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Governing cities and regions: territorial restructuring in a global age

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The rise of the region

One of the most striking features of the late twentieth century world is the rise of cities and regions as important spaces and as actors in national and global politics. This is all the more remarkable in that it defies the wisdom of generations of modernization theorists who argued that there was an inexorable trend to integration within consolidated nation-states. Equally it calls into question some of the theories of globalization. Both modernists and postmodernists have argued that globalization and European integration will mark the "end of territory" (Badie 1995), superseding both the nation-state and the territorial units within it. In a world of instant communication, free trade, frictionless capital flows, and global culture, this would seem a logical outcome. Yet once again the integrationists have been confounded. Instead of a homogeneous world order, we are faced with a resurgence of regionalist movements, minority nationalisms, and the renaissance of cities as global actors. Observers have ceased to regard this conjunction of globalization and regionalization as a paradox and to appreciate that both are related to each other as the nation-state faces twin pressures from above and below. Political, economic, and social space is restructuring, at various territorial levels and new types of regulation are emerging. What is still lacking is a clear appreciation of how these effects work. Functionalist and reductionist accounts have postulated an automatic connection between economic and technological change and political transformation. My argument is that there is no automatic link between economic and political change, that politics itself still matters, and that the new territorial politics is extremely diverse. The tasks of government, to facilitate economic growth, to foster social solidarity, and to respect cultural pluralism,¹ are the same, but the context is different and the challenge more difficult.

As the state system consolidated from the seventeenth to the nineteenth centuries, it came largely to dominate and structure older patterns of territorial action based on cities and regions with their control of resources and trade routes (Tilly and Blockmans 1994). By the late nineteenth century, European states were engaged in complex policies of territorial management, seeking to impose cultural unity while juggling tariff policies to secure the loyalty of key territories and using intermediaries to broker relationships between center and periphery (Keating 1988, 1998). After the Second World War, states extended their intervention to a panoply of urban and regional policies intended to secure balanced development within national economies with each region assured its role in the national division of labor according to principles of comparative advantage. They widely practiced diversionary policies, steering

investments from booming to declining or underdeveloped regions, using infrastructure investment, grants, and tax breaks, and physical planning controls. In centralized states with a large technical bureaucracy, this was extended to sophisticated forms of integrated spatial planning, organizing investment, infrastructure, and urban development around growth poles. In various forms, similar approaches were adopted elsewhere, although American state and federal governments were less inclined to regulate and plan their spatial economies and tended to leave matters more to competition among states and cities themselves. Since the 1980s, this model of planned and state-regulated spatial development has come into question as a consequence of the changing role of the state, economic and technological change, and a greater protagonism on the part of cities and regions themselves. The American model of competitive development seems to have spread more widely, along with the American model of capitalism. Some observers see this as an inevitable and welcome consequence of modernization. Yet we can legitimately ask whether it is also the product of ideology, a close relative of the neoliberal mind set that has become almost hegemonic in the modern world.

There has been an intense debate in recent years about the decline of the state, whether it is in retreat, being "hollowed out," or merely reshaping so as better to maintain its power and authority. Certainly, the share of public spending in GDP has not fallen sharply in developed countries, although it has stabilized in some countries from the 1980s (UK, USA, Canada) while continuing to increase elsewhere. Nor has there been a dramatic withdrawal of the state from welfare provision across the OECD, although there has been a sharp decline in federal responsibility in the USA and, to a lesser extent, Canada. Change has been most marked in the area of economic policy, where Keynesian economic management has formally been abandoned (although still practiced surreptitiously by conservative governments in the USA and United Kingdom in the 1980s and 1990s). Interventionist state policies have given way to deregulation and privatization. There are many explanations for this but they can conveniently be divided into two, those that put the emphasis on ideological and political change, and those that attribute it to technological change and globalization. It is clear that market values have come to dominate, not only in economic policy in the strict sense, but over large swathes of public policy generally, and that these are increasingly uncontested. "Globalization" has become a difficult and contested term and, rather than enter into this debate, I shall use it as shorthand for referring to a bundle of effects including freer international trade, capital mobility, and the rise of the transnational corporation.

Whether driven by ideological change or by global trends, the restructuring of the state has had marked effects on the management of the spatial economy. By the 1970s centralized regional policy was under strain and in the 1980s and 1990s has given way to a more competitive approach in which regions are obliged to seek their own place in the European and

global division of labor. In a world where investors, denied the opportunity to invest in their preferred region, can relocate out of the country altogether, governments can no longer steer investment into priority regions. Privatization and deregulation deprive them of key instruments of control. Continental free trade regimes like NAFTA and the European Union reinforce this effect, limiting subsidies and encouraging national governments to favor their most competitive sectors and locations. With the partial disengagement of states, regions themselves have become more active. Political restructuring has also changed the incentive structure for local politicians. Competition among regions for investment has given regional political leaders a *leitmotiv*, producing a neomercantilist form of politics in which regions are presented as pitched into a zero-sum game for advantage. In a world of weakened ideologies, class attachments, and parties, territorial advantage becomes a tempting theme for politicians to use to broaden their electoral bases.

