

Experimental Governance and Territorial Development

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Overview

- ❑ **Rationales for regional policy**
 - ❑ the place-based approach
- ❑ **Devolution & multi-level governance**
 - ❑ Top-down v bottom-up
- ❑ **Challenge of lagging regions**
 - ❑ Low income v low growth regions
- ❑ **Experimental governance**
 - ❑ the promise v the practice
- ❑ **Foundational economy**
 - ❑ a new place-based agenda?

Rationales for regional policy

- ❑ The rationales for regional policy vary from country to country, but include some or all of the following -
- ❑ **Equity** – territorial equity is a major concern in high income countries, but also in middle income countries (eg China)
- ❑ **Efficiency** – using all the resources of a country means tapping the potential of underused resources in lagging regions
- ❑ **Ecological** – a more recent rationale to counter the problems of over-development in cities suffering environmental bads
- ❑ **Governance** – a values-driven rationale that informs EU cohesion policy to counter nativism, populism and illiberalism (especially in CEE countries)

The place-based approach

- ❑ The **place-based approach** (PBA) transcends the old regional policy debate (labour mobility v capital mobility) by focusing on **endogenous** development in lagging regions, which neither policy properly addressed
- ❑ The PBA has 2 key aspects:
 - ❑ the first is that **geographical context** really matters and context is understood to include the social, cultural and institutional characteristics of the place
 - ❑ the second is the idea that most of the **knowledge** for the development of a place is not readily available in situ and must be fashioned through a participatory and deliberative process involving the interplay of local and external actors

Devolution: the silent revolution

- ❑ Devolution – one of the most important territorial reforms of the past 50 years and OECD calls it “the silent revolution”
- ❑ But the evidence suggests that devolution per se is neither good nor bad – why?
- ❑ Because devolved outcomes – in terms of democracy, efficiency, accountability, development – depend on the way it is designed and implemented
- ❑ Devolution of power is critically important to development for 2 reasons:
 - ❑ it empowers local actors to implement their local knowledge
 - ❑ it fosters democratic legitimacy and a sense of local ownership

Top-down v bottom-up

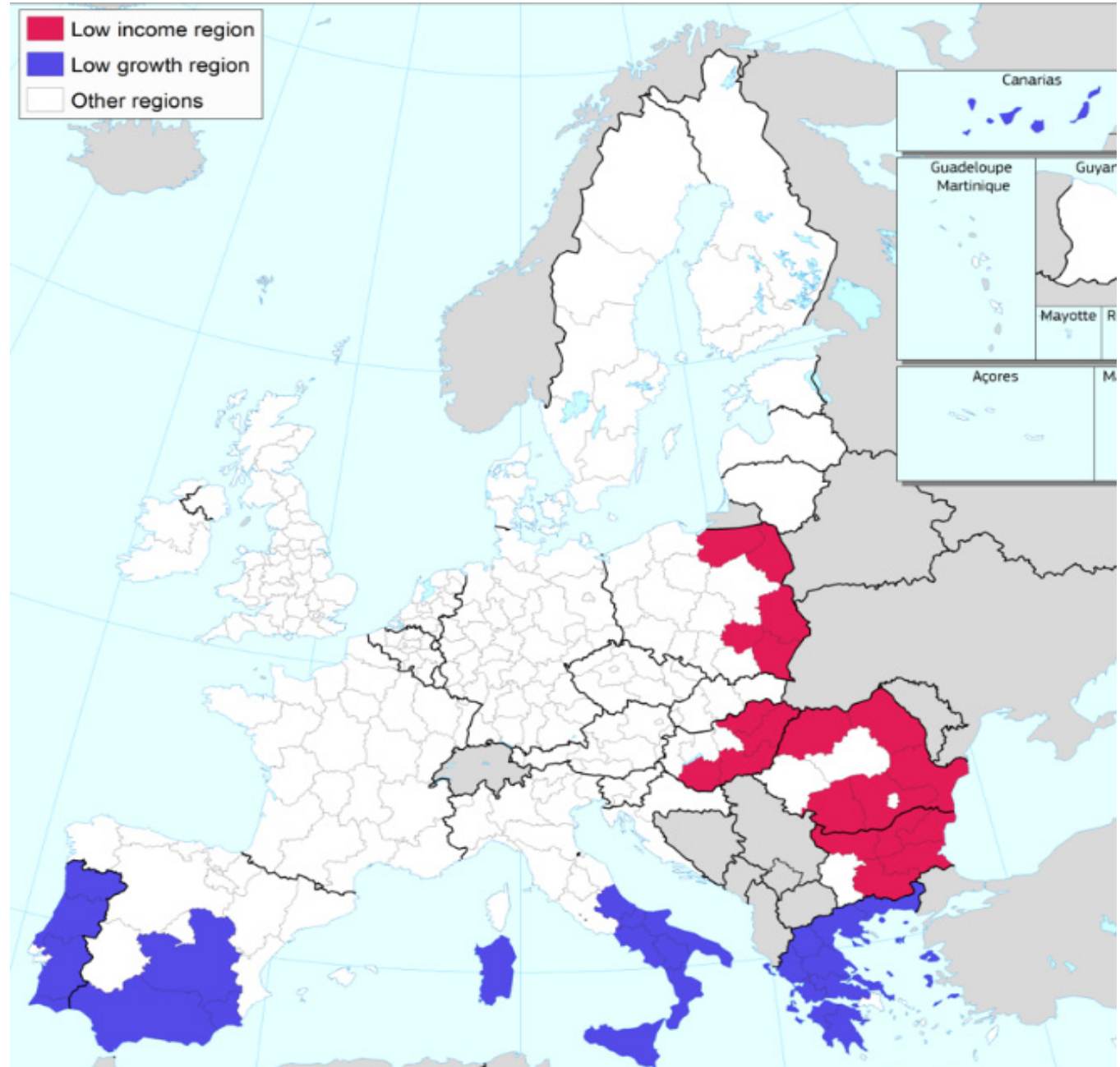
- ❑ Devolution in multi-level governance systems is often misconceived in 2 very different ways
- ❑ In **top-down** conceptions the lower levels are seen as the worker-bee agents who passively implement the policy designs of higher level principals
- ❑ But there are 2 problems with this conception:
 - ❑ the higher level principals don't have the necessary knowledge; and
 - ❑ policy implementation is a creative problem-solving activity not a passive execution of higher designs

