in competitive focus within industry from manual production to innovation, design, marketing and long-term strategy.[4]

These were the subjects that were given priority at Business

Schools, and their significance has led to the rapid growth of business service sectors concerned broadly with knowledge, culture and control. This is where the money is and where the jobs are. The corporate head has been growing relative to the industrial hand, and its growth has been concentrated in the new core regions.

One feature of the 'knowledge' industries is that they are found in clusters. The great economic cities of Europe have always had their financial districts and their cultural quarters. These have now expanded and multiplied. There are special areas of design and advertising, software houses, and management consultants. Within the wider core regions, Europe has its electronic corridors and high tech centres, just as America has Silicon Valley and Route 128.

These clusters are reminiscent of Alfred Marshall's industrial districts. Marshall was analysing agglomerations of small manufacturers, specialised, sharing out work, competitive yet co-operating. In the new service and cultural districts, not all the firms are small. In sectors like software or management consultancy, there are a core of large firms, surrounded by a mass of small ones. But they nevertheless exhibit levels of specialisation and interdependence reminiscent of those analysed by Marshall.[5]

There is an immediate significance here for regional policy. The large mass production plants tended to be relatively cut off from their local economies. It was a point made by Vernon in his study of New York in the late 1950s, and it has been reinforced by the growth of multinationals and their extension of an intra-corporate division of labour.[6] It has allowed Fordist plants to become de-localised, with only weak ties to any particular place. Traditional regional policy assumed just such a locational mobility, aiming to direct the relocation of industry to target regions through a mixture of incentives and controls.

With industrial districts it is quite different. To move part of a steel plant to the Mezzogiorno is one thing; to shift the design industry from Milan to Calabria is quite another. Not only are the

firms in a sector closely linked to each other, but as a service industry they need to be near their clients — other parts of the collective corporate head. In this sense we can speak of agglomerations of districts — tied into each other, and to the centres of political and cultural power. Strategies of dispersion clearly have to go beyond the traditional instruments of incentives and controls on individual firms.

There is a second feature of the new 'knowledge industries' which has significance for regional policy. It is that they are 'human capital intensive' — being heavily dependent on a cadre of skilled professional and creative workers. Some firms now acknowledge this by developing accounting systems in which labour is recognised as an asset rather than a cost. But whether or not it is reflected formally in the accounts, there is a recognition in these industries that it is labour and effective systems of organising labour which will determine competitiveness — rather than fixed capital.

One implication is that we need to understand the new core regions as peculiarly dependent on the economy of skilled professional labour.[7] This labour is drawn from a national and international labour market. It is concentrated in core regions because that is where the jobs are — and at the same time firms dependent on that labour are bound in to the core because they need access to this concentrated labour reservoir. There is a process of cumulative causation which systematically drains peripheral regions of skilled labour.

Where did the spiral start? Historically it seems that a number of research institutions played a critical role: universities, public and private research laboratories, a few large knowledge-intensive firms. They formed a spine, together with the infrastructure associated with human capital intensive production — international airports, and advanced telecommunications networks.[8] Most of these were publicly planned and funded, as was the defence procurement which underwrote the new pattern in France, Britain and the USA. Once such a spine was established, it has proved difficult for firms requiring the particular types of professional labour not to locate in the 'software' regions.

The process of cumulative causation is itself influenced by a further factor — the preferences of the professional cadre themselves. For the younger ones this takes the form of an abandonment of the provinces and of suburbia for the metropolis. It is not simply an economic decision but a cultural one — the desire to experience the modernism of the metropolis, to sacrifice the old in order to embrace the new.

Many of the new industries themselves depend on just such a modernism, so that it becomes difficult to distinguish the cultural and the economic. We can go so far as to say that culture itself has become embedded in modern production — it has become an independent force of production, which is why the conditions for its production — the work and private lives of the cultural service workers — has become of such central economic importance.

There is a second, in some ways contradictory side, of the professional cadre — one which seeks refuge from the city. These, too, are preferences reflected in the drift from rust belt to sun belt, from town to country, and from north to south. They are reflected in the environmental movement and the concern with what market researchers call 'the quality of life'. They comprise a kind of 'hidden attractor' to industrial location, serving to restructure space between regions and also within them. They have encouraged growth to take place on green field sites, away from the inner cities and the visual memories of the mass production age.

It was always seen as somewhat anomalous in location surveys that managers sited their plants near golf courses. With hindsight we can see these results as symptomatic of a wider trend. For the first time a qualitative consumer culture has become a determinant factor in location and thus in regional policy.

The general conclusion here is that spatial hierarchy remains, but in a restructured form. Michael Marshall in an excellent study

of the history of regional inequality in Britain and its links to long waves of economic development, describes the shift as one from inter-sectoral spatial divisions of labour (between the mid-19th century and the 1960s) to intra-sectoral ones, from the mid-1960s onwards. He sees regions as 'specialising in different subsectors within the same industry, such as research and development, component manufacturing and final assembly', and contrasts the knowledge-intensive electronics firms in the South East of England along the M4 corridor, with the semi-skilled assembly electronic factories in Scotland's silicon glen.[9]

Similar patterns can be found in other European countries and in the United States. Behind them are particular material conditions. In the era of mass production the powerful locational pull was proximity to markets. Now it is technical labour and its associated infrastructure that has become the dominant factor in shaping the hierarchy of space.

This is the first feature of the new regionalism. A second is that there are sharp divides ***within*** as well as between regions. Depressed regions have areas of growth — for no city is untouched by the expansion of business services and the cultural industries, and many provincial towns have seen their industrial estates expanding, whatever their location. Equally, the core regions have their areas of decay. These tend to be concentrated in the industrial belts, where manufacturing has given way to warehousing, superstores, and long periods of dereliction. There are cases where the new leading edge industries have been sited on the remnants of the old — London's Docklands being a vivid example.

More commonly the new have sought to distance themselves from the old. They have removed work and workers to rural or heritage areas separated geographically from the culture and politics of the industrial past, and from the living areas of the low wage workers of the metropolitan present. The dualism of the contemporary labour market and of occupational structure has been reflected in the shaping of space within as between regions. It is the basis of the inner city problem and the high rates of unemployment still found in the most prosperous cities, and is too often reinforced rather than mitigated by a regional policy geared only to inter-regional inequality.

This conclusion goes against those economic models that suggest that the wealth of the new knowledge industries and their core workers will trickle down to all those in the region, and that inner city problems are the result of imperfections in the housing market and social security system rather than in the structure of the industrial economy itself. But urban industrial and labour market studies suggest that patterns of sub-contracting, training, and terms of employment, reinforce segmentation in the labour market, and ensure that benefits of growth are not passed down to the secondary labour force. For the low paid, and for women in particular, the barriers to mobility are both economic and geographical. The time and cost of travel restricts the range of local labour markets and makes many into prisoners of the residential ghettoes.[10]

Regional and inner city policy have often been at odds. The experience of the 1980s demands that they be brought together. Regional policy should not be directed solely at the poor regions, nor should it neglect the structural inequalities within the regions. If there is a sense in which the cities are the depressed regions of the late 20th century, then regional policy must re-orient itself accordingly.

The third change in context for regional policy is the advance of Europeanisation, an advance which will be hastened by the coming of the single market in 1992. Whereas between 1930 and 1960 the leading edge of manufacturing was turned inwards and regions were oriented to the domestic market, they now face outwards to the rest of the Community.

Put another way, the process of European integration has been to establish the whole community as a single domestic market, just as Italy and Germany established their single internal markets more than a century before.

The core regions of Europe are no longer primarily national centres. Their industries, like their governments, are increasingly tied into European markets, and are now cross-investing to provide integrated European services. The window to this movement is provided by the rapid growth of business travel between the airports of the European cores. These movements describe the structure of an emergent single European core - the golden triangle as it has long been called, and although the triangle is geographically more a federal than a unitary structure (each core looks inwards as well as outwards, and still sees itself competing with the other cores) — their integration is already such as to require regional policy itself to be integrated on a European plane.

Let me give an example. Earlier I suggested that modern core regions resisted decentralisation because of economies of agglomeration in their growing service industries. One such economy is the privileged access to the communications arteries to other European cores. The air transport system has increasingly been moving to a hub and spoke structure, diminishing the direct connections between provincial centres. The aerospace companies, the major airlines and the core airports have each strong interests in this spatially centralising system. Any general move to diffuse the knowledge industries in Europe would have to address the structure of the airport network, and this could only be done at the European level.

There is another side to Europeanisation which has direct bearing on traditional regional policy directed to footloose investment. The integration of the European market and the improvement of communications has increased the mobility of manufacturing. With better roads weakening the ties of factories to markets, the key determinants of location became labour costs and tax rates, with comparisons increasingly made at a European level.

Multinationals have been able to bid one government — and one region — off against another, and they have done the same to national trade unions. As a result they have exerted a downward pressure on the level of wages and the labour contract, and have provoked a war of incentives which has reduced the rate of public return from any given large scale footloose investment.

To persuade multinational mass production to site itself in a particular area the local or regional government (supported nationally) must offer ever greater incentives. In the Italian Mezzogiorno for example, the concession for new investors of employer social security contributions of 8.5% of wages and salaries in 1968, was gradually raised to 27% of any new labour hired by 1979.[11] This kind of bidding up was taking place throughout Europe from the mid-1960s. Seen as a system it is in the end self-cancelling.

Indeed, the overall result was not to increase the influence of regional incentives over investment — they were acknowledged to have become increasingly expensive and blunt — but to lower the net tax paid by firms to governments. Just as in the private market competition between firms reduces prices to the level of long run average costs, so in the public sector inter-regional competition bids down the price which firms have to pay governments out of their profits.

In the case of such interstate competition the government's long run average costs are the costs of public investment necessary to support any particular investment, and the opportunity cost of the net tax foregone on other operations which would use the resources. For the depressed and less developed areas of Europe these opportunity costs are minimal; and the indirect benefits of new private investments are such as to lead most governments to discount even the direct public investment costs. In social (and political) cost benefit accounting the cost floor for any government may be zero and even negative when it enters the bidding for new footloose investment. One of the few detailed micro studies of this looked at Ford's £180 million investment in South Wales in the late 1970s and found that £150 million of the total was covered by the British government through a range of subsidies and offsets.[12]

Seen as a whole, the system of incentives did guide footloose

investment to some parts of the European periphery rather than others. But by the 1970s the incentives were running with the Fordist grain — manufacturing plants were anyway moving to the periphery — and Europeanisation has meant that it is the negative fiscal effects rather than positive locational ones which stand out most in recent years.

The point is particularly clear in those countries like Ireland, which are small and effectively a region in themselves within a European context. Ireland started its incentives system early, in 1956-8, and aimed initially at labour-intensive international investment serving the UK market, as well as tax haven manufacturing companies. By the late 1960s the flow of this type of investment was falling off, while some firms closed down to seek new tax incentives and cheaper labour elsewhere. The Irish government then increased its financial package with a view to attracting heavy fixed capital plants which would be more difficult to close down and relocate. By the late 1970s the cost of these incentives and the small net return to the government from the main manufacturing profit producers in the country had led to a fiscal crisis which has persisted through the 1980s.

Hong Kong and Singapore similarly found their multinational low cost labour industries squeezed between rising wage costs and escalating incentives competition from abroad, but managed to develop an upgraded industry from the initial base. Ireland suffered this squeeze without being able to establish a large enough core of indigenous investment in the process.[13]

The consolidation of the single market bears on regional policy in multiple ways. Harmonisation weakens the protection and preferences that governments can give to particular regions; it reinforces the emergent hierarchies through closer integration of the cores; and by further freeing markets and capital mobility it induces an incentive competition between regions and localities whose ultimate beneficiaries are the investors, and whose ultimate costs are borne by the exchequers.

This is all the more serious when the pace and character of accumulation has failed to absorb the unemployed at the level of the Community, and when regional policy — both between regions and within them — cannot solely be about distributing jobs but has to address the overall unemployment problem as well.

