

**THEORY LED BY POLICY? THE INADEQUACIES OF ‘THE NEW
REGIONALISM’ IN ECONOMIC GEOGRAPHY ILLUSTRATED FROM
THE CASE OF WALES**

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1. WALES AS A LABORATORY OF REGIONAL CHANGE AND REGIONAL POLICY

Wales is a good lens through which to examine a number of issues in economic geography. It is one of the most highly globalised regions of Western Europe, it has a well-defined institutional apparatus of economic development, and it is about to establish a new all-Wales layer of governance (the National Assembly for Wales). It is also the object of a debate as to the virtues of existing patterns of development and the possibilities of alternatives. This paper reports on some themes raised in that debate.

An Amazing Spectacle in Cardiff!

The setting is the prime music and conference venue in the region. The stage is lit by a professional crew and the sound is managed by a commercial P.A. outfit. The hall is crowded, and the lights are dimmed. A video, accompanied by pop music, lights up the back of the stage, echoed by monitor screens all around the room. The video reaches it's climactic conclusion, culminating in a hi-tech print-out of the name of the first act. This turns out to be not the Spice Girls but a middle-aged business-man in a suit. For this is not a pop concert, or even the latest airing of New Labour's media machine. It is a Conference on The Intelligent Region. The venue is the Cardiff International Arena. It is May 1998.

A parade of the great and the good from the Welsh establishment (known locally as the 'Taffia') present carefully drafted addresses, accompanied by bullet-point summaries on the monitors. Several hundreds of participants have been invited at a cost rumoured in the corridor to be up to a thousand pounds each. This hugely-subsidised presence is celebrated by speaker after speaker in the name of 'networking', much of

which takes presumably place over dinner in Cardiff Castle. It is conspicuous that the networkers do not include any representatives of the black communities of the deprived dockland area of Cardiff (which is clearly visible over glasses of wine in the interval), or the former coal-mining Valleys ten miles to the North (the poorest parts of Britain outside Tower Hamlets), let alone the rural poor to be found further North and West. Nor do they include representatives of the low-paid temporary workers who staff the Conference centre for this prestige event (although a couple of uncomfortable trade union officials are present).

In the course of the two days some presenters do manage to squeeze a few points of analytical or descriptive substance into their spot-lit moments on stage, and some of the workshops do manage - albeit briefly and with no follow-up - to generate debate. But these are clearly incidentals: the purpose of the whole exercise is to provide public demonstration of the importance of the Welsh Development Agency (WDA) and the red-hot theories of regional development and policy ideas with which it wishes to be associated. This is made extremely clear in the introductory speech by the Chairman of the Agency. The most powerful economic policy actor in this part of Britain manages to squeeze into his presentation just about every concept and nostrum to be found in what I call the 'New Regionalist' orthodoxy. He begins with the claim that Wales has undergone a 'manufacturing renaissance' driven by the growth of 'new industries'. This is followed by a sketch of the policy agenda which arises inexorably from the imperative of enhancing Wales' Global 'Competitiveness'. The key is 'sustainability', and to this end the primary task is to 'embed' existing and future inward investment. This, together with more 'networking' and the development of 'Trust' will encourage and diffuse a general boost in 'innovation'. In parallel, there must be an improvement in the regional 'business culture' and the associated 'mind-set'. Happily the prospects for all of these are good, for the Welsh economy is already one of the most 'globalised' in Western Europe (this seem to mean that it has a lot of inward investment and a flexible labour force). Moreover, Welsh economic institutions are geared up to meet the challenges of 'Globalisation', or even (*sic*) 'Glocalisation'. The account is sprinkled with references to the global gurus of economic development whose books are to be found in every airport bookshelf (Porter, Kantor, Ohmae, Handy etc.) as if these had

been written with Wales specifically in mind. It concludes with explicit reference to two home-grown Cardiff University academic upon whose work the Agency has been able to draw: Philip Cooke and Kevin Morgan. Their input has been particularly significant in the Regional Technology Plan.

Much the same litany is repeated a little later by Richard Caborn, UK Minister for the Regions, in his exposition of the Blair governments policies to establish Regional Development agencies and possibly nine Regional Assemblies in England. The past and future economic development of Britain's regions, and those of the rest of Europe, he insists, will be shaped by the emergence of new 'regionalising' forces which are the other side of the coin of 'Globalisation'. Fortunately, Wales has shown the world how to capitalise on this, because it understands the policy issues. This is because it is an 'Intelligent Region'. By way of proof, it has adopted the policies previously listed by the WDA Chairman.

