Handbook of Local and Regional Development

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Local and regional development

Reflections and futures

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Legacies

The terms and prospects for local and regional development are being transformed. The context for local and regional development in the thirty years after the end of the 1970s was the rise of neo-liberal globalisation. Neo-liberalism, with its origins in the pro-market reforms and deregulation of finance of, first, the Thatcher governments in the UK and, then, the Reagan administrations in the US shaped the international ideology of economic development to a greater or lesser degree across large parts of the world. Neo-liberalism recast the relationship of state and market, so that the chief role of the former was to facilitate the operation of the latter. Part of the political success of neo-liberal reforms was that they were accompanied by a period of relatively rapid economic growth, although ultimately they established the conditions which produced the severe financial crisis and recession after 2007 with its highly uneven local and regional character exacerbating existing inequalities and creating new ones.

Globalisation was the partner of neo-liberalism in the transformation of the world economy during this period. Globalisation – a term which passed from academic research to popular and political discourse – points to the growing integration of international markets. Frequently presented as an inexorable process, globalisation is, in fact, a politically constructed settlement, which favoured some social groups and places more than others (Hirst and Thompson, 1999). Globalisation facilitated the expansion and restructuring of international trade which was accompanied by rising living standards, but also by rising interpersonal inequalities (Milanovic, 2005) as well as intra-national – although, curiously, not international – disparities (Rodríguez-Pose and Crescenzi, 2008). Integrated financial, capital and trade markets, though, also became the mechanism for the rapid transmission of the global financial crisis whose initial trigger was the collapse of the American sub-prime housing market, but which had much deeper roots in the debt-fuelled forms of economic growth which were visible from Europe to the Middle East to North America and, in turn, were themselves related to new patterns of production, consumption and trade imbalances that were the outcomes of neo-liberal globalisation during this period (see Harvey (2005) for an overview of the history of global neo-liberalism).

Neo-liberal globalisation had a profoundly geographically uneven impact and prompted
diverse responses by national and local governments and firms and non-governmental organisations in the developed and developing worlds. Indeed, while capturing something of the economic hegemony during this period, the idea of neo-liberalisation contains the danger of obscuring its variegated nature and the complex interplay of factors which have shaped – and will continue to shape – the prospects for local and regional development (see, for example, Peck and Theodore, 2007). Rather than attempting to distil conventional conclusions from the contributions to this Handbook, this chapter begins by reflecting on the main trends shaping the present and future of local and regional development. It then explores the principles and values that underpin local and regional development, before examining the potential conditions for successful local and regional development strategies. The chapter concludes by reflecting explicitly on the politics of local and regional development.

**Contexts**

As we noted in the introduction to this Handbook, an important current connecting localities and regions in the global North and South are the shared contexts to their development predicament. The scale of socio-economic inequality between and within countries and between and within regions and cities is a striking feature of the period from the end of the 1970s, despite the growth in world income. The measurement of socio-inequality is complex and by no means uncontroversial. At a global scale, the UNDP’s Human Development Index (e.g. UNDP, 2007) reveals the extent of the gaps. Collier identifies (2007) a “bottom billion” of the world’s population which resides in countries – notably in sub-Saharan Africa – characterised by “development traps”, which have left them marginalised in relation to the world economy. Countries which experienced rapid growth during this period typically also saw marked increases in socio-economic and territorial inequality; China presents a notable example. In some accounts spatially imbalanced growth is assumed to be positive in the early stages of rapid industrialisation which will be mitigated at a later date (World Bank, 2009). Others, however, stress the political dangers of growing inequality associated with globalisation which arise when the proceeds of growth are not equally distributed, markets are imperfect and richer countries and regions are able to assert market power (Birdsall, 2001, 2006; Stiglitz, 2006; Perrons, Turok, Cochrane, this volume). Even in poor and middle-income countries the relationship between growth and human development is far from straightforward as the debate about the Millennium Development Goals reveals (ODI, 2008).

