



'New Regionalism' in Australia?*

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Introduction

On October 14-15 2002 the OECD held a major conference in Melbourne called 'Learning Cities and Regions'. The theoretical foundations underpinning the OECDs approach and policy prescriptions that emerged have profound implications for economic, social and environmental policy and practice in Australia, particularly at the level of the city and/or region. Now being commonly described as the 'New Regionalism' (NR), the OECD argues that this now constitutes a new paradigm for regional development. Region in this context means no more than some form of sub national geographical entity.

In Australia, the Australian Local Government Association's 2001 *'State of the Regions Report'* drew heavily on this approach and governments at State level are beginning to investigate the applicability of the NR in the local context. Indeed, at the OECD meeting the Victorian State Government released a report – *'Victoria as a Learning Region'* (Victorian State Government 2002) – which is a relatively uncritical application of the central tenets of the new orthodoxy. It became clear at both the Monash University Institute for Regional Studies 2002 conference on New Regionalism and at the 2003 ANZRSAL conference that NR had spread further and deeper than previously thought (Rainnie (ed.) forthcoming).

In this paper I will outline the basic tenets of NR and suggest that there is a danger that NR can all too easily slip back into a business-dominated approach that sidelines the social and environmental problems that most cities and regions must confront.

Globalisation and the New Regionalism

An irony of globalisation is that it enhances the significance of local and regional economies. This is due to, amongst other factors, the growing importance of regional clusters and networks, greater regional specialisation, the utilisation of 'tacit' local knowledge and the need for regions to promote flexibility and adaptation when confronted with uncertainty.

A defining feature of globalisation is the re-emergence of the local and regional economy as an important unit of innovation. The proposition is that regional stakeholders – industry, community and their local government constituents – will be central to the development and implementation of regional specific knowledge-based strategies if Australia is to successfully make the transition to the knowledge based economy.

(ALGA/National Economics 2001, p. 2)

NR proponents argue that it represents an alternative to two failed models of regional development; top down, state led and directed approaches on the one hand, and free market dominated approaches on the other. If this is reminiscent of Third Way type approaches, this is no accident. NR is based on a particular reading of the globalisation debate which is advocated by, amongst others, Blair government adviser Anthony Giddens, author of one of the major texts on the Third Way. Giddens argues that globalisation 'pulls away' from the nation state, destroying the

possibility of Keynesian economic management, but also 'pushes down' the possibility for a new form of intervention to the city/regional level.

According to the *State of the Regions Report* there are to be five elements to the new paradigm:

1. transition to a knowledge economy
2. clusters
3. encouraging embeddedness of global firms
4. a new role for the local and national state
5. dealing with disparities between core and peripheral regions.

This process is allied to a transition to a new stage of development of capitalist economies - the Knowledge Economy. According to the OECD (2001a) the knowledge economy is based on four key elements:

- Shift from manufacturing and production of physical goods to information handling, knowledge accumulation, and knowledge goods
- Symbolic resources are replacing physical resources
- Mental exertion is replacing physical exertion
- Knowledge capital is challenging money and all other forms of capital.

'Symbolic Analysts' will be the new Masters of the Universe, indeed the OECD claims that unskilled work is declining to be replaced by knowledge workers. Our task is now to promote *learning organisations in creative regions* driven by the *knowledge economy*. Promoting innovation at the regional level lies at the heart of new regional policy rather than a welfare driven approach emphasising correcting inequalities. Through building associations of institutions with this aim in mind, the focus shifts to developing the wealth of regions as a whole rather than focus on individual firms. Translating this approach into the Australian context, Steve Garlick (2002) argues:

The *creative region* is one where innovative people come together and pool their ideas to generate non-linear solutions to issues that contribute to their local communities becoming better places. The *creative region* will be one that has the ability to generate and implement new ideas, by *actively* linking its structures and processes of innovation and learning to regional needs.

