Handbook of Local and Regional Development

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

Discussion of institutions and their significance is nothing new in the literature on local economic development. Governance, particularly urban governance, has been a central focus for some time now, and the earlier idea of urban regimes still resonates. More recently still the way in which institutional change has affected the changing form of local and regional development policy and subsequent politics has been a central organizing theme. This has been particularly so given the significance accorded to fordism and its successors, including neo-liberalism.

Quite aside from these literatures and their particular foci, to talk about institutions and local economic development can cover a huge range of relationships. I am assuming for a start that in referring to institutions we are following Douglass North (1992) who defined them as ‘rules that shape interaction’. Emphatically this is not to omit reference to the other dominant sense of the term. This is institutions as organizations or modes of cooperation: the state, the firm, the family, the economy, and so on. On close inspection the notion of organization complements that of rules, so that both definitions of ‘institution’ grasp something of significance to our purpose here. There is, I would suggest, an internal relation between organizations and rules: they are mutually entailing. Organization entails rules since unless agents within organizations know what they are supposed to do — in other words, what the rules are — then there can be no organization and hence no cooperation towards some shared end; only incoherence. Likewise, rules only make sense as ways of regulating social life. This in turn has been characterized by institutional differentiation, but ‘institutions’ here in the sense of organization. Organization and rules, however, if they are to be understood in terms that make sense for our current purpose, require some situating with respect to ideas of social process more generally. In this particular treatment I give pride of place to the capital accumulation process. This will be followed by an examination of three particular areas of critical interest in the literature. These include a still quite pervasive localism; over-simplified binaries of long-term change; and the central role of the state. I will say more about these at the end of the next section.

The centrality of the accumulation process

In anything to do with local economic development, I assume the accumulation process...
to be central. I conceive it not just in terms of its surface form of continual expansion of values through the investment rather than consumption of the surplus along with the values originally laid out, but as a class relation. This is its necessary condition and it then reproduces that class relation; the workers’ share of the product consists of no more than what is necessary to reproduce them as workers while capital’s possession of the means of production is both confirmed and deepened. This process of reproduction is itself mediated by struggle; workers press for a larger share of the product while capitalists repel their claims by repeated economies in the use of labour power and so a continual reproduction of the industrial reserve army, which in turn keeps wages at a level consistent with the appropriation of surplus value. Accumulation is a class relation, therefore, both in its origins and in its reproduction.

If accumulation is to take place, then certain institutional conditions have to be assured. Commodity exchange, whether that between the employer and the worker or between one firm and another is not unproblematic. The state becomes of major importance, regulating these relations in various ways. There is the problem of what has been antiseptically referred to as ‘firm governance’. Likewise, like all organizations, those of the working class require rules. The class relation is regulated in various ways. And so on.

This relation is complicated, however, by the fact that accumulation necessarily occurs over space. This means in turn that organization has to coordinate and regulate agents in different places with all the additional difficulties of divergent interests, possibilities of concealment and dissimulation, for example, that separation entails, and at whatever geographic scale this organization takes place. The necessarily antagonistic nature of the accumulation process heightens these effects. As Harvey (1985a) has emphasized in his idea of ‘the geopolitics of capitalism’ this antagonism assumes the form of tensions between fixity and mobility, both of which are entailed by the accumulation process. This particular antagonism has in turn been fundamental to the idea of local economic development: a process through which accumulation can be promoted in particular localities, and positions in wider geographic divisions of labour defended.

The result is what can be called an institutional geography. To some degree this can be captured by various organizational forms. Firms have spatial divisions of labour which require internal regulation. The possibilities here are myriad, as are the tensions and the possibilities of transformation. Particular positions in the spatial division of labour may be independently owned rather than characterized by vertical or horizontal integration. As a result branches may not be owned outright. This means in turn that coordination has to occur through subcontracting relations and relations of trust, though it is not unknown for a lead firm to insert its own teams of ‘advisers’ to ensure product quality. To the extent that difficulties remain, a takeover may be envisaged so as to subordinate suppliers to the rule of administrative fiat. To the degree that this alters the relation between production facilities and particular localities – heightening the chance of a plant closure, dedicating a plant’s product for one particular customer, altering stakes in local conditions of production – this is not consequential for local economic development and its politics.