There is certainly an intellectual basis for this shift in emphasis, but it is less clear and more complex than it is sometimes presented and does not always point to clear answers or policy prescriptions. New academic theories about local and regional development focus on the importance of place and the global-local interface. Traditional approaches in regional development policy largely confined themselves to thinking about location, that is distance from markets, labor, or raw materials. The new approaches see *place* (Agnew 1987) as a complex of social relationships, norms, institutions, and understandings, drawing on the literature on economic sociology (Swedberg 1993) and on the *social construction of the market* (Bagnasco and Trigilia 1993) to show that economic development is about more than assembling factors of production in a physical space. Place itself becomes a factor of production as does *social capital* (Coleman 1988, Putnam 1993). This refers to the patterns of social relationships and trust that permit a balance of cooperation and competition, allowing the production of public goods and long-term collective investment (Sabel 1993) and overcoming the division between individual short-term rationality and long-term collective interest that is one of the abiding problems of market capitalism. Traditional approaches to regional development allowed for the existence of traded dependencies, in which complementary industries can reduce their costs by locating together; growth pole policies of the 1960s and 1970s sought to foster these to encourage self-sustaining development. Recent approaches extend this to *untraded interdependencies* (Courchene 1995, Storper 1997, Morgan 1995) arising from the proximity of innovators, manufacturers, and suppliers within a region or locality and the dense pattern of informal exchanges that this encourages. These allow for the production of regional public goods, for a longer term approach to development and for nonimmediate forms of reciprocity or trust. The *associational economy* (Cooke and Morgan 1998) is presented as a form of enterprise different from individualistic capitalism, blending cooperation and competition in complex ways. Another

key idea is that of the *learning region* (Morgan 1995) in which innovation is self-sustaining and success, by fostering trust and cooperation, lays the ground for future success. Many observers have also noted a change in production technologies and systems of innovation such that the old idea of comparative advantage under which every region had a place in the national and international division of labor, and which underlay traditional regional policy, has given way to absolute or *competitive advantage* (Scott 1998).

In response to these economic, technological, political, and intellectual changes, regional development policy has been refocused (Bachtler 1993, 1997). It now tends to be more *decentralized*, to the regional or local level where the capacity for horizontal integration and knowledge of problems is greatest (Cappellin 1995a, b; Begg, Lansbury, and Mayes 1995). There is a strong emphasis on *institution building*, especially on regional-level institutions to build networks of cooperation and partnership, and foster strategic planning (Wannop 1995). Institutionalist approaches (Amin 1999), which bear a striking similarity to the "new institutionalism" in political science (Peters 1999), point to learned behavior, routines, and norms, together with the capacity to change. Institutions are defined broadly to include both government and associational patterns, with the emphasis on the latter.

National governments have tended to be more selective in their interventions and an urban focus has in many cases replaced the broader regional focus of earlier years. Policy places less emphasis now on physical infrastructure and more on *human resources* development. Training policies have widely been decentralized to complement other instruments of intervention, and education has often been tied into economic policy in a more direct way than before. *Research, development, and technology transfer* are stressed through science parks and university-business linkages. Networks and linkages among firms and between them, universities, research centers, and governments, are encouraged, to foster the untraded interdependencies typical of successful regions. There is less emphasis on synoptic planning or large-scale intervention and more on "steering" and selective intervention to remedy market failures. While governments tend to beware of trying to pick winners, they do think about the region's niche in the global economy and how to foster clusters of industries that can exploit this best and sustain each other. Industry itself is defined more widely, to include traded services as well as manufacturing. Small firms and *endogenous development* are especially targeted, although the promotion of inward investment is still important.

These developments have spawned a rich literature but have also given rise to some simplistic explanations and extrapolations and a new set of critiques (Lovering 1999). One problem is a tendency to functional reductionism and economic determinism, in which the competitive region is seen as both inevitable and as marking the end of the nation-state and of politics as we know it. Typical of this type of reasoning is Ohmae (1995) who jumps directly

from the rise of regional economies to the rise of global city-regions, to the end of the nation-state, or the "borderless world." In fact, neither the nation-state nor national borders came into being for economic/functional reasons and there is no reason to suppose they will disappear even if they do become functionally redundant. There is also a tendency to project the model of the global city-region everywhere around the world, interpreting just about any manifestation of territorial specificity as a response to global restructuring. This constructed model is then propagated and sold back to urban and regional leaders as a model to emulate, so creating further material for the original observers. So scholars, rather than being detached analysts of political and economic restructuring, become themselves agents for the elaboration and diffusion of the model. One is then forced to ask how far this model is an interpretation of the world and how far it is a mere construction.

