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Competitive Regionalism: Beyond Individual Competition

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1. INTRODUCTION

During the last few decades, individual cities in the United States and Western Europe have attempted to secure their prosperity by becoming increasingly entrepreneurial in their efforts to promote private-sector investment within their own jurisdictions. Urban economic development activities typically include improving local conditions for existing and new companies through public spending to improve education and training and the transportation and communications infrastructures. Cities also usually implement economic development strategies to encourage local business start-ups and expansions. With the expanding opportunities for companies to operate at a global scale of production, cities also attempt to secure some of this mobile international capital. Many local governments devote significant resources to competing with other localities with offers of substantial public incentives to attract large firms to locate within their jurisdiction.

For an *individual* city, using public incentives to attract a major company can be an effective urban entrepreneurial strategy. The main goals of prospecting for industry include increased jobs, per capita income, and tax base for a local economy. The drawbacks for a city of this kind of urban entrepreneurialism, however, can include the enormous resources diverted to companies as incentives, the inequitable distribution of the costs and benefits within cities, and instances of fewer gains for a local economy than initially projected.

Recently, more attention has been paid to the shortcomings of urban entrepreneurialism for *systems* of cities. Competing individually, only one city can be successful in securing a potential investor, but at significant public expense. Moreover, this kind of competition between cities to attract private investment is wasteful if it is a zero or negative sum game. In contrast, urban entrepreneurial efforts that promote firm start-ups or expansions can be positive sum. Competition is zero sum if it results in oversubsidization where the public incentives merely relocate a company between individual competing areas. This kind of competition may even be negative sum if public resources are wasted and used inefficiently. Yet it is difficult for one city unilaterally to decide not to compete for the mobile investment out of fear that the available companies will be attracted to those cities that continue to offer incentives.

Competitive regionalism may be a potential solution to this prisoner's dilemma in which, paradoxically, rational individual actions lead to an irrational collective outcome. Competitive regionalism involves cooperative networks of local public, private, and nonprofit bodies, with higher tiers of the state, that focus their economic development efforts for the benefit of the metropolitan region as a whole. In fact, the term "governance" has largely replaced "government" in the contemporary literature to reflect the growing importance of intergovernmental and intersectoral relations in urban economic development efforts. Not only are the various tiers of government active in regional cooperative efforts, so too are the private and nonprofit sectors. Business interests, the academic community, and community groups participate with the public sector and can even be responsible for initiating regional cooperative efforts. This reflects recognition of the benefits of cooperative efforts not only among local government jurisdictions but also across different segments of a regional community.

Regional cooperative efforts may have the potential to reduce wasteful competition, promote more productive spending of public resources, and allow cities to achieve results collectively that they could not accomplish individually. Agreeing with Barnes and Ledebur (1994), and following the argument outlined by Wallis (1994*b*), Cisneros (1995*b*) suggests that ... America's economy should

> now be seen as a *common market of metropolitan-based local economic regions*. These regions are indeed strongly interdependent, but they also compete with each other and with the rest of the world ... the new leadership coalitions and networks recognize that the geographic focus of their efforts has to be the metropolis as a whole, not just the central city or suburbs independently ... (pp. 3, 19)

The big city mayors concur:

> The American economy is, in reality, comprised of regional economies centered in America's cities, within which the fates of central cities, suburbs, and rural areas are entwined … It is vital that cities and suburbs coalesce around economic plans for the entire region. (Berkman *et al*. 1992, pp. 7–8)

This report focuses on *public-sector* efforts at regional cooperation to achieve urban economic development rather than on the cooperative strategies of *private-sector* firms within particular regions. The competitive regionalism of concern here is that designed to promote *urban* economic development (see Boxes 1 and 2). This review does not specifically address cooperative economic development efforts in rural or agricultural areas (refer instead to Bigham *et al.* 1991; Bradshaw 1993; Cooper 1993; McQuaid 1997; Radin 1992; and Schwab 1990).

For the purposes of this report, urban economic development not only refers to public attempts to enhance the employment and income of urban areas and their residents but also encompasses land and physical development efforts. This focus on regional cooperative efforts to achieve urban economic development precludes discussion of the efficiency and equity of the provision of public services, such as fire and emergency response systems, by individual local jurisdictions in a politically fragmented region versus cooperatively at a regional scale (refer instead to Lefèvre 1998; Parks & Oakerson 1989; and Shanahan 1991).

> Around the country, there is a dawning awareness that regional approaches to development—and particularly, cooperation between central cities and their suburbs—may be vital to economic survival ... This is not ... the same thing as the movement to regionalize service delivery, or yet another round of drum-beating for metropolitan government. Rather, cities and their suburbs are trying to sort out ways in which a variety of public and private entities can work on behalf of the economic development of an entire region, instead of in competition with one another. (Gurwitt 1992, p. 56)

Box 1: Build-Up Greater Cleveland
The public and private-sector representatives in Build-Up Greater Cleveland focus their attention on infrastructure planning and development. They have developed cooperative strategies designed to generate nearly $1 billion in investment for new public works in the Cleveland metropolitan region (Cisneros 1995*b*; Dodge 1992; Wallis 1994*a*).

In addition to competitive regionalism to achieve economic development *within* particular metropolitan regions (see Box 1), there is also cooperation *between* regions. Functionally, these networks of two or more regions represent strategic alliances that involve much more than the kinds of interactions associated with sister cities agreements, friendship pacts, or cooperation protocols (see Box 2).

Box 2: Regio Basiliensis, Upper Rhine Valley
Regio Basiliensis is an international cooperative association of regional and local governments, business associations, and planning experts in the Upper Rhine Valley. This region comprises the areas in the south of Alsace in France, the south of Baden-Württemberg in Germany, and the Basel region in northern Switzerland. Efforts to provide a quality regional environment for business include jointly financed infrastructure and training projects. In the early 1990s, this region took advantage of European Union (EU) INTERREG funding to provide transportation and communications infrastructure, support research and training (particularly in telecommunications), and promote tourism (Borras 1993; European Commission n.d.*b*).

This report is based on a comprehensive comparative review of the interdisciplinary academic and public policy literature on the conceptual aspects and practical experience of government involvement in promoting urban economic development through competitive regionalism. The goal is to provide an account for economic development practitioners of the current state of knowledge about the most important aspects of competitive regionalism in the United States and Western Europe. This review

- examines the major factors that have raised the importance of the metropolitan region and of competitive regionalism in public policy and practice as well as in the academic and policy literature during the last few decades,
- summarizes the key debates over the scope for and limitations of regional cooperative efforts,
- identifies how and why regional cooperative efforts vary within and between countries, using examples from Western Europe and the United States,
- assesses how the experience with regional cooperation in Western Europe can inform policy and practice in the United States,
- identifies best practice in forging cooperative networks, and distinguishes those factors that have been identified in the literature as important for successful cooperative efforts, and
- discusses the important public policy implications of these findings for U.S. cities and regions as well as for the national economy.

2. THE FACTORS PROMOTING COMPETITIVE REGIONALISM

The last few decades have witnessed ongoing urban sprawl, and even the growth of "edge cities" in the United States, as people and jobs have continued to move further out from the urban core. This trend has been associated with growing social and economic polarization within metropolitan regions (Garreau 1991, 1994; Hartshorn & Muller 1989; Ledebur & Barnes 1992; Savitch *et al*. 1992). During this time, the metropolitan region has assumed greater importance as a focus of economic development policy and practice, and in the academic and policy literature as an arena of economic, social, and political activity.

Yet there is no agreed-upon definition of the term "region." Regions vary in spatial size and form and in administrative function between places. In spatial extent, a region lies above the local and below the national levels of government. Regions involve policy and practice on the part of all levels of government, however, as well as activities by the private and nonprofit sectors (Keating 1997). In functional terms, a metropolitan region is not just a statistical unit but represents a functional urban area that typically comprises a central core city and contiguous suburban areas (Dodge 1996); a variety of terms have been coined in the literature including "citistates" (Peirce 1993) and "region states" (Ohmae 1993, 1995).

This section identifies the principal factors that have contributed to the growing importance of metropolitan regions and regional cooperative efforts in the United States and Western Europe. These factors operate and can be examined at two spatial scales of analysis: factors that operate within regions, and wider national and international factors.