The growth of inequality is not restricted to poor or middle-income countries. Inequality also grew in OECD countries in the twenty years to 2008 (OECD, 2009). The European Union is characterised by doggedly persistent inequalities: the most recent official analysis detected some convergence of regional performance across Europe, which it attributed to strong regional policies (or Cohesion Policy in EU parlance), although inequalities remain large (European Union, 2007). Moreover, regional inequalities widened within countries with growth tending to be concentrated in capital city regions everywhere, and most markedly in post-socialist transition countries such as Warsaw, Prague, Bratislava and Budapest, which experienced rapid growth before 2007 (Domański, this volume). Such cities grew at the expense of the rest of the country, reflecting the shift of employment from agriculture and industry to services (with rural and old industrial regions undergoing the greatest relative decline) (European Commission, 2007). In short, regional inequalities remain entrenched across the world and, in many cases, are growing, although patterns of change are highly heterogeneous, affected by distinctive socio-economic structures, diverse patterns of change and variegated the policy responses to these.
On a global scale, the growth of spatial inequalities is closely linked to accelerating urbanisation. Rapid urbanisation (and rural depopulation) is a marked feature of developing and newly industrialising countries. It is, however, a feature of even the most urbanised societies such as Europe and Australasia. For instance, in Australia—in some accounts the most highly urbanised society on the planet—state capital cities continue to increase their share of the national population (Birrell and O’Connor, 2000). Social and economic inequalities between cities and their hinterlands continue to grow, but so do inequalities within cities, especially “global cities” in the developed and developing world. The management of these relationships is a pressing problem of public policy across the globe and likely to intensify in light of economic crisis and climate change (UN HABITAT, 2008; Chien, Gonzalez, Nel, Turok, this volume).

The prospects for local and regional development are being and will continue to be profoundly affected by the impacts of the global financial crisis (GFC) which unfolded after 2007 and marked the end of a long period of uninterrupted growth for many economies around the world. Although one of the proximate causes of the crisis lies in the exposure of the international banking system to defaults in the sub-prime elements of the US housing market, the larger causes are found in the imbalances which developed in the global economy between deficit economies (notably the US, the UK or Spain) and creditor countries (notably China and Germany), which in turn are linked to evolving patterns of international trade and investment. The rapid expansion of financial services on the back of debt-fuelled household consumption in many industrial countries, as well as other parts of the world such as the Middle East, underpinned economic growth, but contributed further to trade imbalances. The scale of the crisis and its translation into a “credit crunch” produced its impact on the “real economy”, which proved highly uneven between and within countries. For instance, New Zealand, the Baltic states, Ireland, Iceland, Greece and Spain which experienced rapid, debt-fuelled growth and widening regional inequality found themselves highly exposed to the consequences of the GFC and entered periods of draconian fiscal austerity in 2008. This reversal of fortune was especially dramatic in Ireland, for example, when it is recalled it was considered a model for other small, open economies during the 2000s (Bradley, 2006; Krugman, 1997).

Making long-term prognostications about the impact of the GFC on the prospects for local and regional development is fraught with danger. Some consequences of the GFC, however, seem evident and are likely to be long-lasting. Evidence from the UK (Martin, 2009) and Australia (Australia Parliament House of Representatives, 2009) highlights the uneven regional impact of the GFC and suggests its severest impacts are on already disadvantaged regions. An immediate consequence in many countries, including some which experienced rapid recent growth, is severe fiscal pressure as governments deal simultaneously with the unprecedented and massive costs of bank bailouts, stimulus measures, and rising unemployment in the context of collapsing revenues. These developments will undoubtedly undermine the medium- and long-term capacity for governments to intervene in the economy. Steeply rising debt levels, already leading to what may be a long-lasting claw-back in public expenditure, are likely to affect the sustainability of economic growth for some time. In particular, many lagging regions across the world, already dependent on heavy government or international organisation transfers are likely to suffer most from this process. Hence, how and where governments choose to retrench will shape the prospects for cities and regions across the world. In the medium term, local and regional authorities are likely to have fewer resources available to invest in development projects, especially in those regions which need them most.
A potentially far-reaching effect of the GFC arises from the debate about the future role of the financial services sector in the economy, emerging from criticism of the excesses which developed in the sector, notably in countries such as the US and UK, but also in countries such as Dubai and Iceland. The head of the UK’s Financial Services Authority, Lord Turner, even suggested that the sector had grown “beyond a socially reasonable size”, while much of its activities were “socially useless” (quoted in Inman, 2009; NEF, 2009). Reflecting on the growth of the financial instruments which were complicit in the emergence of housing bubbles and excessive consumer debt, and which lay behind much of the urban renewal programmes of the 1990s and 2000s, Paul Volcker, the former chairman of the US Federal Reserve Bank and later chairman of President Obama’s Economic Recovery Advisory Board, said, “I wish someone would give me one shred of neutral evidence that financial innovation has led to economic growth – one shred of evidence” (quoted in Hosking and Jagger, 2009: no page). The extent to which pressure develops to reform the financial services so that it focuses on “socially useful” productive activities will shape the conditions for local and regional development and the amount and nature of resources available for investment in economic development, albeit in conditions of austerity.