Another ideological construction is elaborated around the model of the competitive region. If it is indeed the case that comparative advantage, in which all regions can find their place in the national division of labor, has given way to competitive advantage, in which regions are pitched into competition in global markets, then development is a zero-sum game. This is implied in the very meaning of the word "competition." We are also led to believe that any region can make itself competitive, since raw materials or location are no longer determinant. Yet even if *any* region can be competitive, it follows from the premises given by the model that not *all* regions can be competitive. It may be that comparative advantage has given way to competitive advantage in some sectors; whether it has done so in all areas of economic activity is much more doubtful. Yet the insistence that competitive advantage is the imperative driving development has important political implications. It means that, if a region does not succeed, then in effect that is its own fault. There is nothing wrong with the market system itself, with the global order, or with state policies, since some regions do well in spite of these. This provides a rationale for disregarding issues of spatial equity, for cutting back on redistributive programs, and for wealthy regions to disengage themselves from concern for poorer ones, a process already visible across Europe, North America, and other parts of the world. As the region or city is reconceptualized as an actor in the global order, there is a reification of what is really a complex and plural system and a further closure of political options. Globalization is then brought in to serve what the French call the *pensée unique*, another form of the old "one best way" philosophy in which political debate about the future of social and economic life is largely precluded.

In the remainder of this chapter, I am going to argue that regionalism is in fact a highly diverse phenomenon (Keating 1998). The effects of economic change are powerfully mediated by culture, by institutions, and by politics. It is true that regions are being built and rebuilt as systems of social regulation and as actors in national and global spaces, but this is a complex and

multifaceted process. Economic determinism, whether of the Marxist or neoliberal type, does not explain a great deal.

The politics of development

One of the paradoxes of the "new paradigm" of regional development is that, by emphasizing the importance of place, it makes it impossible to construct a single model for all cases (Storper 1997). Even the meaning of region or city-region is contested, both intellectually and politically. The goals of policy can be multiple and the policy process, the policy mix, and the means of implementation will all be specific to particular places.

Regions may be defined in purely topographical terms but usually they are taken to have a broader economic, social, and political meaning. Economic functionalism provides one way of defining the region, either as a homogeneous production space or as an interlinked set of production systems. Cultural criteria may give another definition. A political region may be defined as a "political space" (Keating 1998) whose inhabitants have a sense of territorial identity and in which issues are appraised by reference to their impact on the region. Administrative regions are defined by states for the delivery of policy and services. These varied meanings of the region do not always coincide and, where they do, it is usually as a result of a process of region-building and political leadership. Wales, for example, is far from being a functional economic region but it may be that political leaders and state policies are building one around a common history, cultural elements, and new institutions, guided by a vision derived by intellectuals from the theories of new regionalism (see Lovering 1999). There is a perennial conflict between planners and social policymakers who want to define regions and cities broadly, so as to include the whole functional system and its interdependencies, or to share wealth more evenly, and the interests of wealthy neighborhoods and towns who want to keep what they have. In the United States, the wealthy areas tend to be in the suburbs and the poorer areas in the inner city, while in much of Europe it is the other way around; but the basic issue is the same. There are also conflicts between politicians established at the larger regional level and those whose power base lies in the city or city-region. In Catalonia, there have been regular conflicts between the autonomous government of the Generalitat and the town hall of Barcelona. French regions have tended to lose out in the competition with large cities and even the old *départements*. The vacuum caused by the collapse of the central party system in Italy has been partly filled by city mayors, now directly elected, with the regions still looking for their place.

The new development paradigm has obvious political attractions. It recognizes the constraints of the global economy and the need to insert the region into the international division of labor. It ties in with trends to decentralization and regionalism and has affinity with communitarian ideas and the "small is beautiful" philosophy. The political right like it because it is against big government and large-scale intervention and social engineering. The left can buy

into it because it is critical of unbridled capitalism of the "Anglo-Saxon" variety and stresses the importance of social relations and community. There are affinities with the "new public management" which seeks to replace hierarchy and control with new forms of compliance, often without facing up to the realities of conflict, power, and interests, but taking refuge in superficially appealing analogies such as "steering not rowing."² It is, in other words, an ideal philosophy for "third way" politicians and thinkers uncomfortable with the hard choices of real politics. Yet there are both analytical and normative difficulties with the idea.

