

LOCAL GOVERNMENTS AND “STRATEGIC” DEVELOPMENT STRATEGIES: THE ISSUE OF REGIONAL GOVERNANCE

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Introduction and overview

It appears to be general consensus that innovative self-promotion and entrepreneurial strategies are increasing in importance for local and regional development. This is evident in the unwavering attention devoted to endogenous potentials, local milieu, urban marketing schemes and the idea of empowerment. What is less clear is the means by which such policies can be put into place; local development strategies based on externally imposed models of innovative economic promotion have often brought disappointing results.

This discussion paper therefore combines two important regional development issues. On the one hand, the necessity of more aggressive, flexible and “entrepreneurial” strategies based on an integral concept of locality and community as opposed to “site” are emphasised. Only in this way can the attractiveness and potential of a community be properly communicated and the complex requirements of strategic planning fulfilled. At the metropolitan and/or regional level, on the other hand, the issue of governance as an effective form of co-operation and co-ordination between municipalities within a context of economic, environmental and functional interdependence must also be addressed. Regional co-ordination and flexible development strategies are thus two closely related aspects of urban policy. However, it is not always auspicious or politically feasible to act upon these realities and, as a result, fragmented and regionally unbalanced development policies that favour the particularistic interests of specific communities and/or groups have often prevailed, particularly in the United States with its traditions of decentralised local government.

There is little doubt that conventional notions of the antithetical nature of economic development and environmental quality must be suspended. The

problem, in fact, is one of co-ordination and strategy and not of short-term trade-offs. This essay presents evidence for a judicious balance between local mercantilism and comprehensive administrative (but often inflexible) solutions to the vexatious problem of co-ordination. In order to find this balance, however, *urban analysis must develop richer frameworks for understanding the complex processes behind urban growth and development*. For this reason, the concept of governance as manifested by local and regional "regimes" will be developed and portrayed as an essential element in the co-ordination of development policies. The central empirical-theoretical question pursued in this paper is the following: how can co-operation be promoted? More directly, which forms of urban governance promote regionalism? What is the role of the state? Can regionalism be induced/successfully encouraged by way of subsidies? Here, I will develop a discussion of the ramifications of regionalisation as it pertains to interlocal relationships and strategic-entrepreneurial development policies. This discussion is based on observations of changes in urban and regional governance systems in the United States as they apply to the development issues mentioned above. These observations will then be briefly related to possible European scenarios.

Framing the issues: regional interdependencies are unfashionable realities

Increasingly, local and regional initiative in economic development and planning issues is being interpreted as an institutional response to the challenges of globalisation. Similarly, both in Europe and North America, structural policies at the state level are informed by a new appreciation of the strategic role of local and regional actors. This re-discovery" of the local has been facilitated by criticisms of traditional investor-oriented and supply-side economic development concepts – concepts, which have failed to achieve employment growth and/or sustainable economic vitality in the measure, promised and expected (ARL, 1995; Eisinger, 1988). Furthermore, regional development doctrine appears to be shifting its focus towards the social, cultural and institutional conditions for successful local and regional development.

The consequences of this shift can be seen in a greater emphasis on demand-side measures. More importantly, however, the "new" planning doctrine is very much concerned with actual procedural issues, strategy and co-operation in particular, in order to come to grips with the tenacious problem of co-ordination (Healy, 1997). *Strategy* implies a more long-term and complex view of development requiring the participation of various public agencies, the public sector and civil society. *Co-operation*, on the other hand, is that which basically de-

defines a region; it is the propensity of communities to transcend narrowly defined local interests, to develop a consensus on strategy and work with neighbouring localities and other levels of government in providing direction for a region.

What we might call "entrepreneurial" regional policies generally involve innovative industrial sectors, technological development and/or industrial clusters as the foundations of a competitive regional economy. Local empowerment and the promotion of small and medium-sized enterprises initiative are also vital elements here. Many entrepreneurial policies conform to the new doctrine in that they also target specific programmatic goals that include demand oriented approaches, "hard" as well as "soft" locational factors and a concern for the development of social community. Furthermore, in order that they are properly implemented, they thus would also necessitate complex community development strategies (education, culture, urban amenities, quality of life elements, infrastructure) as opposed to the more straightforward and one-sided incentive systems that have been employed (*Henton et al. 1997*). Criticism of traditional structural policies, coupled with a greater sensitivity towards economic interdependence of localities and regions (and hence the necessity to privilege competitive economic activities) has encouraged states to adopt the network paradigm and the concept of industrial clusters in formulating economic policies (*Scott, 1998*). In contradistinction to traditional understandings of the local economic base, network and cluster oriented strategies do not operate at the level of individual investors, firms or even narrowly defined sectors. Instead the locality (or region) is seen as a web of economic relationships and urban micro-environments that promote innovation, investment and long-term growth (*Doringen-Tekla, 1996*). Core enterprises are thus interdependent elements within the cluster and are supported by a wide range of services, social and technical infrastructure as well as research and educational facilities (*Waits, 1996*).