Paradoxically, given the fiscal stresses described above, the GFC has seen the return of the state to centre stage in economic development. Although the actions of the state were central to the operation of neo-liberalism, its role was carefully limited in many states to the support of the development of markets and the financialisation of the economy. Even some of the ideologues of neo-liberalism now recognise that this model has died (Wolf, 2009). The shape of things to come in this respect is hard to divine but new forms of regulation at national and international scales have potential to reshape patterns of trade, investment and financial flows, which will affect the prospects for local and regional development through shaping the activities of transnational firms and the ways in which regions are inserted in global production networks (UNCTAD, 2009; Coe and Hess, Dawley, this volume).

The search for an effective governmental response to the GFC drew attention to the emergence of a new pattern of geopolitics, symbolised by the growing importance of the G20. Within this grouping the rising political and economic prominence of Brazil, Russia, India, and China (the so-called BRICs) is especially noteworthy. The relative insulation of these economies from the GFC, alongside their growing importance in the world trade system will have impacts for the distribution of economic activity globally and at the local and regional scales, although the models of economic development they embody (for instance, in relation to democratic structures and progress on reducing inequality) are notably different from each other and from the models which underpinned neo-liberal forms of globalisation. The Brazilian government of President Lula, for instance, has made tackling inequality a priority, notably through its food policies (Morgan, this volume). The future of globalisation will be shaped by China especially (Dunford, Chien, this volume) and it is possible that globalisation may start to adopt a very different form, where within developing country (i.e. intra-China, intra-Brazil or intra-India) and South–South trade flows become much more important at the expense of the currently dominating North–North flows. Changing patterns of trade, new forms of international regulation, the rise of sovereign wealth funds and new patterns of foreign direct investment (for instance, growing Chinese influence in the Middle East, Africa and Latin America especially in pursuit of natural resources) will shape the prospects for local and regional development in developed and developing countries and in rich and
poor regions. These developments though suggest the need for new global understandings, albeit carefully contextualised. Storper and Scott (2003) in the context of globalisation and international economic integration, abjure older conceptions of the structure of world economic geography as comprising separate blocs (First, Second and Third Worlds), each with its own developmental dynamic. Instead, they suggest the need to build a common theoretical language about the development of regions and countries in all parts of the world, as well as about the broad architecture of the emerging world system of production and exchange. However, such a common theoretical framework requires an acceptance of the “provincial” character of much orthodoxy and the need for theories to be developed in – as well as developed for – the global South and to acknowledge the legacies of colonialism (Mohan, this volume).

Local and regional development policy in the 1990s and 2000s was heavily influenced by the notion of the knowledge economy. Developments in knowledge and the application of knowledge to knowledge (Carnoy and Castells, 2001) were deemed to be central to the growth of productivity, especially with the growth of information and communications technology. The idea that technological change and improvements in human capital are the sources of growth, the idea of the knowledge economy had a powerful appeal across the globe and led to influential attempts to identify “learning regions” as a focus for policy (Florida, 1995; Morgan, 1997; Hudson, 1999; Ó Riain, this volume). Such approaches emphasised, at various times and in various places, for example, the role of science parks and/or the role of university–industry relationships in regional development (e.g. OECD, 2007). These models were widely adopted in Australasia (Yigitcanlar et al., 2008); Europe (Knight, 1995) and North America (Industry Canada, 1999), but were also adopted in developing countries, notably China (Wang, 2009). While the growth of the knowledge economy will continue to provide threats and opportunities for local economies, the GFC provides a reminder that traditional concerns such as macro-economic structures, the fiscal and redistributive capacities of the state, the operation of land and property markets and the availability of credit for infrastructure investment — i.e. tangible as well as intangible assets — provide the context for the knowledge cities and regions and should not be neglected in discussion of local and regional development.