Top-down v bottom-up

- ❑ But the **bottom-up** conception is equally flawed because it assumes that local empowerment is sufficient for successful devolution when it isn't
- ❑ Local actors need to learn from what's worked and hasn't worked elsewhere by learning from the pooled experience of actors beyond their locale
- ❑ EG is designed to do that because it is a form of democracy in which the experience of "higher" levels is corrected by the knowledge of "lower" levels and vice versa
- ❑ EG and the PBA are conceptions of governance and development that are neither top-down nor bottom-up

Lagging Regions

- ❑ Lagging regions assume many different forms with different problems
- ❑ The low income lagging regions of Central and Eastern Europe are locked into global value chains and have big problems of institutional trust, corruption and out migration
- ❑ The low growth lagging regions of Southern Europe have big problems of weak governance, clientelism and corruption in some regions (eg in the south of Italy)



Lagging Regions

- ❑ The lagging region challenge is most acute in terms of regional innovation strategies (like RIS3) because these strategies require inclusive governance and smart networks
- ❑ Here lagging regions face big internal problems in -
 - ❑ securing **intra-regional** collaboration (triple helix etc)
 - ❑ fashioning **extra-regional** collaboration (cross-border value chains)
 - ❑ forging **inclusive** governance systems
 - ❑ utilising monitoring & evaluation as a **learning tool** and not a compliance tool

Experimental governance

- ❑ EG informs the PBA and it involves a multi-level architecture in which 4 elements are linked in an iterative cycle in the original conception of Sabel & Zeitlin -
 - ❑ **broad framework goals and metrics** are provisionally established by central and local units;
 - ❑ **local units are given broad autonomy and discretion** to pursue these goals in their own way;
 - ❑ as a condition of this autonomy, **local units must report regularly on their performance** and participate in a peer review in which their results are compared to others; and
 - ❑ **the goals, metrics and decision-making procedures are revised** by a widening circle of actors in response to the problems and possibilities revealed by peers

Compelling but challenging

- ❑ EG is **compelling** in principle but **challenging** in practice
- ❑ In my OECD review paper I addressed 2 key propositions of the EG model
 - ❑ the commitment to/capacity for **learning-by-monitoring** in public sector bodies, and
 - ❑ the degree of **autonomy/discretion** afforded to local units in the multilevel polity
- ❑ Each proposition is **empirically challenged** by the practice of the place-based approach that informs EU Cohesion Policy

