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Kevin R. Cox and Alan R. Townsend (2005) "The English Politics of Local Economic Development and the American Model" *Regional Studies*. 39:4, 541-553.

**INSTITUTIONS AND MEDIATING INWARD INVESTMENT IN
ENGLAND AND THE UNITED STATES**

By

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ABSTRACT

In England, a new institutional structure for local and regional development has recently emerged involving some decentralization of responsibility. A major focus has been stimulating and mediating inward investment. The new scale division of labor resembles to some degree that which has long been apparent in the US. Similar tensions are observable, but there remain considerable differences and an examination of them facilitates understanding of the limits and possibilities inherent in the England case. In the American case, institutions tend to be much more metropolitan in form, the public-private

balance is quite different, and institutions tend to emerge locally rather than be structured from the center. These differences owe in significant part to differences in state form, but also to the energizing force of strong business interests in the future of local economies.

Introduction

It is eleven years since HARDING (1994) argued for a cross-national agenda in the study of economic development agencies, or 'growth machines' as he then expressed it. That there is considerable variation is clear from work on European countries (DUNCAN et al 1988; HALKIER et al. 1998). The focus of the present paper is more concentrated, however. We do indeed draw on research in both the UK and USA in order to establish a transatlantic comparison and contrast. Our focus, however, is not so much on the urban regimes with which Harding was concerned but on the more enduring institutional arrangements through which local economic development is mediated. The focus on institutional arrangements stems from the wider interest in the idea of governance which has become an important window of late through which to view local economic development policy. We furthermore confine our attention to local economic development that is inward investment driven. We are not concerned, therefore, with local economic development initiatives that focus on developing existing firms in a particular locality or region, on the establishment and success of incubator programs, or on developing links between firms and universities. This is reflective of the balance of the literature, particularly with that coming out of the US, and including the highly influential urban regime work.

In Britain, the upsurge of interest in the institutions, local and regional, through which local economic development is mediated, reflects changes on the ground; in particular the efflorescence of local and regional public-private partnerships and the advent of the Regional Development Agencies. The establishment of Development Agencies for Wales and Scotland in 1978 preceded by 20 years that of Regional Development Agencies (henceforth 'RDAs') in all nine Regions of England in 1998, suggesting some decentralization of power from the centre to the regions, and so, arguably, creating

greater sensitivity to local needs (ROBSON et al., 2000, JONES, 2001, ROBERTS and BENNEWORTH, 2001, FULLER et al., 2002).

The development of new structures and partnerships under the Labour government since 1997 has evolved a multi-level pattern of governance in the nine Regions of England as well as Wales and Scotland. In each English Region we find an RDA, a Government Regional Office and a "Regional Assembly" of local government and other members. For this study it is of prime importance that the task of attracting and fielding inward investment has been centred on the RDAs, with responsibility also for economic strategies and the development of infrastructure, training and skills and both physical and social regeneration. We should also note that throughout the country each has received funding to promote their own area, the only difference for the RDAs representing richer areas being that they receive less resourcing per head of population; the poorer areas (as in the USA) can no longer publicly draw investment from these areas, as under traditional regional policy.

It was government policy to establish direct elections to the Regional Assemblies in England (as in Wales and Scotland). This was achieved for Greater London. However, the rejection of proposals in a referendum of North East England 'is having the inevitable effect of shifting attention to alternative arguments for the strengthening of regional governance' (ROBINSON, 1994, p. 10), and we are now very unlikely to have elected Assemblies in England like Scotland and Wales. Assemblies in the shape of members seconded from local authorities continue (now somewhat controversially) and work with Government Regional Offices in the preparation of Regional Spatial Strategies for Planning and the preparation by the RDAs of Regional Economic Strategies. Although this machinery accounts for only a small percentage of overall recurrent government spending in regions, it is nonetheless sufficient to establish tensions with more local bodies and to act as a lightning conductor for complaints against the government which previously went to London.

At a formal level it might seem that there has been some convergence between the two cases. In the United States the formation of State Departments of Development dates back largely to the 'forties and 'fifties, while the formation of development organizations at more local levels became apparent in the 'fifties, particularly in the context of an emergent central city problem. Marketing practices aimed at attracting in the spatially separable but functionally related parts of corporations emerged, along with offers of various forms of financial, infrastructural and regulatory inducement. With the formation of the Regional Development Agencies in Britain, some elements of that pattern have been reproduced, though not with the same intense sort of competition as in the US, and with much more modest forms of inducement. Similar sorts of tension have also emerged; tensions between the more umbrella like organizations that interface between the site-seeking corporation and those lower level agencies that have the sites and would like what the corporation has to offer.

However, closer inspection reveals some quite profound contrasts. For a start, inward investment has a different meaning in the US. For sure it includes investments that add to local employment; investments in the locality's 'export base' therefore. In the metropolitan areas of the US, however, there are tax base considerations. These mean that *any* form of new real estate investment, including shopping centers and residential, can enter into the calculations of local development agencies.

There are other differences from which it would not only be difficult, but also unwise to abstract. A major contrast is in the geography of institutional arrangements. In the US these tend to be quite heavily metropolitan-focused. In Britain, on the other hand, the emphasis is clearly regional, the regions often including several major metropolitan centers. Moreover, in the US the institutions that have emerged, vary quite considerably from one metropolitan area to another. A problem in every metropolitan area there is imposing some coherence amidst the fragmentation of authority among numerous local governments. 'Solutions' vary both in form and in effectiveness. In England, on the other hand, the imposition of a central government template has resulted in considerable uniformity.