I have started this paper with the Cardiff conference because it seems to me to encapsulate several dimensions of the current intellectual and practical crisis of regional economic development. This is a crisis in a very real sense. Firstly, regional development is changing uncontrollably and prevailing theories and dominant policy institutions have very little grasp either of what is going on, or what to do about it. Secondly, in this vacuum a set of policy paradigms - sometimes conflated and puffed up as 'a new theory of regional development' - is being widely adopted, in what is a remarkably visible but generally unanalysed example of international policy transfer. I believe that the policies in question are most unlikely to make any significant difference to the vast majority of the populations of the regions in question, and the Welsh case is a good example. But in the meantime the authorities are devoting enormous efforts to convincing their audiences of the opposite. The result is a major shift of emphasis from economic development to the manufacture of ideological consensus. In this venture regional authorities and other agencies of governance are calling on new intellectual inputs, and thanks to the crisis of academic funding there is no shortage of willing suppliers.

As a result, a new relationship is emerging between the discourses of practitioners and of academics. This is witnessed by the flourishing new literature at the interface of academia and ‘practice’. But too much of this is neither academic nor practical in the traditional meanings of these terms: it is not an unbiased attempt to discover what is really going on in regions. And nor is it a serious attempt to improving regional economies as a whole. Much of what passes for regional development theory and regional development theory embodies the classic error identified by Andrew Sayer a decade ago: it confuses development *in* a region with development *of* that region. It fetishises particular kinds of economic or organisational activity and therefore prioritises one set of activities (typically, those which can be presented as involving ‘learning’) and devalues others. As a result it represent a social bias in favour of some groups and against others.

This is a description of what the New Regionalist theoretical ‘package’ which Ash has described in abstract terms actually means in practice. In spite of the hopes vested in it by some well-wishers, it is not an agenda for empowering the peoples of regions to influence their economic destiny. The rhetoric of the new orthodoxy of regional development theory is severely at odds with the reality. But it is functional for the small and unrepresentative groups and institutions engaged in regional economic development. In this paper I argue that the rise of the ‘New Regionalism in Thought’, alongside the rise of ‘New Regionalism in practice’ are intimately connected. Too intimately. This is not the result of a genuine scientific achievement in regional analysis, but of changes in the political-sociology of regional economic development. The Cardiff spectacle provides a particularly stunning illustration of a sorry development that is by no means confined to Wales.

The New Regionalism in Thought

By ‘The New Regionalism in Thought’ (NRT) I refer to that sub-set of ideas in policy-related economic geography which converge on the claim that ‘the region’ is displacing the nation-state as the ‘crucible’ of economic development. This is the

bottom-line of a wide range of work rooted in a variety of perspectives, and numerous citations could be offered if sufficient space were available.

In one version, the rise of the region is seen as a historically novel economic fact. In its turn, this is (supposedly) the outcome of a series of transformation in the technological and organisational dimensions of production, often indicated by the slogan 'Post-Fordism' (Piore and Sabel 1984). According to perhaps the leading theoretician in this vein, the region has consequently become 'a fundamental basis of economic and social life', and 'a fundamental basis of economic and social life' (Storper 1995 p191, see also Scott 1998, Castells 1997). Others uphold the view that the region is becoming the key scale as a result of adopting an institutional perspective. Amin and Thrift have written extensively about what they call the 'widely circulated story .. that the local economy and local institutions are becoming more.. salient' (1994 p.v). They suggest that this story is broadly true. A slightly different route to much the same place starts from debates over Civil Society, and the suggestion that the local or regional scale, rather than that of the nation-state, is uniquely appropriate to engender the type and frequency of formal and informal interactions conducive to the kind of economic interactions required to bring about the flexible economies of scope required for survival in the global market. Yet another group of theories, this time motivated by a more traditionally Left-wing concern with social integration in the workplace, builds from the claim that in the supposedly flexible and participative 'Post-Fordist' 'knowledge-intensive' economy which we are allegedly entering, the region lends itself to the construction of new participative economic systems (Mayer 1992, 1997). Pulling elements of these various stories together in an extremely loose synthesis, a number of writers have come up with the notion that regions are the right scale to nurture the formation of '*associational economies*' (Amin 1997, 1998, Cooke and Morgan 1998). The 'regional scale' is supposedly the most suitable for economic governance intended to bring about the development of a 'reflexive' system of economic monitoring, information exchange, and policy adjustment, and on-going 'institutional learning'.