Factors That Operate within Regions to Promote Competitive Regionalism

The growing importance of the metropolitan region and regional cooperative efforts reflects the upsurge in the number and depth of challenges that crosscut the boundaries of individual local governments. This trend has been exacerbated by the mismatch between the regional scope of these challenges and the fragmented structure of local government powers, policy, and practice within metropolitan regions (Dodge & Montgomery 1996; Downs 1994).

Certain challenges can be addressed more effectively at a regional scale because individual local governments lack the capacity or resources to address some issues without the cooperation of neighboring jurisdictions (Barlow 1991; Berkman *et al*. 1992; Cisneros 1995*a*; Dodge 1988; Grell & Gappert 1993; Peirce 1993). Urban economic development issues that present opportunities for regional cooperation include strategic economic planning and promotion, education and work force preparedness, research and development (R&D), transportation and communications infrastructure, parks and recreation, urban growth management, and environmental protection, as well as social services, healthcare, and emergency response systems.

Conserving resources at a regional scale makes environmental and economic sense. Inefficient land use and transportation patterns can have detrimental environmental effects on regional air and water quality, which can then adversely impact future regional growth and economic development efforts (Cisneros 1995*a*; Dodge 1990; Wallis 1993, 1994*a*). Coordinated regional land use, development, and growth patterns have efficiency and economic benefits over urban sprawl. Certain urban services and infrastructure can be provided more cost-effectively through cooperative efforts at a regional rather than a local level because of the economies of scale afforded by the larger spatial area and population (Lefèvre 1998).

The metropolitan region offers the necessary "asset profile" to be attractive for private investment. Individual central cities cannot offer high-quality housing and skilled workers and the suburbs cannot offer the specialized amenities of the central business district (CBD). The metropolitan region corresponds with the spatial scale of production because it contains the regional labor force and transportation and communications systems (Hershberg 1996).

> Industries are fed by a variety of sources, including raw materials, sophisticated transportation, a skilled labor force, research facilities, and an environment that can incubate new jobs. Standing alone, neither cities nor suburbs can provide the airports, universities, or land to harness these resources. Working together, these generative assets can be combined and coordinated to produce new products or offer something to a world that values technology, information, and managerial direction. Like it or not, therefore, localities must find ways to collaborate on policy, planning, and development. (Savitch & Vogel 1996, pp. 5–6)

The central city and suburbs are seen increasingly as economically interdependent and complementary because of the increasing recognition that positive and negative spillover effects ignore political boundaries (Cisneros 1995*a*; Dodge 1990; Peirce 1993; Wallis 1994*a*).

> Regions whose cities and suburbs succeed in finding ways to work together will fare better than those whose constituent governments choose to go-it-alone. Whatever the direction of causality, cities and suburbs are linked together through the integration of their regional economies. Whether they like it or not, or even whether they are aware of it or not, cities and suburbs are their region's primary stakeholders. (Hershberg 1996, 27)

Quantitative empirical research on the interdependence of the economies of central cities and their surrounding suburbs in the United States has typically employed bivariate correlation analysis. Analyses based on income data for the last few decades have found a positive correlation between levels and rates of central city and suburban income growth. Decline in central cities tends to be associated with slow growth in their suburbs (Voith 1992). Suburban economies that surround economically strong central cities are likely to be healthier than those that surround economically weak ones (Savitch *et al*. 1993). These findings suggest that central cities and their suburbs are not distinct economies that operate in isolation from each other but are interdependent within a single regional economy where their economic fortunes are linked (Hill *et al.* 1995; Ihlanfeldt 1995; Ledebur & Barnes 1993).

Hill *et al.* (1995) argue that regional economic performance is vital in understanding the relationship between central cities and suburbs because their economies are driven by the market contained by the metropolitan region. In this connection, Blair and Zhang (1994) found that income change at the state level was important in their regression analyses of the central cities and suburbs of the 50 largest metropolitan regions between 1979 and 1989.

On the one hand then, the suburbs are important to the central city. Suburban customers support central city retail and entertainment establishments, suburban residents with jobs in the CBD are a taxable labor pool, and suburban jobs support central city residents. On the other hand, the suburbs should be concerned about the economic health of their central city (Hershberg 1996; Hill *et al.* 1995; Ihlanfeldt 1995; Knox 1994; Peirce 1993; Savitch *et al.* 1992, 1993; Voith 1992).

- Significant economic linkages exist between central cities and their suburbs. For suburban residents, central cities remain the location of the highest-paying jobs. Even declining central cities provide unique retail and entertainment opportunities for suburban customers. Rising or declining downtown real estate values impact suburban residents who represent the major stakeholders in the banks, insurance companies, and pension funds that own the downtown commercial buildings that dominate the value of urban real estate. For companies, the central city maintains a specialized role within the metropolitan region. The CBD remains a focus of corporate and professional services as well as of the governmental and legal apparatus that suburban firms rely upon. Central city residents are also a substantial labor pool for suburban consumer services jobs.

- Central cities offer unequaled agglomeration economies because of the many businesses located in close proximity to each other. The CBD offers unrivaled opportunities for face-to-face interaction and accessibility to a regional labor pool that depends on a well-developed public transportation system. Central city decline can result in lost agglomeration economies that can impair industries throughout the region and redirect some company start-ups and expansions to other regions that enjoy greater agglomeration economies.

- The core city can provide a sense of place for all residents of the region. The central city also usually contains attractive amenities that are valued throughout the region. Regional assets, such as a central waterfront park or downtown historic district, are reflected in land prices throughout the region, especially in those suburban areas with good accessibility to the core.

- Declining central cities see revenues falling due to the suburbanization of jobs and higher-income residents, while pressures mount for expenditure on aging physical infrastructure and needy residents. For companies that depend on the central city's infrastructure systems because they purchase goods and services from central city firms, operating efficiencies fall while operating costs rise. Businesses that demand a skilled labor force, long-term security of real estate values, and high-quality up-to-date transportation and communications infrastructures may invest in other regions. Constraints on central city expenditure for education will adversely impact the metropolitan region because the future incomes of regional residents depend partly on the productivity of central city workers. Increased central city costs from higher crime, poorer health, and unproductive workers will translate eventually into higher taxes for suburban communities because of the need for support from higher levels of government. The higher taxes may also impede regional economic development.

- To the extent that external perceptions and investment decisions are based partly on conditions in and the image of the central city, the declining physical environment and rising production costs at the urban core impact adversely the region as a whole.

The economic interdependence of central cities and their suburbs suggests that declining central cities may eventually undermine growth in their suburban communities. A deteriorating core is a regional concern because this decline has the potential to spread outwards as the suburbs themselves age (Wallis 1994*a*). There are also social equity issues associated with the growing fiscal, income, educational, and racial divides between communities within metropolitan regions. Economically, these disparities are detrimental to future regional growth and prosperity (Dodge 1990; Dodge & Montgomery 1996; Kirlin 1993; Ledebur & Barnes 1992; Orfield 1997).

> Regional planners and policymakers thus have an important leadership role to play in promoting collaboration among fragmented and often jealous city and local governments. Just as individual entrepreneurs must recognize and institutionalize their interdependencies, so too must individual political jurisdictions overcome narrow self-interest in order to define and advance a common interest. The creation of such institutions is an intensely political process—one that requires continuing debate and compromise, but that offers the possibility of sustained industrial and regional prosperity. (Saxenian 1994, p. 168).

Wider National and International Factors That Promote Competitive Regionalism

Wider factors that encourage regional cooperative efforts include the involvement of higher tiers of government. In Western Europe, national and supranational scales of government support locally initiated regional cooperative networks. The European Union (EU) even actively implements a policy framework to facilitate regional cooperation at a supranational level (Camhis & Fox 1992; Kunzmann & Wegener 1991; Leitner & Sheppard 1999; Martinos & Humphreys 1992; McCarthy 2000; Morgan 1992; Soldatos 1991; Stanback 1995; Thompson 1993).

In the United States, declining federal funding has prompted local governments to look to cooperative efforts as a means of more efficiently employing their limited resources to meet increasing demands (Dodge 1988; Grell & Gappert 1993). More directly, and in addition to the efforts of the state governments, competitive regionalism has been promoted by the Clinton administration as a framework for a new federal approach to urban policy. The federal role is as a partner in support of regional cooperative efforts through a variety of means (Althubaity & Jonas 1998; Barnes & Ledebur 1994; Cisneros 1995*b*; Wallis 1994*a*). The national government

- provides relief from federal regulations that impede the formation of cooperative networks,
- assists local government efforts to leverage their combined resources more effectively, and
- initiates its own programs to support regionally based public-private partnerships, such as national funding schemes that require applications from regional cooperative networks.