Globalisation and the weakening regulatory powers of the state is one feature of late Fordism, along with the other changes identified — the dematerialisation and delocalisation of manufacturing production; the growth of science and of culture as independent forces in production, and their embodiment in distinct and clustered service industries; the sharpening of a dual labour market and the increase of income as of geographical inequality.

It is a picture which is particularly clear in Britain — not only because of the neo-liberalism which has characterised its government in the 1980s, but because Britain has a strong representation of Fordist methods and culture in both its industry and wider social and economic institutions. The regional patterns cited here have clear parallels in the United States, and to some extent in France, both countries which have developed strong Fordist industrial structures and, in the case of France, with a long tradition of political and locational centralisation.

To finish this first chapter, it is useful to highlight a counter movement, one which is stronger in West Germany and Italy, and in parts of Denmark, and which has emerged as an alternative path to traditional mass production. I refer to the phenomenon of diffused industrialisation — industrial districts of small firms, closely interdependent like the small knowledge-intensive services I discussed earlier. Their most famous home is in the 'Third Italy', that area of former *mezzadria* farming stretching down from the Veneto to Emilia Romagna, Tuscany, Umbria and La Marche. The astonishing success of Italy in the exports of light industrial and engineering goods (see Figure 1) owes much to the small and medium sized firms in these regions: the tilemakers of Sassuolo, the woollen garment producers of Carpi, the cloth makers of Prato, the engineering firms of Modena and Bologna and so on.[14]

If we take one industry — footwear — as a case study of this achievement, we find that, whereas the large scale mass producers of the UK, France and West Germany all declined during the 1970s and 1980s, the Italian footwear industry grew, so that by 1984 its exports exceeded the output of all its three major European competitors combined. Whereas the average size of a British footwear producer was 110, in Italy it was 17 (excluding from that figure the very small artisans). As with furniture, clothing, food processing, and machine building, the Italians have demonstrated that there is another way to Americanised mass production, one which has proved more competitive in many sections of the European market.

What is important about this experience for our argument is that the Italian industrial districts have found a way of applying the scientific and culturally creative elements of production without being dependent on a head office or separate specialist industries located in the core. Carpi's woollen producers do make use of designers from Milan — but they provide many of their own designs, as do the *impanatori* in Prato. The engineering industries in Emilia have grown as much through indigenously developed adaptive technology, as by the application of specialised research and development.

Indeed, it is an important part of the Third Italy's success that they have found ways of integrating design, innovation, production and the market in a way that large scale producers — with clear demarcations between functions — have found much more difficult.

In this they are developing in parallel with the large scale Japanese producers, who likewise emphasise the importance of continuous innovations, strong horizontal links between different functions, and close inter-relations between suppliers, assemblers and markets.

The Italians have shown that there are forms of production

FIGURE 1: Italian Exports as a Share of World Exports in Selected Commodities, 1978-84 (%)

Exports	1978	1984
Glazed ceramic materials	58.6	56.4
Cement and artificial stone products	16.4	28.5
Handbags	39.9	35.1
Leather footwear	39.6	33.7
Rubber and plastic footwear	39.8	34.8
Men's suits	18.1	21.9
Men's trousers	9.0	13.7
Men's cotton trousers	8.3	15.2
Jerseys and pullovers	40.0	30.1
Woollen jerseys	28.2	31.6
Synthetic jerseys and pullovers	40.0	30.1
Clothing accessories	18.3	21.5
Furniture	19.5	21.7
Wooden furniture	21.0	23.5
Chairs	26.3	28.0
Leather clothes	14.7	11.6
Wine of fresh grapes	21.7	22.0
Metal storage tanks	9.7	41.0
Steel storage tanks	9.9	42.0
Iron and steel, nuts and bolts	9.7	11.1
Locksmith wares	11.7	12.3
Cultivating machinery	7.8	13.0
Weaving and felting machinery	6.9	10.2
Looms	4.0	7.0
Paper product machinery	6.9	9.6
Non-domestic refrigeration equipment	15.7	14.2
Domestic refrigerators and freezers	32.8	27.9

Source: United Nations, International Trade Statistics Yearbook 1984, New York 1986.

where the creative and cultural element can be supplied locally — and that indeed it may be more effective in some sectors than where it is produced by separated specialists servicing mass producers. They have also shown that effective manufacturing need not depend on mobile large scale factories, but on more geographically stable clusters of small and medium sized producers.

In spite of the rapid growth of research on these districts over the past 15 years, there are still many unanswered questions: how far can they continue outside international marketing groups; do they depend on growing income inequality and the servicing of luxury consumer markets; can the specific cultural conditions of the industrial districts — linked as they are to the family structures, the skills, and the working rhythms of *mezzadria* agriculture — be sustained in younger generations; how far does their competitive success depend upon sweating and what labour market economists refer to as numerical labour flexibility?

The answers seem to vary, by time as well as place. The furniture industry of the Veneto is different to that of Poggibonsi. 1990 is different to 1985. As one commentator put it, the districts often seem to be in continual crisis, but it is their capacity to adjust to and through crisis, which has been part of the secret of their success. In spite of the incredulity of the mass production mind — both on right and left — the industrial districts are holding their own. Emilia Romagna remains one of the fastest growing regions in Europe. The streets, shops and factories of Bologna, Modena and Carpi show that diffused industrialisation is a material option for industrial and regional strategy.

There are similar regions elsewhere in Europe — in the Baden Württemberg area of Germany, where Mercedes Benz and Bosch have provided a focus for small and medium firm networks, particularly in the engineering industry.[15] In Jutland the growth of specialist high quality producers like Lego, Danfoss and Bang and Olufsen have combined with a strong co-operative tradition to produce a diffused growth in a region marginalised by mass production.[16] France and the UK are much weaker hosts of manufacturing industrial districts,[17] but in Spain, Catalonia is growing its own version of the Italian model.[18]

We should note, too, that there are counter tendencies even in volume producers to delocalisation. So-called just-in-time techniques have encouraged the clustering of suppliers around the main assemblers. The concern of Japanese companies to have close two-way relations with their suppliers and users, and to build up a network of innovative *capacity* also cuts against the trend to international sourcing. Mass retailers, both in food and clothing, are shifting their sourcing to domestic suppliers, again to secure a capacity for rapid response and just in time delivery. As with the industrial districts, these factors work against the locational liquidity of the footloose mass producers. They seek a more stable location, where quality and innovation may be as significant as costs.

These shifts in focus, and the greater local interdependence which they imply, suggest the need for a quite different approach to regional policy than the quantitative schemes of grants and concessions. As the Italian and German cases have shown, local and regional government comes to play a central productive role in diffused industrialisation, in the fostering of networks, and the provision of common services. If the forces of internationalisation demand a new role for European government in regional policy, the forces of diffused industrialisation require new roles for local and regional government. This tension between centralisation and decentralisation is an irreducible feature of modern production. It is not a question of levels but of forces. Any structure for regional economic initiatives must reflect both.

Chapter Two

THE EXPERIENCE OF LOCAL ECONOMIC INTERVENTION

The distinctive feature of local economic policy over the past decade is that it has been primarily concerned with the supply side. In this it stands in contrast to the dominant tradition at the level of macro national and international policies which has concentrated on the management of demand and money.

The reason is simple. Most of the local and regional governments have limited scope for operating Keynesian-type policies within their own economies. They are not monetary authorities. They cannot raise tariffs or impose import controls. Most of them — particularly in the non-Federal states — have limited powers of taxation, and in any case are restricted from pursuing a regional fiscal policy at significant variance to the national one.

Historically there have been exceptions. In the 1930s the Austrian town of Worgl created its own local currency with which it paid for an expansion of local public employment, and whose rapid circulation (secured by a monthly depreciation of 5%) resulted in full employment being restored within a few months. The experiment spread in Austria and the United States (via Irving Fisher) during 1934 until it was suppressed by action of the respective central banks.[19]

In the field of protection, many local authorities have favoured local companies in their purchasing policies, but this has now been restricted by EC contracting rules.

Fiscally, increasing levels of local taxation for local public spending can in principle serve to raise the local propensity to consume and, since state spending tends to have a higher local content than private consumer commodities, stimulate the local productive economy in parallel. Property taxes are particularly effective from this point of view since they are a tax on land rent, and can be used at the same time as part of a land use planning and property policy. But in a number of countries, central government has placed severe curbs on the freedom of local authorities to fund sharp increases in public spending through local taxation and it has been unduly neglected as a potential economic instrument as a result.

The limits to these macro powers have forced local authorities to develop policies of intervention on the supply side and in the labour market. Some have been concerned with the quantitative growth of jobs through the encouragement of labour intensive production for example, or through improvements in productivity, feeding through to increased profitability and from thence to growth and the further expansion of employment.

The first of these is seen to create jobs in the short term, the second in the long. They may contradict each other — if the labour intensive process fails to raise productivity and therefore long run growth and employment — but they need not do so, as we shall see in the case of diffused industrialisation. There are schemes, too, for direct job expansion, whose net effect may be positive where the expansion is funded via the fiscal mechanisms discussed above, or where the growth of jobs comes through the redistribution of working hours (via a cut in overtime, for example).

Others have concentrated on qualitative growth, on the kind of jobs, and the kinds of production encouraged within their localities. In some instances this emphasis has itself led to an unexpected stimulus to quantitative jobs as well. The promotion of environmental improvements, the cultural industries, or organic and ethnic foods all proved to be fast growth sectors which were embarked upon for qualitative reasons.

But whether the main thrust of the policies is quantitative or qualitative, the local experiments have extended the range of initiatives from those conventionally pursued by national industrial policy — which in most EC countries has been one of the less effective branches of national economic management. This section briefly discusses ten features of local economic strategy which have proved valuable in promoting regional development.

DEVELOPMENT BANKING

Many cities and regions have set up development agencies whose task is in part to intervene in support of small and medium-sized enterprises. Such agencies have been established in the Basque country, in Nord pas de Calais, in Saarland, Wallonia, and in Sardinia. In the UK they are called Enterprise Boards, of which there are six main ones.[20]

Their functions and strategies vary. The West Midlands Enterprise Board sees its main task as providing cheap long term finance for medium sized companies.[21] The Basque country's agency SPRI puts its emphasis on finance for new and innovative companies, and has a separate venture capital company in addition to its programme of subsidised loans.[22] Wallonia's SRIW had by late 1987 invested 13 billion Belgian francs in 161 companies, half of whom had over 50 workers, and 22% over 200 workers.[23]

The various fields covered include company turnarounds, long-term funds for expansion of existing firms, finance for technological upgrading, venture capital funds, simple loan subsidies, the promotion of new forms of ownership such as co-operatives or municipal enterprise, the provision of specialist advice, technical support and management services on an agency basis, and the restructuring of particular sectors.

Some have restricted their funding to loans, but many have taken equity shares, and in some cases have a portfolio of majority or wholly owned subsidiaries.

For the moment, the important point is not which elements of this package are emphasised by particular agencies. They all differ, for there is no common model. But what distinguishes all of them is that they play the role of an active promoter and supporter of projects. Unlike passive commercial banks (I speak here from British experience) the regional agencies are 'pro-active' in their outlook. They are entrepreneurial not for profit, but for particular development goals.

In this the regional authorities of developed countries have much to learn from the developing world. For development banking has a longer tradition in the Third World — there were 237 formally designated development banks in the mid-1980s — and their experience has shown the strengths and some of the problems of this kind of institution.

They were set up, just as the European and North American regional agencies were set up, because of the shortcomings of the private banking system. The development banks were to take the long view, to take non-market factors into account, social and geographical priorities, they were industrial 'animateurs' providing technical advice and in some cases training, to new and existing projects. They proved to be, by and large, less bureaucratic and more effective development agents than industrial ministries.

By the 1980s however, many of them were in crisis. Commercial banks had moved in to some of the fields established as successful by the development banks, and thus became direct competitors. The development banks were not generally allowed to follow the commercial banks into financial supermarketing — the offer of a range of financial services which has been one of the trends of the 1980s.