Agents also enter into what might be called scalar divisions of labour. An example is what Andrew Wood (1997; 1993) and I have called the local economic development network. It is through this particular form of organization that inward investment gets orchestrated and realized. In the US the network comprises the gas and electric utilities operating at regional scales alongside the Chambers of Commerce and local governments in the different localities of which the region is comprised. In virtue of their command of site information, the utilities perform a gatekeeping role. Firms prospecting
for sites necessarily go through their offices and the utilities then orchestrate the subsequent site-search process within respective service areas. This requires the cooperation of both local Chambers of Commerce and local governments. The former provide information, particularly with respect to local labour conditions. The role of local government is the provision of the necessary permits and infrastructural extensions. Both are essential if a site decision is to be firmed up. The utilities delegate considerable power in this process and a good deal can go wrong. To a substantial degree it is mediated by relations of trust, but to the extent that trust breaks down, refusal to bring prospecting firms to particular localities typically brings the uncooperating to heel; underlining the fact that rules are always backed up by sanctions.

A similar process occurs in the United Kingdom with the counties performing the same functions as the utilities (Cox and Townsend 2005). This also underlines both the way in which the state’s own scalar division of labour is an essential ingredient in local economic development and the tensions that it generates.

This very brief survey of the organizational forms relevant to local economic development might seem to exclude some of the characteristic ways in which people have thought about this relationship. The attention given in the literature to both regulation theory and urban regime theory has been of major proportions. Both of these appear more global in form, and less spatially differentiated than the forms identified above. While this might in fact be the way in which they have been drawn on, it does not have to be so. Closer inspection suggests that both of these cases can be thought fruitfully in the terms I have identified above. Neil Brenner’s (2004) account of the organizational relations underpinning what he has called ‘spatial Keynesianism’ and then their subsequent transformation is an excellent example. Although he does not express it in these terms, what he describes is a scalar division of labour with respect to local economic development. The initial, spatial Keynesian phase in post-war Western Europe involved a dispersion of economic activity away from major metropolitan centres towards areas of relatively high unemployment. The creation of new towns facilitated these ends, as did public ownership of key industries. These processes were tightly coordinated from the centre with limited discretion accorded the localities. Subsequently this has shifted to a form in which significant power is decentralized to the localities and the regions.

Urban regime theory is also notable for its spatializing limitations. Again, though, this does not have to be the case. Urban regimes bring together local government and business in ways aimed at enhancing local economic development. Some of this is of genuinely global significance. Regardless of their commitments to particular parts of a city, all developers can support policies aimed at enhancing its growth as a whole. But as Molotch (1976) pointed out many years ago, they also have interests in particular neighbourhoods and hence in the overall pattern that that growth will assume. This can be a major source of tension within urban regimes, compromising their effectiveness and calling for careful attention to governance arrangements if those tensions are to be held at bay, as Hoxworth and Clayton-Thomas (1993) have indicated.

So in thinking about the geography of institutions, as they relate to local economic development, one might imagine it as a patchwork of institutional fixes, like the local economic development network or an urban regime, each of which is internally differentiated spatially, but which can be regarded more globally as well. As with the urban regime case, and given the regional character of the local economic development network, each of the localities making it up can have some secondary interest in seeing investment attracted elsewhere in the region. Allowing for these scalar considerations, local economic development is not a zero-sum game,
though that sense of something more global as significant to particular localities is clearly subject to discursive arbitration. And each of these institutional fixes, of course, should be thought of in terms of mitigating the contradiction between fixity and mobility at the heart of the geopolitics of capitalism and therefore of the politics of local and regional development. It is also, and emphatically, an institutional historical-geography. In other words, institutional fixes, regardless of geographical scale, change over time and over space. Inevitably this process of change is conditioned by tensions in the accumulation process and the changes are invariably contested.