‘The region’ has thus generated a considerable amount of speculation, hypothesis formation, model-building, and rhetoric in the 1990s. So far so good. But it should be noted at this point that many of these claims have been developed within an analysis pitched at a peculiarly vague level of abstraction such that the geographical scale of ‘the region’ in question remains unspecified; the central concept is curiously ill-defined. We have no idea how ‘the region’ posited in these theories relates the ‘the Region’ on which we might live. But such subtleties are given little attention in much of the literature at the ‘theory-practice’ interface.

At this point it might be prudent to distinguish Sophisticated from Vulgar New Regionalism, (echoing the differentiation which C. Wright Mills made within Marxism). Sophisticated New Regionalism concerns itself with the logical implication of assumptions, and operates in a theoretical space carved out by the invention of ideal-types. As such, it is unaffected by claims concerning the real world. Its purpose is to point out *theoretical* possibilities (such as the possible role of economic interactions or relations of ‘Trust’ in territorial ‘clusters’ of industry). Sophisticated New Regionalism is self-consciously abstract; it is sophisticated in the sense that it does not hold out hostages to fortune in the form of dangerous empirical claims. By contrast, Vulgar New Regionalism (VNR) assumes or implies that theoretical categories can be read-across to real-world empirics. It derives its force from concrete empirical claims, and its vulgarity arises from the fact that many of these are crude, over-generalised, or just plain inaccurate. In other words, regional development in the case in question is not in reality shaped by the processes upon which it focuses, but is in fact shaped by other factors altogether.

The rest of this paper argues that 1/ the prevailing interpretation of recent economic development is a prime example of Vulgar New Regionalism, and 2/ the tendency to Vulgarity is inherent in New Regionalist writings as a whole, it is not a Welsh speciality. The key problem with the New Regionalist discourse is that it tempts those who participate in it to slide from Sophisticated Abstract discussion to Vulgar Empirical claims. Moreover, this kind of slippage is not strained, incidental or rare. It happens all the time, and there are both intellectual and practical reasons for this.

The New Regionalism in Practice: the case of Wales

The Cardiff Conference demonstrated just how misleading is the landscape generated by looking through New Regionalist spectacles on the case of Wales. Speaker after speaker focused on the alleged lessons of the ‘economic transformation’ of Wales since the early 1990s. Of course, many added with a frown, this has a long way further to go (it is part of New Regionalism as a performative activity that reference is invariably made to the need to create even more jobs, usually accompanied by an extremely vague gesture in the direction of the potential of the ‘Third Sector’ to absorb the unemployed (see Morgan and Price 1996, Amin 1997).

There is no space here to elaborate the empirical issues concerning the Welsh economy (for a brisk summary see Lovering 1996a, masochists can find details in Lovering 1998 and 1999, soon to be available on the CPLAN website). In brief, Wales has been nowhere near as ‘successful’ as was suggested at the Conference, and in too many half-informed accounts by journalists (Financial Times 1998, Economist 1998), Conservative and Labour politicians (Conservative Party 1996, HMSO 1997), London economists who should know better (Desai 1996), international business pundits (Ohmae 1996), consultants and pressure groups (Institute of Welsh Affairs 1993, 1996) and enthusiastic local academics who have been infected by standing too near to boosterists (Cooke 1995, Cooke 1998, Cooke, Price and Morgan 1995a, 1995b).

The economic transformation in Wales has in reality been far less wide-ranging, and far more ambivalent. Cutting out the Vale of Glamorgan and the Marches, the geographical bulk Wales remains an extremely peripheral part of the UK. Incomes remain stuck some fifteen per cent below the UK average. Wales remains economically peripheral in the UK, in terms of its share of UK GDP, and the ratio of per capita GDP in Wales to that in the UK. The total availability of FTE jobs per head of population is 20% below the early 1980s (MacKay 1999), between a quarter and a third of the population border on poverty (Adamson 1996), and so on. The recent pop-economic history purveyed by many commentators is simply wrong: the so-called ‘new

sectors' created more jobs in the 15 years *before* 1979 than the 15 years afterwards. Despite a relatively large share of inward investment, the manufacturing sector remains a small and declining source of employment. Inward investment created over the past decade created very few jobs (although it is not possible to say exactly *how* few because there has been no proper research).

In short, the Welsh economy can only be described as a 'success' in an extremely tendentious and somewhat myopic perspective which simply ignores what has traditionally been regarded as economic welfare (and in particular ignores distributional issues). The 'globalisation' of Wales has brought at best only modest benefits to most of its citizens. This does not of course mean that nothing has changed. On the visible level the Vale of Glamorgan (which is the Western end of a belt of high incomes including Bath and Bristol) enjoys average per capita disposable incomes quite unrepresentative of the rest of Wales. Accordingly, it is not short of golf courses, luxury housing, out-of-town shopping malls, and BMW dealerships - the kind of things which the Regional development professionals, inward investment consultants, Secretaries of State, and the media love to highlight.