The economic crises of the mid-1970s and 1980s — and the World Bank's programmes of 'structural adjustment' — drastically weakened many industrial sectors and thus the portfolios of the development banks. At the same time — as public sector bodies

— they were kept short of funds in spite of having piled upon them the non-valorisable priorities of governments. They found themselves squeezed between a tightening market and a retrenching yet demanding government.

The European regional agencies have faced something of these pressures. On the one hand they have been established as commercial, with an ethos often affirming their similarity to the private sector rather than the public. There is a pressure for profitability and avoidance of loss-makers in order to show that a public enterprise can be as effective financially as a private one.

At the same time, politically and economically the agencies are pulled towards their socio-economic function: to help firms in difficulty; to take a long view; to exemplify broader goals on working practices, and product quality or the environment. They are asked to act as a catalyst for a region, but often restricted — for financial and political reasons — from reaping due rewards from catalytic gains. Because of their political profile they are watched with far greater attention than any private bank, and judged not against the broader socio-economic balance sheet, but against the ledgers of the private market.

To give only one example: unemployed people in the UK cost the public exchequer at least £100 per week in social security and tax foregone. Few enterprise board investments undertaken for primarily local employment reasons involved public funds of more than £20 per job week. In this sense the enterprise boards could hardly go wrong. But so strong is the ideology of the private as against the social market, that politically any such loss making projects were considered failures in spite of their public cost-benefit success.

What lessons can we draw? These agencies have already shown themselves as key institutions for the carrying forward of public policy in the economic field. The dominant view on policy is that the public sector will always be inferior to the private in productive activities, and that policy should be confined to regulations and determining the conditions within which private firms can work. Governments should set rules, and appoint the referee, but should not trespass on the field of play.

The counterview has always had the problem of economic institutions. Either intervention was directly controlled through a bureaucracy, which too often was so far from the immediate problems of production that their directives were inappropriate; or the intervention was through a public corporation, which had the features of a private monopoly.

The regional development banks are an administrative advance on the public corporations. They operate close to but just behind the front line of production. They occupy a crucial economic space for small and medium enterprises, by providing services normally available only through the head offices of larger firms.

In other words, they provide some of the economies of scale of large firms to networks of smaller independent enterprises. These economies include privileged finance, technical and managerial support, training, strategic planning, and access to a wider network of contacts in the economic field. They act as it were as a flexible head office, and like a head office can intervene more directly through shareholdings and where necessary through control. In a period when it is no longer economies of scale in production which are important, but economies of scope and systemic organisation, development banks can play that role as co-ordinators of scope and of a cross-enterprise system.

That is their potential role. How they accomplish it effectively is another matter. Between the idea and the reality lies the shadow. My own view of how to achieve effectiveness would be through 'formation', specialisation , small basic units, and pluralism.

Formation

The urgency of the tasks and the requirements of the political cycle has meant that there has been too little time spent on the formation of staff with the necessary range of skills and a common

outlook. The major constraint for the new development banking is not finance but staff. The boards have drawn their staff from the private sector, from trade unions, from voluntary organisations and the universities, and it has been this variety which has given them much of their energy and their fresh approach But there are inevitably tensions: each needs the other's skills.They must all develop a common culture from the new mediating, productive and social role. In this way a more systematic programme of long term *formation* (the French word lacks the mechanistic overtones of the English word 'training') is of the first priority.

Size and specialisation

There is much to be said for keeping the development banks small and specialised, with co-ordinating mechanisms between them. On the basis of those development banks I know, I suspect that institutional effectiveness is more likely with banks of up to 40 workers, with expansion being achieved through spin offs of a small group of existing staff. There are advantages too, in specialisation, both by sector and function. The Wallonian SRIW has established a wholly owned subsidiary, for example, to provide scientific, technological and marketing services to companies in the agro-food sector, and there is scope for sectoral development banks at both the regional and national levels.

Small basic units

As far as function is concerned, Massachussetts has developed an effective model, with separate quasi public bodies for turnarounds, development finance, venture capital, and new product development. Each has a small staff, with unpaid boards of directors who are asked to offer their know-how as a public contribution.[24] One of the advantages of this model is that difficulties in one area — for example company turnarounds — do not affect the others. On the other hand, there are potential advantages in linking these separate functions in any one project — property and technology both being relevant for, say, a turnaround. This is where strong horizontal links — stressing first the informal before the formal — are important.

Pluralism

Finally, the new structure needs to be pluralistic. A region should think of setting up a number of development banks, since each will develop its own specialisms and culture. It is one of the weaknesses of national schemes for industrial banking that they tend to be unitary, rather than being multiple and specialised, forming a network which gathers in a wider range of associates on the boards, and offers scope for more varied creativities.

Not only is a structure of this kind necessary for the support of small and medium enterprises in any region, but it also provides the foundation for the other distinctive features of the regional agencies, namely their promotion of the local and the integration of the social. Some of these aims — the local and the social — are quite compatible with performing in accordance with private market criteria. Equality policies for women and ethnic minorities, like training for skills, are from one point of view good business practice as well as being important social commitments.

But just as the state has acted as a trainer of skills which then move to the private sector, so the same thing has tended to happen with the agencies. I think there is a case therefore for providing them with earmarked funds for the not immediately commercial priorities set politically. They can be reported upon and monitored independently, even if they form an inherent part of a normal commercial project. This is an institutional device.

The key point is the outlook and attitude of the staff and the agency boards. The creation of such an outlook is an organic not a mechanistic question, for it is nothing less than a matter of social morality — something which in Britain at least has been leached from the small and medium-sized sector of private production.

INDUSTRIAL DISTRICTS, CONSORTIA AND CENTRES FOR REAL SERVICES

The Italian regions and municipalities have had similar aims to those discussed, but have pursued them through somewhat different means. They have resolutely refused to get involved directly in production, and instead have concentrated on getting the industrialists themselves to provide the common services.

This is the most striking feature of the local economic institutions in the Third Italy, in that they are controlled by the users. Regional and local government may have representatives on the Boards of Management, but control is in the hands of industrialists elected from the participating firms, who also contribute a tranche of the finance.

Take the question of development banking which we have just been discussing. In Modena the key financial institution of this kind is COFIM, a consortia of 500 small and medium-sized firms who provide mutual guarantees for working capital loans advanced by local banks to their members. A member wishing to obtain a loan of this kind submits a proposal to both the executive committee of the consortia and a local bank.

The committee is made up of local industrialists with sector representation, and the appropriate sectoral representative helps assess the scheme, and if approved the project is forwarded to the bank with a guarantee of 50% of the loan. For the bank the system has two advantages: the project is assessed by those who know the industry and the proposer better than any local bank manager is likely to do; and the proposer is under obligation to their peers to repay the loan in order not to have a call made on the guarantee.

The results during the 1980s have been striking. Whereas the normal default rate on loans of this kind in the Italian banking system is 7.5%, with COFIM the rate is 0.02%. As a result, and because the consortia also acts as a form of trade union for member industrialists vis a vis the bank, the interest rates on consortia loans have been cut 4% below commercial levels. Financial intermediation is thus undertaken by the borrowers themselves.[25]

This is an example of a financial consortia. By the late 1970s there were 79,000 consortia registered in Italy. In addition to the financial ones, many were concerned with marketing both in Italy and overseas. In some cases they provide common showrooms, in others overseas representatives and sources of export market intelligence. The common services may be simple financial functions such as accounting and pay-roll, or collective forms of quality control and raw material purchase. In the case of very small firms these are supplied through industrial associations, the largest of which is the National Confederation of Artisans (the CNA) which has 340,000 member firms, 2,300 offices throughout Italy and 7,000 staff.

During the 1980s a number of regions took this idea of collective overheads further by establishing Centres of Real Services; specialist centres serving particular sectors or group of sectors through strategic research, data banks and information networks, joint CAD systems, overseas marketing information and export promotion, and technological support.

Thus the Centro Servizi in Pisa provides a data bank on machinery, markets, clients, and national industrial trends to the footwear and leather industry. Tecnotex in Biella provides professional training, research and technological experimentation. The Comitato Servizio Tondenze Moda in Empoli provides professional training and information on fashion trends to 44 member firms.

In Emilia Romagna a regional development agency, ERVET, as well as undertaking sectoral research, training and land projects has also established six sectoral service centres and four 'transversal' ones.[26]

In addition to the control by members, what is also striking is that these common services are specialised and operated by small staffs. The financial consortia COFIM in Modena which has guaranteed loans worth £17 million during the 1980s has a staff of three. A clothing sub-contractor's data bank for 276 member firms

has a staff of one. One of the most successful of the real service centres, CITER, which serves 500 firms in the Carpi district, has a staff of 17. If new functions are needed then new institutions are established rather than existing ones diversified. If a particular service is not working, these highly defined institutions are relatively easy to restructure.

It is not clear how far the success of these collective institutions is dependent on the specific Italian conditions, on the concentration of industry in the industrial districts, the strong sense of locality, and of social consensus which has been one of the broader strategies of the Communist Party in the so-called red regions since the Second World War. Attempts to translate the common service centres to the clothing sector in Hackney (London) and the West Midlands have not been successful — whether because the local councils rather than the user firms had control, or whether because the projects were not sustained through various personnel problems is not clear.

On the other hand, the success and structure of the Mondragon group of co-operatives in Spain suggests that there is considerable scope for the Italian principle of inter-enterprises co-operatives. Mondragon at the end of 1986 had 168 associated co-ops, nearly 20,000 co-operators, and sales of £890 million a year.

The key institution in the group is the Caja Laboral Popular — part financial consortia, part development bank, which, in addition to financial intermediation, finances and guides the two years' research and start up time of new co-ops, and acts as a more general strategic information centre, as well as administering the Group's social security system.[27]

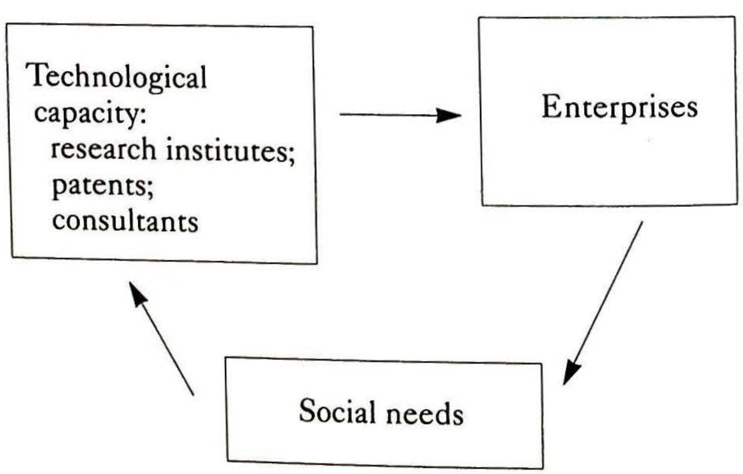
TECHNOLOGY INITIATIVES

While the promotion of new technology has been one of the most prevalent forms of local and regional economic intervention during the past decade, the record has been mixed.

The French attempt to stimulate technology through the regions has had limited success outside the regions stretching from the Toulouse area through Grenoble and the Rhone Alps to Alsace and Lorraine. Science parks are often little more than industrial estates with trees around them — more successful in establishing the 'status' of an area than in addressing the problems of diffusion and co-operation between firms and research institutions.[28] There are few places in Europe which have matched Silicon Valley in its degree of interactive co-operation within the Valley.[29]

The most interesting policies have been those which have attempted to intervene in the triad: technological capacity/ firms/needs. The conventional circuit between these three is shown in Figure 2. Needs, both for products and processes, prompt technological innovation which is passed on to firms to produce and satisfy the needs.

Figure 2: Triad of technological intervention



Some authorities have started from the technological capacity, and aimed to generate jobs or support existing firms from that capacity. Cumbria County Council for example identified two specialised products developed by British Nuclear Fuels and the defence firm Vickers — advanced robots and anti-glare screens for nuclear submarines — and sought to arrange their adaption for non-nuclear purposes. The London Technology Network set up a product bank, and a number of prototype workshops to encourage innovations and thence products and new enterprises. Amongst the products which emerged were a fifth generation computer, an electric bicycle, and an inorganic compost bin made of recycled glass.[30]

Massachussetts have established a specialised quasi-public organisation to encourage product development, and have supported specialised research work in the local universities, which it is hoped will provide a central infrastructure and resource base for the new technology.[31] A strategy of this kind needs a venture capital institution to support the development and the manufacture of the resultant products, or alliances with established enterprises seeking new products.