In 2007, the Intergovernmental Panel on Climate Change (IPCC, 2007) concluded that the warming of the climate system is unequivocal, with most of the observed increase in globally averaged temperatures since the mid-twentieth century being very likely due to the observed increase in anthropogenic (human) greenhouse gas concentrations. It predicted that anthropogenic warming and sea level rise would continue for centuries due to the timescales associated with climate processes and feedbacks, even if greenhouse gas concentrations were to be stabilised, although the likely amount of temperature and sea level rise varies greatly depending on the fossil fuel use intensity of human activity during the next century. The IPCC states that the probability that this is caused by natural climatic processes alone is less than 5 per cent. World temperatures could rise by between 1.1 and 6.4°C during the twenty-first century leading to increased sea levels, more frequent warm spells, heat waves and heavy rainfall and an increase in droughts, tropical cyclones and extreme high tides. The growing concern with impacts of climate change throws up both new challenges for local and regional development and returns attention to old problems of the physical geography of development. Shalizi and Lecocq have argued that,

Until recently, policymakers and development experts could at least assume that where there was water today, there would be water in the future. Or that
where there was coastline suitable for a port, that coastline would still be there in the future. In other words, the geographical and physical foundations for development, and for the determination of competitive advantage, were treated as stable and reliable. This presumption is no longer true, as climate change threatens to bring about important shifts in precipitation and weather patterns, sea levels, and water flows, ratcheting up pressure on the land and on ecosystems, thereby making stable parameters less stable (Shalizi and Lecocq, 2010).

Basic questions of the management of natural resources and habitats and access to food, water and energy are likely to loom large in policies for local and regional development, which in turn will be affected by international policies frameworks in these fields. These ecological challenges will affect both developed and developing countries and will require local planning to cope with their diversity, although cities and regions will have uneven capacities to adapt and mitigate depending on differential access to knowledge, finance and technology. Notwithstanding the uncertainties, the scientific consensus, together with the precautionary principle, form the broad case for policies aimed at mitigation and adaptation to climate change. The Stern Review for the UK government concluded that the benefits of strong, early action on climate change outweigh the costs. Among other things it suggested that the transition to a low-carbon economy will bring challenges for competitiveness but also opportunities for growth, while policies to support the development of a range of low-carbon and high-efficiency technologies are required urgently. Stern (2007) made the case for establishing a carbon price, through tax, trading or regulation, as an essential foundation for climate change policy. This is not merely a technocratic exercise, but a deeply political one in which social and spatial costs and benefits of different forms of change need to be carefully weighed (Christopherson, this volume).

But the costs of climate change — as well as those of addressing it — will be unevenly distributed. As the Garnaut Report (Garnaut 2008) showed for Australia the introduction of carbon pricing will have highly uneven regional consequences. For instance, Garnaut identified the specific threat to the Latrobe Valley brown coal-mining region in Victoria — which produces 80 per cent of the state’s electricity — arising from his proposed carbon emission trading scheme, suggesting it might need structural adjustment measures to assist its adaptation, although in general it saw market mechanisms as the means of regional adjustment. Such restructuring is likely to become commonplace and produce new patterns of local and regional change and shifts attention to what solutions to these problems might be found at the regional scale (Jonas et al., this volume)

Climate change impacts such as rising sea levels are likely to affect some of the poorest regions in the world. Thus climate change and broader development objectives, such as tackling poverty and inequality are likely to be interlinked in both developed and developing countries. Thus, according to Stern,

Strategies for managing the risks of climate change for meeting the other great challenge of this century − overcoming poverty − must be intertwined and built together: if we fail on one we will fail on the other.

(Stern, 2009: no page; see also UNDP, 2007)

Adaptation and mitigation in the face of climate change occur in the context of − and are linked to − population growth and rising living standards for some, which are leading to increased demand for energy, water and food. The UK government’s Chief Scientific Adviser posits a possible “perfect storm” of global food, water and energy shortages by 2030 (Beddington, 2009). Stable and reliable
supplies of food, water and energy cannot be assumed in any part of the world according to this analysis and addressing these issues will be a task for policy-makers’ regions in both the developed and developing world.