Thus, much more than in the case of traditional supply-side approaches, the locational factors so important in "entrepreneurialism" are affected by the actions of many layers of government and the decisions of different groups of actors. Educational policy, transportation infrastructure, incentives for research and development, regulations impacting on land-use and community development, housing policies, etc., are elements of a national, regional and local equation that determines fundamental conditions for local development policy. The task of co-ordinating these various layers of governance are admittedly daunting and perhaps never entirely achievable (*Innes-Booher, 1997*).

As a result, unfortunately, political responses often appear to have been limited in scope, imagination and in their temporal dimensions. One has the feeling that cities and regions have been "doing" entrepreneurial politics and strategic planning, reading from the "correct" script as it were, but often pro-

ducing strategies with rather more symbolic than substantive quality. Furthermore, effective and/or realistic implementation measures are seldom developed as part of these strategies except in a piecemeal, issue-specific and generally localised manner. The proper reading of the innovative development strategies discussed here is not one of a mere, if sophisticated, extension of marketing philosophy into the realm of urban and regional governance (Newman-Thornley, 1997) but of something much more substantial. In discussing strategic and entrepreneurial approaches to planning we cannot ignore metropolitan and/or regional dimensions nor can we underplay the necessity of more comprehensive approaches to regional development (Roberts et al. 1999). Indeed, there can be no real planning strategy of the sort mentioned above without commensurate *governance* mechanisms – that is, formal and semi-formal arrangements that permit the management of the affairs of political communities (regions, city-regions, metropolitan areas).¹ As a specific form of governance, regionalism can be characterised as a problem of co-ordination in securing economic, social development and environmental quality (sustainability). The issue of co-ordination in this respect has been dealt with in many different – if partial – ways at the practical level. However, it appears that research has only reluctantly followed this lead in recognising the relationships between governance, regionalism and development.

Theoretical arguments: some insights of institutionalism

It has been clearly demonstrated that urban land markets bear little resemblance to the autonomous unfettered “Market” of past economic theory but are largely constructed by the decisions of agents with power over land-use decisions as well as by developers and consumers. Unfortunately, much work in the area of urban geography and economics continues to be informed by simplistic models of economic behaviours and development, assuming an almost omnipotent real estate market that assigns value to space according to universally valid laws of supply and demand. This simplistic logic has influenced other areas of urban analysis, ranging from studies on local government to planning policy and housing issues.² In fact, much urban and regional analysis appears to be little

¹ Within the context of this discussion we understand governance to include the establishment and acceptance of a set of rules of conduct and norms (as embodied by social institutions) that “define practices, assign roles and guide interaction so as to grapple with collective problems” (Stokke, 1997. p. 28).

² Institutional and political economy approaches have steadily developed since the late 1970’s in response to the limited focus of the “Ecological Paradigm” in Urban and Regional Geography and Sociology. This paradigm, still influential in many departments of Geography, involves “an

more that a receptacle for academically sanctioned "fact" accumulation with little bearing to actual reality. Often, the variables chosen, the levels of spatial/statistical aggregation involved and even the basic premises informing analysis do not address central issues.³ In the case of regional governance and its importance for spatial, social, ecological and economic development, the most elementary aspects of interdependence as the rationale for regional co-operation have often been neglected. Instead, analysis has focused much attention on purely economic motivations for co-operation or on arcane studies of regional governance as an arena for political and policy networks.