The internationalization of the economy is a factor in competitive regionalism. The main economic linkages of metropolitan regions, such as those involving information, skill, trade, and investment, are increasingly with the global economy rather than with their own national economy. Even the perception within regions themselves is that other regions both nationally and internationally, rather than the adjacent central city or suburbs, are their main competitors in the global economy. There is increasing awareness on the part of the public, private, and nonprofit sectors across central city and suburban communities that, in order to be competitive in the global economy, they must work together to formulate regional economic development policies and strategies that are customized to their own particular regional characteristics (Dodge 1990, 1992; Grell & Gappert 1993; Kirlin 1993; Ohmae 1993; Peirce 1993).

The local government scale is viewed increasingly as too small to be economically viable in the global economy. The national scale of government is viewed as too large to manage everyday life and too small to regulate international affairs. Consequently, regions are seen as the appropriately sized economic units for competing effectively in the international economy (Barnes & Ledebur 1991; Dodge 1990, 1996; Grell & Gappert 1993; Murphy & Caborn 1996; Newhouse 1997; Ohmae 1993; Peirce 1993; Savitch & Vogel 1996).

In Western Europe, the EU has been bypassing national governments and dealing more directly with local and regional governments in policy and funding matters. There has been some loss in national sovereignty as the EU has implemented EU-wide policies and adopted the principle of "subsidiarity," in which the lowest scale of government appropriate to the issue at hand should be the one to act (Amin & Tomaney 1995; Blais 1994).

At the same time, the national economic and political contexts are still important in helping to determine the possibilities for regional economic efforts and prosperity. In this connection, many of the "success stories" are regions located within the most economically strong and dynamic national political economies. Moreover, the mere existence of a decentralized political system is not enough to ensure successful regional growth. The national scale of government involvement in economic activity has been changed, not eliminated. There has been a rearrangement of intergovernment relations and responsibilities where the traditional separate local, regional, state, and national tiers of government are giving way to a more complex pattern of relations and responsibilities between and across tiers, involving the public, private, and nonprofit sectors (Amin & Tomaney 1995; Benington & Geddes 1992; Dunford & Kafkalas 1992; Gertler 1997; Hudson *et al*. 1997; Jessop *et al.* 1999; Jones & MacLeod 1999).

So, not only in the literature but also in public policy and practice, increasing attention is being paid to the interdependence of central cities and suburbs and to the importance of metropolitan regions in the global marketplace (Berkman *et al*. 1992; Cisneros 1995*b*; Dodge 1990; Dodge & Montgomery 1996; Grell & Gappert 1993; Hershberg 1995, 1996; Kirlin 1993; Orfield 1997; Peirce 1993). The public policy implication is that central city and suburban communities comprising the public, private, and nonprofit sectors can benefit from regional cooperative efforts and should work together and with higher tiers of the state. In addition to economies as a result of, for example, pooling some regional resources, qualitatively better approaches and outcomes are seen as possible because of the involvement of a larger and more diverse set of participants in problem solving and decision making. Competitive regionalism can help to

- mobilize the existing human and economic strengths of a region,
- attract new investment to a region from elsewhere,
- promote more balanced economic and physical development and service delivery,
- address socioeconomic divisions, and
- find a profitable niche in the international economy based on high-quality business enterprises and communities that provide world-class products, services, jobs, and business climate.

3. THE KEY DEBATES IN THE LITERATURE

Competitive regionalism has received increasing attention in the academic and public policy literature during the last few decades (Althubaity & Jonas 1998; Barnes & Ledebur 1994; Cisneros 1995*b*; Kunzmann 1995; Martinos & Humphreys 1992; OECD 1993; Orfield 1997; Rusk 1995; Wallis 1994*b*). At the same time, there is debate over the scope for and limitations of regional cooperative efforts to promote urban economic development. There is a consensus that each regional context is different, requiring a cooperative arrangement geared to its own specific economic, political, and social characteristics (Gollub 1997*a*). There is no agreement, however, on how best to achieve urban economic development through regional cooperation.

This presentation of the main points of the key debates over the scope for and limitations of competitive regionalism reflects the distinction in the literature, as well as in public policy and practice, between promoting endogenous versus exogenous development.

- Endogenous development is economic activity that grows from within a city or region, such as a new start-up business or the expansion of an existing firm.
- Exogenous development results from investment that comes from outside the city or region, such as for a new factory of a foreign transnational corporation.

Exogenous development was initially targeted as a solution for unemployment caused by industrial restructuring and the loss of traditional manufacturing jobs in the United States and Western Europe. The public sector sought to attract firms from elsewhere to replace local companies that were relocating or closing down. The disadvantages of "smokestack-chasing," however, mean that public-sector officials usually now additionally focus on endogenous development and stimulating local entrepreneurship (Clarke & Gaile 1989; Robertson 1986). At times, however, the same strategy can be used to promote endogenous *and* exogenous development, as in the case of an employee retaining program to improve the skills of the labor force in general in an effort to promote endogenous development *or* more specifically as part of an incentive package that includes retraining of local workers hired by a new establishment. Evidence from the 1990s indicates that economic development efforts that combine exogenous and endogenous approaches are more likely to succeed (OECD 1993; Thierstein & Egger 1998).

Competitive Regionalism to Promote Endogenous Development

Industry clusters

The competitive advantage literature is concerned with the economic competitiveness of regional clusters of firms and industries, as well as with the quality of supporting regional attributes, such as labor force skills and the transportation and communications infrastructures.

> Industry clusters are agglomerations of competing and collaborating industries in a region networked into horizontal and vertical relationships, involving strong common buyer-supplier linkages, and relying on a shared foundation of specialized economic institutions. (Gollub 1997*a*, p. 2)

The scope for regional cooperation to promote endogenous development rests on the assumption that public-private partnerships within every region can identify and enhance their particular competitive strengths in the national and global economies and produce overall gains in productively, jobs, and tax base (Cisneros 1995*b*; Peirce 1993; Waits & Howard 1996; Wolman 1988).

> Every location—whether it be a nation, a region, or a city—has a set of unique local conditions that underpin the ability of companies based there to compete in a particular field. The competitive advantage of a location does not usually arise in isolated companies but in clusters of companies ... Clusters represent critical masses of skill, information, relationships, and infrastructure in a given field ... If locations (and the events of history) give rise to clusters, it is clusters that drive economic development. They create new capabilities, new companies, and new industries. (Porter 1995, p. 57)

The industry cluster literature fits within the larger body of work on regional restructuring involving self-contained regional economies based on networks of companies (Amin & Robins 1990; Angel 1995; Gertler 1987; Hansen & Dabney 1994; Harrison 1992; Sabel 1994; Storper & Harrison 1991; Storper & Scott 1989, 1995; Storper & Walker 1989). This work includes case studies of successful "new industrial districts," such as Silicon Valley and the Third Italy (Emilia-Romagna), that provide a body of evidence that can be used to support the efficacy of competitive regionalism to promote endogenous development (Cisneros 1995*b*; European Commission 1992; Kunzmann & Wegener 1991). These regions are not all metropolitan in character, however, and show variety in their industrial and spatial organization (Gray *et al.* 1996; Markusen 1989). More importantly for this review, while a great deal has been written, much of this literature focuses on *private* firms and cooperative strategies rather than on the role of the *public sector* in promoting endogenous development through regional cooperation, which has received much less attention.

<u>The public-sector role</u>

The industry cluster literature that considers the role of government sees it as primarily helping to promote favorable underlying conditions for business growth and inventiveness and helping to stimulate existing and emerging clusters of firms (California Economic Strategy Panel 1996; Gollub 1997*a*; Kresl 1995; Peirce 1993; Waits & Howard 1996). Porter (1990) eschews the notion of providing *direct* public subsidies to private firms, even in declining industrial areas, because he sees the subsidies as delaying rather than promoting adjustment and innovation.