There are also differences in the *dramatis personae*. Despite the attempts to gain a greater measure of business participation in Regional Development Agency activities and in the regional and sub-regional partnerships, the balance of public and private is quite different. The fact that in the US it is the utilities that maintain the data banks on industrial sites to which inward investors will require access, whereas in Britain it is state agencies, is indicative, and quite rich in its consequences.

Finally, there is the fact that ‘doing’ local economic development is a much more complex process in the United States. It is more than marketing, more than the creation of industrial and office parks where necessary, and more than mediating the necessary planning permissions – all things that are important in the English case. For a start, and only a start, ‘business climate’ is a mantra of the local economic development bureaucracies. It is seen as locally variable, important to inward investors, and subject to intervention. Local development agencies can, and do, lend their weight to lobbying the state for changes in state taxation policies or in labor law. Moreover, the fact that they are in the ‘front line’ of bringing new investment not just into city X but into the state means that their voices will have an authority denied to others.

These differences have to do in part, and perhaps quite obviously, with contrasting state structures. The extraordinary fragmentation of state power in the US, both territorial and otherwise, provides possibilities for developing institutions engaging with locally specific conditions, while at the same time, the decentralization of fiscal responsibility provides incentives for both local governments and state governments to get involved. The British state, on the other hand, has and continues to be, a highly centralized one, not just in terms of where local and regional branches of the state get their revenue, but also in terms of planning oversight. On the other hand, there is also the way in which local solutions to institutional challenges in the US are energized by an intensity of local interests in civil society that is lacking in Britain. The state structure is permissive, but the organizational energy typically comes in considerable part from developers, utilities, banks, retailers, often grouped together in some sort of growth coalition. They are the ones who usually

mobilize local government behind growth agendas, bring pressure to bear on the institutional arrangements through which local economic development, including inward investment, can be stimulated. Historically these sorts of interest and organizations have been lacking in Britain, so that resistance to central government mandate has been quite weak.

The American research on which this paper is based is of fairly long standing and is documented in numerous papers (COX and WOOD, 1994, COX and MAIR, 1988, and WOOD, 1993a, 1993b 1996). The England research, on the other hand, derives from some fieldwork conducted in April and May of 2001. This involved interviews with a wide variety of agents involved in local economic development in England. (Explicitly from this point not Scotland and Wales, as they now have a different structure which has abolished counties and which adopted Development Agencies much earlier). These interviews included local government officials in charge of local economic development at both county and more local levels, officials with the RDAs, and those in charge of partnerships that had come into being to compete for the Single Regeneration Budget in the early 'nineties. A list of the various institutional affiliations of the eighteen people interviewed is provided in the Appendix.

The approach was to carry out interviews in two sharply contrasting geographical areas in which we were to some degree already networked with respective local economic development communities. In the Coventry / Warwickshire case we have a sub-region with an unemployment rate well below the national average, where average incomes are some of the highest in the country, where the 'new economy' has been significantly in evidence, and where there is a relatively strong private market in non-residential land. North East England, on the other hand, is an area of relative material deprivation with lower incomes, some of the highest unemployment rates in the United Kingdom, weak private markets in industrial and business property, and a different sectoral emphasis: the 'new economy' has been evident less in the form of software firms and auto design, for example, and more in that of call centres. This is not to ignore a degree of variation within these regions. North Coventry and North Warwickshire have lower incomes,

lower house prices than the southern part of that area, for example. Durham City is very different from the surrounding area and Newcastle and Teesside have their own more affluent commuter suburbs.

The paper now divides into two main sections. In the first of these we consider the evidence for convergence between the recent English experience and that of the United States. Similarities are found both with respect to the way in which the inward investment process is organized across different geographic scales; and in respect of some of the tensions that attend it. These are in part territorial, revolving around concerns about ‘a level playing field’; and in part a matter of creating a relationship of trust between inward investor and those mediating the process. In the second major section, attention turns to some contrasts between the English and American cases, contrasts that were briefly alluded to above. This section concludes with the identification of some of the conditions important in understanding these contrasts.

Similarities

The Inward Investment Process

In terms of institutional arrangements for mediating particular inward investment projects, there has been a good deal of convergence between the US and England. In both cases, quite similar forms of a spatial hierarchical character are observable. Similar functions are allocated to similar levels, albeit with some overlap between the levels. The functions are fourfold:

- Generating leads or inquiries for sites in the areally defined jurisdictions to which a particular level of organization is responsible: This occurs typically through marketing trips and advertising in trade journals and in the financial press.
- Providing site information: Businesses or their consultants, searching for sites, will want a list of all sites that generally meet their specifications, along with some indication of location, size, access to transport and the availability of water and sewer.
- Orchestrating the search within that area: This includes: arranging site visits; organizing meetings with local businesspeople to discuss a variety of issues

ranging from experiences with organized labor to the responsiveness of local government; providing whatever data there are on local business conditions – the size of the labor pool, strike incidence, fore example.

- The provision of financial incentives, any additional physical infrastructure that might be required, and planning approvals

How these functions are allocated within the two countries is indicated in Tables 1 and 2.