In talking in this way about ‘local economic development’ I am aware that it has become a very contested term. There were always differences and they remain. In the US it is much more about enhancing local tax bases and the flow of value through the social relations of a locality, particularly sales and rents, while in Western Europe employment has been a primary concern. But ultimately development, regardless of the ‘local economic’ that precedes it and which obfuscates, is about the development of people. It is this prospective view that encourages interest in ideas of sustainability, democracy as intrinsic aspects of the concept (Pike et al. 2007). The accumulation process, however, except in very favourable circumstances of the super-profits stemming from some quasi-monopoly, is unlikely to give much leeway to these alternative definitions. As Marx observed, under capital development necessarily has a very one-sided meaning.

With this as background, in the remainder of this chapter I want to explore certain issues arising from a reading of the literature on institutions and local economic development. Some of these issues have been widely recognized while in other instances that is less the case. The topical areas that I have chosen are threefold, though they necessarily overlap with one another. In the next section of the chapter I examine claims of an unwarranted localism in the literature; this is the claim that those working on questions of urban governance have tended to focus on the urban rather than those wider arenas with their own interplays of forces and institutional frames that are thoroughly relevant for what transpires in urban areas.

Second, there is the whole vexed question of how to understand institutional change as it relates to local economic development policy and politics. There has been a tendency in the literature to think of this in quite discontinuous ways. The historical geography of institutions is broken up into discrete, institutionally coherent periods: fordism, post-fordism, neo-liberalism, managerialism, etc. I want to urge greater circumspection: a greater sensitivity, therefore, to the elements of continuity as well as well as to sharper changes in the institutions that underpin local economic development. Again, I will return to the logics of the accumulation process in order to press this point.

Finally, there is the issue of the state. A take-off point here are the quite profound differences in the ways in which the practices of local economic development and the politics surrounding them have unfolded in the US as compared with Western Europe. One could argue that this has to do with differing patterns of local dependence (Cox and Mair 1988); that there is nothing in Western Europe that corresponds to the cluster of utilities, banks, developers, even private universities and hospitals and the local media empires that provide the core of American growth coalitions. I am going to suggest here though that much of the difference resides in institutional variation and in particular, in territorial organizations of the state that are very different indeed.

**Localism**

What some, including Ward (1996), Harding (1999) and Jessop et al. (1999) have called
localism is a major feature of the literature on institutions and local economic development. This refers to the singular focus on institutions in particular local contexts, a focus that has worked to the detriment of an institutional geography at wider geographical scales. In part this focus is a response to the interest in globalization and how localities might cope with its challenges. The subsequent interest has been in how new institutions of urban or local governance might be devised so as to facilitate territorial competition in wider arenas. In brief, through improved institutions fostering the integration of divisions of labour within urban areas, and enhancing the coordination of one local government with another and with local business, the foundations for growth can be maintained or rebuilt. New investment and a new, or at least fortified, economic base will be the result.

Much of this work has drawn inspiration from urban regime theory (URT). However, it should be noted that URT was also part of a critique of earlier work in studies of the politics of local economic development. It positioned itself not so much with respect to the practical challenges of the period as with certain research tendencies. In contrast to the more global, structural and economic emphases of the growth coalition literature urban regime theory located these as terms in binaries and itself as focusing on the missing terms. So instead of privileging the economic, the structural and the more global, the URT emphasis would be on the political, agency and the more local.

There might seem to be two approaches to mitigating this. One would be to pay greater attention to the politics of scale and how, for example, local growth interests make use of wider institutional contexts and occasionally intervene in order to transform them: in other words, activities aimed at improving urban governance don’t stop at the city or metropolitan boundary. The other approach would be more lateral in character, foregrounding the creation of what Allen and Cochrane (2007) have called assemblages, and regardless of the ideas of territorial hierarchy that so frequently accompany work that draws on the idea of the politics of scale.