The approach derives much of its intellectual value from the new Institutional turn in geography,

sociology and economics, as does much Third Way thinking. In recent times this shift from a focus on knowledge to one more focussed on creativity and in particular creative workers has received a boost from the publication of Richard Florida's best selling book '*The Rise of the Creative Class*' (Florida 2002). The rapidity of a largely uncritical reception of this thesis, including in Australia (see ALGA/National Economics 2002) can be put down to the faddism that regional development policy is prone to. However, elsewhere I have argued that it is also a retreat to a more exclusive and discriminatory model of regional development abandoning any notion of inclusivity inherent in NR (Rainnie 2003).

NR is also driven by the distinction between tacit and codified knowledge, as it is the former that is taken to lie at the heart of competitive success for firms and regions. Tacit knowledge is that which cannot be easily written in a generalised form, codified and sped round the world at the flick of a switch. It is embedded in the attitudes, behaviours, culture and norms of individual, institutions and regions. As such it is person embodied, context dependant, spatially sticky and accessible only through direct physical interaction. Therefore proximity is important. In fact it is doubly so given that Trust, both intra- and inter-organisational, is the glue that holds the new collaborative agglomerations of innovative organisations together. Trust takes time to develop, and also relies on personal interaction and therefore proximity. Trust has a number of important attributes central to the development of collaborative innovative activity (Morgan 2001a):

- Saves time and effort to be able to rely on others
- Reduces risk and uncertainty and reveals possibilities for action which may not have been feasible in the absence of trust
- Expedites learning because parties are privy to thicker and richer information flows on account of the fact that people divulge more to those they know.

The new economy is, therefore, going to be driven by clusters of collaborating institutions rather than the atomised hyper competitive unit of neo-classical economic theory. The aim, much publicised by management guru Michael Porter, is to develop dense localised networks of firms, research institutions, education institutions, regional development agencies etc. Universities are taken to lie at the heart of the new high tech

agglomerations. Once again Steve Garlick (2000) translates general principles in to the Australian context:

There are few organisations outside the university or higher education institution today that have the interest, independence, authority, networks and information, critical mass and longevity of existence to take on an economic development leadership role in the regions, free of outside organisational controls.

Earlier suspicion of transnational companies locating in regions serving simply to create branch plant economies has been replaced by a more positive attitude. Once again, new locational drivers are based on the emergence of the knowledge based economy. According to the *State of the Regions Report* (ALGA/National Economics 2001, p. 3):

...global corporations are giving greater emphasis to 'regional embeddedness'. They seek to incorporate themselves into regional production systems and to tap local 'tacit' knowledge as a means of sustaining their own competitiveness. They seek to maintain operations in regions where they have access to relevant research and educational institutions, competitive suppliers and service providers, highly skilled and adaptable workers, and an entrepreneurial and innovative culture. Previously, corporate strategies sought to maximise subsidies from host governments, and for knowledge inputs relied on technology transfer from their parent company to their regional plants.

At regional level, we are looking to governance rather than government with a focus on partnerships between government, the private sector and non-profit organisations. There are strong echoes here of the New Public Management (NPM), but Charles Sabel writing in the OECD (2001b) report '*Devolution and Globalisation*' argues that a new more benign form of local governance is emerging. He suggests that there have been three phases of state development; first, the bureaucratic Westphalian state; second, from the 1970s onwards and associated with a move to a post-Fordist society, the rise of the entrepreneurial state. This is closely associated with the NPM. This transition corresponds with Jessop's (1994) formulation regarding the Keynesian Welfare State being transformed into a Schumpeterian Workfare State. However, Sable & O'Donnell (2001) argue that we are now entering a new period, that of a

more pragmatic, institutionalist experimental state. This is essentially a reaction to the extremes of the neo-liberal privatisation and decentralisation agenda of the NPM and suggest a reengagement with civil society.

And, importantly, combating inequalities lies at the heart of the new strategy. Following Karl Polanyi it is argued that unfettered free markets in a globalising world will simply create political and social inequalities that threaten the stability of the system. Therefore, we need proactive strategies to combat growing disparities between core and peripheral regions as well as inequalities within regions. The *State of the Regions Report* (ALGA/National Economics 2001, pp. 2-3) suggested that:

...globalisation and the knowledge-based economy are generating economic and social disparities based on differences in global connectedness, as outlined in previous SOR reports. To address these growing inequalities and disparities, there is a need for pro-active strategies to enable regions to attain their knowledge-based potential.