Table 1: The Scale Division of Labor in England

	Lead Generation	Providing Site Information	Orchestration of Site Search Process *	Incentives, Permits and Infrastructure
RDAs	X		X	
Sub-regional organizations	X	X	X	
Local Governments			X	X

Table 2: The Scale Division of Labor in the US

	Lead Generation	Providing Site Information	Orchestration of Site Search Process	Incentives and Services
State Departments of Development	X		X	
Electric and Gas Utilities	X (industrial only)	X (industrial only)	X (industrial only)	
Chambers of Commerce	X (non-industrial only)	X (non-industrial only)	X (industrial and non-industrial)	
Local Governments	X		X	X

In both cases, therefore, regional, sub-regional and local levels are observable. The regional levels – the Regional Development Agencies in England and the State Departments of Development in the US – are primarily involved in generating leads. They share this function with both sub-regional and local levels, however. Much depends here on the scope of search of a firm. If it wants to be in Northeast England but doesn't know precisely where, then it will work through the Regional Development Agency, which is OneNortheast. In order to proceed further, however, OneNortheast would have to go to its sub-regional partners, like the Tees Valley Development Company or County Durham Development Company (henceforth CDDC) for lists of sites that fit the firm's requirements. These are public-private corporations set up by the counties and metropolitan authorities. They maintain files on sites by periodically soliciting industrial site brokers, property companies and developers in their area.

The US equivalents to the RDAs are the State Departments of Development, and they operate in a very similar way. In their case, however, the gatekeepers for site information at the sub-regional level are private bodies: the utilities in the case of industrial sites and metropolitan and local chambers of commerce in the case of sites for non-industrial uses like office and hospitality developments, and regional shopping centers. Owners of sites with industrial zoning will typically lodge that information with the Development Departments of the gas and electric companies. The case of non-industrial sites is different. Chambers of Commerce do not maintain files on sites but send out inquiries about sites to all developers who have requested that service and who specialize in the sort of site being sought.

However, and to emphasize, in both England and in the US, and as the Tables indicate, leads can come in at any level in the hierarchy. This in turn determines how the site search is organized. So long as possible sites are identified in more than one sub-region, then the regional level will handle the search until the point at which it becomes clear that it is going to a particular sub-region; at which point it hands it over to the sub-regional partner, the utility. But further delegation, as the site-search becomes more

circumscribed, is a more qualified matter. In England the sub-regional partners seem unwilling to delegate the function to local governments and prefer to keep the reins in their own hands. In the US the utilities will delegate to local chambers, though they constantly monitor the latter's effectiveness and will take over the function if there is, in their view, some sort of failure. What is evident in both cases, however, is a reluctance to hand over to local government, for reasons that we will address later.

Rather the major function of local government comes in at the very end of the process. This is where the firm has narrowed its choice down to a particular site and is concerned about obtaining the necessary zoning or planning permissions and any other permits that might be required, along with any infrastructural additions that might be necessary: a new highway or sewer line extension, for instance. Again, and in both cases, so long as the lead was generated higher up in the spatial hierarchy, the sub-regional organizations will have anticipated problems. In the US case the utilities rely heavily on the local chambers to keep them aware of the likelihood of local opposition, and willingness or not to make financial incentives available. In England, financial incentives are much less likely to be offered at the local level, and it is more a matter of coordinating with the regional level for access to what might be available on a regional or sub-regional level. Planning permission, however, can be an issue and the sub-regional organizations work hard to ensure that there will not be problems, not so much by avoiding particular local authorities as by taking steps to neutralize opposition ahead of time.¹

Tensions in the Inward Investment Process

Given the strong similarities in these respective scale divisions of labor, one might reasonably expect similar sorts of tension to emerge. There are two in particular, and both involve local authorities. The first is concern that higher level organizations – the RDAs and the sub-regional partners in the England case and the utilities in the US case – are not operating ‘a level playing field’. The second is that of confidentiality.

¹ According to a respondent with Warwickshire Investment Partnerships, “the planners will be brought in before it reaches the application process, they’ll be briefed, we will ask them what measures are appropriate in terms of remediation, so that there aren’t any nasty surprises.”

'A level playing field': The great concern here is that a local government will feel it is not getting a fair share of the sites that the sub-regional partner / utility / Chamber of Commerce submits to either the regional organization (the RDA or the State Department of Development) or to the prospecting firms (or their location consultants) that have come to it directly. As Andrew Wood has explained it for the US, however, the problem from the standpoint of those who have been asked to come up with a list of possible sites is maintaining the credibility and confidence of those requesting information on sites:

“The credibility of investor owned utilities and metropolitan Chambers of Commerce with respect to the broader structure of lead sources upon which they draw, rests in part upon their ability to submit appropriate sites. In order to do this investor owned utilities and metropolitan chambers must filter submissions from local economic development agents and provide a short list of the best available sites. Where sites submitted by local agents are not shown these agents may seek an explanation from the leading organization.”(WOOD 1993: 143-144).

In the British case, the fact that the RDAs and sub-regional organizations often have sites of their own that they might submit adds to the tensions.

Logically enough, concerns for territorial justice, and resultant frustration, are especially evident in the cases of those local governments where the need is greatest and where the hunger for jobs and development is at its most intense. As one Economic Development Officer in County Durham remarked regarding the inward investment process which we have described above, ‘the cascade effect sounds good on paper. My view is that it is fairly inefficient ... and can be open to abuse ...’ and he then proceeded to provide examples. As he continued ‘If somebody could come to us and show us a clear audit trail of what happens to inquiries, along with the logic behind it, we’d put our hands up and say “Fine. We don’t have a problem with that” ’. Equally, however, those districts where unemployment is low and incomes high, as in South Warwickshire, Solihull, Rugby, and Warwick and Leamington, seemed relatively indifferent and in fact could afford to be very choosy about the sorts of development they wanted. In one instance the district council had decided to do without an economic development office altogether.