Demographic change forms an important component of the context for local and regional development (Vaiou and Wills et al., this volume). Global population growth is a key factor in the development resource pressures. Poverty is a factor compelling migration from, for instance, Central America to the United States, or from Africa to Europe and Asia to Australia comprising refugees and legal and illegal migrants. In Europe, major migrations occurred between Central/Eastern and Western Europe in the 2000s. Regions in developed countries, moreover, now compete internationally for global talent via skilled regional migration programmes of the types pioneered in Scotland, the Australian state of Victoria and the Canadian province of Manitoba.

The impact of these migratory movements on local and regional donor and host economies are profound (Coombes and Champion, this volume). Incorporating migrants, whether lower or higher skilled, into local labour markets and social structures is likely to be a central challenge for local and regional development policy. At the higher end of the labour market migration of skilled workers between developed countries – or from developing to developed countries – is a significant component of regional change in Canada, Australia the Gulf States and some Western European economies. In developed countries the ageing of populations is a regionally uneven process leading to the creation of retirement regions such as the coastal areas of Queensland in Australia, the coast of Florida or South West England, throwing up new challenges for the development of these regions. The issue of whether ageing populations are a welfare burden or an economic opportunity is an open and context-specific question (Glasgow and Brown, 2007).

A final factor shaping the conditions for local and regional development is the trend toward decentralisation of governance across both the developed and developing world. There is a long-standing debate about the potential contribution of decentralisation to economic efficiency (through better matching of the heterogeneous preferences of citizens in different localities to public spending thus enhancing allocative efficiency) and its impact on geographical inequality (because differences in economic endowments among regions mean poorer regions may lose out to richer ones in the struggle for resources). The economic impact of decentralisation is, however, far from settled. There is limited evidence of a positive impact of fiscal and political decentralisation on overall economic growth and “the relationship between decentralization and the evolution of disparities at subnational level seems strongly affected by the level of wealth of a country, the dimension of its existing disparities, and the presence of solid fiscal redistribution systems” (Rodríguez-Pose and Ezcurra, 2009: 34). Thus, although the trend toward decentralised systems of governance is important, local and national contexts will continue to shape its character.

In short, coping with population change, climate change adaptation and mitigation, securing supplies of energy, water and food – including localising production of these – are likely to figure strongly in local and regional development strategies, which are increasingly likely to be enacted by decentralised institutions. Tackling these problems with an eye to impacts on inequality will also be a challenge for policy-makers. Moreover, the ability of the nations to respond to these challenges is likely to depend on local and regional action.

Values and principles

The terms and prospects for local and regional development will be determined
not merely by global trends, but also by social and political action which, in turn, will be determined by the values and principles which attend such action. In defining such values and principles it is necessary to consider the different (and competing) concepts that have arisen to explain contemporary patterns of local and regional development. One highly influential body of theory in national finance ministries and international organisations such as the World Bank (2009) is the “new economic geography” (NEG), which focuses on how increasing returns affect the spatial agglomeration economic activity producing both growth and inequality (Krugman, 1991; Venables, 2006, 2008). For instance, an analysis by the UK Treasury in 2006 argued that:

Theory and empirical evidence suggests that allowing regional concentration of economic activity will increase national growth. As long as economies of scale, knowledge spillovers and a local pool of skilled labour result in productivity gains that outweigh congestion costs, the economy will benefit from agglomeration, in efficiency and growth terms at least … policies that aim to spread growth amongst regions are running counter to the natural growth process and are difficult to justify on efficiency grounds, unless significant congestion costs exist.

(quoted in Martin, 2009: 21)

The view embodied here is of a trade-off between national efficiency and regional equity. However, despite the formal complexity of the models developed by the new economic geography its analysis represents a highly simplified view of the regional development process, which emphasises how market forces under conditions of monopolistic competition facilitate the adjustment of productive capacity. Its policy implications, when taken to its conclusions disavow the effectiveness of regional policy or at least see it having a mainly ameliorative effect. For instance, in the UK, it has been suggested that there is no hope of regenerating northern cities and that policy should focus on boosting agglomerations by investments in infrastructures, thus accelerating the growth of financial services in London and the South East (Leunig and Swaffield, 2008).