It might seem an obvious point that rules defined at higher levels of the state are an essential datum point for local economic development practice. There is, nevertheless, a tendency to take them for granted, as in the work on urban governance. Sayer and Walker (1992) have made the same point in a critical discussion of firm governance and rules designed to reduce transaction costs: “these (transaction costs) are no more than a residual after the greatest dangers of exchange have been dampened by the heavy hand of the state, as embodied in various laws of contract, tort, liability and regulation, and by customary sanctions regulating tolerable behavior and mutual responsibility” (p.117). When consideration is given to institutions like zoning, subdivision regulations, state limits on the bonded debt of local governments, or the rules that were embodied in the federal urban renewal legislation of 1949, this caveat clearly applies not just to the case of firm governance but to urban governance as well.

In the US, those with strong interests in what they would define as local economic development have often been at the centre of attempts to create new institutions at broader geographic scales. Marc Weiss (1987) has described how community builders with strong stakes in particular metropolitan housing markets played a key role, through their national lobbying groups, in obtaining national legislation that would, in effect, strengthen local zoning provisions. This was through tacking onto the FHA mortgage insurance legislation of the 1930s a provision that made insurance dependent in part on more stringent zoning on the part of municipalities. Weiss (1980) has written in a similar ‘politics of scale’ vein about the origins of urban renewal legislation in the US.

The politics of scale, moreover, has worked in both directions: not just bottom-up in
order to secure some institutional fix for local growth interests, but also top-down so as to further the accumulation interests of firms less tied to specific localities. As Jon Teaford (1984: 200) has described, fire insurance companies were hugely important in persuading local governments to adopt more stringent building codes and water pressure standards, and to professionalize local fire departments. The more contemporary role of property insurance companies in redlining also comes to mind here.

The second way in which one might mitigate the localistic bias of the literature on institutions and local economic development is through the idea of assemblages. In applying the idea to local economic development, Allen and Cochrane’s (2007) focus was on how regions get constructed but their essential point from our perspective is their emphasis on the extra-regional in putting together some coalition of forces with stakes in a particular geographical area. The sorts of understandings central to Stone’s (1989) idea of urban regimes, therefore, and which facilitate cooperation around some local economic development project or agenda can extend beyond the city to incorporate other agents operating elsewhere at scales that might be similar but might not be as well: regional agencies, certainly, but also bond rating agencies, consultants, and other local governments. Their work also underlines the value of more relational understandings of institutional fixes.

The question of historical geography

Institutions have a historical geography. They vary over both space and time. No work on the institutions–local economic development nexus can avoid some assumptions about these variations. In numerous instances, though, they should be in question. For example, central to understandings of change in policies of local economic development and their politics have been periodizations of institutions. The influence of regulation theory has been quite extraordinary. Within the last fifteen years or so it has been hard to read the literature without it being situated in some way, and rarely critically, with respect to the categories of ‘fordism’, ‘post-fordism’, and more recently ‘neo-liberalism’. There are other examples. Mollenkopf’s (1983) industrial city/post-industrial city is one. Harvey’s (1989) distinction between the managerial and entrepreneurial city has been remarkably influential. The same goes for the idea of globalization and how it is supposed to exist in contrast to something, typically undefined, that preceded it. Sometimes this has merged with other binaries. The idea of glocalization (Swyngedouw 1997) exists in self-conscious contrast to the more state-centric arrangements characteristic of fordism.

In contrast, and along with Brenner and Glick’s incisive critique of regulation theory, I want to suggest that institutional change has been much, more continual and gradual than this seeming orthodoxy would suggest. Many of the crucial institutional changes are ones that, significantly, tend to get downplayed in the local economic development literature, perhaps because they do not slot neatly into these binary approaches. A history of zoning would be an informative example; likewise the institutional changes governing homeownership. There are still other organizational changes that laid down the conditions for the politics of local economic development as we have come to know it but which again would be very hard to squeeze into some framework defined by periods. The competition for branch plants which has been such a defining feature of the contemporary politics (and policies) of local economic development is inconceivable outside of, in the first place, the gradual – emphasize ‘gradual’ – development of the multi-locational firm and the creation of branch plants to attract in in the first place; and second, the, again gradual, emergence of new branches of production less dependent on...
KEVIN R. COX

the sorts of considerations emphasized by Weberian location theory.

