THE POLITICS OF LOCAL ECONOMIC DEVELOPMENT

In human geography, the interest in the politics of local economic development and the emergence of a literature on the topic date from approximately the early to mid-‘eighties. This was initially an American interest but it was then taken up in Britain. There have been studies in countries other than the United States and the United Kingdom and there is a continuing tension between particularity and claims of a more universal character. Work in this area has certainly contributed to widening horizons in economic and political geography but has yet to register adequately some of the more recent and influential trends in human geography as a whole. These would include both political ecology and what has come to be known as ‘the cultural turn.’ Most of the research into the politics of local economic development has been largely from a standpoint in political economy, and that understood in terms of its more left-leaning variants.

Historical Background

The origins of the interest in the politics of local economic development in North America are diverse. As an academic interest the early contributions were clearly from sociology and political science and to a lesser degree, economics. The early work of Harvey Molotch was particularly important. Other significant contributors include Susan Fainstein, John Mollenkopf, and Clarence Stone.

A landmark paper was Harvey Molotch’s “City as a Growth Machine.” In that paper he detailed the interest of professional property owners in the growth of cities, the
subsequent formation of growth coalitions, and their involvement in the politics of urban growth as a means to enhancing property values. In human geography a decade later the work of David Harvey on urban politics established similar benchmarks for work in that field. These echoed Molotch’s earlier insistence on the relation between the immobility of propertied interests and wider flows, particularly of people, but in a much more theorized and far reaching fashion. Not least Harvey showed how immobility was more than a matter of real property, that similar politics could be observed at other geographic scales, and how the politics of local economic development could be assimilated to the politics of capitalist development as a whole.
Regardless of particular disciplinary developments, though, the emergence of this interest corresponded with real world changes in the geography of uneven development. During the nineteen ’fifties, but particularly during the ’sixties, the urban reappears as an arena of serious tensions around the geography of development. Ongoing suburbanization in the context of the intense jurisdictional fragmentation of the American metropolitan area led to something known as the ‘central city-suburb fiscal disparities problem.’ This in turn focused attention on redeveloping the central city, particularly its downtown areas, though subsequent urban renewal and highway projects were the object of popular opposition. With the growth of the civil rights movement and concerns about black unemployment, these interests converged with ones in transforming Afro-American geography: variously bringing employment into Afro-American areas of the city or bringing blacks closer to where the job growth was occurring through a highly controversial process of ‘opening up the suburbs’. This was a politics whose context was uneven development within metropolitan areas. Early work on these topics by political scientists and sociologists found echoes in human geography, particularly in the work of Julian Wolpert on location conflict, but for the time being the dominant voices were from outside geography.

During the ‘seventies geographically uneven development and studies of its politics underwent a scale shift. Attention now focused on what were seen as quite dramatic changes at interregional and international levels. Inter-regionally, the new spatial imaginary was dominated by the differentials in growth between the so-called Coldbelt
and Sunbelt. Instead of the distribution of employment and investment between central cities and suburbs attention now turned to the competition between cities and states in different regions and, as the growth of Japan and the Asian Tigers came into view, between cities in different countries.

It is during this period that the competition for inward investment first captures the public and academic imaginations. An important expression of this, and resonating widely, at least in the relationships it pointed to, was the idea of ‘capital vs. communities.’ This was articulated most clearly and insistently in the work of Bluestone and Harrison. The idea was a simple one. Capital had acquired a new mobility, interregional, international, and this ability to disinvest from one locality and invest in another had given it an enhanced capacity to drive hard bargains with labor and local government; the latter were the ‘community’ bit. The results were worker givebacks, financial incentives from local government to firms to locate in particular places which strained its ability to provide other services, a shortchanging of environmental regulations, and general stress in both workplace and living place. As the rhetoric of globalization took off this was to receive a new emphasis in the form of what was predicted to be ‘a race to the bottom.’