As Lewis (1996), Savitch and Vogel (1996) and others have argued, the New Institutional Economics, applied to urban and regional studies, can fill this analytical void. Political institutions, the value systems within which they operate, and incentives for specific modes of action inherent in political cultures are among the elements of a complex political economy of urban development. In this vein, urban regime theory has facilitated the development of urban governance typologies and meaningful comparative analyses of urban development patterns. Regime theory has successfully and convincingly established links between socio-economic and fiscal conditions of cities, the articulation of group interests in local politics and modes of state intervention by developing typologies of urban governance.⁴ Regime theory has characterised development policies at the local level (such as pro-growth, managerial, commercial and free enterprise, planning and distributing regimes)⁵ as well as co-operation patterns at the regional/metropolitan level (e.g. avoidance and conflict, mutual adjustment, metropolitan government)⁶. This line of inquiry can help uncover various reasons for successes and limitations of development strategies, among other ways by identifying how behaviours, political relationships, incentive mechanisms and policies interact. Such governance modes are not static, they evolve as the constellation of actors and the roles they are assigned change over time. What is expressed below, as "interorganisational ecologies of governance" is

uncritical acceptance of a self-regulating market system viewed as operating for the public good, a technological determinism, an emphasis on regional convergence and the filtering of growth down urban hierarchies, a neglect of the role of the state, a downplaying of inequality and conflict, and a macrostructural approach de-emphasizing human agency" (Feagin, 1988, p.14).

³ I draw attention here to recent multivariate analyses of metropolitan regions, economic development and socio-economic indicators such as those described by Morgan and Mareschal (1999) and Carr and Feiock (1999). While well researched and competently written, I maintain that the authors used indicators that did not properly address the issues raised in their essays.

⁴ Joe Feagin (1981), having coined the phrase "growth machine" in his 1981 study of Houston deserves particular mention here.

⁵ For a concise discussion of different regime types see Kantor, Savitch and Haddock (1997).

⁶ See Savitch and Vogel (1996) for a comparative analysis of these different regional governance forms based on the experiences of US-American cities.

nothing more than a conceptual guide to inquiry that might help understand the contradictions between doctrine, discourse and praxis, in a comparative manner.

Figure 1

Interorganisational ecologies of governance



New strategic development policies and approaches to regionalism: some evidence from North America

The United States can be seen as a laboratory both for new development strategies and change in urban and regional governance. Here, traditions of local autonomy, notoriously weak states and an ever-changing role of federal government, coupled with a clear dependence on private corporate actors have, in the past, produced fragmented solutions to regional development problems (Scott, 1992, 1998).⁷ Urban and regional development in the United States, much more than in the case of Europe, has been influenced by interregional competition for private investment. State aid for struggling regions and “dependent cities” suffering the effects of economic restructuring has been limited in duration and scope. Furthermore, as Pierre (1999, p. 378) claims, “the managerial dimension (of urban governance) clearly has come to dominate over the democratic-participatory dimension of local government”. The main reason

⁷ US-American and European regime traditions contrast starkly. These differences manifest themselves primarily in degrees of state support, regulatory intervention and fiscal redistribution mechanisms. Strict and centralised land-use regulations, regional subsidies as an equalising mechanism go hand in hand with a tradition in continental Europe of administrative regional governance, most prominently in the area of planning. In the United States mechanisms of regulation and subsidy are much weaker, with locally generated revenues playing an inordinately important role in determining the well-being of cities and regions.

for this development has been fiscal retrenchment as well as (a decline in collective political involvement) and an "individualisation" of interest-group politics, a phenomenon particularly characteristic of the United States.

However, *Newman and Thornley* (1997, p. 7), among others, have also observed this trend in Europe, where fiscal retrenchment is diminishing capacities for public action in the area of social, economic and regional policy. Here too, the issue of more aggressive and strategically oriented development policies has been raised. Urban and interregional competition are now watchwords in European Union policy discourse and, as dependence on transfer payments decreases, Europe's local authorities will be forced to re-evaluate their roles, their relations with the private sector and their regional significance.

Interestingly enough and laissez-faire traditions notwithstanding, the realisation has gradually emerged in the United States that a competitive free-for-all and a lack of regional cohesion can be counterproductive to long-term economic sustainability. Metropolitan areas throughout the US, working with federal and state agencies, have been attempting to transcend short-termism, local patriotism and clientilism. Moves towards developing more effective and responsive management of regional complexity are evidenced by attempts to break the mould of conflict avoidance and piecemeal adjustment that have prevailed in metropolitan regions.⁸ What we appear to be seeing is both a redefinition of the planning process and a reconfiguration of roles and responsibilities assigned to public, private, state and non-state actors. Since the early 1980's States and localities as well as the federal government have experimented with new strategies involving more comprehensive and innovative development approaches. These will be discussed here and particular attention will be paid to three aspects:

- 1) Local empowerment strategies in metropolitan settings,
- 2) Technology and industrial cluster strategies and
- 3) The promotion of effective regional governance. While not necessarily interrelated, these three aspects accurately reflect changes in the political conceptualisation of governance as it applies to regional economic development.