One can make similar critical remarks about the ‘geography’ in the historical geography of institutions. But here, instead of the punctuation of time into discrete, mutually exclusive categories, the tendency has been to engage in a smoothing-out process which has marginalized the differences between places, and particularly between one country and another. Part of this is the result of attempts to universalize the periodizations of regulation theory or of arguments about local economic development policy. As Sayer (1989) has pointed out, what passes for post-fordism can vary hugely between one country and another, to the point at which the very term should be in question. Likewise, I would argue that Harvey’s managerial/entrepreneurial distinction is a hybrid based on the American and British cases that does justice to neither of them. Since the Second World War American cities have always been far more entrepreneurial than managerial – virtually no public housing but always with serious concerns for a local tax base; while in Britain the entrepreneurialism that has emerged has been weak tea compared to its American cousin. Jessop makes similar over-generalizations in his (2002) book The Future of the Capitalist State.

In short, institutional historical geographies might usefully be brought back onto the research agenda rather than be made the object of exercises that are ultimately reductionist in character. Massey’s (2005) happenstance circumstances and the coming together of various conditions and influences at particular points in space-time might offer at least one ingredient of a necessary corrective. Different institutional innovations have meant different things in different places. There is evidence that just-in-time has been operationalized in ways in Western Europe that are different from those in Japan (Mair 1991). But, and contra Massey’s somewhat voluntarist posture, the logics of the accumulation process also have to assume a fundamental role. As Brenner and Glick (1991) have argued:

Despite the heterogeneous modes of regulation of its constituent parts the world economy as a whole has possessed a certain homogeneity, indeed unity, in terms of its succession of phases of development. The world economy, has, it seems, been able to impose its quite general logic, if not to precisely the same extent on all of its component elements, despite their very particular modes of regulation.

(p. 112)

The territorial structure of the state

If we are to take these methodological injunctions seriously, then one place to start would be an examination of the territorial structure of the state. The politics of local and regional development varies dramatically between the US and Western Europe, and state form is heavily implicated in this contrast. On the one hand, there is a radically decentralized state, whose fragmentation is deepened still further by the fact that it is a presidential rather than a parliamentary democracy. On the other hand, there are the highly centralized states of Western Europe, and which continue to be so, despite the exaggerated claims of many academics about ‘hollowing out’ (Cox 2009) and the intense interest that the topic of devolution is currently attracting, particularly in Western Europe (see, for example, the recent issue of The Cambridge Journal of Regions, Economy and Society (Cox 2009), on ‘Rescaling the State’). In the American case, representation, the organization of the state and its outputs are all much more territorialized, and to a remarkable degree.

This gives immense scope for a similarly territorialized politics of local and regional development. The use of the primary system
as a vehicle for selecting candidates, the importance of legislative committees, and the weakness of the party system give local representatives both an intense interest in satisfying the sorts of local interests espoused by growth coalitions, and the ability to do so. This applies to elections to state assemblies in the same way as elections to Congress. Through the primary system competing candidates have to carve out programmes appealing to specifically local electorates. Once elected the committee system gives them the opportunity to push these legislative agenda and to block those of others. When a bill leaves the committee stage, the weakness of the political parties allows the construction of all manner of coalitions, many bipartisan in character, with a view to promoting the interests of particular regions or particular sorts of locality. Epstein (1986) is especially useful on the distinctive nature of the American state.