In the United States these various concerns rapidly became public ones. The reasons for this have partly to do with the structure of the American state and partly to do with that of the media. When compared with Western Europe, both are quite remarkably decentralized. Local and state governments have to find major proportions of the money that they spend. Local economic development has therefore loomed large on both local and state agendas. Furthermore, the structure of the federal state, as well as that of the individual constituent states, gives local representatives extraordinary powers to deliver in the form of (e.g.) particular items of physical infrastructure, as well as obligations to do exactly that. The localness of the American media, particularly the newspapers, lends an additional urgency to specifically local issues. These comprise much of their bread-and-butter. In consequence development politics assumes an unusual saliency in American cities and the reader finds it hard to avoid it.
From this standpoint, the relatively late arrival of an interest in development politics in Britain, both lay and academic, should not surprise. What made the difference was the re-emergence of a regional problem subsequent to the dramatic changes in economic policy introduced by the various Thatcher governments in the ‘eighties. Local government now started to pay attention, though less for fiscal reasons and more for the electoral ones of being seen to deliver jobs. These changes in focus were recognized by David Harvey when he referred to the shift from urban managerialism – a policy emphasis which always had more resonance in the United Kingdom than in the United States – to urban entrepreneurialism. In the United States cities had been ‘entrepreneurial’ for a long time, but in the United Kingdom it was something of a novelty. In human geography this interest was registered by the so-called ‘localities project’ examining what difference, if any, localities could make to respective economies through restructuring, attracting new firms, and so on. Later this interest was to receive reinforcement through restructurings of the British state and the devolution of some responsibility for local economic development.

The politics of local economic development has therefore ‘traveled’: from the other social sciences to human geography and from the United States elsewhere, notably Britain. As a result it has changed, though not without difficulty. As we will see, the American context is quite *sui generis* and the sorts of conceptions that developed there are limited in their portability. In the hands of human geographers understandings underwent further transformations, though not all of these had to do with the characteristic operations of an enhanced spatialization. In particular, human geography was to re-work the politics of economic development through a greater openness to more diverse streams of social theory.

**Characteristic Framings**

There is a highly influential conception of the politics of local economic development which goes back to the early work of Molotch, then his work with Logan, and those of Bluestone and Harrison and the ‘capital vs. communities’ school. This is a conception which had clear appeal to human geographers because of its emphasis on local interests.
and wider fields of influences, including movements of capital. Central to it was indeed a relation between fixity and mobility. On the one hand, there were those with fixed assets of various sorts. For Molotch it was landowners who would constitute growth coalitions; for Bluestone and Harrison they included local governments with their stakes in local tax bases and the ‘people’ with their stakes in ‘community.’ On the other there were various flows, a more global set of forces, population movements for Molotch, capital flows for Bluestone and Harrison which, if captured, would allow the enhancement of property values or the reproduction of communities. But in order to capture them, localities had to enter into competition with one other, offering various incentives of the sort indicated earlier. These in turn might generate local conflicts: struggles with residents and workers around issues of environmental disruption, plant closures, deterioration of amenities, and tax issues; and the disadvantaging of popular interests to the benefit of mobile capital and those landed interests that stood to gain from the exercise. This in turn could give rise to an ideological contestation as the local interests constituting the growth coalition responded with a vision of territorial struggle in which distributional issues within localities had to be set aside in favor of the more basic struggle with localities elsewhere.

There are a number of quite serious problems with this conception. It was, for a start, focused on a rather narrow understanding of ‘development.’ The idea that it could occur through the growth of existing ‘export’ activities was a rare intrusion into work on the politics of local economic development. Even the ‘export’ activities considered germane were quite limited in character. Yet shopping centers and residential developments could just as easily irrigate the rents of landowners and the local government’s tax base as a major office or industrial employer. There was also some exaggeration of the degree to which capital was mobile, something that was taken advantage of, ironically enough, by more immobile branches of the export economy in their quest for the sorts of ‘business climate’ that those pushing for inward investment were advocating.

Even granting the assumption of capital mobility, the central argument tended to overlook sharp variations in the vulnerability of local governments and workers to the demands of growth coalitions and their claims regarding that mobility. The fact was, and
remains, that localities differ very considerably in these regards. So what they are willing to concede to a firm considering a location there, what they have to offer, is a variable. Growth interests in cities expanding on the backs of sunrise industries are unlikely to fight hard to keep a pipe casting plant open. But in a Youngstown, Ohio or Hammond, Ind., that has little apart from that, and where the loss of employment would be unlikely to be made up for by the expansion of other firms, the story is likely to be very different.

In addition, and these concerns aside, this was not a conception of the politics of local economic development which could be transferred easily into a British context. For a start, and most significantly, the sorts of local interests and subsequent growth coalitions characteristic of the American case were not that easy to find. In the American instance there were indeed strong local interests, interests in the growth of particular local economies. In addition to Molotch’s landed interests these included gas and electric utilities and many banks. These all exhibited what we called a ‘local dependence’ – a dependence on enduring location in a particular place – which made them highly vulnerable to shifts in the wider space economy and important participants in local growth coalitions. But in the United Kingdom, banks had national branching structures and historically, electricity and gas had been nationalized industries, so dependence on any particular place for the generation of revenues had been very weak. In an important sense, they had emancipated themselves from dependence on the fortunes of any one place by spreading their (geographic) risks. In addition, the sort of local fiscal dependence characteristic of local government in the US, a dependence on local tax base, was much less in evidence. Rather a system of central government grants with a strong equalizing impulse worked against those sorts of sensitivities and weakened any local fiscal interest in development.