A second, more common, strategy is to start from existing sectors and enterprises and gear a service to their requirements. This may take the form of a general programme to upgrade industry through the encouragement of particular types of technology.

SPRI in the Basque country, for example, had such a programme for the promotion of numerical control, of micro electronics, programmable machinery and telematics.[32] Such programmes tend to involve training and jointly funded consultancies, the consultants helping enterprises to identify the broad problem areas (like a general practioner in medicine), then passing over to a specialist in the designated area, and only then moving to the purchase of hardware.

The assumption here is that firms do not know their own interests, and need public help and specialist advice in order to do so.

The Steinbeis Foundation in the Baden Württemberg region is based on a similar principle but operated in a somewhat different and more general way. It sees its main function as a go-between, linking enterprises with universities and research facilities in the region. It has a network of 80 local technology transfer centres, and a central database of regional technological know-how. A firm wanting help will approach one of the centres and is put in touch with a relevant specialist, whose initial consultation with the firm is funded by the Foundation. Any further work is then paid for by the firm, with the Foundation taking 7% of the fee.

In 1988 there were nearly 2,000 professors, engineers, technicians and students working through the Foundation and its specialised centres in this way. Some of the work is on the search for new products, some on new processes (the Transfer Centre in Reutlingen for example has become one of the leading specialists in erosion hobbing in Europe), some on research and development (3,125 projects were completed in 1988) and some on more general advice and training. The key structure of the organisation is a small core staff (33 in the central office), a skeleton staff of full-time employees in the centres (179 in 1988) and the 2,000 project related technologists and administrators funded by the client firms.[33]

The Emilia Romagna model is a further variant. As we have seen, the sectoral service centres are set up and controlled by the industrialists themselves. They cannot hope to provide the kind of technological capacity that we see in Baden Württemberg: rather they provide technological information, particularly on hardware, and a context for sectoral discussion which encourages the spread of technological know-how between industrialists.[34]

There is controversy on how successful the industrial districts in the Third Italy are in the field of innovation. Some argue that the level of innovation in small Italian firms is considerably below the larger ones, and that the districts — in as much as they do innovate — are more effective in respect of improvements of

organisations than of process, and in turn more effective in process than product. The defenders of the industrial districts suggest that their district's strength is in adaptive innovation — the basis of the strength of the Third Italy's engineering districts, and that for light industries it is design rather than technological innovation which is a priority.

The important point is that within the districts there is a certain collectivity amongst firms as far as the procurement and sharing of technological information is concerned — a function which in more fragmented regions is performed by public advisory agencies and the commercial 'technological' market, if it is performed at all.

A third general approach has been to start from social rather than industrial needs, and to generate new technology and employment around them. This has been primarily the British approach, associated with the technology units in Sheffield City Council, and the Greater London Council. Both were staffed with former trade unionists from Lucas Aerospace — where production for social need had been introduced as an element of collective bargaining around the issue of redundancies during 1970s.

In Sheffield the technology unit was linked in to public housing requirements, and developed and produced a de-humidifier to that end. In London, the idea was developed through five technology networks on a larger scale. One network worked with St Thomas's Hospital in developing medical expert systems, another developed products to assist people with disabilities — such as a mini gym for wheelchair users. There was a spin-off from the European Visions Centre (jointly established by the Greater London Enterprise Board (GLEB), Imperial College and Caplin Cybernetics) in the form of the medical application of robotic vision systems. Best known of all has been the work of GLEB's technology subsidiary in developing human centred technology — that is to say technology which builds on human skill rather than devaluing it. They are currently coming towards the end of a £4.5m project to build the world's first human centred robot integrated manufacturing system, a project that now includes Rolls Royce and BICC, as well as Danish and German partners, under the Esprit programme.[35]

This third approach has been very rewarding. If it has a problem it is one of finance. It depends largely on public funding both for initial research and development and for product development and sales. It clearly offers an alternative to defence contracting — where many of the technological skills required are similar and a means to develop new products and jobs in fields which have had a low priority in the market economy.

The experience of London's technology networks provides a further important lesson. By starting from particular needs they quickly found that new technology as such was only part of the problem, and that it had at all times to be integrated within a broader based approach. Thus the Energy Network — which specialised in conservation — argued that it was not new technology which was required but advice on and finance for conservation. The technological hardware for conservation was already sophisticated; the problem was take up and affordability. The network thus concentrated on advice — setting up a specialist consultancy and research subsidiary which worked primarily with local authorities — and running a programme of seminars and advisory sessions.

The Transport Technology Network similarly found that it could not divorce technology from the broader question of alternative transport systems. Preferred systems, for example integrated public transport systems or heavy lorry bans in cities, needed particular new technologies to be developed, for example the design of a new type of public bus. These could in principle have been developed by private firms, but the Network was concerned to use the skills of a maintenance workshop in the London area whose workforce was threatened with redundancy.

In short the London approach provided a warning against 'technological fetishism' — the idea that new technology is the prime

road to modernisation. This is always a danger with technology programmes. Baden Württemberg, the Third Italy, and the London and Sheffield divisions have each — in their own way — shown how technological hardware is only a part — often a subordinate part — in any programme of innovation.

The three broad approaches I have outlined here — technology and capacity-led, enterprise-led, and needs-led — are not exclusive. The Steinbeis Foundation stimulates new products and helps finance their production, as well as linking firms to the region's research capacity; GLEB ran open access prototype centres which were linked in to its needs-based philosophy.

But the three approaches nevertheless do represent distinct strategies, ones that colour the institutions and working practices involved. What they all point to is the lack of integration which exists between much public research capacity and both public and private production, the need of small and medium enterprises as well as public and voluntary agencies for technological support, and the limitations of the market in providing it.

When competition in the market sector depends increasingly on innovative capacity, the role for publicly funded institutions such as we have described is increasingly evident, particularly in the context of upgrading the industrial structure of a particular locality. Central government programmes tend to be less integrated and locally focused than the regional programmes — and it is the need for integration within the local economy which is the main lesson to be drawn from the European experience to date.[36]

THE CULTURAL INDUSTRIES AND THE ENVIRONMENT

One of the novel features of local industrial strategy over the past decade has been the connection made between industrial development and the cultural industries. There has been a long tradition of municipal and regional support for the arts. There are few cities which do not support their museums, concert halls and individual creative artists. But this has been largely seen as a separate cultural policy, or at most linked to the encouragement of tourism.

What is new is the recognition of cultural production as a key element of economic policy. In part this is because of the size and rapid growth of these sectors. A recent four volume study found that the annual turnover of the arts in Britain was £10 billion, that they employed half a million people, and that this employment had grown by 25% during the 1980s.[37] A number of the industries are concentrated in the metropolis — or its hinterland — music, book and record publishing, the theatre, design, TV and video, advertising, newspapers — but there are few regions without a significant representation in all these fields and in the educational institutions which go with them.

There are a wide range of policies open to encourage such industries. Stirling Council in Scotland has a full-time officer working to attract film locations to the town, an idea that is quite common in the USA. Sheffield have set up a 'cultural industrial district' in an inner city area, with a recording studio, a municipal audio visual centre, and rehearsal rooms.[38]

The GLC helped finance newspapers, printers, publishers, and a range of distribution channels which were seen as crucial for the expansion of small independent producers in the record industry, video production and publishing. This was in addition to a massive programme of funding performing arts - which came to be seen as the initial experimental ground for later conversion into manufacturing or — as it was called — the sphere of 'mechanical reproduction'. Both were complementary — the stimulus to popular music through the festivals organised by the GLC, and the encouragement of record distribution for those groups not already taken up by the major companies.

The point of these policies was of course not narrowly industrial. They were also part of a democratic cultural policy which sought to encourage cultural diversity, and to democratise the cultural industries by supporting minority groups and women. In

London, the Royal Festival Hall was opened up throughout the day as an arts and quasi community centre; the London Philharmonic played in the Ford factory in Dagenham; a whole range of black and women's groups were funded. In the first half of the 1980s anyone living in London could feel a difference in the cultural life of the capital — in a way which did not neglect the traditional centres of artistic activity, but greatly broadened their range.[39]

During the second half of the 1980s there has been a growing recognition of the wider economic consequences of such a policy. Glasgow, one of the worst hit areas of Britain, was named the European City of Culture for 1990 — the result of investment in galleries, theatres, orchestras, ballet, opera, and gardening. In 1982, 700,000 visitors came to Glasgow; by 1988 there were 4.3 million, with a substantial impact on employment as a result.[40]

Bradford — another old industrial town with high unemployment — has opened a National Museum of Photography. York has a National Railway Museum; indeed throughout the country there has been an astonishing growth of a modern museum economy, so that even what appear as declining regions are now seeing themselves as potential tourist attractions.

The Italian towns, too, have shown what cultural policy can do to an urban economy. Rome's summer festival for example, refilled a city which had emptied during the summer period, and stimulated a whole range of economic activity as a result.

What has also been recognised is the way in which cultural policy is closely linked to land use planning in improving the quality of urban life and the urban economy. City centres are of course a key part of a common culture — and in many areas have been cut into by traffic congestion and by the loss of shops to out of town retail developments. In some towns in Britain the town centres have been privatised — their use subject to surveillance, and closure in the evenings. There can be no more striking comparison than between, say, Basingstoke in the South East of England, barred and shuttered in the evening, and Lucca, in Italy, with its public streets and markets, small shops, and the absence of cars.

The control of out of town shopping, the collective co-ordination of town centres, the provision of cheap city transport, the funding of good street lighting, the mixing of residential and commercial zones, and the support for public spaces — parks, squares, and public libraries and recreation centres — have all come to be seen as part of a broader cultural policy to restore the quality of urban life and the employment that goes with it.[41]

Such a policy also emphasises that cultural development should serve its own communities as much as visitors — that indeed uncontrolled tourism can be as much a threat to the quality of urban life and to the economy as a solution. This has been a lesson learnt particularly by historic cities. One group of local authorities have come to talk about 'post-tourism' — meaning a strategy which encourages visits by friends and relatives, of groups with particular interests, of exchanges, and those with educational concerns.[42]

Many less developed or de-industrialised regions have turned to tourism and services as their solitary hope — given the fact that manufacturing has so often passed them by. But I hope it is clear that a culturally-led policy also stimulates local manufacturing — what starts as a live performance, may then be manufactured and later enjoyed once more as a service in a public library or at home.

Furthermore, an open, unpolarised and thriving urban culture has been one of the factors behind the success of industrial districts in manufacturing, and of the new 'knowledge based' industries. A strong cultural and environmental policy still has prime value in itself. But in the present phase of industrialisation it is also an instrument for urban and regional development.

SECTOR STRATEGIES AND DEMOCRATIC PLANNING

The development of the cultural industries work is an example of the sector strategy approach to local economic policy. The argument for such an approach is as follows. Long-term strategy has become a key factor in 'the new competition'. Small and medium enterprises lack the time and resources to invest in developing such strategies, and lack the cohesion to put them into practice. Sector strategic planning has been undertaken by some national institutions — MITI in Japan, the Commissariat du Plan in France, or the large industrial banks in West Germany. But it has tended to be centred on large firms and the priorities of the national economy, rather than on the potentialities within particular regions. There has thus been a real gap. Regional authorities, in filling it, have developed types of planning and new forms of planning process of significance not only for their region but for planning at the national level itself.

Once again the Third Italy has been a pioneer. The regional agency in Emilia Romagna, ERVET, has produced a series of substantial sectoral studies on such industries as furniture, wood making machinery, clothing, metal methanics and so on, as well as studies which start from particular concerns, such as the environment, and work back from there into their industrial and public sector consequences. We can see this as a version of the needs-based approach discussed earlier in respect to technology.