> A sustainable economic base *can* be created ... through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage—not through artificial inducements, charity, or government mandates. (Porter 1995, pp. 55–56)

Strategies that promote a competitive regional economy containing enterprising industry clusters using *indirect* public subsidies to firms include government spending that reduces operating costs for companies through upgrading the transportation and communications infrastructures and investing in human capital in order to provide a highly skilled labor force with strong education, training, and R&D capabilities. This approach replicates at a regional scale among cooperating local governments the urban entrepreneurial strategies implemented traditionally by each city acting individually (Blair *et al.* 1984; Blakely 1989; Duckworth *et al.* 1986; Harvey 1989; Schweke *et al.* 1994; Wood 1996). The resultant improved competitive advantage and economic activity are expected to generate the resources to continue this regional investment (Burstein & Rolnick 1995; Cisneros 1995*b*; European Commission 1993).

The cluster-based approach involves public policy that promotes existing or incipient clusters of firms that exhibit long-term economic growth potential because the competitive advantage they enjoy within their industry is not easily replicated elsewhere. This strategy focuses more on stimulating start-up companies and encouraging the expansion of existing firms as part of industry clusters with growth potential rather than on attracting firms from outside the region (Cisneros 1995*b*; Gollub 1997*a*; Rosentraub & Przybylski 1996; Waits & Howard 1996).

In the same way that competitive strategic alliances between firms to capture market share promotes innovation and productive activities that lead to overall national gain, achieving a competitive advantage based on promoting economic activity and the growth of firms within a region need not be a zero or negative sum game at a national or even international scale. Each region can prosper because it can identify and exploit its own competitive niche of industry clusters (Ciampi 1996; Gollub 1997*a*; Krugman 1994; Porter 1990, 1995; Soldatos 1991).

In fact, Cox and Mair (1988) maintain that some of the urban economic development literature has exaggerated the extent to which capital is mobile. Despite the locational choices available to many firms in the global marketplace, certain economic activities and firms, such as local media, utility, and construction companies, are "locally dependent." To varying degrees, however, all companies need a locality in which to operate. The policy implication of this argument is that regions that provide locally supportive contexts, where clusters of firms can evolve and flourish and become more locally dependent, may be able to improve their economic performance despite the increased competition between places for private companies.

<u>The difficulties of achieving endogenous development through regional cooperation</u>

Questions have been raised, however, about the scope for regional cooperative efforts to achieve endogenous development.

- Effective cooperation is difficult because of the multitude of participants from the diverse local government jurisdictions and sectors that comprise a metropolitan economy. While significant attention has been paid to the problems of achieving cooperation between the public, private, and nonprofit sectors within an individual city, regional cooperation is seen as more onerous because the costs and benefits of cooperation are not easy to establish for each of the participating jurisdictions (Leitner & Garner 1993; Logan & Swanstrom 1990; Squires 1989; Wrightson 1986).
- Not only does the large number of participants make regional cooperation difficult, working towards improving the regional as opposed to their own individual competitive advantage can also be problematical for some local jurisdictions. Similarly, while it is not easy for an individual jurisdiction to successfully identify and promote its own competitive clusters of firms, it may be more difficult to identify these clusters for a region comprising a number of different local jurisdictions, aside from conflicts over which clusters to promote and where.
- Regional cooperative efforts cannot influence completely all the factors that contribute to economic growth. It is not clear, for example, whether the many economically distressed regions, such as those facing the challenges of industrial restructuring from traditional manufacturing, will all be able to successfully identify and exploit their competitive advantages to significantly improve their prosperity (Leitner 1989; Leitner & Sheppard 1999; Logan & Swanstrom 1990; Storper & Scott 1995).

Moreover, one region's attempts to find a niche in the market for particular economic activities will only be effective in the longer term if this niche is not one that other regions are also attempting to exploit.

The efficacy of regional cooperative efforts to achieve endogenous development

There is disagreement over the extent of the economic benefits that regions have gained from these cooperative efforts. Most of the evidence for the efficacy of competitive regionalism is qualitative anecdotal information for individual regional "success stories" rather than being systematically derived in a broader comparative setting. Yet the case study success stories are neither ubiquitous nor do they present similar site and situational characteristics that allow generalizations to be made about the effectiveness of competitive regionalism. There is still a need for more specific information on how each of the many different kinds of regional cooperative efforts in different contexts affect urban and regional economic growth (Amin & Thrift 1994; Bartik 1994; Cisneros 1995*b*; European Commission 1992; Grossman 1987; Hudson *et al*. 1997; Kunzmann & Wegener 1991; Tödtling 1994).

Most of the quantitative empirical analysis of the effectiveness of economic development efforts has been undertaken at the scale of individual cities or states (Bartik 1994; Cheshire & Gordon 1998; Levy 1992; Lovering 1995; Premus & Dung 1993). Even at these more defined scales, the findings are not clear on the efficacy of urban entrepreneurialism. Promoting endogenous development, however, is viewed as more effective than strategies to only attract exogenous development. At the same time, regional cooperative efforts to promote endogenous development are not seen as a cure-all for cities that are attempting to revitalize their economies.

- Some places, particularly already successful ones, are better positioned than others to take advantage of competitive regionalism and become richer relative to the poorer areas (Dommergues 1992). Yet there is potential for weaker urban economies to exploit competitive regionalism to become more successful.

  > It is often the case that the cities that have been the most successful in breaking the monolithic urban European hierarchies of the past, such as Lyon and Barcelona for example, are also the ones that exhibit the greatest initiative in international networking strategies. Success and networking would therefore seem to be a two way process (Pyrgiotis 1991, p. 274).

- Competitive regionalism to promote endogenous development, while good in theory, may not work well in practice for poorer regions because of the absence of a "level playing field" (Leitner & Sheppard 1999). The disadvantages and needs of economically weaker cities and regions in the face of large-scale economic restructuring may force these poorer places to channel their resources into short-term solutions; they may offer relocation incentives and low wages to companies instead of supporting more sustainable efforts focused on improving local conditions that promote economic activity and high-wage jobs.

- Too great a focus on the efficacy of endogenous development can neglect the pressure on cities to compete for mobile exogenous investment. A city can feel forced to divert enormous public resources into competing with other cities to attract national and international companies out of a fear that if it chooses not to, other cities will secure the investment.

> It may be tough for citistate economic planning to avoid the scourge of predatory industrial recruitment—the practice, especially popular with U.S. state governments, of offering lower wages, or public subsidies and tax concessions, or perhaps a wink and a nod on the environmental regulatory front, in the hope of luring industries that are already operating quite successfully in other states or regions. (Peirce 1993, p. 296)

Competitive Regionalism to Promote Exogenous Development

<u>The public-sector role</u>

The literature on promoting exogenous development focuses on local governments and their strategies to attract new investment. Cheshire and Gordon (1995, p. 110) describe the competition between public-private partnerships to attract exogenous development as

> groups acting on behalf of a regional or sub-regional economy seek to promote it as a location for economic activity in competition with other areas ... Part of this competitive activity is inevitably addressed to the attraction of investment, with some discrimination between more and less desirable functions.

<u>The difficulties of attracting exogenous development through regional cooperation</u>

- A major difficulty in trying to replace individual competition with regional cooperation is overcoming each individual city's competitive drive to secure the available mobile investment.

> The compulsion that states and municipalities feel to subsidize is a fine example of the game theorists' prisoner's dilemma. The collectivity would be better off if no one engaged in the practice. But few state or local governments can afford to cease the practice unless they are assured that competing jurisdictions will also cease. Unfortunately, the number of parties involved makes the negotiation and enforcement of a subsidy-limiting agreement unlikely. (Levy 1992, p. 59)

- The prospects for cooperation among the numerically smaller and potentially more cohesive group of local governments within particular regions are also not good. Goetz and Kayser (1993, p. 63) found that "the fiercest competition for private investment is often between neighboring cities or cities within the same region."

<u>The efficacy of regional cooperative efforts to attract exogenous development</u>

Changing the scale of competition for exogenous development from a contest between cities to one between regions, however, can provide advantages over and address some of the weaknesses associated with individual competition.