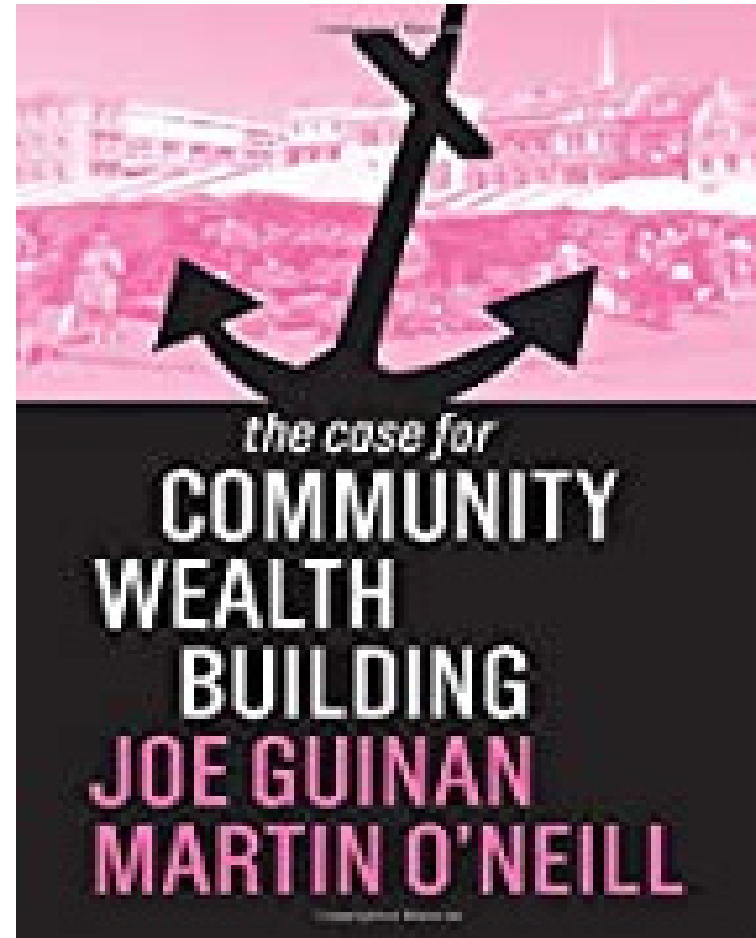
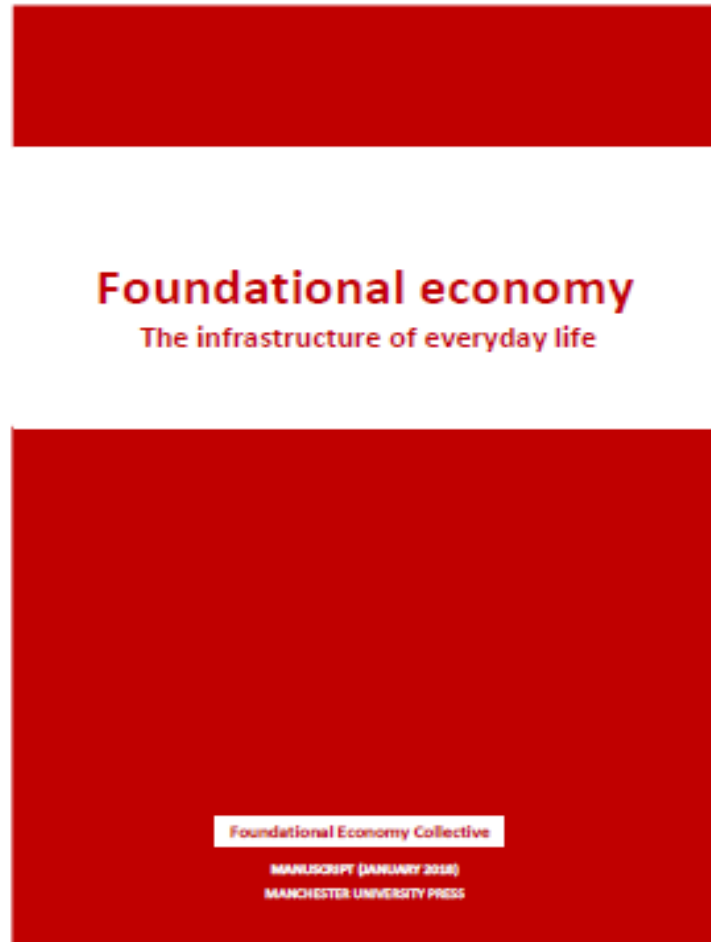
Promise of the place-based approach