Many of the British Enterprise Boards and Development Agencies have produced sector strategic studies — in the case of the Scottish Development Agency to inform strategies of promotion of particular sectors, in the case of the Enterprise Boards as contexts for particular investments.[43]

The West Midlands Enterprise Board early on in its life concentrated its strategic work around the foundry industry — in which they had become involved through turnaround interventions. They now provide consultancy services on sectoral analysis, as do

SPRI in the Basque country.

In the past four years a group of district councils in the South East — concerned about the impact of de-industrialisation within their towns — have formed a consortium to produce a regional strategy based on 20 sectors, and certain broader development 'needs' such as the environment and effective land use planning.[44]

A number of lessons have been drawn from these examples of regional sector planning. First they have made clear that in each sector there are a number of alternative paths along which development is possible, and that these paths have different implications for issues of local concern — employment, location, the environment, product quality, and the nature of technology and working conditions.

Take the example of furniture. The British strategy has been concentrated on large mass production plants, increasingly serving half a dozen mass retailers. The latter have gained effective control of the industry, forced prices down, and been a key factor in the destruction of national furniture production. The strong points of growth in Europe have been in the industrial districts in Italy (such as those in the region of Lake Como, Tuscany and in the Veneto) in Jutland, and in the flexible automated firms in West Germany and parts of Northern Italy.

The choice for regions with significant furniture industries is whether to follow the mass production route — with the mechanisation, finance and pool of semi-skilled labour that is entailed — or to pursue the Italian/German route with greater emphasis on customisation, quality, design, skilled labour, inter firm co-operation and a retail structure which does not discourage investment in design and long-term upgrading.[45]

This kind of choice can be found in many industries. It is a choice which will not be settled by the market. Neither alternative will necessarily pre-dominate. The outcome will depend on inter-firm and local authority policies, which is why the recognition of these sectoral choices is important.

Second, sector strategy — or rather strategy for a filiere or thread running from initial production to final consumption — bypasses the policy debates on manufacturing versus services, or sunrise as against sunset industries. All sunset industries have their areas of sunrise, or as the American economist Abernethy put it, there are no old industries, only old processes. A restructured manufacturing industry will require services as an input — software, design, finance, research and development — and will be dependent on services for its output, marketing, distribution, and customer services. Indeed, sector studies have found an increasing interweaving of manufacturing and distribution, with manufacturers in some parts of Europe becoming little more than sub-contractors to distributors in sectors such as food processing, clothing, footwear, TV and furnishings.

A sector strategic approach allows industrial policy to follow the grain of the industry rather than the Procrustean industrial categories of statistical departments. It highlights key areas for policy intervention — such as distribution or design — which are likely to vary considerably from sector to sector. It also identifies different ways in which the sector interlaces the public economy. In some — such as workwear, or food processing — public authorities are substantial purchasers, and can use their position as purchaser as an instrument for upgrading the industry. In others, it is public education and 'formation' which will be critical, or the provision of concentrated workspace.

Italian municipalities have used land use planning powers to restrict the growth of mass retailing and this has had a decisive effect on the fortunes of the industrial districts. Other authorities have intervened through environmental health powers to set standards. In short, the sector strategy provides a context not only for the firms and trade unions in the industry, but for the exercise of local authority powers, and for targetted pressure on national government.

What should be stressed is that sector strategies produced by local and regional authorities are not confined to the local and regional economies. They necessarily have to be national and international, as would any such strategy undertaken by a firm. But by being developed within a local context, they have proved to be more finely textured than national sector work, and have been synthesized as national plans by consortia of local authorities.

In the UK the most noted examples have been the national plans for the motor industry produced by a group of motor industry related local authorities[46], and a national clothing strategy likewise produced by a group of 16 local authorities co-operating as Local Action for Textiles and Clothing, now based in Huddersfield. Sheffield City Council and the GLC did joint work on the cable industry which became an input to the national debate on cable policy, as they did on the development of combined heat and power.

The local rootedness of the strategic work has also contributed to a rich experience in the process of more democratic planning. This will already be clear from the description of the way Italian industrial support is organised — linked in closely to the industrialists concerned, and to a range of local public bodies. In the UK this has gone further with a range of instruments: public hearings, public enquiries, adult education classes on particular strategies, union involvement in the strategic planning process, including time off for workers from the shopfloor; the setting up of 'popular planning units', with sector specialists working with a range of groups in the industry, publishing newspapers, information packs, videos, and organising conferences and workshops for feedback and discussion.[47]

The results have been to enrich the detail of the plans, and — a point always emphasised in the industrial districts — to build a consensus around the plans.

They have, in short, been remarkably fruitful. Indeed, of all the initiatives taken by municipal authorities in the economic field, the development of such popular sectoral and 'needs-based' planning has been one of the most rewarding, applicable to all regions, providing a focus for the synthesis of public and private sector activity, a means of democratic involvement and a rich seam of ideas.

PROPERTY AND PLANNING

Property development and land use planning are long standing ways in which local authorities have tried to influence economic development. The peculiar character of the market for land gives public authorities a clear role in its management, and local authorities in particular since they know — better than more centralised levels of government — the specificities of place. The dependence of the value of any one property investment on the decisions of others, the tendency for private development to cluster round certain places and uses at the expense of more balanced development, the existence of large economic rents over and above normal rates of return on investment, are among the factors that have brought the local state into the property market.

Many local authorities have confined their role to designating certain areas for industrial development, and building advanced factories when private developers have been reluctant to do so. This is the bread and butter of economic development departments. I will look now at cases where policy has been taken further, often as part of a more general strategic package.

First, there are instances of property being developed as an infrastructure to industrial districts. Italy has again been exemplary in this respect. The district of Modena for example made 300 hectares of land available between 1955 and 1985 for use as industrial parks. Nearly 600 manufacturing units are sited there, covering some 40% of the area, and since 1973 they have encouraged allocation to consortia of small firms, with a section allocated for metal working, another for wood working, and a five hectare area set aside for clothing manufacture to counteract female home working. They have thus been concerned not just with the provision of premises to local industry, but with 'collective efficiency' — providing common services on the estates, and encouraging the clustering of firms in similar branches.[48]

They have also attempted to take the speculative element out of industrial property. The municipality bought the land at agricultural prices and they have passed this advantage on to the industrialists. At the same time they have given priority to firms willing to accept surface rights rather than ownership of the land itself, which means that the future sale price of the property is linked to the original price plus an inflation adjusted cost of the buildings. The 1971 law on industrial parks had specified that a municipality was required to grant surface right leases on at least 50% of land expropriated at agricultural prices, and this has been central to the stability of industry in the Third Italy.

In other countries, a property boom in offices, retail or wholesale distribution, has been a major factor in hastening de-industrialisation, and a pressure against long-term industrial planning.

What has also been important in Italy is the control of land by the local authority. This has allowed it to select applicants according to the needs of the district. Planning powers have not been enough. In many countries the gains to be had from a change of use, have led to political pressures to grant particular applications. At the same time the public ownership of land also gives the local authority the rights to the ground rent resulting from the appreciation of land as a result of such comprehensive developments. They enjoy what has been called 'founder's rent', and can use it for cross subsidy, or for a general subsidy of a whole class of users as in Italy.

There have been other cases of 'industrial district' property schemes in Europe. Motherwell in Scotland developed a Food Park, which brought together distributors, tropical fruit ripeners, and food processors in the same place. Ealing Council in London have been working on a similar project. Some of the more careful science parks — like those in Sheffield — have the idea of an

industrial district in their aims, and there are parallels too in more general urban centre developments, La Defence in Paris was an excellent example of the use of strong planning powers to encourage the growth of a modern office district.

In the case of city centres the principle of collective management also applies — but here the need is to ensure different complementary uses, with the local authority playing a similar role to the manager of an out of town shopping development. Covent Garden in London is a particularly successful example which has revitalised a run-down area of the city, through a judicious mixture of renovation, subsidised rents and an insistence on small scale shops and variety. Once again it was the ownership of land which was a critical support to planning powers.

In the case of Covent Garden some of the key subsidies were to small grocery shops and fishmongers — the type of shop that was needed by local residents, but would not normally have been found in a metropolitan shopping centre. In other cases the subsidy has been for the reclamation of contaminated sites, for the building of new access roads, and for public housing and complementary employment. These are all cases where the land market sits at odds with the needs of an area, and where a municipality's access to 'founders rent' enables it to fund the necessary balance.

There are then two distinct functions that we have been discussing. The first is the role of a local authority in co-ordinating the development of an area around a common plan; the second is to finance some of the activities within the plan which could not otherwise have been afforded.

There is a third function, namely to take the lead in redeveloping an area, and by a public presence encourage others to join in. This is always easier in the run down parts of an otherwise thriving region: it has been more costly in depressed or peripheral regions. What is important again is that the state has enough control of the property rights to ensure that any appreciation of land values goes to the public purse to help fund the initial development and infrastructural expenses.

Much of the above relates to environmental issues. The Modena industrial park makes special provision for automative repairs and 'anti-social' industries. The reclamation of contaminated sites, and reclamation of industrial wasteland contribute to the quality of the urban environment. Some authorities have taken this a step further, by measures to encourage intensive use of existing space in cities and thus ensure a reduced pressure on greenfield sites outside the city. In addition to public redevelopment, they have also used property taxes on empty buildings and unused sites to foster intensive use.

Tax, ownership and planning powers are thus all important tools for regional development, but they need to be used as part of a broader package. Property-led strategies are rarely sufficient on their own.

WORK, WORKERS AND THE LABOUR MARKET

There have been two broad strategies in labour market policy; a neo-Fordism, which seeks out a low cost, semi-skilled, and weakly organised labour force, and on the other hand, what Lipietz calls a 'Kalmarian' strategy (named after the Volvo plant) where the emphasis is on higher skills, income security and a measure of autonomy in production. Both imply different institutional regimes at a national level — but the contrast is also to be found in local government labour policy.

In traditional regional policy, one of the attractions of depressed and peripheral regions was that they offered low cost and weakly organised labour reservoirs. This was a factor behind the 'ruralisation' of industry. It was encouraged by the regional labour subsidies in the UK and Italy in the late 1960s and 1970s, and by a whole range of neo-liberal policies in the 1980s.

But the severity of unemployment during the 1980s and the fact that regions like Emilia Romagna and Baden Württemberg remained competitive in spite of high levels of wages, has led

many local and regional authorities to follow an alternative path. In the 'red' areas of the Third Italy, the artisans and co-operatives were seen as a way of giving greater autonomy over the work process, while workers in these firms were encouraged to be in unions. The level of unionism in the districts is relatively high, not least because many of the artisans had previously been union militants in the large factories of the North.

On the other hand, the artisan firms are exempted from national labour laws, while there is evidence that the stronger areas like Emilia do sub-contract work to lower cost districts in Umbria and La Marche. It is also the case that one of the strengths of the districts is their so-called 'numerical flexibility' — that is their ability to expand and contract their labour force in tune with the changes in the market, due to a quasi-agricultural ability to call on family or associated labour at busy periods.

There is then an ambiguity (and a controversy) over the wages and conditions of labour in the industrial districts. It is certainly a very different regime to the formalised structures of mass production plants. What we can say is that the emphasis in the districts on the importance of social consensus and — to that end — on curbing the destructive competition of wage cutting, has provided a pressure towards integrative labour policies.[49]

In Italy too, like Baden Württemberg, there has been a clear strategy of investment in skills. Local and regional governments foster specialist colleges which act both as a centre for training and as a meeting place for artisans who may well teach in the colleges in the evening.

In Baden Württemberg there is an extensive educational infrastructure — both for vocational training and for scientific and technical learning. In 1989, the Lander had 270,000 students registered at its vocational schools, 86% of them in industry, trade, small industry and crafts. It also had nearly 200,000 higher education students, (in nine universities, 23 specialised technical colleges, and 11 Max Planck Institutes), of whom 44,000 were studying engineering, an industry which accounts for over half the manufacturing jobs and a quarter of all jobs in the region.