⁸ In fact, one might argue that if there is a "systemic" logic to metropolitan and/or regional development (*Innes-Booher*, 1997), the American solution has been to accept the status quo of self-regulation and gradual adaptation of the system with predictable results. At the same time, for a system of such a self-organising and unplannable nature, there is an astonishing regularity of metropolitan development patterns in the United States.

Towards a new federal role?

Central government intervention in the United States has never reached the levels typical of European post-war experience. While important (and during the eras of the New Deal and Great Society vital), the federal government's involvement in urban and regional development has remained a fiercely contested ideological issue (Cullingworth, 1997). The increasingly conservative political environment in the United States has, without doubt, precluded a return to "great national programmes" in the foreseeable future. The primary function of the federal government appears to lie more in securing the necessary conditions for enhanced competitiveness and economic prosperity (HUD, 1984; Peterson-Lewis, 1986; President's Commission, 1980).

President William Clinton's administration, taking office in 1993, has made it clear that the federal government sees itself as a partner and not a supervisor of regional and local actors (Wolman-Agius, 1996). Clinton's urban and regional policy agenda does not define, a priori, development strategies to be implemented. Instead, it is based on general normative concepts and goals, such as "community empowerment", "competitiveness", "innovation" and "sustainability" (Ham-Mowery, 1997). As vague and ambiguous as this normativity might seem, it has produced legislation that demonstrates considerable promise in promoting more effective and flexible forms of governance. Among the programmes thus created are Manufacturing Extension Partnerships, Empowerment Zones and Enterprise Communities (EZ/EC), and technology transfer initiatives for SMEs (Scott, 1998). The Intermodal Transportation Efficiency Act (ISTEA), passed in 1991, was also expanded. EZ/EC and ISTEA are large (i.e. multi-billion dollar) programmes budgeted over several years. They are remarkable in that they provide co-financing for economic development and transportation improvement projects without intrusive requirements or externally defined restrictions. What these programmes do mandate, however, is that strategic planning initiatives be developed and regional co-operation mechanisms be incorporated within the scope of funded projects, conditions that apply to technology-oriented initiatives as well.

In the case of EZ/EC, the programme was initiated as a competition between cities, each presenting a SWOT-analysis, planning elements, priorities, and implementation strategies and indicating how neighbourhood development organisations were to be included in project management (Muniak-Auger, 1995). The 14 Empowerment Zones and 105 Enterprise Communities thus designated have secured 2,5 Billion US\$ in indirect (that is, tax-based) subsidies and 1,3 Billion in direct grants. ISTEA, for its part, is a transportation-oriented initiative that provides incentives for regional planning and the development of metropolitan level co-operation. Monies made available through

ISTEA are apportioned to regional bodies, most often regional transportation commissions or councils of government, with the aim of enhancing their governance role. ISTEA co-finances infrastructure projects, is competitive in that it requires strategic plans from the cities and it creates incentives for intergovernmental revenue sharing and co-ordination of land-use decisions.

The impetus federal programmes have created for strategic planning and regional co-operation is basically one of "self-help" in order to encourage local solutions based on regional self-organisation, although the presence and/or creation of regional authorities is desired. Great emphasis is placed on multi-level partnership and local commitment to strategic planning (*Berger, 1997*).

The subnational level

In contrast to the US federal government, the states have entered rather late into the regional development game as active participants. In the past more concerned with improving their overall economic positions within the larger national market, states have realised that competitive pressures and fiscal retrenchment (reducing the amount of intergovernmental transfers) are forcing them to adopt a more strategic co-ordinating role and to act as intermediaries between local governments, the national context and the global economy (*Eisinger, 1988; Soldatos, 1993*). The federal government has, in fact, relegated most responsibilities for local affairs to the states and must channel grants and other transfer payments to urban areas through state governments. This, theoretically, gives the states greater leverage in formulating urban and regional development policy. Oregon, Maine and Minnesota have adopted "smart growth" policies to enhance the quality and economic potential of their urban regions (*Lewis, 1996*). Generally speaking however, state governments have been reluctant to resort to greater interventionism given the entrenched traditions of local autonomy in the United States.