The important point here is not that Wales has grown more unequal (like everywhere else). It is that the greater part of such beneficial economic change as has occurred in recent years, and the present levels of economic activity and standards of living in Wales, owe *nothing* to the model of economic change which the 'New Regionalist' orthodoxy alleges to be characteristic of present-day development. If one single factor is to be singled out as the most important source of increased employment and the main pillar of current standards of living in Wales, it is not knowledge-based industries, foreign investment, export activity, entrepreneurial new businesses, or new industrial clusters: it is the UK public sector.

Public spending accounts for a higher proportion of employment and GDP in Wales than in any other UK region - apart from the unsurprising case of Northern Ireland (Lovering 1997a). Between 1981 and 1995 the public-sector dominated categories of Public Administration and Defence, Health, Social Services, and Education, created,

net, around fifty thousand jobs. This is well over *twice* the gross employment contribution of FDI in the same period (and much more than twice the *net* contribution - but as noted above the precise figures are unavailable), and no less than *twenty-two* times the net contribution of the ‘renaissance’ of manufacturing industry. Curiously, this is mentioned nowhere in the best-known recent texts claiming to survey Wales’ recent development (Cooke 1995, Cooke 1998, Cooke, Price and Morgan 1995a, 1995b, IWA 1996).

Any detached attempt to identify the motors of economic change in Wales, and to identify the key influences on the future development of the Welsh labour market, would have to give first place to the legacy of the post-war compromise and the Keynesian Welfare state. The impact of the globalisation agenda upon which New Regionalist discourse and dominant practitioners focus their attentions would come a very distant second. But this is not the way thinking about regional development, and policy, actually works in the corridors of influence Wales, and beyond. New Regionalist-influenced interpretative and normative writings tend to pay attention to the public sector only insofar as it can be squeezed into their post-Schumpeterian approach to innovation. Tunnel vision concerning the public sector is characteristic of the ‘foundational texts’ of New regionalism, most notably Piore and Sabel’s Jeffersonian manifesto for small business which exercised such an extraordinarily - and inappropriate - influence over non-American geographers and economists in the 1980s (but see also Scott 1998, Storper 1995, Cooke 1998, Piore and Sabel 1984).

Importing this reductionism - I suggest - has led New Regionalist interpreters to produce far less accurate and comprehensive accounts of recent economic and social development in Wales - loaded with far more partisan policy implications - than relatively ‘traditional’ accounts by those whose non-Geography disciplinary background, lack of funding, or personal quirks have sheltered them from this influence (see for example Prentice 1993, George and Mainwaring 1987, Mainwaring 1995, Thomas 1996, Morris 1996, MacKay 1998, MacKay and Audas 1997).

The strengths of weak theory

The application of (Vulgar) New Regionalism in Wales has thus had completely misleading effects - both as an account of the recent past and as a guide to the future. But it nevertheless remains enormously influential in elite circles, as the Cardiff circus showed so gruesomely. This suggests that its grip must be explained in ideological terms - more precisely the ideological utility of the Knowledge it constructs for existing powerful interests. Despite the genuinely well-meaning hopes of some of its advocates, the infusion of New Regionalist notions into the regional development discourse in Wales has narrowed rather than broadened the intellectual horizons within which explanations are framed and has been mobilised to narrow the practical agenda in ways which dovetail with the concerns of vested interests. Unsurprisingly, a woolly theory has proven to be extremely 'co-optable' by those with ideological resources and motives to do so.

One illustration of this arose in a TV debate (in which this author participated) following the European Council Summit in Cardiff in mid-July. The context was supposedly a debate on 'Wales and Europe', which opened with the usual puffed-up catalogue of Wales' recent economic successes, but rapidly turned to the worrying future of the Structural Funds and CAP post-1999. Throughout the programme the Secretary of State insisted that failure to obtain improved (Objective 1) funding would be a 'disaster for Wales'. But this is simply false: the total inflow of EU funds, including CAP, is equivalent to only 1.8% of present government spending in Wales. Any shortfall could be remedied without difficulty (the obsessive emphasis on EC funds is witness not to its real significance to the Welsh economy but its particular significance for a set of institutions with access to the media).