Amin (1999), in this context, argues for the necessity of forms of governance that involve civil society, in particular those without hegemonic power. This is all challenging and welcome, but there are problems.

Problems in Paradise?

There have been a number of potent criticisms of NR (see in particular Lovering 1999a, 1999b; McKinnon et al 2002) perhaps the most important being that most of the approaches that are characterised as NR have little to say in particular about questions of race, gender and class, preferring to talk rather vaguely in terms of challenging social exclusion. There is also a tendency towards an uncritical acceptance of the supposedly positive aspects of the New Public Management. There is a large body of work that takes a much more critical approach to NPM (Fairbrother and Rainnie forthcoming). Here I just want to raise a couple of specific problems.

First, although the proponents of NR would protest, the language of empowerment and self activity can easily fit into a neo-liberal approach which allows the State to wash its hands of responsibility for less favoured regions, arguing that salvation now lies in their own hands. This reflects the shift in social

policy from a Welfare Rights to an Individualistic responsibility based approach, from the distributional to the competitive, from the collective to the individual. It is the regional development version of the contract culture. Echoes of this approach can be found in the discussion of regional Universities in the Nelson review of higher education (Nelson 2002). However even some proponents of NR have disconnected the social and environmental from the economic, now proposing Regional Innovation Strategies (RIS) as a more focussed alternative, arguing that employment and social implications must be dealt with separately (Cooke 2001).

Secondly, under the influence of writers such as Michael Porter, clusters have moved from being highly localised and specific forms of development to the new 'silver bullet' of regional development. It is, in this context, simply the latest in a long line of regional development fads that promise, albeit briefly, to deliver quantities and qualities of jobs and growth in an unproblematic, sustainable and environmentally sound form. There is hardly an economic development unit in Australia that will not have clustering as some, usually prominent part of its development strategy. Indeed funding for economic development initiatives is now often couched in the language of clustering. As Kevin Morgan has noted, for critics of clustering, the phenomenon has moved from marginality to banality without encountering reality (Morgan 2002b).

For economic geographers industrial districts or agglomerations are a highly specific form of development but now, under the influence of Porter and the OECD, cluster analysis and intervention is, evidently, applicable in all cities and all regions. This apparently new form is supposed to provide answers for everyone. However, the problem of replicability suggests that many initiatives are doomed to disappointment. If the social, political, and economic institutions as well as habits, norms and patterns of behaviour of the locality are so important then they may well be idiosyncratic if not unique. This means the search for replicability or a generalisable model may well be a waste of time. At best it could mean, as Porter acknowledges, that such systems may take decades to develop, and then can just as easily ossify as grow. Furthermore, much research on small firms emphasises the reality that proximity can promote hyper-competitiveness rather than collaboration. We must also examine questions of power in

commodity chains. If the local cluster is in a secondary or dependant position in a commodity chain then the cluster can be locked into dysfunctional relationships that may not benefit the region.

The emerging structure may well look like the new trendy form of networked organisation, but power lies elsewhere leaving development IN but not OF the region.

The focus on local institutions supporting clustering initiatives raises an important issue in the Australian context. Generally, the question concerns the applicability and crucially transferability of models of regional development from Europe and North America to Australia. More particularly the important question is whether the institutional structures at sub state level in Australia are either appropriate or sufficiently robust to shoulder the responsibilities that NR would place on them (for an extended version of this discussion see Rainnie (ed) forthcoming).

Australia's track record at Federal level on regional policy in the last two decades has been described as 'experimental' by Gleeson and Carmichael (2001, p. 33), who go on to quote approvingly from sources who suggest that what packages have emerged have been driven largely by crisis management responses or as election sweeteners. Regional development has generally been viewed as the province of the states, and formal economic development policies at this level have tended to focus on non-metropolitan areas, reflecting particularly in the 1990s the decentralisation focus of many state programs (Beer *et al* 2003, p. 146). However, beyond this already patchy picture, at sub state level an even more problematic picture emerges. Beer *et al* conclude that:

local governments remain the smallest and poorest tier of government in Australia and their circumstances are worsening. Over the last two decades the real value of financial support to local government from the federal government has fallen - as has state financial support in some jurisdictions - while the tasks mandated to local governments by other tiers of government have grown.