- Marketing the metropolitan region as an attractive location for investment is more cost-effective than each of the local governments advertising themselves outside the region individually (Berg *et al.* 1990). Marketing the more recognizable metropolitan region to foreign companies, and even to distant national firms, may be more effective than the marketing efforts of the individual local government jurisdiction that may not have a distinct identity or image outside their immediate region (Martinos & Humphreys 1992). Marketing the metropolitan region can advertise the complementary strengths of both central city and suburbs. Suburban communities offer a superior labor force and housing but cannot offer the specialized facilities of the CBD that include a significant concentration of financial and legal services; central cities offer these amenities but must overcome the negative images associated with poor central city neighborhoods and unskilled workers (Berg & Klink 1995; Peirce 1993; Wüsten 1995).

- Competitive regionalism may hold the promise of minimizing wasteful competition for mobile investment between the cooperating local jurisdictions within a region (Leitner & Sheppard 1999; Soldatos 1991). Surveys and empirical analyses of the company locational decision-making process indicate that state and local incentives have more influence on locational decisions *within* than *between* regions (ACIR 1981; Blair & Premus 1987; Mulkey & Dillman 1976). Companies usually narrow down their locational choice to a particular region based on vital regional differences in locational and production factors, such as the quality and cost of labor, access to markets and raw materials, as well as construction, energy, and transportation costs. Only then does the final site decision take into account local taxes and fiscal incentives.

  For a region as a whole, there is no overall benefit to offering incentives to encourage a company to locate in one locality rather than another. Yet this is the stage at which a company can play different cities within a region off against each other in an effort to raise the level of incentives offered (Burstein & Rolnick 1995; Grady 1987; Hood 1994; Leitner & Sheppard 1998; Levy 1992; Wolman with Spitzley 1996). The policy implication of this is that if cities can work together as a region to attract outside investment, they can reduce wasteful competition by restricting the opportunities for companies to play one off against another, thereby keeping the public incentives at a lower level than would otherwise be the case (see Box 4 for an example of how tax base sharing and a "25% measure" encourage cooperation and sanction "defectors"). While needing to provide fewer unnecessary incentives would benefit individual local governments, reducing those company relocations that occur purely as a result of public incentives would benefit the national economy by minimizing this unproductive use of public and company funds.

- For the individual local areas, the advantages of cooperation include the potential to channel some of the public funds that are not provided as incentives into more productive activities, such as improving labor force skills. This kind of cooperation may be able to "spread" the investment among the cooperating areas, and create greater certainty that individual local areas receive a "share" of the inward investment. One way of doing this would be to let the company choose a region for investment based on the attractive production conditions fostered by the local public, private, and nonprofit sectors. Then let the company select the most appropriate locality for its needs within the region without the aid of public incentives. Regional tax-base sharing would be a way to distribute the benefits of cooperation.

A major issue is whether regional cooperation to promote exogenous development addresses the drawbacks of individual competition. Empirical analyses of the efficacy of individual competition between local governments are not clear on the benefits for the public sector or even for the winning jurisdiction. There are a number of negatives associated with individual competition.

- Competition between firms promotes more or better products or services; competition between cities merely affects where the exogenous development takes place. This competition may be a zero sum game where all local governments feel forced to offer incentives to companies, merely raising the public cost of providing jobs and investment (Beaumont & Hovey 1985; Blair & Kumar 1997; Cheshire & Gordon 1996; Kenyon & Kincaid 1991; Leitner & Sheppard 1999; Levy 1992; Netzer 1991; Premus & Dung 1993; Rubin & Zorn 1985; Spindler & Forrester 1993).

- Cities with healthier economies are more attractive to private investment and have more resources to provide in incentives if necessary. There is also the issue of the extent to which all cities can be successful in attracting exogenous development. Not only is there a limited pot of mobile investment, some studies indicate that certain investment concentrates in locations of existing success, such as Asian investment in the northeast of England (Dicken 1990). Moreover, there is the thorny issue of how to distribute the costs (incentives) and benefits (jobs and tax base) between cooperating local jurisdictions over time.

- Some studies have found that poorer cities pay more in incentives to attract private-sector investment. This can been interpreted positively because the poorer cities need the development more than the richer ones. A job attracted to a needy area is worth more than the same job in a high-employment region. Yet cities with weaker economies can feel forced to provide significant public funds in incentives, despite the fact that they may be better off channeling their available resources into more productive spending like improving the skills of their labor force and local transportation and communications infrastructures. Moreover, the public costs of incentives to attract companies can outweigh the benefits for poorer cities (Bartik 1991; Feiock *et al.* 1993; Fisher & Peters 1996; Foley 1992; Rubin & Rubin 1987).

So regional cooperation for exogenous development may represent a possible solution to the drawbacks of individual competition.

> Competition for jobs among jurisdictions within the same metropolitan area uses public resources without changing overall labor market opportunities. A metropolitan area is one labor market. If the goal of economic development policy is to improve labor market opportunities, economic development should be coordinated within a labor market area. (Bartik 1994, p. 857)

Yet competitive regionalism for exogenous development may not generate new investment for all regions and the national economy. Intensified competition at lower spatial scales, such as between regions, may not produce a more efficient and productive economy at a larger national or supranational scale. Even if regional cooperation could eliminate competition between local governments, competition would continue between regions. The drawbacks of competition that apply at a local scale are not eliminated by cooperation but are replicated at regional scales. As in the private marketplace, competition and cooperation are not mutually exclusive—cooperation through strategic alliances is a form of competition. Consequently, there is agreement that more effective cooperative approaches remain to be developed and that regional solutions with the capacity and legitimacy to be successful are still elusive (Goetz & Kayser 1993; Kenyon 1991; Leitner & Sheppard 1999; Randles & Davis 1998; Wallis 1994*a*).

4. COMPETITIVE REGIONALISM: EUROPE AND THE UNITED STATES

This section initially identifies how and why regional cooperative efforts vary in general within and between countries. It then specifically examines and provides examples of competitive regionalism in Western Europe and the United States in an attempt to illustrate and understand some of the main similarities and differences between the efforts and experiences on either side of the Atlantic. In general, regional cooperation varies in several ways.

- Territorial scope of participating areas: Regional cooperative networks operate at two main scales: within individual regions and between a number of different regions. Within metropolitan regions, cooperation usually involves a number of contiguous local jurisdictions. Cooperation among regions can be between contiguous jurisdictions within the same country or cross-border along the boundary of different countries. In addition, cooperation between regions or metropolitan areas can involve local jurisdictions that are not contiguous, being located in distant parts of the same country or in different parts of different countries (Berg & Klink 1995; Camhis & Fox 1992; Wannop 1997).

- Economic context: A major factor affecting the kinds of cooperative efforts attempted is the severity of the social and economic problems, as well as the characteristics and functional specialization (such as financial, administrative, or port activities) and overall strength or weakness of each participating local and regional economy. With the loss of high-paying traditional manufacturing employment and the increase in low-paying services-sector positions, there is a need to stimulate modern industries that provide quality jobs. One way to achieve this is by regional cooperative efforts that promote innovation, technology transfer, and R&D (Martinos & Humphreys 1992).

  Often the poorest regions cooperate in an effort to be more competitive with richer regions. While regional cooperative efforts to improve economic performance might be expected to be concentrated in declining regions, such as those restructuring from traditional manufacturing, not all of these regions adopt competitive regionalism. The existence of a major economic crisis may not be enough to prompt competitive regionalism (Wallis 1994*a*). In fact, many regions with robust economies (see Box 3) cooperate to maintain or enhance their performance (Markusen 1987). Yet even when rich regions cooperate, there may be wider benefits because of a "virtuous upward spiral" of growth that can spread to adjacent regions. Regional cooperative efforts among richer regions, especially collaborative high-tech R&D, may also encourage their emulation by poorer regions (Dommergues 1992).

Box 3: The "Four Motors of Europe"
Four of Europe's richest regions began cooperating in the late 1980s: Baden-Württemberg (Stuttgart) in Germany, Rhône-Alpes (Lyons and Grenoble) in France, Lombardy (Milan) in Italy, and Catalonia (Barcelona) in Spain. These regions seek to enhance their economic performance by participating in a scientific and R&D cooperative network. Cooperation is organized around the needs of firms, with connections to research centers, universities, and other local and regional institutions. The four regions take advantage of EU SPRINT funding for technology transfers to small and medium-sized enterprises (SMEs) (Borras 1993; Dommergues 1992; Späth 1990).