Furthermore, it is now clear that there are even wider differences having to do with the structure of respective states. The highly decentralized American state is in sharp contrast to its British counterpart. American federalism is of a radical sort, allocating very considerable powers and responsibilities to the states and the states in their turn have a similar relationship to local government. The separation of executive and legislative
branches produces parties that are relatively weak compared to individual representatives. Along with the committees which any pending legislation must negotiate, there is very considerable latitude for them to work the system to local advantage. Localities, therefore, are nexuses of formal political power and this may be the crucial point. For while there are indeed strong local interests in the US in the utilities, property developers, local media empires and sometimes the banks, without this decentralization of formal power they would have to look elsewhere, perhaps through national lobbying organizations, in order to achieve their goals. Conversely in Britain there are no such local articulations of formal power constituted by local government officials and MPs. The overlap of executive and legislative branches has meant strong political parties with only very limited scope for the expression of local interests, and a strong unitary state form has reinforced the centralization of state power. So again, the absence of strong local economic interests may be beside the point, though one might argue that if they had been more evident, then there would have been stronger pressures for a decentralization of the British state.

Even so, local economic development did become a public issue in Britain, as indeed elsewhere in Western Europe, and there have been moves – rather weak moves in practice – to decentralize responsibility for local economic development. Perhaps more significantly, interregional tensions of a developmental sort have given rise to a plethora of regional parties, spanning the left-right spectrum and including, inter alia, a revived Communist Party in East Germany going under the new name of the Left Party, the Northern League in Italy, the Scottish and Welsh Nationalist parties, respectively, the Vlamsblok in Belgium and the Christian Social Union in Bavaria. Again, state form seems significant. In the US regional tensions can be accommodated by log rolling, and bipartisan coalitions; something that is a good deal less feasible in the more centralized states of Western Europe with their much stronger party systems.

These contrasts in institutional context have in turn provided a basis for some development of understanding of a more universalistic sort. The confrontation with the American literature and the experience on which it is based has also had some beneficial
results; not least a realization that the politics of local economic development cannot be reduced to competition for inward investment. The ‘Cambridge phenomenon’, the growth of hitech industry in the Cambridge area, has continued to attract an attention not dissimilar to that which Saxenian earlier devoted to Silicon Valley. Industries in the biotechnology and software sectors have become a very significant element in the economic base of the Cambridge area. As in the Silicon Valley case, housing shortages, transportation problems, and resistance to further development have become an issue for the hitech sector and a challenge to its continuing expansion, generating a distinctive politics of local development. Still other work has focused on the politics of creating clusters to begin with; Helen Lawton-Smith’s work is notable and connects with another recent area of trans-Atlantic interest, which is that of governance.

One of the distinctive features of work on the politics of local development in the ’nineties was a growing appreciation of the way in which policy is underpinned by processes of local governance; processes that allow the negotiation of differences of interest between agents who might otherwise engage in mutually destructive contestation, and at the same time provide a source of ideological blandishment through which more popular opposition can be countered. Some of the original intellectual impetus for this work came from Clarence Stone and his idea of urban regimes. An urban regime would be formed by a particular local government and various corporate actors, though sometimes including representatives of organized labor. Their material basis was structural: the fact of a division of labor around development between the municipality with its tax base interests but also its powers over physical infrastructure, taxes, and regulation on the one hand, and corporate interests – developers, would-be ‘inward’ investors – with their capital but also their needs for state cooperation and inputs on the other. To facilitate the functioning of the division of labor, however, perhaps to deepen it further, ‘understandings’ were needed: a shared vision of the development of the city, the mutual trust and to-and-fro through which that vision could be implemented. Stone’s work, hugely influential as it has been, particularly among political scientists and among the urban studies fraternity, has not gone without criticism. Some of this has to do with the excessively dualistic nature of the social theory underpinning it; a rather uncritical
lining up of various polarities underneath one another in which urban regimes are equated with agency and the political, and the wider flux of capital which they hope to capture, with structure and the economic. There have also been some significant shortcomings in terms of its understanding of space and this has provided human geographers with the opportunity to make a very distinctive contribution to this literature, though not always with explicit reference to urban regime theory.