Confidentiality:

The confidentiality of inquiries, concealing the identity of the project, is a significant issue in local economic development in the US, and it turned out to be no different in Britain. The sources of the concern are diverse. Firms may be anxious not to make a public announcement of an imminent relocation before they have been able to take steps to counter the apprehensions of their existing workers. Likewise if the landowner or developer knows the identity of the prospect it can result in the inflation of land prices. There were major concerns about the information getting into the hands of elected officials who wanted to boast to the press about the new jobs in prospect.

As one officer with an English sub-regional partner affirmed,

‘If, all of a sudden, out of the blue ... it is in the newspapers that Joe Bloggs is thinking of moving on to the XYZ industrial estate, the chances are he’d say, “I’m not going there any longer because if I can’t trust you people I don’t want to work with you” and he’ll walk away’ (County Durham Development Corporation official, April 2001).

The press itself could also be a problem through its investigative reporting, and simply observing the arrivals at major local hotels and who they seemed to be visiting. In one instance the claim was made that a premature newspaper story, which the local ED office had seen before publication, but to which it could only respond with a ‘no comment’, had resulted in the loss of 800 jobs.

Exactly the same problem emerges in the US.

“As you begin to deal with the non-professionals, the elected people, you run the risk of breaking confidentiality, because there’s nothing neater for Jack in his re-election campaign to be able to talk about, ‘well, we’re working a development’. Don’t put him in that position and you don’t have to worry about it” (Utility official, February, 1993, to Andrew Wood; see WOOD 1993b: 81).

In some cases local governments have established private non-profit corporations to carry out ED responsibilities and get round this. But once the process reaches the stage of

negotiating land use permits and infrastructural extensions, local government has to be engaged with directly and that carries a risk. One response is to learn the lesson and steer prospects in other directions:

“The problem is not infrequent that they want to make the announcement because their egos are so swelled that they can’t do it any other way. And what that does to me is it kills off the possibility of continuing to bring people to that administration if they’re gonna act the same way. I just can’t do that. So that’s how I get around it. I hate myself for doing it because there are some nice places in (city x) that I’d like to see industry built” (Utility official, November 1992, to Andrew Wood; see WOOD 1993b: 136)

Sub-regional partners in England also had their counter-strategies. In one instance, all enquiries were coded by number, and only the person managing the enquiry knew the identity of the company. They would also routinely sign confidentiality agreements with firms not to reveal a company’s details (particularly with US firms, which seemed most exercised about the confidentiality issue). As a result, a district council would know that there was someone interested in a site there but not the identity of the firm. But they would know that the sub-regional partner knew and as one officer said, ‘if s/he tells them they’ll probably lose the investment’.

Continuing Contrasts

Despite these seeming convergences in institutional arrangements, at least to the degree that one ignores the different balance of public and private, there remain quite strong contrasts between the two cases. The role of the central state looms much, much larger in the England case. Institutions tend to be devised more in the localities in the US and so reveal much more differentiation across the country. There is also the geographical structuring of organization. This is quite clearly regional in England, while in the US there are greater tendencies towards forms of a more metropolitan character. In this section we treat the two cases in turn and then outline some of the reasons for these contrasts.

The England Case

The institutional arrangements through which inward investment occurs in England have for a long time been associated much more with the central branches of the state than in the US case. One thinks here of such policies as those operating through Development Areas from 1934, New Towns from 1947, and the system of Development Plans and Structure Plans (from 1947 and 1968 respectively) which, while written within their respective territories, remained subject to strong central sanctions. The same applies to the more recent Regional Planning Guidance documents from 1988, and their successors under a 2004 Act, the Regional Spatial Strategies. In the United States, on the other hand, state or federal overview of local land use planning has been conspicuous by its absence. There were attempts to facilitate investment in areas of heavy unemployment in the 'sixties but the policy was thoroughly compromised.²

Involvement of British local authorities in local economic development was traditionally judged quite unusual and beyond their legal powers, except for seaside authorities supporting piers and toilets etc. In England, developments within local government and the impact of industrial recession during the late 'seventies and early 'eighties effected some shift in the central-local balance. As the role of local authorities became widespread by the late 1980s, the Local Government Act, 1989 obliged authorities that did take on economic development to devise and publish strategy and to consult others, including the business community. The result was that each local authority constructed its own model of economic development and changed it as circumstances changed.

Thus, the distribution of powers and responsibilities as they apply to the British case have shown signs of change, recognizing at lower levels, those of the county and district councils, that the institutionalization of the economic development function goes back considerably earlier. Unlike the case of the RDAs, this was a very bottom-up, organic development, originating in various local experiments in the mid to late 'seventies. The

² When the legislation had made its way through all the various phases - respective House and Senate Committees, House and Senate roll-call votes, and Conference Committee - over eighty percent of the population found itself living in areas eligible for assistance (see BARNEKOV, BOYLE and RICH 1989: 111). New Town policies have been attempted neither at state nor federal levels.

context for this was severalfold. Perhaps obviously, there was the downturn in both the national and the global economy starting in the early 'seventies and continuing right up to the early 'nineties. Accordingly it is in the mid-'seventies – prior to Prime Minister Thatcher, therefore – that local economic development started to emerge as a distinct function within local government. In Warwickshire the initiative to 'do economic development' came out of the Structure Plan in the mid 'seventies. It was recognized then that the car industry was going to lose considerable employment and that there would be a need to develop new industrial areas, which was where the initial emphasis lay, at least in those more northern parts of the county where private provision was not a profitable thing to get into. The county was aided in this by an earlier and judicious purchase of property on the edge of urban areas (Warwickshire County Council officer, May, 2001).