Instead, state policy in these areas remains focused on empowerment and economic self-help. One of the most widespread of the entrepreneurial measures adopted by states is so-called Special Economic Zones (SEZ). These bear a certain resemblance to the federal programme but have a greater business development character. Since 1981 more than 33 states have defined such development zones for areas suffering the effects of high unemployment. California has been particularly active in this respect; in its attempts to encourage economic initiative the state government has explicitly tried to combine redistributive social objectives with fiscal and policy efficiency.⁹ Between 1986 and

⁹ See Enterprise Zone Act of 1984, Assembly Bill 40, Chapter 45 regarding "Economic Development: Depressed Areas", California State Assembly, Sacramento.

1992, 29 special economic zones were created, the majority thereof in small and mid-size localities in rural areas but also several in metropolitan areas (Los Angeles, San Diego, San Francisco, San Jose).

During the last 20 years, technology-oriented development strategies have also been adopted at the state level. These strategies focus on market development in areas of promising future growth (e.g. biomedicine, communications and information technologies, microelectronics, innovative production processes, etc.) as well as on the restructuring of traditional industrial sectors. Whereas the focus of SEZ strategies is often local, the states' technology approaches are decidedly more regional and interorganisational in scope. Cities, universities, industry and business organisations as well as firms are generally involved in the formulation and implementation of the policies. The concrete measures revolve around technology parks, technology-transfer facilities (e.g. "incubators"), the support of industrial clusters, training and re-training programmes, targeted grants for research and the provision of risk capital for SMEs (*Gittel-Kaufman-Merenda, 1998*).¹⁰

The search for regional solutions

The local level is perhaps the most complex but, at the same time, the most flexible arena for the elaboration of urban and regional development strategies. As aggressive promoters of growth and fiscal health, localities have experimented, with varying degrees of success, with many alternative forms of planning and management. Increasingly, Public-Private-Partnerships are being sought in order, among other things, to help provide expensive infrastructure, plan and market industrial and commercial areas, support local businesses, elaborate accessible housing policies and establish local development agencies (*Knack, 1993; Vidal, 1997*).¹¹ Since the 1980s, localities have begun to co-op-

¹⁰ North Carolina has aggressively supported the creation of technology parks. The Raleigh-Chapel Hill-Durham triangle is, indeed, among the largest in the nation. In the 20 years since its inception, this technology triangle has developed the region into an important international centre for microelectronics, pharmaceuticals and medical research. "Induced" technology parks are now an almost ubiquitous feature in growing metropolitan regions although the success of North Carolina's experiments has not always been repeated. The state of New Hampshire was one of the first to be active in promoting industrial cluster strategies. With the aid of the federal government (in the guise of targeted grants for manufacturing extension services!) and private funds, New Hampshire set up a statewide network of information and service centres for SMEs. Other states have followed suite. Arizona, for example, has pursued a cluster strategy since 1992, identifying 10 economically viable and promising industrial sectors and promoting them (*Arizona Board of Regents, 1996*).

¹¹ Besides the Atlanta Project (RAP), Baltimore (Maryland), Pittsburgh (Pennsylvania) and Oakland (California) as well as many others pursue these interorganisational strategies

erate with federal and state agencies in carrying out technology-oriented strategies and job-creation schemes, incorporating these within their own local development concepts. The question of regionalism and interlocal co-operation looms large but, as mentioned above, there are few precedents of successful strategic planning exercises at the metropolitan (or city-region) level. Only in a handful of cases does metropolitan government exist – and primarily in an administrative and regulatory capacity at that – but not as a vehicle for strategic planning (*Savitch–Vogel, 1996*).

The San Francisco Bay Area (SFBA) is a typical US-American metropolitan area in its lack of comprehensive regional government. Instead, regional governance consists of a plethora of organisations covering very different jurisdictions and providing wide variety of services as well as federal and state regulatory agencies. The only truly regional bodies in the SFBA deal with transit issues (Metropolitan Transportation Commission) and general economic and land use scenarios (Association of Bay Area Governments). While the MTC is responsible for planning transportation infrastructure projects funded by the federal government and thus enjoys a certain degree of authority, ABAG is strictly an advisory body, a forum for the discussion of the future of the SFBA (*Rothblatt–Jones, 1998*). However, at the subregional level, some promising developments are taking place, evidenced by events in area known as Silicon Valley where some two million people live.

