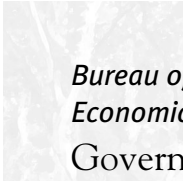




Book Review



Bureau of Transport and Regional Economics

Government Interventions in Pursuit of Regional Development: Learning from Experience

Working Paper No 55 (June 2003)

The addition of the “R” to “BTE” (the former Bureau of Transport Economics) is a welcome addition to the regional development research scene in Australia. The regional research scene is fragmented, generally policy-relevant only by accident, and largely driven, not unnaturally, by the private interests of researchers and the ever-present dictates of the Australian Research Council grants system.

The addition of the “R” brings some much needed focus in government on regional development research, and it is important that the “R” stays. Typically State and local governments do not have the resources or the inclination to do or to commission high-powered regional development research. It is therefore necessary as well as appropriate that this be done at the national level

The BTRE’s Working Paper 55, *Government Interventions in Pursuit of Regional Development: Learning from Experience*, tackles two of the three fundamental questions of regional policy - “...the questions of why regions grow or fail to grow and what, if anything, governments can do about it”. (The third great question of regional development is

how we define “success”, or, in other words, what is it we are trying to achieve?)

The paper sets out to throw light on the first two questions by examining the effectiveness of the ways governments around the world have tried to influence regional development outcomes. I think the paper does a better job on the “government” question than on the “drivers of growth” question. The two are, of course, linked, and more work is needed on the latter. Indeed, I understand it is currently being done within the BTRE and will be the subject of further publications (see <http://www.btre.gov.au>).

Inevitably, undertaking this task of looking at government policy pretty quickly takes us into the murky pond of regional policy evaluation, something that few governments have taken seriously and done well.

The paper rightly elevates the issue of policy and program evaluation to a more central place the debate over Australian regional policy. This is an important advance. Rigorous evaluation of regional policies is difficult and inherently controversial, and affects policy debates. It is necessary if we are to aspire to evidence based policy approaches and not simply to develop initiatives because of their “announcable” value.

The paper notes the difficulty in doing successful evaluation of regional policies and programs. The difficulty of doing successful evaluations, and their limitations, does not obviate their need, however (as Steve Hill from Wales has noted). At a time of increasing claims on behalf of competing policy

approaches, there needs to be a shared understanding among competing viewpoints about what counts as adequate evaluation. The critical issues of displacement effects (the impact of interventions on firms, sectors and regions not assisted), deadweight effects (would the investment in the assisted region have happened anyway) and the need to measure a counterfactual (what if we hadn't intervened?) are underlined in the paper. These are not arcane academic issues but go right to the heart of good policy.

Without wanting to discount the importance of values or ideology in determining one's preferences about the limits of regional policy, it remains the case that what governments should do about regional development remains in large part a function of what they can do effectively. This is why evaluating interventions is so important, and why it is also important to discover what makes regional success happen. Having finite resources and an infinite range of policy challenges, expectations and strategic choices means that knowledge of the likely impact of interventions is critical.

It is also important to clarify what governments can reasonably be expected to achieve in regional policy to ensure that community, especially regional community, expectations are realistic.

The first thing I do when reading books and reports on regional development is to look at the bibliography. This says a lot about the seriousness of the project at hand. The bibliography tells me here at this is a serious piece of work. These people know their stuff.

Initially I thought - why do this study just after the Regional Business Development Analysis panel commissioned a literature review (done by SGS Consulting)? But the two reports are generally complementary and both are useful. The RBDA paper focuses on some of the key thinkers, recent ideas, and programs, while Paper 55 takes more of a theoretical approach with a greater focus on evaluation. The two reports co-exist comfortably.

The paper also provides useful analysis of relevant overseas programs and approaches, and comments on the question of whether overseas approaches work, at what cost, and what their relevance is to Australia. Here the paper provides a balanced and considered overview in drawing on the available literature. I found the section on Europe particularly enlightening, though I would like to know more about the effectiveness of devolution as a tool for

successful regional development.

Paper 55 asks some very good questions and sets out with seriousness, thoroughness and exemplary rigour to answer them. It does not explore all the interesting questions that are part of the debate over the effectiveness of policy. For example, which level of government should do what? What should our national policy objectives be - to address regional disparities or to relieve metropolitan congestion, or some mix of these, or indeed some other objectives? Can different, sometimes conflicting, regional policy objectives be pursued simultaneously, and which policy instruments should be used to achieve them? Is the level of government intervention currently about right? What is the impact on regions of other government policies, and should the amelioration of the negative regional effects of non-regional policy be a priority of governments? How much can government intervention achieve in an area of such complexity? How should regional well-being be defined, and can governments seriously address more than the lowest common denominator objective of regional job creation? Perhaps these research questions could form part of future BTRE studies.

Paper 55 is well researched, well-written and balanced in its treatment of competing positions. It also provides an accurate reading of the historical mood-swings in regional policy, and the development over time of more sophisticated approaches based on new regional policy thinking, for example the recent heightened focus on the role of knowledge and innovation in regional economies.

The paper generally gets the important things right. It is a must-read for observers of the Australian regional policy process. It is a kind of contemporary version of the Bureau of Industry Economics' equally well-written 1994 paper on regional development.

The task of explaining and exploring regional policy for academic, stakeholder and practitioner audiences - who often have high expectations of what regional policy can deliver - is not complete but, on the evidence of Paper No 55, it is in capable hands.

Paul Collits