Central government reactions to the emerging economic crisis also played a part, particularly later and subsequent to the various Thatcher government initiatives. The work of the Urban Development Corporations and the sell-off of the New Towns in the 1980s were particularly important in the formation of the County Durham Development Corporation. The Development Corporation of County Durham's New Towns, Peterlee and Newton Aycliffe, had had large promotional budgets through which it promoted and marketed them; it had also had a policy of always having a rolling reserve of 100,000 square feet of floor space ahead of each of the New Towns. This Corporation became a private company in 1986 and the promotional functions and speculative development came to an end; not a single factory has been built privately since then owing to the relatively poor rates of return. So there was a need for the public construction of premises. In addition there was the creation of the Tyne and Wear and Teesside Urban Development Corporations. These had big promotional and construction budgets along with their own planning powers. Since they were to the north and south of the County this raised serious competitive issues to which it felt it had to respond (County Durham Development Corporation, April, 2001).

Another policy initiative of the 1980s shows a persisting contrast. Enterprise Zones have been decided solely by central government; they have been used sparingly in Britain and

limited to areas of material deprivation or where there was a serious existing threat of unemployment, usually as a result of industrial closures. There are none in Warwickshire, and only two in the area covered by Advantage West Midlands, the relevant RDA. In the North East there are four, each set up for a limited duration of ten years and in areas of particular concern such as the East Durham coalfield which was hit particularly badly by colliery closures, and North Tyneside and Sunderland, where the establishment of Enterprise Zones was associated with closure of the Swan-Hunter shipyards.

In the whole of England there have only been 18 Enterprise Zones in toto (with an additional eight in Scotland, Wales and Northern Ireland). The contrast with the US is stark. Each of the states has its own Enterprise Zone program, and for the most part states have been far from sparing when designating them: 39 in California, 91 in Illinois, 52 in New York and one in virtually every county in Texas. In the State of Ohio alone there are a remarkable 339 Enterprise Zones and the criteria for establishing them are extraordinarily generous: so much so that a recent study finds that they are more likely to bring employment to wealthy areas than poorer ones (CASSELL, 2003).

It might have been anticipated that the Regional Development Agencies would have added some impetus to the decentralizing movement of the 1980s and 1990s. It has turned out rather differently, both with regard to relations between the central government and the RDAs and also how the RDAs relate to the localities. RDA directors are centrally appointed and their public-private advisory boards, likewise subject to central government monitoring. They take the lead in the construction of regional economic plans, indeed, they are required to; but these are subject to central monitoring and intervention.

Their strategic plans and their attempts to implement them are one source of friction with the localities; but so too are their more informal, less explicitly stated, attempts to establish various priorities and to implement a regional vision. For regardless of the origins of the institutionalization of local economic development as a local government function, there is a lot of variation in approaches to how to do it. This testifies to the

strength of the local economic development interest, but it can also bring local governments into conflict with the RDAs, whose responsibility is for the region as a whole rather than for particular localities within it. They have to abstract themselves from local conditions and construct a sense of specifically *regional* conditions, including the criterion of potential synergies between different localities, and what is needed at the regional level: this cannot always meet with local endorsement.

In the North East, there were districts in which the emphasis was quite clearly on inward investment. There were others which, based on a sober calculation of what inward investors were looking for, like motorway access or an extensive travel to work area, were better advised to place their emphasis on local startups. But where this vision did not entirely mesh with that of the RDA, or even the CDDC, there could be tensions. There could also be tensions between the RDA and the district or borough regarding what sort of economic development was appropriate for it. In one case there were strong ambitions to move up into more desirable niches in the geographic division of work, and a great deal of emphasis had been placed on education, on training and preparing workers for more skills- and knowledge-intensive sorts of work. Yet the feeling was that the RDA saw the future of one of its new industrial estates in the town primarily in the form of what were called 'shed'-type developments and had been less than agreeable in facilitating the movement of a hitech tenant from one of its other estates to the new one.

There have been analogous tensions in the West Midlands. Some of these have emerged around the RDA's regional economic strategy. Advantage West Midlands foresees three areas for hitech growth: to the east to Coventry and the Warwick-Leamington area; the southern A38 corridor from Birmingham, through Worcester to Malvern; and a corridor from Wolverhampton along A54 to Telford. This generated opposition from Shrewsbury councilors who wanted the Wolverhampton-Telford corridor extended further west to include Shrewsbury. Similarly Warwickshire County Council disagreed with the precise alignment of the eastward corridor, favoring rather a more south-easterly axis which would have excluded the area to the north of Coventry, which it regards as not at all promising from the hitech standpoint.

There are other conflicts, however, which derive more from the particular spatial template adopted in England. This has been quite clearly regional so far, and certainly *not* in the sense of *urban* regions. This means that in a considerable number of instances the chosen regions will include more than one major metropolitan area, each with its own developmental ambitions as well as sharply diverging identities and tensions with the rest of the region. Conflicts between Liverpool and Manchester and the Northwest Regional Development Agency provide a case in point (TICKELL, PECK and DICKEN, 1995; TRAVERS 1999). Some of the rivalry there has revolved around airport facilities, an issue that has also cropped up in the North East. Newcastle has grown more rapidly as the regional hub while growth at Teesside has been mainly in the form of charter flights and now budget airline activity, since it is a cheaper airport. Within this context, and concern that the central government would only support one airport in the region, One NorthEast as the relevant RDA announced an effort to develop a strategy for the area. Early intimations that it was favouring Newcastle as the most viable touched off severe political reaction in the southern part of the region served by the Teesside Airport, particularly on the part of major employers there. The result was that One NorthEast retreated and said that they would support both.