The point here is that the new official emphasis on New Regionalist stories of developmental economic governance is accompanied by an increasing avoidance of any consideration of macroeconomics and the public budget at both the UK and EU levels. The New Regionalist celebration of regionalisation is the other side of the coin of a new economic conservatism. The European dimension enters the regional debate in the most banal of terms - as a zero-sum squabble between regionally-based special

interests over EU resources (and if Greece has to lose for Wales to gain, then so be it). The question of Wales' as a collective actor influencing the wider trajectory of EU macroeconomic development is simply ignored (such thoughts terrify the Labour establishment in Wales, let alone London).

I fear that this is the Real Significance of the New Regionalism: it is a pseudo-academic rhetoric which is gaining a high profile in policy (and thereby funding..) circles primarily because it is useful in legitimising a territorial reconstruction of governance the likely effect of which will be to encourage regional competition over resources, rather than the creation of a new regionally sensitive system of European governance which could alter the availability of resources in the first place.

The New Regionalism lends itself to be mobilised to narrow debate onto pseudo-technical matters of concern to powerful institutions, and thereby to obscure rather than open-up the politics of economic development at the regional levels (and the local, national, and international). It is a discourse which constructs an agenda close to the hearts of a few, but irrelevant to the majority. It represents the opposite of what radical geography of the 1970s through to the 1990s sought to achieve. Which is ironic, not to say tragic, because most of the advocates of New Regionalism emerged precisely from a background of radical geography.

2. THE THREE WEAKNESSES OF NEW REGIONALIST THOUGHT

There is no space here to elaborate the genealogy and current range of the entire New Regionalist literature, and this section is therefore extremely terse (for a slightly less breathless discussion see Lovering 1999). I apologise in advance to those who identify with the New Regionalism but whose own work is not of a piece with the version criticised here (I am hoping to collect some names here today).

I have suggested that the New Regionalism in Thought is chronically prone to appropriation by partisan interests. I have also asserted that this is because it carries within it a tendency for Sophisticated Abstract analysis to collapse into Vulgar

Empirical claims. I now want to sketch my reasons for believing that this is no accident - it is not something that only happens in the Valley-boy political networks of South Wales. This tendency to apologia is inherent in New Regionalist thought because it is ultimately a bundle of policy biases rather than a new theory (perhaps this is what Ash means by 'paradigm'?). This is evident in weaknesses at three levels: (i) philosophical and methodological, (ii) substantive economic claims and (iii) political sociology.

a. Philosophical short-cuts

New Regionalist theoretical writings are generally pitched at a level of abstraction that is vague in the extreme, and invites abuse. The method of abstraction is - of course - essential to all serious intellectual work. It is needed in order to isolate *in thought* the relationships between particular processes of interest. But the knowledge-generating value of such theoretical exercises lies not in their logicity or elegance as a body of claims at this abstracted level, but in the light they throw on the specific time- and geography-bound contexts within which the real world correlates of the interactions examined in theory actually take place. Whether an abstract theory is merely a good yarn which reinforces pre-existing prejudices, or instead generates research which might lead to the discovery of something new, something beyond the assumptions with which the abstract theory starts, depends entirely on how it is used.

This is often forgotten or ignored and as a result ideas are often dismissed over-hastily - whether these be neo-classical, Marxist or whatever in origin.

'Good abstraction consists in specifying the many interrelated aspects of something, and this is how a concrete science (*like a science of regional development - JL*) should proceed. Bad abstraction consists in ignoring the specificity of something to subsume it under some more general concept' (Collier 1997 p25).

Much of New Regionalist theorising would seem to correspond precisely to Collier's category of 'bad abstraction'. It proceeds by abstracting away the real context within which real processes occur in temporally and geographically specific situations, draws

out supposedly general conclusion, and never gets round to putting back that all-important context. The result is set of statements which are neither concrete empirical claims - and testable as such - nor the results of a rigorous deductive process. The vacuous character of the results of such exercises are nowhere more obvious than in some recent writings on the concept of 'intelligent regions'; for example:

‘successful contemporary socio-economic spaces are indeed characterised by institutional reflexivity which is built on a learning propensity derived from the formal application of discursive intelligence to the socio-economic problems of the day’ (Cooke 1998 p299-300).

This is neither an accurate description of what has happened in the regions to which such declarations supposedly apply (see for example Staber 1996 for a devastating critique of NR claims about Baden-Wurtemberg) nor is it a precis of a thorough analysis of the logic of a set of theoretical assumptions (as in rigorous neo-classical economic theory). Strictly, it is nothing.