(Beer *et al* 2003, p. 27)

In these circumstances it is unsurprising to find that most local economic development agencies are small with very few staff and limited budgets; agencies were unstable; in many cases did not have

community and political support; and in the perception of practitioners had little impact on their locality (Beer *et al* 2003, pp. 146-8). It is questionable in the extreme whether this thin institutional framework is capable of developing and supporting the institutions of inclusivity and associationalism that NR demands.

Finally, it is far from certain that local associational organisations, anorexic or otherwise, can construct an image of the locality that everyone can sign up to. Business associations and those representing the excluded and the dispossessed will have fundamental disagreements about priorities and strategy. For Ash Amin (1999), the challenge to NR is to make an inextricable link between policies designed to develop the economy of a region and those designed to challenge social exclusion. Such policies cannot be an optional extra nor can we rely on trickledown. Arguing that we have to go beyond simply cluster development he issues what he calls 'Heavy Challenges':

- Learning to learn and adapt: Move from a culture of command and hierarchy to a more reflexive culture, encouraging a diversity of knowledge, expertise and capability.
- Broadening the institutional base: Move beyond rule following to a culture of informational transparency, consultation, and inclusive decision making.
- Mobilising the social economy: Growing influence of community projects and the Third sector.

However, reviewing the evidence from across Europe concerning attempts to encourage partnership approaches to confront social exclusion Geddes (2000) points to a number of problems:

- Partnerships often exclude the very groups they are targeted at.
- Many partnerships are dominated by the public sector.
- Partnerships often manage distrust rather than encourage trust.
- There is a problem concerning the depth of involvement of many excluded groups.
- The emergence of local partnerships is more often evidence of a weakening of national government influence and activity rather than the emergence of new local governance structures.
- Many groups have problems with the processes of constructing voice or exclusion.

Geddes concludes that only when groups representing the socially marginalised and excluded make no compromises with notions of partnership does a bottom-up approach show any evidence of succeeding. This brings us back to the problems of trying to construct or impose a consensual notion of region, and therefore regional development agenda, when regions themselves are contradictory and conflictual social constructs (Rainnie and Paulet 2002).

Therefore, for less favoured regions, such as Gippsland, and for those in Metropolitan Melbourne excluded from the benefits of economic growth, the prospects are not wonderful. Morgan (2001b) suggests that there are four challenges for what are referred to as Less Favoured Regions (LFR):

- Develop a quality institutional framework to mediate information exchange and knowledge creation
- Create capacity for collective action
- Create the capacity for interactive learning
- Create effective voice mechanisms.

This is a tremendous challenge, particularly for regions confronted by weak or inappropriate institutional structures and actors. In the absence of an effective response to these challenges, a reversion to a business led and dominated Innovation Strategy will favour those core elites, organisations and regions that are already doing relatively well. Far from challenging inequality or uneven development, we may simply reinforce it.

Conclusion

The New Regionalism promises a welcome return to a more democratic and inclusive approach to regional development than purely market-led initiatives can ever hope to deliver. However, as we have seen some of the language regarding the necessity of tackling social exclusion is vague and unconvincing. The result is that, best intentions notwithstanding, policy defaults to a business dominated approach that puts questions of social and environmental concern into the too-hard basket. Rather than simply bowing to what appears to be the inevitable I think we should attempt to go further than even Amin's 'Heavy Challenges'. The New Regionalism has little to say about issues of environmental or ecological concern, never mind its relative silence on the issues of race, class and gender. However, in the spirit of promoting a new

bottom-up, more democratic and inclusive approach to regional development, we could take a leaf out of the book of colleagues from CURDS at Newcastle University in the UK. In examining community development in the East End of Newcastle, they raised the slogan 'Be Realistic: demand the Impossible'!

We have to move far beyond the notion of the triple bottom line to a more democratic and inclusive notion of development based on concepts of sustainability. For that to happen, regions cannot be abandoned to their own devices. We need deeper involvement at the local level but also long-term strategic coordination and resources from State and Federal level - a really new regionalism.

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