These reports can be regarded as illustrating tensions between City Regions, which have been further unleashed by the expected abandonment of elected Regional Assemblies subsequent to their rejection in the North East referendum. This has revealed political and academic lobby groups seeking the articulation of development at the level of City Regions, such as Liverpool, Manchester, Leeds etc., and the promotion of their named Core Cities for the growth of services in the manner of the previous generation of “Growth Poles” in the academic literature (HARDING 2004; HARDING, MARVIN and MAY 2002; HARDING, DEAS, EVANS and WILKS-HEEG 2004)..

The US Case

As should already be apparent, this is a very, very different instance. First, and within a loose framework provided by respective State Departments of Development with their

suites of various forms of assistance, the institutional context is defined locally and is elaborated from the bottom-up. Local governments retain very considerable powers indeed with respect to providing financial incentives and land use permits. Oversight of local planning decisions is extraordinarily limited.

Within the metropolitan areas, moreover, new, metro-wide, institutions have tended to emerge as a result of initiatives that are, again, and for the most part, very local. This is partly in the context of ongoing institutions that are either roughly metropolitan in character, like the counties, or which correspond to metropolitan regions broadly defined, like the gas and electric utilities in many, though not all, instances. These new forms of institutional mediation have clear rationales. There are economies of scale in providing the infrastructure necessary to realizing inward investment projects; infrastructure like airports and convention centers. There are also the inter-jurisdictional externalities provided by such projects and the existence of a common interest in seeing them brought to fruition. While the motivations may have more to do with some set of development interests achieving a metropolitan hegemony, these are certainly the discourses drawn on.

Apart from the explicitly local and metropolitan character of these forms, the balance of public and private is also quite different. On the one hand, there are those directly involved in mediating inward investment. As we saw earlier, the utilities play a major role in this, corresponding to the sub-regional organizations in the English case. At more local levels, however, they work not only through local government but also through Chambers of Commerce, both local and metropolitan in character. Chambers will provide the contacts through which teams of business representatives can be put together in order to respond to the questions of firms during site visits; questions about local labor conditions, the responsiveness of local government and the like.

On the other hand, there are also the more strictly metropolitan initiatives aimed at marketing and providing infrastructural conditions, social and physical, that will facilitate inward investment and which seem absent from the England case. These are highly varied, some more enduring than others, some more specific in their functions, others less

so. Very common are the Committees for a Greater Denver / Columbus / Indianapolis / insert the metro area of your choice. The Economic Development Council of Seattle and King County is one such instance. According to its website it:

“ ... works to retain and recruit family wage jobs in King County by fostering the economic assets of the region through its flexible business development system that helps current businesses thrive while attracting innovative new companies to King County. The EDC also works to capitalize and market the assets of the region by taking a leadership role in advocating economic development tools and communicating the activities and importance of the work of the EDC”.

There is, in short, a strong emphasis on attracting in new investment as well as making sure that the investment already in the Seattle area stays there and is not attracted elsewhere.

Other organizations, entirely public sector or public-private in their constitution, are less marketing driven and more oriented to providing the necessary infrastructure. JEZIERSKI (1996) has documented how, in the Pittsburgh area, the Allegheny Conference on Community Development, a private business organization, has played a major role over the last fifty years in mobilizing local and state governments around programs of investment in highways, airports, central city renewal, and industrial parks. The typical vehicle for securing the necessary monies has been legislative packages proposed to the Pennsylvania State legislature through local state representatives. It was also active in securing federal money for urban renewal during the ‘fifties.

A crucial context for these initiatives has been the presence of some metropolitan-level interest in local economic development alongside a very considerable fragmentation of formal political power. American metropolitan areas are divided into many, many local governments. The municipality governing the central city will typically be preponderant in terms of population but will be surrounded by numerous inner and outer, jurisdictionally independent, suburbs. There are, however, common interests among these

local governments in attracting inward investment into the whole metropolitan area in virtue of the considerable spatial externalities of a positive nature that they can provide.

Aside from the sort of networking characteristic of the Pittsburgh area, there have also been pushes to achieve some measure of centralization of state provision and planning for local economic development. In some cases this has involved shifting responsibility for major infrastructural projects like airport expansions, sports stadia, convention centers, to counties. In other instances it has been more de facto as, for example, the central city attempts to widen its jurisdictional authority through aggressive annexation of unincorporated land. In the Columbus area the city has used its virtual monopoly of water and sewer provision to place limits on the ability of suburbs to expand and enhance its own ability to grow at their expense. At the same time, as a result of these arrangements, the whole metropolitan area has gained from the huge economies of scale in water and sewer provision (COX and JONAS 1993).

What needs to be emphasized, however, is the variety in the sorts of institutions that emerge at metropolitan levels and their fluidity over time; each is quite *sui generis*. What is possible varies very, very considerably across the United States. This is partly a function of differences in state law. It is also a matter of historical legacies. The ability of some central city to impose its vision for metropolitan development through annexation is a matter of whether or not annexation is possible. In many Midwestern and Northeastern cities it isn't, simply because, prior to the emergence of a central city problem, they were quite happy to see themselves surrounded by independent suburbs, and so cut off from the ability to annex unincorporated land.³

The sorts of tension characteristic of English institutions as they relate to inward investment, are, *per necessita*, absent. This is partly because the utilities, and to a lesser degree the Chambers, have historically played such an important role in mediating inward investment. As private entities they clearly have no strategic planning authority. There *are* tensions, but they tend to occur as a result of the various power asymmetries

³ In order for cities to annex unincorporated land, they have to be contiguous to it.

that emerge in metropolitan areas and which owe nothing directly to an allocation of responsibilities through statutory law. In Pittsburgh, the desire of the Allegheny Conference on Community Development to shift the area's position in wider geographic divisions of labor towards a more hitech emphasis has run afoul of the interest of old communities centered historically on steel production to protect that old economic base. In the New York area there have been persistent conflicts between New York City and the New York Port Authority over the latter's massive investments in Newark International Airport – in New Jersey and so not paying rent to New York City – and the supposed and resultant neglect of those airports, LaGuardia and JFK, which *do* pay rent. In some cases the conflicts are quite thoroughly intra-jurisdictional, as MARK PURCELL (2001) has pointed out in his discussion of separatist sentiment in Los Angeles' San Fernando Valley.