In Britain — because of the severity of the neo-liberal attack on traditional apprenticeship and vocational training — the response of authorities in the training field has been primarily defensive. Some have tried to keep open skills centres threatened with a loss of government funds. Many have tried to upgrade the government's lower level training schemes, and to top up the incomes of those attending the schemes. The overall squeeze on local government finance has meant that, by and large, it has been a losing battle — further worsened by the current strategy of privatising the government funded training that remains.

But perhaps because of the severity of the central government's neo-Fordist policies, a number of authorities have promoted a range of more 'Kalmarian' experiments.[50] First, they have attacked the growing dualism in the labour market, by using their own direct presence in the labour market, and their purchasing and property holding power to establish wages and conditions that set standards within their local labour markets. They have used these same powers to encourage more equal opportunities for women, ethnic minorities and people with disabilities — notably through an import of the American practice of contract compliance.

Many councils also led the way in establishing childcare facilities for working parents — and in adopting more flexible working times to suit those with domestic responsibilities.

The whole issue of working time has emerged as one of the key issues of the labour market. Local authorities pressing for equal employment and pension rights for people (mainly women) in part-time work, developing safe transport services to cater for those working at night, establishing standards for maternity and paternity leave, and in some cases reducing overtime in order to distribute work hours more equally.

Many of these working time and labour market policies have been directly threatened by central government policy, and by the threat to public service employment conditions posed by compulsory competitive tendering (CCT) for local public services. In the past five years local authority labour market policy has been increasingly consumed with limiting the impact of CTT on local wages and conditions — a running point of conflict between central and local government.

I have already mentioned the initiatives in human centred technology within the workplace. This is one part of a more general emphasis on the quality of working life — an issue which includes health and safety at work, and industrial democracy. Councils have funded hazard centres to provide advice on health and safety, they have worked with trade unions on epidemiological studies of the effect on health of new working practices (notably of one person operated buses) and have — through their environmental health departments — undertaken a range of initiatives to improve health at work.

Oxford City Council is one of the most advanced in this respect, and has *inter alia* negotiated health contracts with a score of major companies by the terms of which the companies provide a range of health checks and facilities to match those supplied by the Council.

In the field of industrial democracy, many councils, large and small, have provided support for co-operatives — and as a result the 1980s in the UK have seen a considerable expansion in the industrial co-operative sector. They have also encouraged other forms of democracy in the workplace, including enterprise planning — in which managements and unions agree on a common corporate strategy — and support for the unions themselves. Some councils and enterprise boards have made it a policy to insist on enterprise planning and unionisation within the companies they support; they have provided financial support for trade union resources centres; and have worked with them in the face of redundancies and factory closures, as well as on area and industrial plans.

In doing so, they have been supporting an active supply side unionism — concerned with long-term strategy, with a wider community unionism, with the issues of social technology and working time, and of labour market segmentation. The councils involved have had no wish to substitute for the unions, but to provide public support for the wider definitions of collective bargaining.

MULTINATIONALS: COALITIONS OF COUNTERVAILING POWER

One aspect of trade union/local government co-operation deserves a separate mention — that of their dealings with multinationals. Councils, having encouraged small and medium-sized enterprises (SMEs), have not unusually found the employment impact of their work cancelled out by the closure of a single branch plant.

In the early 1980s many councils faced with the closure of branch plants within their boundaries tried to negotiate a reversal of the decision or supported attempts to keep the plants open under different management. There were a number of cases in France, but for the most part they were not successful, and from my experience abandoned branch plants are harder to turn around than 'free standing' enterprises. Production itself may improve, but what the plants lack are the services provided by the head office or other specialised parts of the multiplant firm — marketing, research and development and strong financial systems.

What some authorities in the UK and France have done is to follow an alternative strategy — of forming a coalition with trade unions to bargain about jobs and closures before they take place. One council set up an early warning system staffed by former trade unionists, which alerted relevant trade unions to the possibility of redundancies and closure. This allowed a longer period of negotiation and mobilisation, and proved particularly important when warning was given before a final management decision had been taken.

There have also been examples of joint action by local authorities against a particular multinational on a European basis. The best known case was that of Kodak — where the Val de Marne Council in Paris, the Greater London Council, and the Bologna City Council combined with unions in Kodak plants throughout Europe. The union network — concerned at the run-down of research and development in Europe, and the withdrawal of some European production to the United States — produced a seven point plan for which they sought national and international assistance. The European Commission and the Parliament in Strasbourg gave strong support, but their power was limited, and the two governments that mattered — the UK and France — both refused to help.

The role of the regional and local authorities in this was limited but decisive. They provided meeting space which was seen as neutral as between the different national and political unions within Kodak. They funded a researcher for two years to gather information on Kodak and the photographic sector world wide, and they supplied technical help and facilities in putting together a European newspaper which was published simultaneously in the three main languages of the network.

There have been similar initiatives in support of unions in Ford Europe, Philips and Unilever.[51] Each started from concerns about particular plants, and broadened out to link the plant level union structures. In each case local authorities provided help in the form of research and some organisation. With companies such as Unilever where the union structure was weak and contact between the plants low, the main emphasis was on a series of seminars, which brought together representatives from different plants to talk about company strategy and alternatives.

In strongly organised companies like Ford, the work followed more of a Kodak pattern with an international conference to discuss joint demands on regional workloads and location, as well as a three-day public enquiry. The Ford Europe Vice President commented that: 'we do not accept that such sweeping enquiries into the operations of Ford or any other company are a proper function of a local authority.' But with Ford plants playing a critical anchor role in many regional economies, and with trade unions underfunded and beset with political divisions at the official international level, the 1980s experience suggests that local authorities have performed what is clearly a necessary function effectively and economically.

In each case limited funds and a measure of research and advisory help went a long way — and provided a basis of information, a trade union network, and some agreed ideas on which national government and the Commission itself could then act where regional circumstances demanded.

PUBLIC SERVICES AND PARASTATALS

A second group of large employers whose decisions can have a major effect — positive or negative — on a local economy are centrally run public services and utilities. Together with the local authorities themselves public employment usually accounts for between one-quarter and one-third of regional employment, and forms a principal spine for potential development. Yet what has been striking — above all in the UK — is the lack of integration between these services, let alone their orientation to broader local and regional planning. In the UK there is no regional breakdown of the public expenditure estimates; the railways, the post office and the coal board take their decisions on primarily financial criteria and increasing portions of the centrally controlled public sector have now been privatised.

One current example which has provoked joint local authority action has been the failure of British Rail to make adequate provision for directing the opportunities presented by the Channel Tunnel to the North of England (in notable contrast to the French, who have used the Tunnel as an opportunity to try and regenerate industry in the Nord Pas de Calais).

Another example which illustrates the alternative impact that public utility strategies can have on depressed areas is given by electricity. There are a range of energy systems in Western Europe. In Denmark and Holland local and regional government plays an important role — as providers of power from small scale generators, as distributors, and as managers of energy conservation programmes. The Danish combined heat and power systems are labour intensive in their construction as is home insulation — both providing jobs for urban areas of need.

By way of contrast, the centralised electricity systems, notably in Britain and France, have pursued a strategy of large scale electricity generation, with nuclear stations sited away from towns, offering limited employment to depressed areas, and with what is now coming to be recognised as significant environmental effects.

Between these two paths there is a clear strategic choice, influenced in Britain and France by the institutional power of the national electricity boards. But there has been a growing questioning of the policy by local authorities in the UK aware of the greater adaptability of the Danish model to regional employment and environmental needs.[52]

Most nationalised industries have structures of consultation with local authorites, though this varies by country, as does the boundary between nationally and regionally run services. In the countries with a tradition of centralised administrative structures, local authorities have pressed for greater power to influence central government services. In transport, health, energy, telecommunications and postal services local authorities have worked with trade unions and user groups to produce alternative strategies aimed at improving the employment contribution and the quality of service of the industry in question.[53]

In the past, central government has been looked towards to provide the basic economic and social infrastructure necessary for a region's development. It was seen as a financial and technical matter — often subject to some form of 'pork barrel' politics. What has now been realised is that there are alternative infrastructural systems — as in the electricity case, that local authorities have an interest in which form is chosen (an interest which may conflict with that of central institutions) and that they also have an interest in the continuing administration of the services.

As with the multinationals, local authorities have come to form coalitions of countervailing power, and opened up the issue of the accountability of national public services to localities.

CONSUMERS AND COMMUNITY GROUPS

The past 20 years have seen the rapid growth of groups which have argued that their interests are not adequately represented by the traditional tripartite institutions — employers, unions and the central state. They are the new social movements — consumer and environmental groups, women's and minority's organisations, community and international solidarity campaigns.

Some of them have attempted to influence the economy through the market — organising boycotts, or producing information for consumers. But they have increasingly contested and sought to influence private and public industrial policy, and the nature of production itself.

A number of these movements are now having a major effect on the course of particular sectors of the economy. The food industry considers 'the green consumer' to be the major new factor in the 1990s. Chemical companies are having to re-orient their strategies to try and accommodate the environmental challenge. The women's movement has already had a substantial influence on the labour market. In each case companies have sought to deflect the pressures and build countervailing institutions.

But just as they came to accept unions after the rise of organised labour, so the more progressive companies are seeing strong social movements as having a creative role, prompting change, providing ideas, and enforcing standards. They have both enriched and democratised the texture of economic life, not least by representing social needs which are neglected by the market. Sociologists have come to include them within the concept of 'civil society' — whose weakness has been one of the problems of Eastern European economies.

Local authorities have played an active part in funding these groups. They have provided grants to women's employment groups, black employment groups, tenants associations, homeworkers action groups, and community groups in areas of economic decline. They have also encouraged the formation of consumer groups for particular sectors of the economy.

Consumer groups have pressed for new systems of delivery, diversity, quality and cross subsidy to benefit disadvantaged groups and localities. In the UK, regional authorities and municipalities have funded groups in transport, health care, broadcasting, and food. The London Food Commission, for example, was provided with £1 million over four years by the GLC, and has had a decisive influence on the British food industry over such issues as additives, food irradiation and food hazards caused by the modern processes of animal husbandry.

The relevance of such bodies for regional policy is as follows. First, they have a growing influence on the leading markets, both in defining particular market segments, and in shaping the nature of demand as a whole. Firms engaging in 'the new competition' must therefore open themselves up to these groups — a point not yet taken on board by Southern Mediterranean food exporters because their consumer movements at home are much weaker.

Second, they play a key part in improving the quality of economic life in an area — a point that I have argued is increasingly important in industrial location.

Third, they have encouraged the development of more self-sufficient local economies, a point to which I will turn in a moment.

Good food guides, environmental charters, and jobs from warmth campaigns have not been seen as elements of industrial, let alone regional, strategy. But as the attention of policy makers switches to the urban and rural life into which economies are embedded — or to the 'industrial atmosphere' as the Italians call it — so these kinds of initiatives take on a new significance.

Chapter Three

IMPLICATIONS FOR REGIONAL POLICY IN THE 1990s

Regional policy has been slow to emerge from the shadow of Fordism. Regional aid is still geared to fixed capital and physical infrastructure. It is still locked in a locational competition for new investment based on concessions and grants. Its primary focus is on financial assistance and the redistribution of cash. Its thinking links development with scale, and open access to markets.

The changes in production and their spatial implications suggest new directions. So do the experiences of local and regional government in the development field. In Brussels — if not in all member states — these directions are being charted: the support for regional agencies; the encouragement of comprehensive regional plans; the experiments with technopoles; the shifting of regional incentives from hardware to software. What can be added to this?

First, the Commission has to find some way of preventing the destructive competition between regions for the footloose Fordist investment. Each time a region in need attracts such an investment through incentives it appears that the policy is working. But as a system it is the companies which gain at the expense of exchequers. With the coming of the single market the competition between regions will intensify. Only the Commission is in a position to curb it. Incentives could still be provided for targeted regions, but they should be at standard levels and not part of a locational auction.

There is a case, too, for requiring companies that run down branch plants to contribute to the social costs of the closure. Just as mining companies are required to reclaim the landscape they have disturbed, so branch plants should be required to finance social reclamation. Some large firms have already been doing this — Elf Acquitaine in France being a notable example — but such practices should become mandatory. This would both discourage closures which were contrary to regional policy, and, if they did take place, would contribute to the subsequent restructuring.