Much of the thinking behind the model stemmed from studies of industrial districts in central Italy (Bagnasco 1977, Ritaine 1989, Garafoli 1991) and, later, southern Germany. These findings have then been extrapolated elsewhere. Critics, however, have suggested that many of these studies are wishful thinking or a generalization from selected features of specific cases (Hadjmichaelis and Papamicos 1991, Ritaine 1989, Amin and Thrift 1994, Hudson 1999). They note that the dense networks of small firms in these districts may rely on low wages, family exploitation, and tax evasion; and that some of these districts have subsequently experienced economic difficulties. The extrapolation of the model is also criticized. The transition from Fordism to flexible specialization can be overstated. Many regions have never been truly Fordist while others still are. Small firms might be important generators of jobs and innovation but they are very often dependent on the presence of large firms or government. The growth of business services, for example, is often the result of large firms outsourcing these services rather than a form of endogenous development. Indeed, insofar as the model is based on the need to tailor policies to the needs of specific locations and the recognition that there is no "one best way" to success, one might ask whether there is a model at all (Storper 1997). Imitation of success stories in other regions is likely to be counterproductive, because the circumstances are different and because the other region has got there first, occupying that niche in the international division of production.

The new approaches to regionalism too often either sweep aside questions of distribution and welfare (Ohmae 1995), insist that this choice is no longer available in a global economy, or suggest that the new paradigm may be both more efficient and socially just (Cooke and Morgan 1998). This last claim may be true insofar as the welfare state helps avoid some of the social cost of deprivation, security may enhance social cooperation, and investment in people may have both economic and social benefits. One could say the same about environmental policies. Indeed it seems likely that investors will be more attracted to cities and regions without the burden of social stress and environmental degradation. Yet this is not self-evidently true everywhere or at all times. These are long-term policies requiring long-term investment, while the incentives that politicians face are for short-term results. Some regions may be in a better market position or endowed with high levels of technology and skills and so be able to pursue a high cost strategy

of trading up into higher value-added production. Others have concluded that their competitive advantage lies in low wages, deregulated labor markets without trade unions, or low social overheads. Even where the welfare state has survived, as it generally has in western Europe, it is being reshaped to the needs of economic competitiveness rather than social integration. This explains measures like "workfare" or the shifting of priorities in education towards economic competitiveness. One could make the same argument about environmental quality. Some regions have a good environment and are able to use this to attract high quality development. Others are burdened with obsolete industrial infrastructure, pollution, or contaminated land and cannot compete without outside help in tackling these problems.

So the tension between growth and redistribution, which is the staple of American urban political economy, is still there. Globalization and free trade have exacerbated this tension and, together with decentralization, have introduced it into other countries. Globalization, technological change, and the crisis of the state have added to the tension, generating new forms of social movements and identity politics at multiple levels (Castells 1997). These include environmentalism, gender issues, and neighborhood movements, as well as new types of criminality and social pathology. Indeed it seems that city-regions are becoming internally more pluralist, with a wider range of social demands made on them, just at the time when the external global environment and the needs of competition are restricting their policy options (Kantor 1995, Keating 1991). This is the essence of politics and makes it ever more difficult to reduce city-regions to a form of functional determinism.

Another important political issue is interterritorial justice. A degree of inequality is inherent in the very idea of the competitive regions (Dunford 1994) and as this model gains intellectual acceptance it may be used to justify inequality. Wealthy regions are showing increased resistance to paying for fiscal transfers to their poorer compatriots on the ground that this hampers their ability to compete in global markets. The rise of Italy's Northern League is due in large part to an unwillingness to pay for subsidies to the Mezzogiorno. These were tolerated in the past, when the money mostly came back in the form of orders for northern goods, and redistribution was seen as a price to pay to keep the Italian state together. In an integrating Europe, neither rationale is as convincing. Southerners can buy their goods on European and world markets, and Europe provides an alternative political and economic frame for the north. Similar tensions are undermining the Canadian federation. In Germany, a group of wealthy Länder has gone to the constitutional court to complain about the system of horizontal equalization. Catalonia and the Basque Country are complaining vociferously about their disproportionate contribution to the common expenses of Spain and increasingly looking to Europe. Flemish interests are seeking to transfer the Belgian social security system to the linguistic communities, so reducing their payment to Wallonia. In the United Kingdom, Scottish

devolution has sparked a renewed debate on territorial allocations and one of the few items on which candidates for mayor of London seem to agree is the need to cut back transfers to the Scots. The fact is that nation-states are still responsible for massive resource transfers (Davezies 1997). Public expenditure and employment are often the key factors in regional development, despite the tendency of the new approaches to focus on the private sector (Lovering 1999).

These questions show that regional politics is still alive and well in the era of the global city-region. Structures of government, access to power and resources, and social relationships are still important. Too often, however, we lack the analytical tools to appreciate and assess these changes. There has been a great deal of talk recently about "governance" as a new form of social regulation distinct from "government." There are many definitions of this term--Rhodes (1996) gives six--but the central idea appears to be a system of policymaking and regulation going beyond the state, to take in the private sector, civil society, and, in some versions, multiple territorial levels of action. I have never really understood why we need this neologism³ since government was always about more than the formal structures of the state.⁴ The vaguely pluralistic basis of the idea seems to represent a loss rather than a gain in analytical capacity. Perhaps more worrying is its normative bias. Combined with some interpretations of the new development paradigm and the "new public management" it feeds into forms of "Third Way" politics in which the great issues of politics and social conflict simply disappear. They are replaced by markets, by management nostrums, or a concentration on the minutiae of politics at the expense of the big picture.