The federal nature of the US intensifies these effects. The US has not one but fifty welfare states. Without this variety, territorial competition around the idea of ‘business climate’ would make no sense. The states are responsible for local government, which means that the localism of the American state can be expressed at the state level in city-specific agenda. A good deal of legislation is city-specific, and log-rolling among representatives lowers the barriers to getting it passed; if St Louis wants something from the Missouri state legislature then the delegation from the Kansas City area will be willing to agree so long as there is an understanding that the favour will be returned in the future (Shefter 1978; Burns et al. 2009). This means that there can be a quite remarkable flexibility in developing new institutions of metropolitan governance for particular cities. If the local will is there, converting it into a new institutional form is typically not that difficult, as Jonas and I (Cox and Jonas 1993) have demonstrated.

The West European case is almost diametrically the opposite and the scope for interests in the future of local economies to express themselves, accordingly much weaker. The party–representative relation is quite different. Party central offices can override local choices. Once elected strict party discipline is expected. Legislative committees, likewise, give less scope for the expression of local interests; in fact they are used far less than in the American case with the cabinet assuming a greater role in preparing bills for consideration. Finally, these are for the most part unitary states, and where they are federal their federalism is far less radical than in the American instance. Local economic development policy has been much more top-down than in the US. The sorts of interventions that characterized Western Europe in the twenty to thirty years after the Second World War – aid to depressed areas, New Towns in particular – would have been unworkable on the other side of the Atlantic. There were programmes designed to channel aid to depressed areas but the criteria defining them foundered on the shoals of log-rolling. The result was that very few areas were excluded (Barnekov et al. 1989: 111; see also Ellwood and Patashnik 1993).

This is to dwell on the enabling nature of the state’s territorial structure. I would suggest, though, that it is also significant in the way it conditions local and regional interests. It is not just, for example, that local governments dispose of powers of raising revenue for both operating and capital expenses and of land use regulation which might appeal to local business coalitions; it is also that they too have stakes in the growth of respective local economies. They are accordingly extremely active agents in the politics of local and regional development. Local planning departments have as a major mission attracting in new investment to a degree that would be regarded as unusual in Western Europe. As a result, local governments will usually be at the centre of local growth coalitions, orchestrating their activities and their agenda. Likewise, every state
has a Department of Development aimed at stimulating the growth of the state economy through inward investment, arguing through state congressional delegations for regulatory relief for dominant industries and so forth.

This is very different from the Western European experience. In the US, private interests in local and regional economies are attracted to local and state government because of the formal powers they possess. And if they aren’t attracted, they will be solicited and duly organized. Without this very particular field of possibilities, a field defined by a radically different territorial organization of the state, it seems unlikely that the American politics of local and regional development would be as so – equally radically – territorialized that it is. Rather, and as in Western Europe they would look elsewhere: usually to sector–specific organizations that lobby at the centre.

Conclusions

The existing literature on institutions and local economic development, therefore, discloses numerous lacunae. It is also a literature replete with received wisdoms that merit a much closer and more critical look. Regulation theory and regime theory have been especially prominent. So too are various, quite questionable, assumptions about the territorial structure of the state, including some odd ideas about shared institutions and tendencies on either side of the Atlantic. How, therefore, might one proceed? I assume first of all that anything to do with local economic development has to be approached from the standpoint of the capital accumulation process, and its necessary conditions. These include institutions and geography. Capital unfolds over space, creating various institutional fixes as it goes. These occur at more local scales but at others too, sometimes in a layered fashion where the rules of the central state, like zoning law, underpin local development; sometimes as part of a broader, coherent institutional structure of which the local is one part as in the national planning legislation encountered in Western Europe and for which there is little or no counterpart in the USA; and sometimes as a response to local initiatives seeking a way out of specifically local dilemmas – which is very common in the US and much less so in Western Europe. What is then crucial is to identify the tensions, often with strong spatial reflections, that will be generated by the accumulation process, and how they contribute to the formation of new institutional fixes, or to such a confrontation of opposing forces that the result is to reproduce the status quo. What emerges is inevitably unpredictable but always conditioned by past and present institutional geographies and by what will work given the constraints of the local economic development process. And if history is anything to go by, more gradual and less punctuated, and more geographically differentiated, than some might assume.

References


the Politics of Metropolitan Fragmentation”, Political Geography 12(1), 8–37.


Further reading