Just as the industrial districts in Italy have sought to shift competition away from cost cutting to innovation and quality, so interregional competition also needs to shift from quantitative to qualitative factors. Regional policy should be shaped to encourage this.

ALTERNATIVE CORES

How should regions seek to compete? It is a question facing every Third World country, let alone the depressed and peripheral regions of Europe. One answer has been to see the labour of these regions as the main resource. They are the cheap labour reservoirs of the community — either migrating to the existing centres of industry, or staffing the industries and services that migrate to them. Alain Lipietz has referred to this as 'bloody' Taylorisation and peripheral Fordism.[54] Its long-term development potential is ambiguous and fragile. It is a trend that is taking place anyway. This is what I meant when I said that traditional regional policy from the 1970s was running with the industrial grain.

The challenge for regional policy now is to see whether some more secure and substantive development path is possible, drawing on the new processes of production and the patterns of diffused industrialisation.

One way of looking at the problem is to consider what would be required for the successful establishment of a counter core. If the leading edge of accumulation is now the 'knowledge industries' and if they are formed into core zones — for reasons of labour markets, and productive interdependence — can peripheral regions establish their own zones of attraction? The answer will vary by country. In Britain there can probably be only two, or at the most three, core regions. The effective space of the South East's core has got bigger and now extends north to the Midlands and East Anglia and west to the de-industrialised category 2 region of South Wales.

Any effective policy of decentralisation must therefore concentrate on establishing a second core in the north — and this implies that not every traditional region can be a core. At the moment regional policy treats each subordinate region separately, and this only confirms the power of the south. There needs to be a consolidation of the peripheral regions, and a rebalanced regional strategy based upon that.[55]

In continental Europe counter cores have been developing. In West Germany we have seen a slow movement from the north to south, and in France, too, there has also been development in the south in spite of the centralised dominance of Paris. What can we learn from this? That climate helps but is not critical, nor are the new technical industries incompatible with older industrial traditions. Boston after all has flourished in spite of the cold and its rustbelt. Rather, what is important is a strong research and technical infrastructure, good telecommunications, access to international airports, and a cultural (if not meterological) climate which will underwrite the technical labour market.

National governments directly influence many of these, as well as the location of their own sub-centres of political and bureaucratic power. They are in a position to give the 'big push' which would be necessary in a country like the UK if an effective counter core was to be established.

These remarks on counter cores may be unduly coloured by the structure of British production. Like the USA and latter day

France, Britain has tended to have a divide between the knowledge industries and manufacturing. F. W. Taylor's separation of conception and execution within the factory, was mirrored in the spatial structure of the economy when conception itself was separated, industrialised and located in the core. In West Germany, in the Third Italy as in Japan, greater importance has been given to the integration of conception and execution. We might then expect the specialist 'software' functions to be closely tied to manufacturing rather than to each other, and for industrial clusters to be more important for the structuring of space than the vertical divisions of function that we find in the UK and US.

This is a hypothesis in search of evidence. If it were true then the countries with industrial rather than functional spatial divisions of labour would be likely to have a number of dispersed core regions rather than the concentrated hierarchy of the UK.

West Germany certainly is more polycentred than Britain. In addition to the different histories of Taylorism in the two countries, three further points may help to explain the contrast. First, engineers and industrial production have had a much lower status in Britain than in Germany, and therefore the tendency for the social layer of technicians to distance themselves from industrial areas has been stronger in the UK. Second, West Germany has no economically dominant capital city, and its federal structure decentralises the location of public sector employment. Third, West Germany has not had the high military procurement budget which has been so powerful a factor for regional concentration in Britain, France and the United States.

The conclusion I draw from this is that the relative importance of industry in an economy, the traditions of its work process, the structure of the state, and the nature of the state's spending are all factors which help to explain differences in regional patterns between countries. If we wish to change those patterns, to encourage greater regional equality, then we cannot rely on a uniform system of loans and grants to footloose industry. A wider range of factors needs to be taken into account, demanding different kinds of action tailored for each country. European regional policy cannot rely on unitary instruments for the community as a whole.

AUTONOMOUS DEVELOPMENT

So much for the deconcentration of core regions. I want now to look at the same issue from the other end — the possibility of autonomous development within a region. Is a region merely a site on which the international division of labour is mapped, whether by the workings of the market or the planning of multinationals is not important, or do regions have a measure of autonomy?

This has been the central question of the Third World development debate since the 1950s, and the Greens have ensured that it will be part of the European debate of the 1990s. They have argued that production, consumption, and the disposal of waste should be regionalised — for reasons of ecology as well as democratic control. This stands at odds not only with traditional regional policy, which was aimed directly at influencing the national and international divisions of labour, but also with the globalisation of the economy which is now taking place.

There is a hard and a soft version of the green position. The hard is to take regionalisation literally. In some sectors this already happens. Many services are locally organised and produced. So are some manufactures — like business print, or local newspapers, and some building materials. In the language of international economics they are non-regionally traded goods. Can regions hope to expand this self sufficient sector, without major long term cost disadvantages, or at least without such disadvantages outweighing the non-market ecological costs of long distance trade? Can they import substitute without long term protection? This is the question posed by the hard version, and it is posed at a time when the liberalisation of the internal market decreases rather than increases the protection of poor regions.

The soft version is less autarchic. It recognises an international market, but argues that there is scope for a locally centred development which can be competitive on world markets. A localised industry can grow which draws on distinct resources of a locality, is geared to the specific demands of the locality, and *on that basis* can gain a competitive foothold in world markets. Localised production is consistent with local and global markets.

Both versions question the validity of the long standing belief in international specialisation and economies of scale. They suggest that economies of scale are now giving way to economies of scope, that product variety is superseding product standardisation, and that local economies are best placed to tailor production to the local environment and to need.

This is the argument of the flexible specialisation strategy which has become so influential in the second half of the 1980s. For what it provides is an explanation of why the improbable can happen — that decentralised production can compete with large scale production, that co-operative communities have some advantages over anomic despotisms, and that a work process which links hand and brain may yet outrun a Taylorism which insists on their scientific separation.[56]

Merely to question the necessary superiority of mass production in this way, is to allow us to see the economic landscape of Europe in a different way. What were though of as anomalous backwaters — regions of smaller scale firms without mass industrial traditions — have now become areas of intense scrutiny. The Third Italy, the Swiss watch industry, Baden Würrtemberg, Catalonia, and Jutland have all been found to be amongst the most dynamic of European industrial regions. How is this possible?

Some have argued that these districts are not bearers of the future, but throwbacks to the past of sweated labour resuscitated by the crisis of restructuring of the past two decades.[57]

Others have argued that the districts are no more than sub contractors used by those in control of global finance and markets as an effective way of organising innovation and labour.[58] There are

districts which support both these views. But equally there are many districts where these readings are insufficient. Italian footwear, or woollen garments have not been successful internationally because of cheap labour. Nor are they all accounted for by Benetton. Indeed, part of the explanation for the success of the industrial districts is that they have *not* been dependent sub contractors to oligopsonistic retail chains. Italy's fragmented retail trade, like Japan's, has been an important factor in their industrial success.

My reading of the industrial districts is that their organisation and innovative capacity does give them a measure of autonomy within the world market. If we read flexible specialisation as referring not to scale, nor batch size, nor to firm size, but to divisible technology and a form of intra-firm and inter-firm organisation which stands Taylorism on its head, then we can see the districts are one instance of a more general phenomena — one that can be observed within successful large firms, as much as between them, and which is quite consistent with a flexible automation that provides scale economies when needed.

What is central to the new form of organisation, however, is that there be a system which co-ordinates the decentralised units — whether it be a system which is run by an assembler, a retailer, or by the associated producers themselves. The world market demands this system, but within it producers and localities have wide scope.

It is significant that it is local and regional authorities which have shown particular interest in strategies of flexible specialisation, and which — as we noted earlier — have played a central role in those districts which have been successful. What they have discovered through their practice is that there is an alternative industrial strategy to mass production, one which does not leave localities dependent on head office decisions taken elsewhere.

If competitivity is no longer determined solely by labour costs, nor by large scale capital investment, but involves those modern watchwords — design, quality, and prompt delivery — and if these in turn are dependent on effective micro-organisations and 'industrial atmosphere' — then it is clear that every region and locality has much to play for. Industrial location is much less narrowly determined than a view from on high would suggest.

There is then both a historical case to be made for the soft green view, and a theoretical explanation for its possibility. Local and regional authorities have been steered towards this strategy during the 1980s because of the limitations of the footloose strategy, and, in some cases, the failures of turnarounds informed by a Fordist philosophy.

The resulting experiments should also give heart to the harder greens as well, for in some sectors it is clear that flexible specialisation as defined above does offer more localised economies. I have already given the example of energy. Another sector is food.

Here the trend towards concentrated mass production, mass distribution, mass retailing and mass catering has been challenged by a range of flexible specialisation initiatives. The fastest growing food sectors in the UK have been ethnic minority and organic foods, both specialised segments formerly ignored by the mass retailers. Distributors of organic foods have become shopwindows to a local food economy, as have local restaurants and hotels which have prospered relative to the mass chains. As the former editor of the British *Good Food Guide* has said, catering is one area where the small producer will always be able to compete against the chains (citing the history of French catering in support).

Some local authorities have been stimulating this alternative regional food economy by establishing quality certificates for restaurants, publicising locally controlled restaurants and encouraging supermarkets to make room for regional produce. As in other fields of culture, there is now clear evidence of resistance to the spatial standardisation of products, with consequent implications for regional employment.

What marks out a 'flex spec' industrial policy is that — unlike Fordist mass production — it does not homogenise space. A Ford factory is built on the same plan, with the same specifications wherever it is in the world. A flex spec factory is adapted to local materials and the capabilities of local producers. This means that industrial policy cannot be reduced to a policy of industrial districts. What is clear from those districts which have succeeded is that their success is highly dependent on their histories. In some areas — in Northern Germany for example, or in the former industrial heartlands of the UK, the economic traditions are utterly different from those of the districts. Other 'flex spec' approaches are required to recreate a thriving economy. Embedded branch plants committed to building up a long term network of local suppliers may be one way. A public sector 'anchor' activity would be another. A third would be to start from the industrial and cultural strengths of a region — like the flex spec factory constructor. No place need be written off, nor abandoned to what Gorz calls the new 'servile' industries.

We can now link the discussion of industrial strategy with that of the new knowledge sectors. In both cases, the geography of Europe suggests that the location of accumulation is more open than might at first be thought. This is less the result of some putative spatial freedom determined by the advent of advanced telecommunication technology, than because of the alternative ways in which productive systems can be organised.

In some instances the key links of a whole filiere of production can be made locally. This is the case of the districts like Prato, which have their own designers as well as producers, their own marketing *'impanatori'* as well as their technological consultants. In other instances the system will be organised globally, with some parts such as finance and advertising hooked into their own industrial districts specialising for a world market. Research on Silicon Valley suggests that producers there are part of both such networks. What matters for local economies is that within such 'chaotic' networks, they have a way in.

I have spent some time in discussing 'diffused industrialisation' since in many ways it is the basis of the new regionalism. But we should recognise its limits as well as its possibilities. Unless we see it is first and foremost a question of new types of productive system and not just a matter of industrial districts, then the potential itself may be difficult to realise. This implies that national and international public policy may be as important as local policy, certainly national legislation has been critical to the success of the Italian industrial districts. But it also means that the local and regional governments become as it were the orchestrators of local development within frameworks and resources coming in part from above.

European regional policy then needs to be concerned with the community-wide frameworks which would encourage diffused development. This would include the action already discussed in relation to Fordist companies, particularly that which makes them more obliged and responsive to the regions within which they are placed. It would include infrastructural policy on telecommunications and the European airport system. It would entail a reconsideration of taxation — not least in relation to the environmental costs of transport, and the cultural and economic costs of mass marketing.