Building a development model

We can analyze the new forms of competitive development and their impact on politics through the concept of a "development coalition," a place-based interclass coalition dedicated to economic development in a specific location. This places the emphasis on competitive development, but recognizes that policy will be the outcome of political competition within the region and of the composition of the dominant coalition. Of course, external factors are of vital importance. Not all regions have the same locational advantages or resource endowments and development politics will thus be influenced greatly by the difficulty of the task (Stone 1989). The competitive situation is also critical in determining the room for maneuver of political and other leaders.

Five other factors are critical in the construction of a development coalition: culture, institutions, leadership, social composition, and external relations.

Culture

Culture is an expansive term, with many meanings. There is a distinction between the "high culture" of literature and the performing arts, and the everyday culture of social norms and practices. Although there are links between the two, our main interest is in the latter. The new

development paradigm places great emphasis on social relationships, shared understandings, and norms of cooperation and reciprocity and, while some authors shy away from using the term "culture," this is a type of cultural explanation. There does appear to be something here, but there are serious problems in identifying and measuring the importance of culture and behavioral norms. One approach is based on case studies of success or failure and exploration on the ground of the nature of the local societies. These almost invariably yield one or two "stories." There is the success story, in which people tell the researchers that the society is cohesive, cooperative, and efficient, and has a strong sense of identity and social responsibility. Then there is the failure story, in which one is told that the people are too "individualist," that there is no capacity for sustained action, and that there is a lack of entrepreneurial spirit. These stories are usually so similar as to appear rehearsed and one has the impression that respondents are merely rationalizing success or failure. This becomes even more apparent when old failures suddenly become successes and the same factors that explained failure are now adduced to explain success--Ireland being an obvious example. So "collectivist attitudes" become "cooperation"; the blockage of "special interests" becomes "social concertation"; "individualism" becomes "self-reliance"; and "traditionalism" becomes "sensitivity to history and culture."

The second approach is based on surveys, seeking to explain economic performance by mass attitudes. Apart from the difficulty of making a connection between mass attitudes and economic action, this comes up against methodological problems. The survey is an individualized instrument in which people are asked out of context what they feel about various things. It is often a poor guide to how they act in social situations. Surveys often yield no more than stereotypes paralleling the stories mentioned above rather than getting into the dynamics of social behaviors. For example, a Spanish survey showed respondents in Catalonia believing that Catalans were dynamic and businesslike, but not attributing the same qualities to themselves as individuals, another example of a learned story (Sangrador García 1996).

Cultural reductionism, then, does not get us very far. We need to look at the way in which culture is created, transmitted, and used. We also need to explore apparent contradictions and conflicts and the way in which culture can bridge these. We find often that successful territorial political movements and development coalitions are those that can play two contradictory themes at once. A localist theme, rooted in tradition and particularism, helps consolidate local solidarity and collective action, yet threatens parochialism, xenophobia, and the crushing of local pluralism. A cosmopolitan theme, on the other hand, reaches out to the international market and seeks to integrate the region into wider circuits, but on the other hand threatens to erode social solidarity, attachment, and culture, subordinating communities to the impersonal market. In some places, these two coexist in more or less uneasy partnership, producing a "rooted cosmopolitanism," which allows regions to operate in the global economy

without losing their own distinct characters (Friedmann 1991). Another way of capturing the formula is the "strength of weak ties" (Granovetter 1973), that is, ties that bind communities but are not exclusive and allow multiple channels of communication, so fostering innovation and change. Much of the work on the importance of community and of associations in regional development has failed to make this kind of distinction between functional and dysfunctional kinds of solidarity and ties.

Little is known as yet about the way in which these local norms are constituted historically and sustained over time. In France, the *Annales* school, and the quantitative analyses of Todd (1990), Le Bras (1995), and others have contributed greatly to the understanding of territorial identity and its transmission, but there is a lack of similar work elsewhere. Putnam's work on Italy (Putnam, Leonardi, and Nanetti 1985; Putnam 1993) emphasizes the importance of historical patterns and inheritance and argues for a form of path-dependency. Comparative study, however, shows us that cultures and identities are continually created and recreated (Rohe 1990). The critical factor here becomes the instrumentalization of identity by region-builders and leaders of the development coalition. Regions with a "usable past" will find this reinterpreted and pressed into service to forge a vision of the future. In Catalonia, which has traditions of both conflict and social cooperation, the latter are being valorized, while Catalonia's history as a medieval stateless trading nation provides an image for its role in an integrating Europe and globalizing world. Welsh traditions of cooperation and mutualism can be stressed over the more recent history of class conflict. Galicia, on the other hand, is burdened by negative stereotypes and the political will and mobilization are not present to create more positive images. These images and motifs serve as myths, that is stories that may be true, false, or (usually) partially true but whose mobilizing capacity is largely independent of their truth. One could even see Ohmae's global city-regions as such a myth and its adoption by regional elites as part of the process of the invention of regions.