The NEG can be criticised for its simplified theoretical assumptions which fail to capture the wide range of economic and political factors that shape development and on empirical grounds for overlooking the evidence of growth potential outside major urban areas. Agglomerations do not always lead to sustained high annual average growth, while there are opportunities for growth in peripheral regions which cannot be explained by the axioms of NEG (OECD, 2009a). Moreover, agglomerations are the product of the decisions of public as well as private actors (Barca, 2009). This suggests that there is potential for growth in a wide range of regions, including regions which do not exhibit strong agglomerations (OECD, 2009a). Such analysis leads to a different set of policy conclusions to those that are associated with NEG. Accordingly, over recent years it has become possible to identify a new or emergent model of regional policy, which has been adopted, in adapted fashion, in developed and developing countries and which at its heart focuses on the identification and mobilisation of endogenous assets:

In response to poor outcomes, regional policy has evolved, and continues to evolve, from a top-down, subsidy-based group of interventions designed to reduce regional disparities, into a much broader family of policies designed to improve regional competitiveness. These policies are characterised by: a strategic concept or development strategy that covers a wide range of direct and indirect factors that affect the performance of local firms; a focus on endogenous assets, rather than
exogenous investments and transfers; an emphasis on opportunity rather than on disadvantage; and a collective/negotiated governance approach, involving national, regional and local government plus other stakeholders, with the central government playing a less dominant role. The new regional approach is based on the principle that opportunities for growth exist in the entire territory, across all types of regions. The aim is to maximise national output by encouraging each individual region to reach its growth potential from within. Before, policy makers regarded regional policies as a zero sum game. Recent reforms of regional policy in a number of OECD countries provide evidence that this thinking has undergone a paradigm shift.

(OECD, 2009: 5)

Such approaches can form a component of a “place-based policy” aimed at tackling underutilised economic potential and reducing social exclusion, through supply of integrated goods and services tailored to local contexts and triggering institutional changes (Barca, 2009). There is evidence that this broad approach has been adopted in Europe (Tödtling, this volume) and North America (Green Leigh and Clark, this volume) and Latin America (Vázquez-Barquero, this volume). This approach to local and regional policy gains support from alternative theorisations, such as those which emphasise notions of “constructed advantage” (DG Research, 2006), drawing on developments in evolutionary economics which provide a stronger foundation for public policy interventions to shape patterns of local and regional development. The focus here is on how public policy can aid the process of industrial adaptation through interventions in the development of indigenous innovation assets. Structural change in the economy, including the emergence of “disruptive technologies” may create “locaational windows of opportunity”, which can alter economic geographies (Boschma and van der Knaap, 1999; Bower and Christiansen, 1995; Scott, 1998). Such approaches can contribute to territorial competition which can make a limited contribution to development (Bristow, Gordon, this volume), leading to strategies of “pure waste” as incentive wars develop (Rodríguez-Pose and Arbix, 2001). A key question then concerns how strategies make a positive sum contribution to development through the development of local assets (Cheshire and Gordon, 1998; Camagni, 2002) and the role of national and international regulation in limiting wasteful forms of territorial competition.

It is also important, however, to consider approaches which go beyond a narrow focus on improvements in the rates of GDP growth as the main measure of development. While growth is desperately needed to improve the conditions of the “bottom billion”, in richer countries the relationship between economic growth and human development is more uncertain. Indeed, recent research has drawn attention to the decreasing returns to society and personal well-being of more economic growth in rich countries. Levels of health and well-being vary significantly between and within richer countries and there is convincing evidence that this reflects not levels of growth, but levels of inequality at both national and regional scales. Notwithstanding the general growth in inequality, Japan and Scandinavian societies with comparatively low levels of inequality exhibit fewer of the social problems that characterise more unequal societies such as the United States, while the same is true of more of individual US states. Moreover, evidence suggests that inequality is not just a problem for the poor in such societies, but for all social groups — for instance, levels of ill-health are higher among all social groups in more unequal societies (Wilkinson and Pickett, 2009; Sustainable Development Commission, 2009). This suggests that local and regional development should not just be about promoting greater growth, but also about reducing levels of
inequality, and that mobilising resources in lagging and/or peripheral areas may constitute a valid recipe for both greater overall growth and lower territorial polarisation. More importantly, it suggests that tackling local and regional inequalities may be necessary for the achievement of national well-being. In this context, Sen’s (1999a) notion that the focus of development should be informed by the formation of “capabilities” rather than the pursuit of utility would seem to be especially pertinent at the local and regional scale (Morgan, Perrons, this volume).