- ❑ Place-based approach of the **Barca Report** was informed by the multi-level architecture of EG
- ❑ In this multilevel architecture, as the Barca Report conceived it –
 - ❑ **the upper levels of government** are supposed to set the general goals and the performance standards to establish and enforce the “rules of the game”
 - ❑ **while the lower levels** have “the freedom to advance the ends as they see fit” (Barca, 2009: 41)
- ❑ This seemed to secure conditionality **and** subsidiarity by combining bottom-up localism with top-down pressure for comparative testing

Practice of the place-based approach

- ❑ Big disconnect between **promise and practice**
- ❑ As regards the lower levels, the EU audit/compliance culture is **intolerant of failure** and seems to say - be experimental as long as you don't make mistakes!
- ❑ “The volume of rules for Cohesion Policy alone, including more than 600 pages of legislation published in the Official Journal (more than double that in the period 2007-2013) and over 5000 pages of guidance, has long passed the point of being able to be grasped either by beneficiaries or by the authorities involved” (**High Level Group on Simplification, 2017:2**).

Wellbeing: a new place-based agenda?



- **Foundational Economy** is part of a zonal way of thinking about place-based economies + how different zones matter
- Conventional regional policy focuses purely on the tradeable economy
- But the foundational zone can help cities and regions with the ongoing challenges of inclusive growth and wellbeing
- Why? Because the FE focuses on the direct satisfaction of human needs

**Tradeable
competitive
economy**

**Foundational
economy of
daily essentials
e.g. housing,
health care**

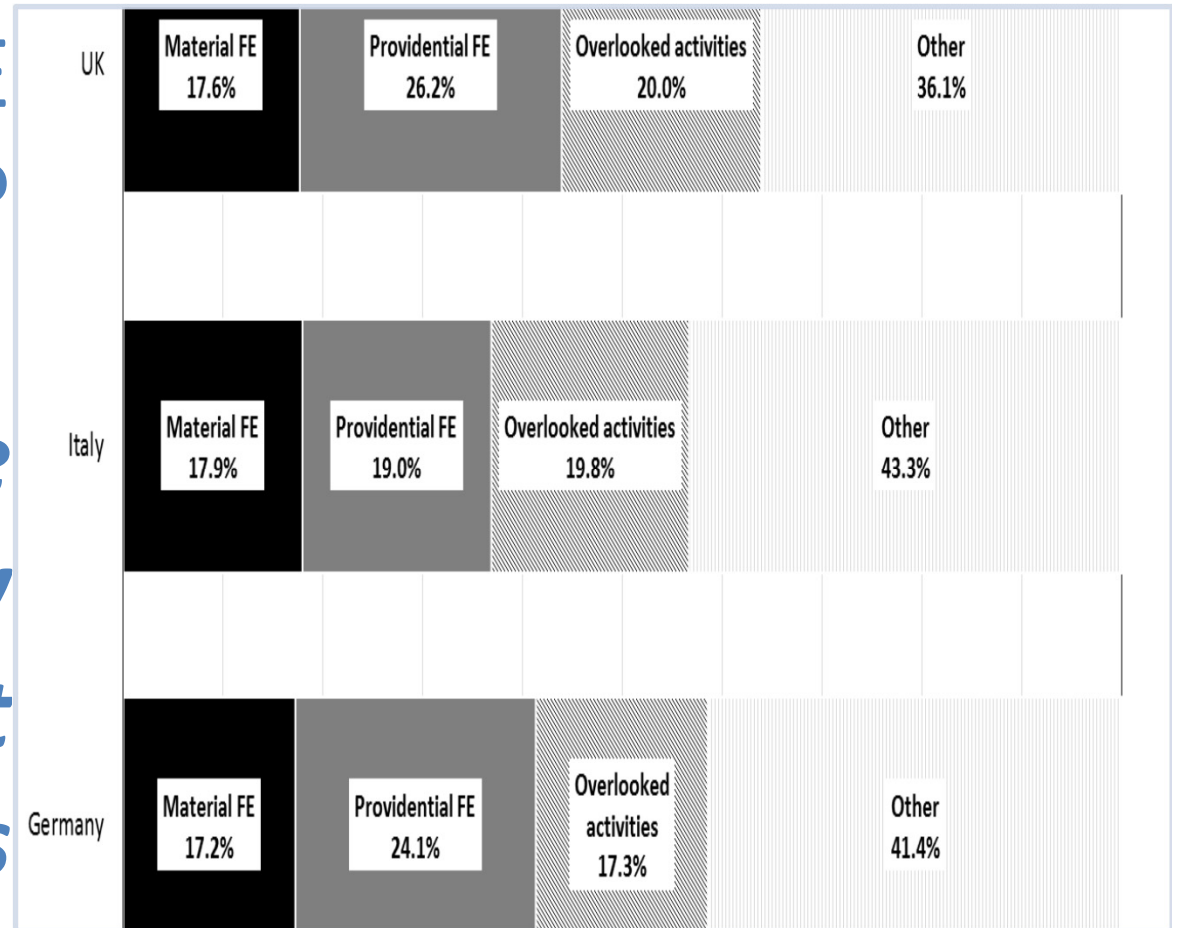
Why the FE matters?