While famous for its leading role in global technological revolutions, it is often overlooked that Silicon Valley is vulnerable economically, ecologically and logistically to many undesirable consequences of its own success. Increasing competition from outside, environmental pressures, a permanent transportation crisis, a lack of affordable housing as well as a severe loss in the area's quality of life have all provided powerful rationales for regionalism as actors realise that these issues are interdependent. In fact, problems are so grave that co-operation is no longer questioned and local patriotism has partially receded. Innovation, growth and the necessity of a sustainability agenda in order to maintain the economic viability of Silicon Valley are now central to the planning concepts of cities, counties, NGOs, industry groups and other actors. Furthermore, Silicon Valley's functional interdependence with the rest of the Bay Area has also been addressed, although with less success.

As an example of the extensive interorganisational co-operation that is developing in this part of the SFBA, Joint Venture: Silicon Valley Network, established in 1993, is developing a vision of a sustainable regional community

with the capacity to co-operate and thus compete globally.¹² Its stated mission is to "bring people together from business, government, education and the community to identify and to act on regional issues affecting economic vitality and quality of life".¹³ This is to be achieved via a series of projects and initiatives aimed at improving education, creating balanced regional housing markets, developing sensible transportation policies and avoiding overdevelopment. Furthermore, The Network, according to their own programmatic statements "helps retain, expand and attract business to Silicon Valley, is sparking a renaissance of public education in Silicon Valley, supports entrepreneurs in their efforts to start new businesses, sponsors a unique partnership between the public and private sectors to streamline regulatory processes and reduce costs, promotes the transition of defence firms to commercial and dual-use opportunities, brings business and government together to address tax and fiscal policy issues important to the future of the Valley, stimulates the development of environmentally-beneficial industry, promotes local efforts to create a healthy community and, finally, "is leading the creation of an electronic community in the Bay Area." Businesses, local governments, professional associations, labour organisations, foundations, and individuals provide funding for JVSV, a non-profit organisation. Among its board of directors are CEOs of major regional firms, representatives of city and county governments, university and college representatives, industrial associations and developers.

In addition to network initiatives such as these, the cities of Silicon Valley, county authorities and industry representatives (such as the Santa Clara Valley Manufacturers Group) have joined forces to secure important transportation improvements, including light rail systems, that, because of their high cost, would have been very difficult to engineer (*Scott, 1992*). Here, federal support via ISTEA and incentives for regional co-operation proved valuable indeed (*Rothblatt-Jones, 1998*).

The story so far: a learning process with pitfalls

The "narrative" of policy change related above gives cause, at least from a US-American point of view, for cautious optimism. The normative discourse of "civic entrepreneurialism", "new regionalism", and "strategic vision" is being reflected in important policy innovations. The traditional package of investor-

¹² The website of Joint Venture: Silicon Valley Network is located at: www.jointventure.org. Another interesting website is that of Collaborative Economics, an advocacy group dealing with strategic planning and civic entrepreneurialism, located at is www.coecon.com.

¹³ Quoted from website text.

oriented incentives, by far and large the most important form of regional development policy for decades, has clearly evolved into something much more complex. However, it would also be foolish to ignore the problems encountered by federal, state and regional actors in their attempts to produce innovative development strategies and governance structures to accompany them. Traditional urban and regional development politics, derided as zero-sum games in which localities attempt to outdo each other in providing expensive cash incentives to potential investors, have by no means vanished. *We are thus faced with a difficult learning process in which mistakes will (and must) be made.*

For one thing, according to numerous assessments, the employment effects of Empowerment Zones, SEZ and technology strategies have been relatively disappointing (*Ferguson-Ladd, 1992; Logan-Whaley-Crowder, 1997; Wilder-Rubin, 1996*), considering the policy efforts they involve. In a preliminary analysis of California's SEZ programme, for example, *David Dowall et al. (1994)* concluded that no increases in employment had been achieved but, rather, indirect subsidies to firms had been provided. The reasons for these modest results are complex but two interrelated causes have been singled out as especially problematic. Firstly, the incentive regimes provided by the federal and state governments are clearly insufficient. Secondly, the rationale of strategic planning and co-operation often conflicts with short-term political orientations at the local level, where visible and rapid results from dollars spent are a source of legitimacy for elites.