The focus on the relationship between inequality and well-being raises profound questions about how we theorise the economy and understand the nature of growth (Sen, 1999a; Stiglitz et al., 2009; Sustainable Development Commission, 2009; Perrons, Turok, this volume) and is the background to renewed interest in “Steady State Economics” drawn from classical economics, but recast in the context of growing ecological pressures, which posits an economy based on a constant stock of physical capital, capable of being maintained by a low rate of material throughput that lies within the regenerative and assimilative capacities of the ecosystem (Daley and Farley, 2003). These ideas are in their intellectual infancy but, along with ideas about the relationship between inequality and well-being, point to the importance of a more rounded consideration of the question of “what kind of regional development and for whom?”, which emphasises the social and the ecological as well the narrowly defined economic (Pike et al., 2007).

Democratic decision-making is central to the task of finding answers to the question of “what kind of development and for whom?” Sen is clear about the advantages of democratic practices in the formulation of development priorities, regardless of the level of development of given countries or regions:

The value of democracy includes its instrumental role in generating political incentives, and its constructive function in the formation of values (and in understanding the force and feasibility of claims of needs, rights, and duties). These merits are not regional in character. Nor is the advocacy of discipline or order. Heterogeneity of values seems to characterise most, perhaps all, major cultures. The cultural argument does not foreclose, nor indeed deeply constrain, the choices we can make today.

(Sen, 1999b: 16)

These arguments apply at all scales of multi-level governance systems in developed and developing countries: democracy is a universal value. Designing effective and accountable local and regional institutions is by no means straightforward and is marked by social conflicts but is essential to long-run success of strategies (Crouch, this volume). Questions of state and social power will continue to determine the space(s) for action (Cochrane, and Cumbers and Mackinnon, Jessop, and Jones and MacLeod, Lovering, this volume).

**Strategies and politics**

The design of local and regional development strategies embodies values and principles. The definition of local and regional development is a starting point for strategy-making. Defining the purposes and objects of development is a matter of debate. Democratic debate is intrinsically, instrumentally and constructively important in the process of strategy development. Partnerships between local actors are an essential complement to formal democratic structures and a means of mobilising constructive engagement. We tried to show above some of the general challenges which affect localities and regions in all parts of the globe, but we have emphasised the value of decentralised responses to these and place-based solutions. We have asserted the central objectives of tackling
climate change and inequality simultaneously. We have raised the question of whether and to what extent a simple and undifferentiated focus on growth is sufficient to meet these objectives.

As we outlined in the introduction to this Handbook, context sensitivity is at the heart of the kinds of place-based approaches to local and regional development that require a detailed grasp of local social and economic conditions. This requires an approach which emphasises research and evidence in the identification and mobilisation of endogenous assets and the planning of investment priorities in relation to them. Decentralised and accountable institutions are necessary conditions for the success of this approach, but so too is a supportive system of fiscal redistribution and macro-economic management in the context of multi-level governance. Without such a supportive context, there are limits to local to regional development.

The dominant forms of economic policy and modes of growth over the last thirty years have produced and tolerated large social and territorial inequalities. But the costs of the inequalities – even under conditions of rapid growth, let alone periods of austerity – are becoming more evident (Wilkinson and Pickett, 2009). A focus on measures to alleviate poverty as a response to inequality – adopted in both rich and poor countries – neglects the degree to which poverty cannot be considered independently of its social context and the evidence which suggests inequality is bad for society as a whole. Poverty and its implications vary according to context, but unequal societies are more prone to produce socially excluded groups, a process which has a clear spatial dimension: “place effects” play a part in producing inequality and exclusion. For all of these reasons there is compelling case for putting the tackling of inequality alongside economic growth at the centre of policies to promote local and regional development. At the core of this approach is the creation of employment opportunities in places where they are needed because of the benefits this will produce for society as a whole. In this context, there is likely to be a growing a concern with the character and quality of growth, especially in the context of a shift to a low carbon economy – already evidenced in the green stimulus packages adopted in places such as South Korea, Japan and the United States. Such an outcome would require action at the national (and international) as well as the local and regional scale, including interventions to support development outside metropolitan regions.

References