It is this very emptiness at the heart of much New Regionalist 'theory' that explains why it so easily degenerates into apologetics. It's empty analytical boxes cry out to be filled with substance, and the social context of economic development debates is such that the business of filling them will inevitably tend to be monopolised by powerful interests according to their private interests and purposes.

b. Economic simplifications

Insofar as New Regionalist writings make substantive economic claims, they tend to be imported from dubious and inadequate orthodoxies. In practice, the approach to economic analysis in New Regionalist texts is overwhelmingly dominated by a 'productivist' and micro-economic focus. That is, it treats regional economic activity as if the driving influences on the regional economy *as a whole* can be understood by looking at only one type of regional economic actor, and a 'badly abstracted' one at that. Typically, this is the firm (and often specifically a manufacturing firm), not the investor, nor the public sector, nor the community. But the development of regional economies is not explicable solely in terms of decisions by firms (see the reference to

the role of public spending in the Welsh case above). And nor is that of the global economy.

The foundational New Regionalist dogma (that 'regions are resurgent' and that this is a result of decision process in the firms within them) has led many researchers to focus on minutiae and on special cases and thereby fail to address some of the most powerful influences on regional economic development in reality (if you will pardon such unabashed realism,).

(i) The macroeconomic dimension: a reductionist approach to Innovation

The New Regionalism has played a major role in vanquishing macro-economics from serious consideration. One important field in which this has particularly damaging effects is that of innovation. In the name of Schumpeter, NR writers have placed enormous weight on the process of innovation (drawing on evolutionary and institutional economics, and more particularly on the fashion for identifying an 'innovation deficit;' in Britain or Europe which has pre-occupied many policy makers since the 1980s). But this is a gutted version of Schumpeter - from whom all the really important theories concerning macroeconomics and class dynamics have been removed. As a result, little is said about innovation that is either new or significant, and much of the discussion is little more than a debate about how to create collaborators.

Castells for example - a prominent New Regionalists - reduces the question of the significance of innovation to the level of the competitiveness of the firm or at best (acknowledging Porter) clusters of firms. Castells devotes hundreds of pages in his latest opus (1997) to describing and celebrating new technology, yet has only the following to say about it's impact on growth and employment:

‘the old underconsumption theory, at the heart of Marxian economics, but also of Keynesian politics, still has relevance when placed in the new context of global capitalism. (footnote, p82)

Exactly what that relevance may remain mysterious, because he never mentions it again in the remaining four hundred pages.

The issues flagged in his footnote have, however, occupied a group of researchers - mainly working within international political-economy - who have had little impact on the New Regionalists. Their efforts suggest that the current institutionalisation of 'permanent innovation' is directly related to the particular forms of competition which have been precipitated by nearly two decades of neo-liberal industry, trade and investment policies and deflationary macroeconomic policy in 'advanced' economies in the past decade (e.g. Glyn 1993, Smith 1997, Kitson and Michie 1996). This real world context means that innovation is currently a major cause of the contraction of employment (Aronowitz and DiFazio 1994, Rifkin 1995, CEC 1993). There is little evidence of any discussion in the regional policy context (none in Wales for example) of the probability that measures to boost innovation at the regional level may actually make things worse for many parts of the region.

In Wales, for example, a Regional Technology Plan has been established. Trumpeted as a radical innovation in regional policy (Morgan 1997) this is in reality another very small scheme to subsidise networking elites. It has been authorised primarily because it provided a new way to tap into Brussels funds (see Henderson and Thomas forthcoming). It will no doubt be useful in a modest way, along with the plethora of other initiatives which it joins. But the grander claims made for it are unconvincing because it lacks any connection to anything that could possibly be described as a strategic framework. Lacking any connection to employment goals, it is likely to result at best in further development *in* the region rather than development *of* the region (the same applies to current innovation programmes in the UK or the EU as a whole)

(ii) the absence of finance capital

The New regionalist approach to innovation reflects a 'rationalistic' conception of economics, which is a result of the loss of macroeconomics. A related weakness is the completely lack of attention to the significance of the global reach of finance capital,

giving rise to what Susan Strange twelve years ago called a ‘Casino capitalism’ effect (1986) (see also Costello et al 1989, Glyn 1995, Glyn and Sutcliffe 1992, Arrighi 1994). Ash Amin’s (1994) excellent reader on Post-Fordism does not contain a single reference to finance capital, the City, or global capital movements.

Castells (1997) and Scott (1998), for example, make fleeting reference to the Casino-economy impact of global financial flows, but then completely ignore it in order to get on with what they like most - focusing on what they suppose to be the policy-rich agenda arising from a study of economic dynamics at the level of the firm and the locality/region. As Fitch’s nice empirically-grounded critique of a ‘Castellian’ interpretation of New York showed, this is no way to understand contemporary economic development at either the ‘global’ or the ‘local’ level. Understanding the (industrial) firm (assuming it gets that far) is not enough to understand the region.