- Initiation of cooperative efforts: The initial stimulus for cooperation can come from the bottom-up, the top-down, or from a combination of both stimuli. While the top-down involvement and funding of higher tiers of the state are viewed as beneficial in promoting regional cooperation, the active bottom-up participation and strategic management capacity of local and regional participants are seen as crucial for effective regional cooperative efforts that will be sustained over the longer term (Camhis & Fox 1992; Church & Reid 1996; Dodge 1992; Gargan 1991; Leitner & Sheppard 1999; Wallis 1994*b*; Wrightson 1986).

- Participants: The nature of the cooperative efforts are determined in part by the number, range, roles, resources, and powers of the participants (Cappellin 1992; European Commission 1992; Pyrgiotis 1991; Wallis 1994*a*). The number of participants reflects whether the cooperative efforts range from bilateral to multilateral relationships between places. The larger the number of participants, the greater the potential for difficulties due to differences in backgrounds and interests. The range of participants can vary, with regional partnerships typically including local and regional participants from public, private, and nonprofit bodies. In addition, government and other bodies at state, national, and supranational scales can participate.

  Variations in cooperative efforts can result from disparities in the resources and powers of the participants (Martinos & Humphreys 1992). Despite internal social and economic disparities, networks within a metropolitan region can be desirable because the different local government jurisdictions are complementary (Berg & Klink 1995). In cross-border regional cooperative efforts that seek to promote exogenous development, Camagni (1992) sees the benefit of networks of regions with differing levels of prosperity; despite offering lower production costs, regional cooperatives of similarly weak urban economies pose the danger of presenting a "club of the poor" image that is unattractive to private investors.

  In contrast, cooperative networks can contain more or less equal local government units in terms of their functions or prosperity. Some argue that the participating local government units and regions should be and see themselves as equals. In practice, places show a preference to partner with an equal or stronger partner. The weak economy of the Auvergne region in France impaired its efforts to join a regional cooperative network with other economically stronger French regions (Dommergues 1992).

- Joint Actions:
  - Cooperative efforts have evolved from providing services and infrastructure to also promoting endogenous and exogenous investment, scientific and R&D efforts, lobbying, and information and best-practice sharing. There is growing awareness of the need to create quality conditions for existing and new businesses and workers in terms of labor force skills, transportation and communications infrastructures, and the urban and natural environment. Reducing social and economic inequalities is now seen as important for regional economic growth because internal divisions are viewed as weakening a region's chances for economic success, especially in the global economy. Pooling financial and other resources and sharing development costs can achieve innovative programs than might not otherwise be possible (de Lavergne & Mollet 1991; Dodge 1990; Kirlin 1993; Soldatos 1991; Wallis 1994*a*).
  - The joint actions can focus on one or a number of policy fields or industries, and involve a single project or multiple programs (Berg & Klink 1995; Camhis & Fox 1992).

- The longevity of the joint actions can range from single short-term projects to longer-term multiproject programs.
- The cooperative actions can range from “weak” or “light” efforts, such as sharing experience, joint lobbying of higher tiers of the state to influence policy and regulations, and joint marketing, to “deep” or “heavy” cooperation involving joint formulation and implementation of major infrastructure projects (Martinos & Humphreys 1992).
- The joint actions can vary depending on the territorial scope of cooperating jurisdictions. Cooperation between local governments within the same region has the potential to involve initiatives across a range of aspects of the regional economy. In contrast, the lack of proximity of noncontiguous areas, especially those within different countries, can make cooperation difficult due to distance-related factors, such as differences in mutual awareness, institutional frameworks, and language. Consequently, cooperation between noncontiguous regions tends to have a narrow focus of activity (Cappellin 1992).

Competitive Regionalism in Western Europe

In Western Europe, competitive regionalism is a firmly established and widespread tradition (European Commission 1994*a*, *b*). Regional cooperative networks began in the Scandinavian countries, the Alpine regions, and along the French and German borders after World War II and spread to southern Europe and other peripherally located areas within and adjacent to the EU by the 1980s. Initially, the local and regional bodies themselves were responsible for initiating these cooperative efforts in a bottom-up process (see Box 4).

Box 4: Communauté Urbaine de Lille (CUdL), France
CUdL is a partnership of 86 local governments as a metropolitan authority with joint regional decision making for metropolitan Lille. Measures to promote cooperation and attract exogenous development include a tax base sharing agreement that was introduced by the local governments themselves, the *Fonds de Développement Economique et Solidaire*. The CUdL draws on these funds to help promote economic development in the region. Mechanisms to discourage local governments from operating individually outside of this joint regional decision making framework include the “25% measure,” where, for example, a local government that independently develops an industrial estate must transfer 25 percent of the taxes on the estate to the CUdL (Berg *et al.* 1993; Berg & Klink 1995).

Cooperative efforts among local governments also focus on lobbying higher tiers of government for funds or to change regulations in favor of the cooperating network (see Box 5).

Box 5: Association of London Authorities (ALA)
Local governments in the London region, represented by the Association of London Authorities (ALA), attempted to influence the periodic reform of the EU’s regional funding scheme so that cities in difficulty and with problems with their service economy would be eligible to receive funding. The ALA formed a coalition of public- and private-sector representatives and sent a delegation to make a submission to the European Commission at its headquarters in Brussels in an effort, albeit unsuccessful, to change an article of the 1992 Maastricht Treaty on European Union in its favor (John 1994).

The initial spread of bottom-up initiated regional cooperative networks has been supported by top-down policies and funding, particularly by the EU (see Box 6). EU regional policy and funding promoting regional cooperative efforts have been mirrored at national and regional levels with policies on regional cooperation that take advantage of the EU funds.

Box 6: Languedoc Roussillon Technopole, southeast France
Montpellier is part of the Languedoc Roussillon Technopole, a regional public-private cooperative network of politicians, entrepreneurs, researchers, and academics that promotes new SME start-ups, introduces new technologies into existing SMEs, and assists new firms locating in the region. It focuses on a number of technical areas, including medicine and biotechnology, computer technology (data processing, robotics, and artificial intelligence), agro-industrial research, communications technology, and tourism and leisure. The region has received substantial EU funding for major development projects and for science and technology programs (European Commission 1992; Hansen & Dabney 1994; Parkinson 1991).

In contrast to the United States, during the 1980s, the EU moved beyond merely responding to the cooperative efforts initiated at local and regional levels and became proactive in formulating a supranational policy framework to directly facilitate and fund regional cooperation (Camhis & Fox 1992; European Commission 1994*b*, n.d.*a*, n.d.*b*; Leitner & Sheppard 1999; Martinos & Humphreys 1992; Morgan 1992; Soldatos 1991). These efforts to promote cooperative efforts fit within an overall goal of promoting economic and social cohesion and reducing economic disparities in income within the EU. EU funds are available to promote economic development and fund cooperative efforts in the economically weakest cities and regions in the fifteen member states (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom). Many cooperative networks in Europe today are the result of the top-down stimulus of the EU. Some of the EU's Community Initiatives programs provide funding for joint projects among a number of urban regions, such as in the INTERREG initiative which promotes cross-border cooperation (see Boxes 2, 7, 10).

Box 7: Nord-pas-de-Calais in France and Wallonia in Belgium
The regions of Nord-pas-de-Calais and Wallonia face significant economic and environmental challenges because of their old industrial heritage. Cooperation between these regions takes advantage of EU INTERREG funding to promote endogenous development. A major focus of this effort since the late 1980s has been to unleash the innovative technological potential of the existing SMEs through technological exchanges and to create synergies through cross-border economic development projects, such as one to achieve coordinated water resource management (Dommergues 1992).

Rapid technological and other changes have increased the level of economic uncertainty for places. Communities understand the need to learn about innovative and effective mechanisms with which to address the opportunities and challenges created by these changes. Regional cooperation provides a mechanism for transferring knowledge, know-how, and experience within and among regions. So in addition to providing funding for joint economic development projects, the EU directly funds cooperative efforts that involve information and best practice exchange between different areas. Particularly institutionalized in Europe as a result of direct EU funding for information exchange, this kind of cooperation between regions promotes communication and closer working relations and increases the potential for replicating best practice across a number of regions (Dommergues 1992; Leitner & Sheppard 1999) (see Box 8).