Institutions

Institutional analysis has enjoyed a new vogue in recent years in the guise of the "new institutionalism" (March and Olsen 1984) or "institutional economics" (North 1990). These new approaches go beyond formal organizations to show how behavior is shaped by institutions of all types. They provide a corrective to pure rational choice explanations of behavior by showing how choices are constrained by the operating environment. They also add to cultural explanations by showing how norms and routines can be inculcated through practice and how routine can build trust. In fact, so close have cultural and institutional analysis become that it is sometimes difficult to tell where one ends and the other begins. Institutions are also important as arenas in which choices can be debated and preferences formed and reshaped in interaction with others.

Four aspects of the institutional structure of regions are important for our theme. First is the degree of territorial fragmentation or consolidation. There is a long debate between supporters of fragmentation and consolidation. Supporters of fragmentation, who once emphasized the value of community, identity, and tradition, have now been joined by exponents of the "public choice" approach. These argue that fragmented local government gives citizens a choice of different locations with differing bundles of services, promotes efficiency through competition, and limits the power of bureaucracy by dividing it. Supporters of consolidation used to urge the benefits of economies of scale in service provision. Nowadays they put more emphasis on the need for coherent metropolitan planning, building metropolitanwide competitiveness, and the need to avoid beggar-my-neighbor competition for development, in which business sets local governments against each other to offer the most attractive incentives at the taxpayers' cost. Consolidation was in fashion across Europe and North America in the 1960s and 1970s. In the 1980s it was halted and even reversed, as large-scale planning lost popularity and the promised economies of scale often seemed elusive. It was also politically very difficult to get agreement on forms of metropolitan government strong enough to make their plans stick, and the usual compromise was a two-tier structure with the main powers at the lower level. In the 1990s, there has been a revived interest in metropolitan government but of a more modest type, with the task of coordinating infrastructure and planning and attracting economic development. France has introduced new types of interurban consortia. A council for Greater London, abolished in 1986, is being restored on a more modest scale, with a directly elected mayor. Italian cities have been encouraged to try metropolitan structures. The Dutch are restoring something like the old Rijnmond authority. The cities of metropolitan Toronto have been consolidated, although only a weak services board has been allowed for the wider Greater Toronto area.

The second issue is that of functional fragmentation. In the 1960s and 1970s the emphasis was on integrated planning and corporate management, with governments seeking a synoptic view of social and economic problems and trying to link their interventions across multiple policy spheres. In the 1990s, the tendency is to privatization, ad hoc agencies, and contracting to business and the nonprofit sector. This is impelled largely by the desire to save money but it is rationalized by reference to public choice theories and the new public management. Efficiency is supposedly ensured by making agencies compete for contracts or in the provision of services. This may happen, although the evidence is inconclusive and studies are almost always tainted by the ideological bias of the researcher or the interest of the body commissioning the work. Perhaps more significant is the growth in power of producer interests and the tendency for policy to fragment further into separate segments, discouraging links and new thinking. In a situation where the public sector is highly fragmented and disorganized, private interests, by being only

slightly organized, have a major advantage. Matters are not helped by misleading analogies, such as the idea that government can now retreat to a role in "steering," leaving others to do the "rowing." A tendency of particular interest to our theme is the trend to separating economic development issues from social or distributive ones, by entrusting them to separate agencies dominated by business interests. This type of functional regionalism can produce outcomes very different from those produced by elected regional governments with broad representation.

Related to this is a third issue, that of public-private relationships. The relationship between public and private power, always a key issue in U.S. cities, has become a concern now in other parts of the world. The very emphasis on economic development as an imperative for cities and regions enhances the power of the private sector, since they are the ones with the mobile resources to invest. This is increased by the trend to using private instruments and organizations for public purposes, and the growth of public-private partnerships. Partnerships, which are regarded with almost universal approbation as heralding an end to the old types of politics, may be an effective way of mobilizing resources for development and tying capital into cities and regions. They also present a series of dangers, which are less often appreciated. They alter the balance of power in favor of private interests, by bringing them into the policy process, and often by the way in which the terms of the partnership work. Since private business operates on the basis of commercial secrecy while governments are obliged to publish full accounts, the private partner usually knows more about the public one than vice versa. The need for commercial confidentiality often leads to a lack of transparency and accountability, to the point that details of contracts are often kept secret.