(iii) A labour market with no sociology

Another and particularly corrosive effect of the rationalistic framework which shapes so much New Regionalist economic thinking concerns the Labour Market. Few NR theorists - I cannot at the moment think of any - recognise that the labour market has a sociology. It is not just a space in which technical capacities are fitted objectively to requirements; it is a domain in which social ascription and expectations play a huge role. ‘Skills’ are not simply technical capacities, they are (also) socially constructed attributes which earn a return. All of this is missing not only in New Regionalist theoretical models but in their supposedly empirical accounts of real places (again, most obviously in Wales). This ‘omission’ enables the NR to become a convenient and fashionable intellectual prop for whatever existing institutions want to say about skills-shortages, etc. It throws little light on how a regional labour market *as a whole* works.

c. Political Silences

The lack of macroeconomics and lack of sociology (see Ingham 1996) characterising NR thought - despite its claims - are presumably to blame for the uncritical adoption of the discourse of Regional Competitiveness throughout NR writings (e.g see Braczyk, Cooke, Heidenreich 1998). There is little recognition here that applying the concept of 'Competitiveness' to a territorial entity smudges a whole array of questions (Krugman 1993, Lovering 1997, Schoenberger 1997). The term obscures the distinct issues opened up by the notions of *comparative* versus *competitive* advantage. In theory and in practice, the business of defining a regional strategy for Competitiveness is inescapably a business of ranking different economic interests and claims - this is not 'economic necessity' but politics and culture.

(i) the new regional service class

I have implied already that the rise of the New Regionalism to its current status is related less to its explanatory merits than to its utility to particular regional actors. I now want to suggest that its very emergence as a body of ideas is related to the transformation of regional institutions over the past two decades.

Since the early 1980s sub-national authorities in Britain and beyond have increasingly been drawn into economic development issues (Garmise 1997, Eisenschitz and Gough 1993). Local authorities have taken on new or expanded economic roles and have been joined by a wide range of private and quasi-public bodies (Harding 1991, Chandler 1993, Lovering 1995). The proliferation of such organisations amounts to a major changes in the nature of the regional 'service class' (1). All this has created a substantial new stratum of actors requiring inputs of economic data and analysis. In Reich's (1991) terminology, this is a demand for 'symbolic inputs'. The rise of the NRT can be understood as a response to this demand.

It is essentially a parcel of policy ambitions. The substantive weaknesses of NR theory (blindness to macroeconomics, instability, the cultural penetration of labour markets) mean that as an interpretive 'paradigm' it can often present a quite misleading picture of how a region really works. This matters because this picture becomes - in the

increasingly reflexive world of economic policy of which the NR is a symptom - a material influence on future outcomes. The New Regionalist interpretation is inadequate and inappropriate to understand - let alone prescribe for - most regions.

3. AN OUTLINE OF AN ALTERNATIVE APPROACH TO REGIONALISATION

So what is the alternative?

There is no space here to elaborate nuances, so I will try to paint the main alternative in broad-brush terms. It starts from the recognition that the analytical turn to scales 'below the nation-state' occurred in the 1980s and 1990s in step with the unravelling the national framework of economic and social policy which was a legacy of the post Second World War ascendancy of Social Democracy (in Europe) and the legacy of the New Deal (in the USA) (Johnston 1993). The New Regionalist emphasis on regions crystallised into a new 'school' (or dogma) over exactly the same period that major international actors such as the World Bank began to reappraise 'the local' and re-vision it as the appropriate scale for cultural interventions designed to establish a market order (Barratt Brown 1998).

This trend then spread into the thinking of governments, notably in Britain (Lovering 1995, 1997b), and subsequently the European Commission (which is dependent, of course, on support from national member governments of the European Union, and needs must talk in a language that is acceptable to them). The result was the gradual development both of a new set of regionally-targeted policies (involving minimal resource transfer in the post-Keynesian and post-Regional Policy era), and the contemporaneous elaboration of a set of theoretical claims which upheld 'the region' as a new causally significant scale of economic operations. In short, the regionalisation of administration - rooted in the project of unravelling redistributive and development national structure - accompanied the New Regionalism in Theory. This is in large part the story of the adoption in New Zealand, Australai, and Europe of new models of spatial governance more like those on the US - a story of 'Americanisation' perhaps.