Box 8: Eurocities
Eurocities was established in 1986 at a conference in Rotterdam in a bottom-up initiative, which was developed through subsequent conferences in Barcelona in 1989 and Lyon in 1990. It has subsequently enjoyed the support and funding of the EU for its programs. Eurocities is a forum for more than two dozen "second cities," such as Rotterdam, Barcelona, Birmingham, Frankfurt, Milan, and Lyon, its founding members. The exchange of information and best practice is high on its agenda. Eurocities maintains shared databases of economic and other indicators that can facilitate public policy decision making. In addition to its regular conferences, in the lead-up to the introduction of the Single European Market at the end of 1992, Eurocities ran seminars for economic development and business promotion agents and set up a meeting of local economic agents from banks, chambers of commerce, estate agents, research institutes, and private companies (Borja 1992; Camhis & Fox 1992; Cappellin 1992; de Lavergne & Mollet 1991; European Commission, n.d.*a*; Kunzmann & Wegener 1991; Leitner & Sheppard 1999; Marlow 1992; Martinos & Humphreys 1992; Soldatos 1991).

In addition to cooperative efforts within regions and between contiguous regions, and in contrast to the United States, cooperative efforts between noncontiguous regions is prevalent and growing in Europe (see Boxes 8 and 9). This is the result of:

- the direct and active top-down involvement of the EU in funding cooperative networks among regions within the EU and between EU regions and those in countries adjacent to its external borders in Eastern Europe (Martinos & Humphreys 1992),
- the increasing integration both of the EU countries within Western Europe and of the eastern and western parts of Europe since the fall of communism in 1989, and
- the internationalization of the economy.

Box 9: Cities and Regions of the Automobile Industry (CAR)
The CAR network, launched by the European Council of Municipalities and Regions (ECMR), includes Antwerp in Belgium, Coventry in England, Stuttgart in Germany, Piemonte in Italy, and Valladolid in Spain. It attempts to address the adverse impacts of automobile industry restructuring by promoting cooperation, rather than competition, to exchange experience, develop common approaches to restructuring issues, formulate common retraining programs, facilitate technology transfer to SMEs, and promote SME growth in order to achieve more diversified economies (European Commission, n.d.*a*).

Whether established partly or wholly to take advantage of EU policy and funding, complying with the EU's funding requirements can promote greater similarities across regions and projects participating in the same EU program than would otherwise occur. The EU's RECITE (Regions and Cities of Europe) program has funded about 40 cooperative networks since the early 1990s. While RECITE funds are geared to cooperative programs and initiatives that meet the needs of the individual participants, these networks share common features because of the involvement of the EU, including:

- promoting economic development specifically in economically lagging regions, including encouraging small and medium-sized enterprise (SME) start-ups and expansions,
- technology transfers to SMEs and forging links between government and other organizations like universities and research centers,
- transportation and communications projects, and
- facilitating the exchange of information and experience.

In contrast to the United States where the private sector is more active, public and quasipublic agencies tend to be the primary agents of cooperation in Western Europe (Bennett & Krebs 1994; Hershberg 1996; Martinos & Humphreys 1992). Regional cooperative efforts are often developed, at least initially, through public-sector efforts because of a tradition of less active private-sector participation in the urban political arena there compared to in the United States. The private sector is less active in local and regional public-private partnerships to promote economic development in Britain partly because of the more centralized pattern of capital and, in particular, property interests and political power there (Harding 1991).

Private-sector participants are becoming more active partners, however, either through their own efforts or more usually through being brought into the process by the public sector. At the same time, attempts to promote active private-sector participation and investment in regional cooperative efforts in Western Europe have not achieved the kind of private-sector involvement that is more typical in the United States.

In fact, cooperative efforts tend to be most successful in Europe in cases where the public agencies have direct control over the project or program, especially when the project is relatively straightforward with a limited focus, such as a transportation infrastructure project (Scott 1999) (see Box 10).

Box 10: The Transmarche region of southeast England and northeast France
In the Transmarche region, which contains Dover and Calais, local governments collaborate in an effort to exploit the potential benefits of the Channel Tunnel. These local and regional governments initiated cooperative efforts that have been supported by the British and French governments. This competitive regionalism has also taken advantage of EU funding from the INTERREG initiative in the early 1990s which provides funds for cross-border cooperation between regions. These cooperative efforts include providing and improving education and training as well as transportation and communications infrastructures (Church & Reid 1995, 1996). The private sector is the target of these efforts rather than an active participant in the regional cooperative efforts.

In addition, the nonprofit sector is becoming more active in regional cooperation as a result of the involvement and funding of higher tiers of the state. Involving the nonprofit sector and community in cooperative networking can help to make the process more democratic.

Competitive Regionalism in the United States

While enjoying a longer tradition in Europe, our primary trading partner and major global competitor, competitive regionalism to achieve urban economic development is a growing trend in U.S. policy and practice. Until the late 1970s in the United States, however, discussions about metropolitan regions and regional cooperative efforts focused on metropolitan government and comprehensive regional planning (Kirlin 1993). These early efforts primarily involved the public sector as the major player with the main goal of efficient and cost-effective planning and provision of services and infrastructure, such as water, sewage, transportation, and emergency services (Bailey 1993; Bunch & Strauss 1992; Shanahan 1991; Warren *et al.* 1992). During the 1970s, global economic competitiveness replaced regional service delivery as the goal of regional cooperation in the United States. Consequently, these efforts now focus on improving the various facets of urban competitiveness that involve, for example, human capital and R&D.

Although regions in the United States have no constitutional standing, the constituent local governments that comprise metropolitan regions have more autonomy than those in Europe where national governments exert more direct control over local land use planning and economic development spending. In Europe, where cooperative efforts are more institutionalized than in the United States, with only a few exceptions, such as the decentralized or federal states of Germany, Switzerland, and Scandinavia, local and regional public bodies are not legally empowered to enter into international cooperative arrangements without the consent of their national government (Martinos & Humphreys 1992). The U.S. history of federalism and extreme local control over economic development means that local governments here are more active and able to engage in urban economic development efforts, which include, in addition to individual competition, regional cooperative initiatives (see Box 11).

Box 11: The Pacific Northwest Economic Region
A number of cross-border organizations got together in the Cascadia region along the United States-Canadian border and formed the Pacific Northwest Economic Region (PNWER), an association of public-sector representatives from Alaska, Idaho, Montana, Oregon and Washington and the Canadian provinces of Alberta and British Columbia. Responding to the challenges and opportunities of the globalization of the economy, the PNWER works to promote economic development and to stimulate trade and foreign investment in the region. In addition, the Cascadia Transportation/Trade Task Force tries to enhance conditions for economic activity in the region. This organization contains public-sector representatives from all tiers of government as well as private-sector involvement. A major focus is transportation infrastructure, and in particular, improving cross-border mobility along the I-5 corridor between Eugene, Oregon, and Vancouver, British Columbia (Artibise 1995; Scott 1999).

The presence of state governments means that local governments cooperate to secure state funding or to influence state policy and regulations in the United States (see Box 12).

Box 12: Allegheny Conference on Community Development (ACCD)
The public-private Allegheny Conference on Community Development (ACCD) organizes cooperative lobbying efforts within the Pittsburgh region. It helped secure state funding in 1985 for Strategy 21, an economic plan designed to bring the Pittsburgh region into the 21st century (Wallis 1994*b*).

In this connection is the greater involvement of state governments, compared to the national government, in promoting cooperative networks in the United States (see Box 13).

Box 13: Arizona Strategic Planning for Economic Development (ASPED)
A 1990 statewide cluster-based economic plan was formulated by both private- and public-sector participants in ASPED (Arizona Strategic Planning for Economic Development). Participants included the private-sector Enterprise Network, the state Department of Commerce, Arizona Economic Council, Greater Phoenix Council, and Greater Tucson Economic Council. ASPED's industry cluster concept includes high-technology (aerospace and information), health and biomedical technology, optics, software, and environmental technologies. Economic development efforts are aimed at stimulating and developing key industry clusters and helping SMEs to enter the global marketplace. The industry clusters are concentrated in particular regions, such as Tucson's "Optics Valley." In the early 1990s, companies from Tucson and Phoenix, that form part of Arizona's optics cluster, collaborated with the University of Arizona to develop two centers of excellence in optical manufacturing technology, placed assistants in eight local schools in order to encourage careers in science, and created specialized curricula for the community colleges (Gollub 1997*a*, *b*; Waits & Howard 1996).