There are concerns about costs, which are not always as favorable to the public sector as might seem at first sight. Large public infrastructures built with private capital almost invariably come with an implicit government guarantee since the public authorities, having undertaken the project, will not allow it to fail. So the public bailout, whether directly or by providing complementary spending, is common. Partnerships involving private developers supplying the upfront capital and leasing facilities back to government have also been criticized for providing poor value for taxpayers. With the credit of the taxpayer behind them, governments can nearly always borrow money more cheaply than private developers and do not need to add a profit margin. Britain's Private Finance Initiative, relabeled but essentially unchanged under the new Labour government, is regarded almost unanimously by specialists in public finance as a bad deal for the taxpayer, since it transfers to future generations the costs of providing capital facilities in the present. Public-private partnerships can also lead to a policy bias, in which public resources go into those activities of most interest and profit to the private sectors. These are often property and land deals, or construction of facilities for the new consumption economy. High-

income leisure facilities ("playgrounds for the rich"), congress halls, and sports stadia are typical examples.

The final institutional issue is intergovernmental relations. There has been a tendency in recent years for senior governments to decentralize functions and responsibilities to local and regional units. This has a positive side, enabling cities and regions to devise local solutions to the problems posed by global competition. It permits experimentation and policies geared to the characteristics of place, in line with modern thinking. On the other hand, it exposes cities and regions more directly to the discipline of the market and may reinforce the bias to development politics against social integration. Cities and regions cannot be independent, they can only manage various forms of interdependency, and there may be a trade-off to be made between dependence on the state and dependence on private capital.⁵ A widespread fear is that decentralization and downloading will produce a "race to the bottom" as regions and cities cut back social provision to enhance their competitive edge. This is too simple. Many cities and regions do not need to compete hard for development, while some cannot attract it whatever they do. As we have noted, an attractive environment and social stability may be development assets. Local responses to external pressures will always be mediated by local political pressures and conditions. So there are a variety of responses. Some cities and regions are forced to cut back on social provisions. Others are able to invest in social and environmental infrastructure. Others again adopt a more selective approach to social assistance, redefining the "deserving poor" in a way to maximize political gain and minimize political cost.

Leadership

An important element in development coalitions is leadership. This can provide the discursive element in constructing the "imagined" city or region, a symbolic realm in which identities can be formed. This in turn helps create a political space, a frame of reference in relation to which issues can be debated and appraised. The creation of this public political space is an element notably lacking in public choice approaches, which tend to assume that people's preferences are ready-formed and that politics is merely a matter of arbitrating between them. Political leadership can also serve to create a broader, city or regionwide, rationality, allowing issues to be appraised for their impact on the whole area or in the long term, rather than just on their immediate and local impact. Leadership may be individualized, in a charismatic personality, or it may be collective, lodged in a political party. Parties have been weakening in city and regional politics, and this may result in a diminished ability to integrate policy concerns and interests.

Social composition

The strategy of the development coalition and the content of policy will be affected by the representation of social interests, notably those of capital and labor. International and

European market integration itself redistributes power from labor to capital since capital is more mobile than labor and can play off regions against each other. Within regions, the presence of organized class interests varies. Some regions, such as many parts of Germany, have retained their indigenous bourgeoisies, with a continued social investment in the place. In the United Kingdom, by contrast, regional bourgeoisies of the old industrial regions often sold out, moved to London, or moved socially into the leisured upper classes through the purchase of land, from the early part of the twentieth century, and especially after the First World War. British capital has also been more internationalized than that of other European countries. In both France and Britain, the centralization of the financial systems on the capital which in the nineteenth century contrasted with the dispersal of industrial ownership and production at the periphery, tended in the twentieth century to concentrate industrial ownership at the center too. This is not to say that indigenous control is essential for economic development; that argument has long been abandoned. The point that I am making is about the qualitative aspect of development. Where local business elites have a stake in the place, as in some U.S. cities, this may foster a commitment to regenerate the city rather than merely seek out the conditions for investment, and can facilitate a social dialogue about priorities and social and environmental issues.

Business leaders are always wedded rhetorically to the idea of the free market and neoliberal nostrums, but in practice usually support regional development efforts, as long as these are delivered by depoliticized agencies with a strong business input. They appreciate the functional rationale for organizing government at the regional level to deliver training policies, infrastructure, and land use planning, but this is in tension with their suspicion of regional government as a basis for nonbusiness or antibusiness forces, producing an ambivalent attitude to territorial politics (Lange 1998).

Labor has become more territorialized as class struggles have shifted to the defense of threatened plants and sectors. Sometimes, it has been able to mobilize wider social movements of territorial defense committed to broader goals and regional development strategies but these have been rather precarious, as the French cases show. Labour and the social democratic parties have become increasingly supportive of decentralization and regionalism, as their faith in the centralized state has diminished and they have been drawn into territorial-based conflicts. Yet at the same time, unions insist on the maintenance of national labor-market regulation so that they too are ambivalent on the question of regionalism.