With regard to the first basic problem, incentives are overly dependent on tax holidays and indirect fiscal enticements, a mix of instruments in no way commensurate with the requirements of entrepreneurial and regionally integrated development. Direct subsidies, in contrast, are limited although the federal EZ/EC programme is much more generous in this respect (*Wilder-Rubin, 1996*). In California, for example, participating communities receive direct funding exclusively for costs involved in project management and implementation – and the lion's share of these moneys derive from federal sources in the guise of block grants for community development!¹⁴ The burdens thus placed on cities and counties are often too great to bear, detracting from the attractiveness of the programmes. Foregoing tax revenues without a clear perspective of tangible employment and/or investment benefits is particularly expensive for local governments notoriously strapped for cash. The incentive problem also daunts technology-oriented development strategies. Policies of this nature are complex and full of risks for the locality and region unable to either clearly

¹⁴ Community Development Block Grants (CDBG), greatly reduced since the 1970s, are the most important form of federal aid to cities and regions. CDGB funds are transferred to the states who are wholly responsible for administration and defining priorities for the distribution of said aid.

assess its potential or calculate the net benefits such policies bring (*Lucy-Phillips*, 1995). The successes of North Carolina's Raleigh-Durham-Chapel Hill technology triangle or Arizona's cluster strategy have proven difficult to repeat. Here, state largesse and political support have proved essential in mobilising local support and private investor interest. Regions operating primarily on the basis of tax write-offs may have a difficult time financing physical and social infrastructure investment that is part and parcel of innovative and attractive development milieu.

Similarly, a long-term view and integrated development thinking are necessary to support innovative and entrepreneurial strategy. But here we find that technology based growth, innovative community development and regionalism often contradict local political rationales and economic interests. Precisely those regions with fewer comparative advantages can lack political coalitions with which to promote innovation. Direct cash subsidies to individual firms and investors can prove more attractive to cities than complex programmes with uncertain outcomes. This problem is even more critical in localities dominated by traditional "oligarchies" with little interest in promoting economic change. As a result and despite political rhetoric to the contrary, it does appear that traditional practices frequently prevail due to political expediency and electoral pressures (*Scheiber*, 1993; *Scott*, 1998). Furthermore, the sophisticated analytical tools necessary to evaluate local and regional potentials of cluster-based development are not employed, either because of a lack of understanding of the cluster concept or for political reasons (*Doeringer-Terkla*, 1996).

While a relative lack of direct subsidies appears to hamper innovative regional development policy, the search for effective regional governance continues, overshadowed by questions of government involvement, limits of local sovereignty and land-use regulation. Attempts at comprehensive regional governance have not been particularly successful, especially with a view to more forceful administrative solutions. Fragmented approaches prevail (*Rothblatt*, 1993). Nevertheless, many indicators point to the emergence of flexible regional arrangements that might help solve problems of policy co-ordination. As the examples of Silicon Valley, Atlanta and other metropolitan subregions show (*Knack*, 1993), interjurisdictional co-operation and public-private partnerships are eroding the distinctions between planning, economic prosperity and sustainability. Finally, and contrary to received conservative doctrine, federal programmes initiated since 1993 seem to have had a considerable impact in promoting community empowerment, regional technology partnerships (*Gittel et al.* 1996)¹⁵ and *subregional* co-operation in transportation planning and in-

¹⁵ The state of New Hampshire recruited the support of the federal government in setting up a "Technology Partnership" involving firms, universities and state and local authorities.

vestment. These could show the way for effective intergovernmental dialogue and establishing precedents for long-term co-operation

Consequences, lessons, future research questions

This paper makes a case for a new kind of "strategic" and "situated", not merely administrative, "top-down" regionalism. Based on the information presented here it appears that cities and regions in the United States are searching for governance perspectives that will promote sustainable economic growth through greater co-operation and dialogue. We should reject outright misguided celebrations of metropolitan fragmentation in the United States as an expression of freedom and diversity (as Jon Teaford has sadly done in his otherwise excellent book on post suburban politics). Self-satisfied apologies for the status quo will not get us any closer to solving the puzzle of regional co-operation. Nevertheless, without a system of clear incentives to long-term co-operation, mere consolidation, amalgamation or other forms of creating administrative regionalism will have a limited development impact. This issue has been neglected in many empirical studies carried out on the utility of regional governance.¹⁶