(1)
***wellbeing
critical for
households***

- **Household wellbeing depends daily on foundational essentials** where interruption of provision = immediate crisis
- ✓ **Providential services** like health services and care, universal primary and secondary schooling = the badges of our civilisation
- ✓ **Material infrastructure** of pipes and cables connecting households to systems which make everyday life safe, sound and civilised

Why the FE matters?

(2) 40% or more of the economy in employment terms



A new place- based agenda?

*(1) its
about
wellbeing
and new
metrics*

- **The foundational economy requires a new set of metrics instead of just per capita GDP - income measures which do not capture the well being of households in specific places**
- **The key metric of foundational liveability is *residual household income* (net of housing and transport costs)**
- **Low GVA per capita places can be liveable for many households if affordable housing is readily available**

A new place-based agenda?

(2) its about citizen engagement and real partnerships

- **The building of the foundational economy 1870-1960 was top down** (engineer designed and state led); from gas and water to NHS hospitals and council housing
- **2020s challenges require citizen engagement and deliberation** eg in adult care on balance between bio-medical needs and social needs
- **And a listening/enabling/porous state that is engaging in local experiments – a state that is on tap not on top!**

**Cognitive
shift:**

*a positive
sum game*

- **William Blake’s “mind forg’d manacles” = cognitive conservatism**
= why we tend to frame the future in terms of the past
- **A foundational perspective** signals a cognitive shift by focusing on things that are intrinsically significant in terms of human need
- **A foundational perspective** signals a positive sum game because all places have FE sectors (as opposed to the zero sum game of FDI)
- **A foundational perspective** signals a new commitment to social + spatial solidarity, stressing our common citizenship and the urgent need for civil repair

Foundational economy challenge fund

- ❑ **The Welsh Government's approach to supporting and developing the Foundational Economy will focus on three areas:**
- ❑ **Our £4.5m Foundational Economy Challenge Fund:** This will support a series of experimental projects that will enable us, with the help of our partners, to test how we can best support the foundational economy and which Government interventions work best.
- ❑ **A renewed focus on growing the 'missing middle':** We want to increase the number of grounded firms in Wales and establish a firm base of medium sized Welsh firms which are capable of selling outside Wales but have decision making rooted firmly in our communities.
- ❑ **Spreading and scaling best practice:** We are looking at social value within procurement. We will support Public Service Boards to use and strengthen local supply chains. The Wellbeing of Future Generations Act methods will help us make quick progress.
- ❑ More information about the Foundational Economy and the Welsh Government's approach can be found on the [Welsh Government website](#).

Conclusions

- ❑ EG is an **intellectually compelling** but **politically challenging** model for all levels of the multi-level polity
- ❑ Place-based development needs to transcend traditional binaries (top-down v bottom-up; centralisation v devolution; solidarity v subsidiarity) in favour of judicious **multi-scalar combinations**
- ❑ But in all cases EG needs a **smart state** not a shrunken state
- ❑ This is essential because **the state looms large** in all the sectors – education, health, dignified eldercare, energy, transport, food security etc – that lie at the heart of societal challenges in every city and region
- ❑ EG is key to **public sector innovation** and **inclusive place-based development**