In this perspective, the rise of the New Regionalism in Thought is a part of the process of legitimising a shift in economic policy zeitgeist to emphasise 'self-responsibility', de-emphasise collective responsibilities, and 'roll back the State'. This is the result of a political realignment in favour of property owners, rentiers, the advantaged, taxpayers.

The New Regionalism can be seen as a modernised and regionalised version of 1970s *dependencia* theory mixed with Rostow's theory of economic take-off: that is to say, it advocates building up a regional elite with 'an appropriate value system' and a high degree of social interaction. In practice this has meant encouraging a spatial elite to exercise economic governance which is 'globally-oriented and globally-networked', and in which non-business interests have little legitimacy. Many New Regionalists, who tend to see themselves on the Left, seem to have believed that they have been bringing Gramscian insights. This alternative view suggests they have that actually contributed instead to the re-visioning of economic life in Hayekian terms (this argument is developed in Lovering 1998).

The Resurgence of The Region is not at all what Castells, Storper, Scott, or Cooke think it is. The growth of regional economic governance is an outstanding example of the international transfer of a policy paradigm (see Osborne and Gabler 1994 on the export side, and Solesbury 1993 on the import side). This has been a national and international political project to unravel the forms of collective organisation *on a national basis* which were established in mid century as a result of the post-Second World War capital-labour accord (Johnston 1993).

In short, this alternative perspective suggests that the roots of the rise of the region (which generally means a City-region) lie in the political shift to the right. It is not the regional economy that is rising like a phoenix; it is a regionalised structure of governance. This is not the result of the spontaneous emergence of a new model of economic organisation of the kind popularised by Piore and Sabel (1984) or a new technological-cultural zeitgeist (Castells 1997); it is primarily an effect of changing nation-state agendas. The motor of the current process of regionalisation *in practice*

lies in the attempt to replace the 'imagined community' at the national level with an 'imagined unit of competition' at the urban/regional level. The roots of the New Regionalism lie in the mid-1970s taxpayer revolt, interwoven with the 'globalisation' of (US) culture and neo-liberal economic policies. The fact that the NRT draws many of its key principles and texts from American experience and American conceptions of political-economics is thus no accident, since Regionalisation in Practice has often in effect been a process of 'Americanisation'.

In short, regionalisation is the result of a political and moral change - the exercise of power on behalf of a different constituency. There is only space here to note that this alternative view exists in various versions, and that it represents a fundamental intellectual challenge to the New Regionalist orthodoxy (see also Markusen 1996, Staber 1996, Macleod 1996, Jones 1997, Lovering 1996b, 1997b).

Conclusion

As a general factual claim, the idea of an economic 'resurgence of regions' in the contemporary world *in general* is simply false. As a generalised guide to policy it is somewhere between ambivalent and inappropriate. As a rather vague framework within which to speculate on some possible relationships between hypothetical actors at a vaguely specified level of abstraction it has some limited utility. As an ideologically-loaded discourse which is proving to be extremely useful for existing organisations, corporations and a new regionally constituted service class it is fabulously successful. As a key to unlock research contracts it is not bad either.

The rise of the New Regionalism offers a striking example of an intimate connection between the construction of Knowledge and the policy agendas of powerful institutions. But there is a question mark in the title of this paper. Has policy *led* theory? Rather than embark on an abstract discussion of the determinants of ideology versus its effects, I would like to study this dialectic in empirical detail in particular cases (of regions, and of theory). This would be necessary before venturing any hard conclusion about the direction of influence in general. But it is surely reasonable to

conclude that the vagueness of New Regionalist theorising and its inadequate economic and political vision, mean that it is unlikely to provide sufficient critical distance on its subject matter. It cannot be presumed to be the right place to start when trying to understand a region, much less to prescribe for it. In other words, it is not the wonderful new paradigm it claims to be.

Whatever the merits of the particular alternative sketched above (globalisation-localisation as politico-economic-cultural restructuring) it does at least show that the New Regionalism in Thought has no monopoly of explanation of the New Regionalism in Practice. As the case of Wales suggests, the sooner this monopoly is challenged the better.

NOTES

(1) The term 'service class' was originally developed by Karl Renner to identify a stratum which was closely dependent on ruling groups but insisted on its exclusiveness and apparent independence of those both above and below them. As capitalism developed and these groups became transformed into employees, Renner argued, their 'caste spirit' would atrophy, and the service class would become less closely allied to capital. The term would seem to be a useful starting point for research in regions today. It suggests the presence of a group which is distinctive and identifiable in terms not only of its important economic role, but also its ideological and sociological distinctiveness and influence. It would be interesting to explore this empirically.

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