Discussion has focused on the United States and its peculiar traditions of urban and regional governance. However the lessons that recent experiments in policy innovation in the US provide are, in my opinion, also relevant to the European situation. A central aspect in all of this is the necessity of nurturing intergovernmental and public-private partnerships – developing new interorganisational ecologies that allow actors greater flexibility in the roles they assume. Here, perhaps surprisingly, the US federal government has played an instrumental role; EZ/EC, ISTEA and Block Grants are conceived as frameworks and incentives for local initiative based on very general goals set by federal agencies. Local priorities and governance mechanisms are to be defined locally. Furthermore, the case of Silicon Valley indicates that subregional governance can indeed evolve over time as an inclusive, multilevel and *non-administrative* network of actors. While political fragmentation is surely a problem, strictly administrative solutions and externally formulated incentive mechanisms indeed appear too rigid and limited to promote the kind of innovative governance and development policies that are so much in vogue. Civic entrepreneurialism is required instead of limited, bureaucratic readings of the

¹⁶ Oddly, multivariate analyses have been carried out do provide empirical evidence in debate over the economic and social benefits of metropolitan government. In fact, the most important factors to be considered are probably not quantifiable in a user-friendly manner.

local role in regional development (Bellone, 1998). The latter, unfortunately, prevail in Europe where career administrators attempt, too often with little success and at great public expense, to innovate. Regional planning authorities exercise a vital regulatory function, one that is sadly missing in the United States. But it would be mistaken to equate administrative governance with the innovative, project initiating and empowering regionalism hinted at here.

As such, the evidence seems clear: there is an (increasing) necessity for clear incentives and governmental frameworks that can set regional agendas and implement regional policy. However, the freedom of action of the region must not be unduly restricted by inflexible legal requirements. Perhaps the most important message that Savitch and Vogel communicate in concluding their comparative survey of regional governance is that "regional strategies are best promoted by unobtrusive support, positive incentives, and a long-term process" (1996, p. 298). Consequently, public largess should be targeted to regional bodies with regionally specific funding programmes for new development strategies created out of existing initiatives. However, this should be done without applying too many restrictions, externally defined requirements or a priori goals, as is so often the case with EU regional and urban development initiatives. Instead, the regional level should be given considerable leeway in defining objectives and policies. These regional bodies that would then funnel public funds into specific projects should be more than mere administrative agencies, such as planning bodies or special purpose organisations, and should be able to both promote the sense of region and to project a regional image in a larger spatial context. *They should be allowed to learn and to make mistakes if necessary*. Starting out as "think tanks", sources of regional information and policy intelligence, they could gradually develop into development forums and effective (although not necessarily formalised) policy co-ordination structures.

Generally speaking, EU policies are not conceived to support a variety of local/regional experiments but exhibit in the words of Storper and Salais (1997) "deformed universality" in attempting to define general categories of action, excluding those who do not conform.¹⁷ The route to policy innovation

¹⁷ Storper and Salais also contend that policies targeted for the support for small- and medium-sized firms are classic example of deformed universality: "SMEs are not a category of collective action; they have superficial resemblances to one another, and these can be defined in opposition to the equally superficial resemblances among large firms. Furthermore, As an analytical category, "Small versus large" is overly abstract, and appropriate to external states; it has no functional relation to real processes of economic coordination." (pp. 217–218). On the other hand, "the situated state encourages the building of capacities that support real worlds of production in which products with a strongly specialized character are made widely accessible by endowing them with generic characteristics, as in the outputs of intellectual action. In such a state, communities of mutually dependent persons establish freely available principle of interaction

can only lie in situated and not externally applied doctrine. Therefore, in closing I would like to warn against all too rigid definitions of success in evaluating policy innovation. Positive results can often be a cumulative product of individual successes and failures and, indeed, they need not be material but can be institutional in nature, measured as an increase in social capital and trust. Regionalism will perhaps then succeed when localities sense that integrating into structures of regional dialogue and co-ordination can only enhance their capacities for action, their self-image and bargaining power.

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which, while not excluding interpersonal bonds, provide a language for constructing relationships with a much wider reach than the strictly interpersonal" (p. 217).

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