It would also involve a readiness to fund cultural spending as part of regional economic policy, recognising that the environment of a region, the layout of its towns, the ease of its transport, and quality of its life are now key factors in economic development. What the French regulation school would call 'the mode of reproduction' has assumed a new importance in the circuit of economic life.

AGENCIES

These are all measures about context, infrastructure and finance. But what is also needed for diffused development are new quasi-public 'pioneers', initiators, advisers and guarantors of the necessary 'systems'. One promising group of institutions to play this role are the development banks. They are relatively new institutions, and stand to be as important an administrative innovation in the late 20th century, as ministerial departments were in the 19th century, and as public corporations have become over the past half century.

There are three ingredients necessary for the success of the banks as a system of institutions. The first is pluralism, the more the better. As with private firms, it will be impossible to predict which will succeed and which fail. There must be ease of entry and ease of exit. There might be a number of such banks in Wallonia for example rather than a single agency. Their performance should be judged firstly on their development performance, their financial results being a guide but not a determining criteria. They should be free to expand outside their initial area where industrial logic dictates. Thus the electric bicycle developed by GLEB in London was not manufactured in London because it required an initial production period in a Bologna factory which it was judged a London authority could not finance. The same geographical restrictions have vitiated the work of national developments agencies, which makes no sense in an era of globalised circuits.

Second, I would encourage at least some agencies to specialise. There should for example be green enterprise boards and a range of sectoral development banks concerned, say, with the cultural industries, with clothing, or with food. The point here is that the banks should be seen not primarily as lenders of money — there are more than enough private banks to do this — but more as centres of specialist information and advice.

They need to have a strategic capacity, and an intelligence of opportunities. They need to have the skills to link together parts of a package — property, training, technology and finance. In these areas they can act (as they have acted) as specialist intermediaries, working in co-operation with the wider development banking network, but without fear of overlap. I am proposing therefore a mosaic of these banks, part funded by the Community, and linked together in geographical and sectoral networks to strengthen their mediating power.

Their success, however, will depend on a third thing, which should be established as a matter of priority. That is a network of specialised educational institutions for the preparation of staff to work in the development banks. It was the absence of such an institution which has been a limitation to the enterprise board movement in Britain. While one such could be set up in Britain, it would be preferable to have a number of them throughout the community. For the culture required of the new staff should be both local and global, it should be infused with the richness of variation which is already evident in the development agencies that already exist. The courses should mix college based study with 'stages' in existing banks — both private and public — and in productive enterprises.

The same care with which the new civil service education was prepared in 19th century Europe is required for these public development agencies of our time. But there is a difference. Access to the colleges should be open to those who will continue to work outside the agencies — in production, or in those institutions of 'civil society' of which I spoke earlier. The skills of productive development cannot be limited to an elite if I am right about the necessary democratisation of production.

THE STATE

The development banks are one part of a more general restructuring of public economic administration. In the earlier periods of industrialisation, the state's main functions were the establishment of a national economy with all that went with it — a national money, a national labour market, a protected home market, rationalised utilities, a national defence production complex and so on.

In late 20th century Europe, this has now changed. These functions are shifting to the European level — and at the same time, the changes in the productive and spatial economies are requiring new initiatives from the state. I have already described many of them — in the fields of culture, the environment, the representation of need and of particular interests, of regional economies and so on. The state's role in these fields is not new. What is new is their economic and political significance.

What globalisation and the expansion of Fordism has done is to fracture social institutions and localities. Relating to society as it does by the market, it has eroded the social forms in which it was initially embedded. It has transformed the structure of the household, of town centres and localities, of working life and the sphere of consumption, and of the environment in which we live.

This has been the project of modernity — the destruction of the old in order to create the new — but the new in this case faces a whole series of social, spatial and environmental crises, because the drive of the commodity economy has got out of control. Its response has been to try and remake the social through the management of culture. Industrial relations, organisational science, marketing, advertising and the symbolic worlds of politics and the state, are all part of what I earlier referred to as the emergence of culture as an independent productive force. But as organised by centralised states and corporations, they have provided a weak cement for the late 20th century's fragmented 'post-modern' condition. Electronic communities have proved poor substitutes for human ones.

This crisis between the market and the society in which it is enclosed is reflected in the heart of the productive economy which we have been discussing. Large private organisations are trying to recreate the social within themselves. They are developing new forms of corporate organisation — ones which involve decentralisation, the increase of bounded autonomy to direct production units, corporate welfarism and explicit company cultures. These new forms are a response to the problems of innovation and productivity within Taylorised organisations. The success of the industrial districts — which have thrived in those areas where a common culture and community still exists — itself testifies to the significance of these factors.

The public task seen against this backdrop is two-fold. First, it is to create conditions where the sense of a common culture and of social autonomy can thrive. Second, as far as localities are concerned, they have the task of co-ordinating the spatial economies as systems. At the moment, the key parts of any local economy are, for the most part, directly organised by vertical hierarchies with a national or international geographical spread. This is as true of a hospital as it is of a branch plant, or trade union branch. Between these vertical systems the co-ordination is weak. Thus the local economy as a *system* lacks the organisational co-ordination of the vertial institutions within it.

This is particularly evident in the state, and is reflected in the continuing failure to develop fully integrated transport systems, to link planning and transport, to marry health care with a preventative strategy within work as well as without, to open up universities to other parts of the locality, to integrate social security systems with localised production needs. But it also applies to the co-ordination between firms, when those firms are themselves small and lack the systemic unity and division of labour of the large.

The state's function then is, in part, healer, social gardener, animator, democratiser, regulator and co-ordinator. It also has an entrepreneurial function within the economy — which is where the development banks come in. Unlike the macro-management of a national economy, these functions cannot be carried out by a centralised state. The public sector must learn some lessons from the private. For all the functions require some form of production — and it is one of the principles of modern organisation to push responsibility down to the producers.[58] Some decentralisation will be functional — but much will involve localities, and it is a central argument of this paper that local and regional government is a key

economic institution in the era of globalisation.

As will be clear from the earlier discussion, I define economic widely — since it is the wide definition that is necessary for any project of regional economic development. The kind of initiatives I described in chapter two indicate both the scope of the new economics and the place that local government plays within it.

This is not the place to discuss the detailed programmes. What is important, however, is to have some sense of the new structures that could best develop the programmes and deliver them. My own view is that we should get away from the Weberian model of public administration — where all levels of the state are clearly structured and assigned their detailed responsibilities. What is needed is a more flexible, fractal and discretionary structure, which can take initiatives and be judged on the balance of success and failure and not on conformity to input budgets.

In the case of regional policy, this would mean that the Commission further develops the role it is now playing as a provider of discretionary funds on the basis of plans. It should widen the scope of these funds along the lines discussed, and provide support and 'animation' for the development of the plans and the administration of projects. This is why central educational institutions and the financing of networks are important.

Those countries and regions which do not follow this path — on their head be it. Development cannot be forced from the centre, as used to be assumed in development theory. Rather, the centre can only encourage those who share similar perspectives.

The funds, moreover, should be open to any level. If a national authority does not wish to make use of them, then a municipality might, or the regional government. Public sector creativity can come at any level — the task of the structure is to ensure that such creativity is funded. Similar principles apply at each level of the state. Regional governments should also set up discretionary funds. They should encourage regional quasi publics in areas such as training, or city centre management, in a manner similar to development banks.

The democratic accountability of such a systematised, yet decentralised public sector should be secured not only through traditional systems of elections and public accounts, but by the practices of democratic planning and the underwriting of the new social movements that were described above.

New types of regional policy thus need new types of state. Local and regional governments in Europe have indicated the outlines of both. What I have wanted to show is the richness of the alternatives — from counter cores, to industrial districts, technology mediation, municipal enterprise, popular planning, culture-led strategies, countervailing coalitions, and so on. There are many others I haven't mentioned — town cards, full employment zones, educational funds as regional incentives, or municipal consumer committees.

These experiments confirm the dynamics of even the poorest localities. They remind us that many national economic and social policies are but generalisations of schemes first pioneered locally. Given the averaging that takes place with systems of representative government, particular localities, as lower levels of representation, will face new problems more severely than the average, and have governments which will first reflect the new social forces. This is what underlies the local economic achievements of the 1980s. In moving away from Fordist regional policy — the task is not to choose between them but to further extend the structures which will encourage the new regionalism to thrive. For on this depends not only a more effective response to regional inequality, but to the economic and social crisis of modernity itself.

Notes

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2. For the French experience see B. PECQUEUR, *Le developpement locale*, Siros (1989); for Italy see below, footnote 14; for the UK, G. SWEENEY (ed) *Strategies for Local Economic Development*, Taylor Francis (1990).
3. On geographical development in Europe see MICK DUNFORD, *Social Reproduction and Spatial Inequality*, Pion (1986) and SVEN ILLERIS, Counter-urbanisation revisited: the new map of population distribution in central and north western Europe, *Norsk Geografisk Trdskrift* Vol 44 (1990). On the European periphery the collected volume *Underdeveloped Europe*, D. SEERS, B. SCHAFFER and M.L. KILJUNEN (eds), Harvester (1979) is still interesting.
4. On the shift to innovation, design, and to long term strategy, see MICHAEL BEST, *The New Competition*, Polity (1990).
5. There is currently a vigorous debate in Italy on industrial districts, see for example the article by MARCO BELLANDI in E. GOODMAN et al, *Small Firms and Industrial Districts in Italy*,

Routledge (1989). For a case study of an industrial district in a service industry see MICHAEL STORPER and SUSAN CHRISTOPHERSON, Flexible Specialisation and Regional Industrial Agglomerations: the case of the US Motion Picture Industry, *Annals of the Association of American Geographers*, 77(1) (1987).

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9. MICHAEL MARSHALL, *Long Waves of Regional Development*, Macmillan (1987); the quotation is from p.225.
10. GREATER LONDON COUNCIL, *The London Labour Plan*, London (1986). Copies of this and other principal economic publications of the GLC can be obtained from The Publications Department, The Centre for Local Economic Strategies, Alberton House, St. Mary's Parsonage, Manchester, M3 2WJ.

11. W. NICOL and D.S. YUILL, Regional Problems and Policy, in: A. BOLTHO (ed) *The European Economy, Growth and Crisis*, Oxford (1982), p.430.
12. See GREATER LONDON COUNCIL, *Report of the Public Enquiry into Ford Motor Company*, London (1986).
13. For a good discussion of Irish industrialisation see DIANE PERRONS, Unequal Integration in Global Fordism: the case of Ireland in A.J. SCOTT and M. STORPER (eds) *Production, Work and Territory*, Allen and Unwin (1986).
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picture of success, with surprisingly little integration of university and science park in the celebrated Cambridge Phenomenon. On Cambridge see ANNA-LEE SAXENIAN in *Economy and Society*, vol 18 no 4, (1989).

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33. Steinbeis Foundation for Promotion of the Economy, Annual Report for 1988.
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46. Motor Industry Local Authority Network (MILAN) is administered from the Institute of Local Government Studies, J.G. Smith Building, University of Birmingham, PO Box 363, Edgbaston, Birmingham, B15 2TT.
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50. SHEFFIELD CITY COUNCIL, *Working it Out, An Outline Employment Plan for Sheffield*, (1987). A summary of the strategy is given in Appendix 1 of the present paper. See also the *London Labour Plan*.
51. MACKINTOSH AND WAINWRIGHT. op cit. Chapter 10.
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CENTRE FOR LOCAL ECONOMIC STRATEGIES

ROBIN MURRAY

local space: europe and the new regionalism

Regional policy since the war has been about redistributing growth geographically. This is no longer enough. Unemployment persists across Europe. There is less 'footloose' industry that can be relocated. Heartlands of growth have centred around knowledge-based industries, which cannot be shifted as if they were a steel plant.

At the same time, European regional and city authorities have been pioneering new economic policies to assist the development of their local economies, policies which are concerned as much with the quality as the quantity of growth.

As 1992 and the single market are likely to increase regional inequality, this new movement is one that promises to have long-term historical significance. How can the achievements of the 1980s point to the future?

In this original essay, Robin Murray argues that it is the local which contains within it the seeds, and in some instances the fruits, of a new agenda for national and European economic development.

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