Towards an Understanding

Despite recent institutional change in England, which might presage the emergence of something more akin to the American model, it would be remarkable if there was much more than the sort of rather bland functional similarity in the mediation of inward investment which seems to have emerged in these two cases. Our sensibilities should be alerted by the fact of quite radical differences in state form. More fundamental are the social forces at a grass roots level in the US and their relative absence in England. Strong local business interests in the 'health' of local economies are present in the US, and their activities are facilitated by a state form that fragments power territorially. At the same time, territorial fragmentation of power gives local governments reason to make common cause with those business interests. In England it is the reverse: little in the way of strong, place-specific interests on the part of business, and local governments that, in virtue of state structure, are relatively – emphasize *relatively* – indifferent to local economic development.

The American state is one in which formal power is highly fragmented. Local representatives can deliver to local constituencies. All legislation has to run the gauntlet of a Congressional committee and legislators get to serve on those committees with

responsibilities that most closely match the interests of constituents. Once the legislation is released from committee and makes it to the House and Senate floors, then relatively weak parties mean that individual legislators, or groups organized along bipartisan lines, can get ‘stuff’ for their home districts: fiscal flows or regulatory relief. Not only are legislators *enabled* to deliver to their home districts, there are incentives for them so doing. This is because of the primary system of nominating candidates for elections and the way in which it forces them to put together specifically local coalitions of forces for that purpose.

And there are strong local forces ready to be brought together. This is partly for reasons, again, of state form. In the US local governments are very reliant upon the local tax base as their source of revenues. As a result, they want to enhance their tax base. This includes the local property tax base that can be topped up through major private investments. They also want to enhance the flow of sales taxes through their hands by encouraging the construction of major retail complexes that will bring in shoppers from a wide surrounding area.

More decisively, however, there are some quite intense private interests in the expansion of local economies. These have a strong compulsion to make common cause with local state agencies, to keep them alert to the importance of ‘local economic development’, to assist and complement their efforts in various ways. One of the absolutely crucial differences between the American and English cases has been the presence or otherwise of business interests with a stake in expanding the local market, and inward investment is seen as a major means of accomplishing that end. These interests have been the heart of American growth coalition politics (see Table 3 for the case of the Economic Development Council of Seattle and King County) (SALISBURY 1964; MOLLENKOPF 1976; LOGAN and MOLOTCH 1987). They have consisted, with some variation depending on scale, of developers, local newspaper and media empires, landlords, the gas and electric companies, sometimes a bank or two that has yet to take advantage of the changes in the law permitting inter-county and inter-state branching, the owners of auto dealership and beverage franchises. All of these experience some sort of local

dependence by virtue of some combination of local knowledge, property investments, dependence on a specifically local market, and fixed capital assets, which limit movement into other, geographically defined, markets.

Table 3: Directors of the Economic Development Council of Seattle and King County (November 2001)

	LOCAL	NON-LOCAL
State agencies	13	-
Utilities	11	4
Developers / construction	10 ¹	-
Chambers of commerce	4	-
Banks and financial services	1	4
Commercial real estate services	2	2
Higher education	3	-
Law firms	2	-
Newspapers	1	-
Misc	2 ²	4 ³

¹ Includes development consulting and design.

² Includes one manufacturing firm (Boeing)

³ Healthcare, global technology services, an e-sales firm and a theme park.

Note: 'utilities' includes airlines, telecommunications firms, transit agencies and port authorities.

It is these local interests that energize the formation of locally specific institutions for economic development. Some are directly involved in bringing new investment into a metropolitan area, as was noted earlier in the cases of the utilities with their own Departments of Development, and the Chambers of Commerce. Others cluster around projects aimed at the creation of new infrastructural conditions for local economic development: drives to bring an airline hub to the local airport, to build a convention center, or to organize with interests elsewhere in the state behind a drive to change labor law in a way that will 'improve local business climates.' In this regard, the role played by the Allegheny Conference on Community Development in presenting legislative packages for local improvements to the state legislature is highly revealing. MARGARET WEIR (1996) has discussed this sort of politics as it unfolds in Illinois in some detail.

The contrast provided by the British case is considerable. The state is almost the antithesis of the American one. There is only very limited scope for MPs to deliver to particular localities, conurbations or even regions. Strong party discipline prevails and the committee system is quite weak. Nomination of candidates is subject to strong central party sanction. It is not, however, just that a state form in which power is highly concentrated at the center makes it an unsuitable vehicle for initiatives aimed at securing advantages for particular localities or regions. It is also the weakness of local interests, either in the state or in civil society. Unlike the American case, banks and utilities have lacked the sort of local dependence that has put them in the forefront of local economic development initiatives there. Historically banks have been extraordinarily concentrated in their ownership, and electricity and gas were brought under public ownership shortly after the Second World War. Local growth coalitions have therefore lacked the strong business base that they have historically enjoyed in the US.⁴ Furthermore, there has been only very, very limited incentive for local governments themselves to get involved.