The new regionalism has produced many examples of capital-labor cooperation in pursuit of a common territorial interest. Labor, however, has been at a disadvantage. It is less mobile than capital and less able to exploit the opportunities of globalization. Also, where policy and the constitution of the dominant coalition is driven by the needs of competitive development, business is able to pose as a representative of a general, as well as a particular, interest. In

France, where union membership is particularly low, they hardly feature at all. In the UK, they were marginalized by the Conservative government, not only in national policymaking but also in the construction of the new instruments for local and regional development, including the Urban Development Corporations and Training and Enterprise Councils (in Scotland, Local Enterprise Companies). In Germany, trade unions feature more strongly in the Social Democratic stronghold of North Rhine-Westphalia than in Baden-Württemberg. In Spain, control of autonomous communities by either the socialists or the Christian democrats of the Catalan CiU or Basque PNV produces a willingness to recognize trade unions as social partners, although, given the low level of unionization in Spain, as very junior ones. In France, Italy, and Spain, the division of the trade union movement on political lines also weakens its influence and allows regional leaders to choose their favored union partners. In North American city-regions, organized labor rarely features these days as an important partner in the development coalition. Unorganized labor has even less of a place.

The external dimension

The context for the new regionalism is supplied not only by the nation-state, but by global and continental markets and new transnational institutions. Regions have consequently developed international strategies, forms of "paradiplomacy" (Aldecoa and Keating 1999) aimed at securing their position. The most important things they seek are inward investment, markets, technology, and alliances with other regions in development promotion or political action. A great deal has been made of the emergence of transnational or cross-border regions bound together by functional ties and common interests. Yet this activity, too, is highly constrained by politics and once again functionalist explanations do not always fit. In the first place, before a region can engage in external activities it must constitute itself as an actor and, as we have seen, not all regions are in a position to do this. It requires institutions, leadership, and an ability to carry a definition of the interests of the region. Those who are able to define the region's external interest have a big advantage in internal politics and so this becomes highly contested. Second, the state framework is still very important and state elites, both political and bureaucratic, tend to be jealous of their monopoly of external action and can place all manner of obstacles in the way of regions. Third, regions are, according to the prevailing theory, engaged in a neomercantilist competition for absolute advantage. In these circumstances, it is not clear why they should want to cooperate with each other. Border regions, in particular, are likely to be competing for the same markets and investment opportunities. So, although there may be economies of scale to be achieved, for example by investing in one large airport rather than two, there is no political advantage to be achieved by politicians on either side in letting the other side have it. Common interests will only be realized if they are institutionalized by providing a framework in which costs and benefits will be shared and additional resources brought in.

The evidence that we have shows that interregional cooperation and cross-border regionalism will happen where there are clearly identifiable common interests, political leaders able and willing to articulate these and use external action as a political resource at home, and an external support system such as that offered by the regional programs of the European Union. This explains the explosion of paradiplomacy and cross-border regionalism in Europe and their almost complete absence, apart from rhetoric and sloganizing, in North America (Keating 1996b).⁶

Conclusion

There have been two approaches in the study of regionalism, an internally focused one which looks at the mobilization of actors on the ground and the social, political, and historical basis of regional identity and demands; and an externally focused one which concentrates on the reshaping of the global economy and the place of regions within this. A proper appreciation of the phenomenon needs to take both into account. On the internal dimension, city-regions are becoming more heterogeneous, multicultural, and pluralist. New demands are being placed on the political agenda, from strategies of economic development, through environmental concerns, to issues of social justice and identity politics. Yet the policy options available to city-regions as political systems are constrained by the external competitive environment. Here lies the dilemma of contemporary urban and regional politics. It is through politics that these tensions and conflicts will be resolved but this must be a democratic and inclusive politics, not one subordinated to a narrow policy agenda of boosterism and growth. The principal mechanism is government. Markets alone cannot substitute for government. Nor can vague notions of self-regulation or "governance," however soothing, help us resolve the conflicts of interest and values present in the urban context. Instead, the interests of business and development become synonymous with the general interest of the region. It is not surprising, then, that the issue of government keeps on reappearing on the policy agenda. Designing new institutions and promoting democratic participation is thus an urgent priority.

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[A] Notes

1. Of course, there are other tasks of government, notably to ensure security, but I list only the ones relevant to my theme.

2. Like so many fashionable clichés, this is based on a false understanding of the analogue. In a rowing boat, most of the steering is provided by the oarsmen.

3. It is not strictly a neologism, since the word is an old one, but its current usage is new.

4. In more than thirty years studying political science in universities, I have never found the mythical "textbook" that says otherwise.

5. In rare cases, such as the traditional French system, local governments can have the best of both worlds. They can use state resources to reduce their reliance on the market, but effectively control the allocation of those resources through their position in national politics. The desire to end this state of affairs was one of the motives behind the state's decentralization program of the 1980s.

6. There are many examples of cross-border initiatives in North America, but our researches show that so far they have not amounted to much in practice.