Part of the problem has been the failure to conceive of governance beyond the level of a particular urban government. In the context of the highly fragmented metropolitan area of the US where cooperation across jurisdictional lines is a *sine qua non* of local economic development, perhaps through the county, possibly through contractual relations between individual local governments, or through metropolitan planning bodies, this is a very odd oversight indeed. Harvey’s earlier work on urban politics and his ideas about territorial structured coherence provided a framework for going beyond this and taking in the whole metropolitan area. He did not make reference to urban regime theory but he certainly pointed in the direction in which human geographers were later to take the idea of governance for local economic development.

Part of the context for this in the British instance has been the multiplication of state authorities with some sort of responsibility for local development, and typically in some sort of hierarchical fashion. Even before the new Regional Development Agencies there were public-private partnerships which took in a number of local authorities. The division of authority has required some sort of coordination. The Regional Development Agencies have been responsible for financial assistance but local authorities have retained control over land use regulation and the counties and metropolitan councils have been the ones with the site information submitted by private owners. Beyond that, various agencies of the EU and the grants that they can provide have provided an additional impetus for some sort of local, inter-jurisdictional organization.

In Britain these sorts of local or even regional governance relations have been quite dominantly among various state agencies with overlapping or contiguous territorial
responsibilities. In the US Stone’s original idea of some sort of public-private organization retains some validity. The mediation of inward investment is carried on on a regional basis and involves cooperative relations among local governments, local Chambers of Commerce and, providing the regional element through the scope of their respective service areas, the gas and electric utilities. The latter are key, since they control the information on possible sites. Very similar sorts of relations exist in the British case but, as I implied above, with counties and metropolitan councils performing the function that is carried out in the American instance by the utilities.

This particular turn in the understanding of governance relations – cooperation among various agencies, public and private, with areas of interest at different geographical scales – has converged with and reinforced an interest in the politics of scale. This is a further direction in which theorizing the politics of local economic development has gone in the last decade. Indeed, scale has become a key word in this research area. The projects of growth coalitions, including those of local governments which are so often their political front, now have to be situated with respect to a state that has its own scalar division of labor; its own distribution of powers and responsibilities, fiscal, land use and regulatory in all manner of ways. This is not to say that this distribution is the key to understanding strategy. Powers and responsibilities can be bent to particular purposes, or even transformed, and the local balance of political forces may be such that mobilizing powers at higher levels of the state may be the only way in which the growth coalition can get its way. In this way, moreover, the significance of the state to understanding the politics of local economic development is reinforced.

The Current State of Play
From the standpoint of human geography there remain some interesting omissions or weaknesses in the literature. It is surprising that the wider interest in political ecology has not had more impact on studies in the politics of local economic development, for there is obviously a relation to nature, and environmental groups have often been quick to point out a particular understanding of that relation. The same goes for questions of culture and
identity: that what are called LED professionals have their own culture, and a quite masculinist one at that, is clear.

The other weakness that should be referred to is the Anglo-American bias of the literature. Most of the work that has been done on the politics of local and regional development has taken as its empirical frame either American or British cases. This focus has, to be sure, encouraged useful comparative work but the relation between universality and particularity could obviously be enhanced through studies of this politics in other countries. France is more like the United Kingdom than it is the United States, but as Delphine Ancien has shown, it is by no means exactly the same and there are some very telling differences; the centralization of the Napoleonic state, the different balance of public and private, has had distinct effects and it would be hard to find parallels for them in the United Kingdom. We should also note Bae-Gyoon Park’s work on South Korea. Political parties there are implicitly regional in their support bases and this is strongly associated with the salience of regional development as a political issue: something that is certainly hard to imagine in either the British or the French cases. Clearly, and judging from just these two cases, exploration of other instances promises major rewards in pushing forward the boundaries of research in this area.

Despite these shortcomings and weaknesses, however, and returning to the origins of the literature in fields outside human geography, the contributions of human geographers have been of undeniable significance. Part of this is the enhanced sensitivity to the spatial and to the various ways it manifests itself in the politics of local economic development: beyond the simple relation of mobility and immobility, significant as that is, to understandings of the role of scale, of the differentiation of localities and the socio-spatial, not just the social, construction of governance relations. There is also, however, the way in which human geographers have connected the literature with wider currents in social theory and in some contrast to the mainstream character of work in sociology, political science and economics. So while they may not have been first in the field in studying what is clearly an inter-disciplinary focus of attention, they have invigorated it in distinctive and far reaching ways.
FURTHER READING