The Economist for April 14-20, 2004 included a leader with the provocative title ‘Does Britain want to be rich?’ Like most of their leaders it took its cue from a news article in the body of the magazine, in this case a discussion of planning for growth in the Cambridge area, and the discouragement felt by the entrepreneurial element as a result of adverse planning decisions. As the leader argued: ‘Many of the companies (in the Cambridge area) say it is a struggle to grow ... They say that the main reason they cannot grow is the planning system. Applications to erect a new building grind slowly through the system; appeals, if an application is turned down, take years. High-tech businesses do not have years to waste’. The underlying problem, according to the leader, was that ‘while councils have so much power to determine the level of growth in their area they have little interest in fostering it’. The reason for this, it went on to say, is that three quarters of their revenues emanate from the Central state: in contrast to the US case, the state of the local economy makes little difference to local government coffers.

⁴ Though they have not been entirely absent. See, for example, BASSETT and HOARE (1984) and AXELROD and PINCH (1994).

Making local governments more local tax base-dependent is again a current topic of UK discussion, but it is not the only condition for a locally generated, bottom-up politics of economic development of the sort characteristic of the United States. We must recall that local business interests in the expansion of local economies there are also strong and provide local government with allies when confronting local opposition.

This sort of decentralization of fiscal responsibility is not likely to happen easily in the UK. Issues of equality of opportunity and the future of nationally negotiated wages for schoolteachers and municipal workers would clearly come to the fore.⁴ It is unlikely that the labour movement would contemplate such a radical change with equanimity. A different discursive environment from that of the United States would also provide greater unease over the probable effects of local fiscal responsibility on competition between places. Already the British government has expressed a desire that the RDAs limit their competition with one another.

Even so, changing the basis for the funding of local government in the United Kingdom has recently been on the table as part of a review of local government funding which has been deferred for another year. The watchword, apparently, is a 'new localism', which to judge from some of the proposals being circulated, could include local income and sales taxes. However, as *The Economist* again concludes: 'The new localism is a big idea all right, but the government has yet to discover whether it is one whose time has come. Still, as they say, full marks for bravery'⁵

Conclusions

In England a new institutional structure for stimulating local and regional development has emerged. It entails some decentralization of powers and responsibilities and has been associated with a focus on inward investment. In the US decentralization, and the concomitant interest in attracting new investments, is quite a bit older. One might

⁵ 'A little local difficulty'. *The Economist*, January 24, 2004, p.51 (US edition). For the position of the Labour left on this, see WALKER (2002).

reasonably expect, therefore, similar sorts of tensions, similar sorts of governance issues, to now emerge in the English case, and this has indeed been the case. Nevertheless, contrasts remain. These are considerable indeed. Their exploration reveals both the possibilities and the limits inherent in England's new institutional forms, the structural conditions for the sorts of conflicts that have emerged, and the obstacles to further change.

Among other things, the emphasis has been on the development of institutions in each metropolitan region rather than on the sorts of regions that have been adopted in the English case; regions that can, and often do, include more than one major metropolitan area. Furthermore, there has been a strong bottom-up impetus in the formation of new institutional forms and consequently considerable variation in their nature from one metropolitan area to another. Diversity is a part of the institutional landscape in the US and that contrasts very significantly with England where the evidence for a national template is clear. What needs to be done in order to attract in new investment is also defined somewhat differently. There is a politics of scale in the American case in which state and federal governments are mobilized on behalf of particular metropolitan regions along with interventions into the provision of the necessary physical infrastructure. The difference here testifies to the disjoint in England between the new institutions and democratic processes. The recent rejection of a regional assembly for the Northeast suggests that this is not likely to change in the near future.

We should not be too surprised at these differences. State forms – a presidential democracy as opposed to a parliamentary one – are very different. But even among presidential democracies, the American one is remarkable for its fragmentation of power, including a territorial fragmentation. This has provided opportunities for institution building from the bottom up and a politics of scale that operates in the same direction that, in virtue of a very different state structure, are missing in England. This is to emphasize possibilities. What has provided the incentives to take advantage of these opportunities in the American case, however, has been the strength of interests in local economies; interests that are relatively weak in the England case. So while there has been

change in the institutional forms in England, in the absence of interests, whether corporate or otherwise, in the growth of particular local or regional economies, it seems unlikely that there will be further transformation in the same direction.

ACKNOWLEDGEMENTS. For the research in England on which this paper is partly based, Kevin Cox would like to acknowledge the support of a Guggenheim Fellowship. Alan Townsend would like to acknowledge the funding of the work of the International Centre for Regional Regeneration and Development Studies from an endowment from the former Teesside Development Corporation.

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APPENDIX: Institutional Affiliations of People Interviewed

Durham

County Durham Development Company

Derwentside District Council (local economic development officer)

Easington District Council (local economic development officer)

Government Office for the North East

Hartlepool Borough Council (local economic development officer)

Middlesborough Town Center Company *

Middlesborough Borough Council (local economic development officer) *

One NorthEast

Redcar and Cleveland District Council (local economic development officer)

Sedgefield District Council (local economic development officer)

Stockton Borough Council (local economic development officer)

Warwickshire

Advantage West Midlands

Coventry Investment Centre

Coventry, Solihull and Warwickshire Partnership (2)

Coventry and Warwickshire Chamber of Commerce †

Town Center Manager, Leamington Spa

Warwick District Council (local economic development officer)

Warwickshire Investment Partnerships

Warwickshire County Council (local economic development officer)

West Midlands Group of Chambers of Commerce †

* Same individuals.

† The same individual. This person also served on the board of the Coventry, Solihull and Warwickshire Partnership.