State governments also promote information exchange (see Box 14). Of course, much of the focus of these efforts is within particular states rather than nationally across states.

Box 14: California Economic Strategy Panel
The California Economic Strategy Panel of public, private, and nonprofit agencies advocates a cluster-based approach to economic development. In its attempt to engender collaboration between the various sectors of the economy and between different levels of government, the panel has made serious efforts to disseminate information on this initiative and its recommendations widely within the state (California Economic Strategy Panel 1996).

While not as active as the EU in promoting ongoing institutionalized regional cooperative networks, the Clinton administration promotes competitive regionalism as a framework for a new federal approach to urban policy. So while the involvement of national government in the United States is less active in directly promoting long-term regional cooperation between a specified group of local jurisdictions as in the EU, the federal government does encourage regional networks, for example, to apply for specific national funding programs (see Boxes 15 and 16). The funding in the United States, however, is primarily for the economic development projects that are eligible under the terms of the national funding program. In contrast in Europe, in addition to providing funds for economic development projects and programs that are undertaken by cooperating jurisdictions, the EU also directly funds cooperation itself, as in its funding for networks established to share information and best practice (see Boxes 8 and 9).

Box 15: Inland Empire Economic Partnership, California
With shrinking federal outlays and military base closures due to cutbacks in defense spending in the 1990s, especially in adjacent Los Angeles and Orange counties, the Inland Empire area in the western San Bernardino-Riverside region, that had enjoyed phenomenal growth in the 1980s, experienced economic decline. In response, members of the public, private, and nonprofit sectors across the region began to work together in a bottom-up manner. Cooperating to attract businesses away from Los Angeles and Orange counties was seen as less costly and more effective given tight individual local resources. City and county agencies formed the Inland Empire Economic Partnership (IEEP) in 1992. IEEP provides member jurisdictions with information on prospective leads which the individual municipalities pursue. This regional cooperation also occurred in response to a top-down stimulus—the availability of federal incentives to organize regional partnerships to compete for federal defense restructuring contracts and grants. The Inland Empire Congressional Caucus hosted the first Inland Empire Economic Summit of representatives from local governments, companies, community organizations, and educational institutions in the region to formulate a plan for regional economic recovery that included encouraging local businesses and agencies to apply for grants from federal agencies (Jonas 1997).

Box 16: CALSTART
In response to federal defense spending cuts and declining air quality, CALSTART, a private-sector-initiated electric vehicle consortium in the Los Angeles region, was established in 1992 as a nonprofit public-private partnership. Members include defense and high-technology companies, vehicle producers, transit bodies, state and local agencies, labor unions, universities, utilities, and environmental groups. CALSTART was set up to facilitate the commercialization and marketing of new technology. One source of funding was through the 1991 federal Advanced Transportation Systems and Electric Vehicle Consortia Act. The cluster approach was adopted to promote synergies between the various technology sectors, suppliers, R&D, and education. Additional public efforts also focus on establishing electric vehicle assembly capacity in the region (Gollub 1997*a*; Scott 1992; Storper & Scott 1995).

While private firms are seen as the catalyst for economic growth on both sides of the Atlantic, the private sector is more directly active in regional cooperative efforts in the United States. There is a stronger tradition of local growth machine politics and public-private partnerships to achieve urban economic development in the United States (Harding 1991; Jessop *et al.* 1999; Lauria 1997). Consequently, the private sector, as well as nongovernmental organizations and educational institutions, can be more proactive in initiating cooperative efforts in the United States compared to in Europe (Scott 1999) (see Box 17).

Box 17: Silicon Valley
Within Silicon Valley, a leading international center of electronics, firms both compete vigorously with each other and informally collaborate to promote innovation. Networking between firms combines with collaborative efforts between firms and local and regional institutions, such as the universities and trade associations. Firms interact actively with the universities and the community and state colleges. Not only does Stanford's Honors Program grant degrees to increasing numbers of engineers, the Stanford Industrial Affiliates program facilitates connections between companies and the school's departmental laboratories to help recruiting and provide access to the laboratory's research projects The public sector does not play a dominant role (DiGiovanna 1996; Saxenian 1994; Storper & Harrison 1991; Tödtling 1994).

In contrast to Europe, there are fewer noncontiguous cooperative networks in the United States because of the less-institutionalized and more modest direct national involvement in and funding of cooperative networks here. There is no explicit national or supranational policy framework promoting cross-border cooperative networks between regions in North America as in Europe (Scott 1999). Distance constraints make noncontiguous networks difficult to develop in the absence of top-down national involvement. Of course, statewide cooperative networks reflect the efforts of the individual state governments. Furthermore, the increasing number of bottom-up cooperative networks that span the borders of the United States reflect the growing economic integration associated with the North American Free Trade Agreement (NAFTA) (see Box 18).

Box 18: Camino Real Economic Alliance
The Camino Real Economic Alliance of local economic development organizations, chambers of commerce, city planners, and the private sector, formulated an economic development strategy for the Paso del Norte region of New Mexico, west Texas, and the Mexican state of Chihuahua. This bottom-up effort focused on promoting industry clusters as well as expanded cross-border cooperation in trade and tourism, transportation, education and the arts, environmental protection, and applied technology research. The goals are to address poor economic conditions, the opportunities and threats created by the passage of NAFTA in 1993, and the internationalization of the economy (Gollub 1997*a*; Schmidt 1995).

This development of cooperative networks, often as a result of bottom-up public stimuli, in conjunction with the active involvement of the private sector, could contribute perhaps to greater variety in the efforts of regions across the United States (Althubaity & Jonas 1998; Dustin 1991; Gargan 1991; Nelson with Milgroom 1995; Pammer 1991; Shanahan 1991). In contrast to Europe, where many economically lagging regions cooperate because of the availability of EU funds, there is likely to be more variety in the economic context of cooperating regions in the United States.

Finally, while it is difficult to involve the local community and individuals in cooperative efforts in general, in the United States in particular, citizen involvement in and support for cooperation within regions can be weak, especially on the part of suburban communities within a politically fragmented metropolitan region (Baldassare 1989; Dodge 1990).

5. LESSONS FROM WESTERN EUROPE

While acknowledging their different political and economic contexts, this section examines how the longer tradition of and experience with regional cooperative efforts in Europe can inform policy and practice in the United States. Despite the increase in regional cooperative efforts on both sides of the Atlantic, however, there is no indication of any general convergence in regional cooperative efforts (Scott 1999). Competitive regionalism continues to show variety within and between Western Europe and the United States because of variations in economic and institutional capacity, regional identity, and the level and depth of interaction.

Consequently, any lessons from Europe must to be geared, not only to the United States national context, but also to reflect the particular needs, capacity, and context of each region within the United States (Hudson *et al*. 1997). There are three main ways, however, in which regional cooperative efforts in Europe differ from those in the United States that can provide insights and lessons for U.S. policy and practice: the foci of the cooperative efforts, the territorial scope of regional cooperation, and the involvement of higher tiers of the state.

Foci of Competitive Regionalism

Regional cooperation in the United States and Western Europe share a focus on

- promoting exogenous and endogenous development (specifically, start-up, expanding, and incoming firms) through direct incentives to companies in an effort to generate regional jobs and tax base (see Boxes 4, 6, 7, 9, 11, 13, 15, 16, 18),
- generally improving regional conditions for existing and new firms through indirect subsidies for firms as a result of public investment in improving labor force skills and the transportation and communications infrastructures (see Boxes 1, 2, 7, 10, 11, 18),
- fostering scientific and R&D collaboration (see Boxes 3, 6, 18),
- joint lobbying of higher tiers of the state (see Boxes 5, 12), and
- sharing information and best practice (see Boxes 8, 14).

At the same time, regional cooperative efforts that focus specifically on information and best practice exchange are more prevalent in Europe. The EU directly promotes and funds long-term cooperative networks to share knowledge and experience among the specific participating cities and regions. In contrast, the United States government actively promotes the generation and dissemination of information and best practice, not through a formal institutional arrangement among lower-tier governments, but through mechanisms, such as Department of Commerce, Economic Development Administration (EDA) or Department of Housing and Urban Development (HUD) funding for research and conferences on urban economic development. The United States does not have the same kinds of ongoing institutionalized information sharing arrangements among particular groups of local and regional jurisdictions and practitioners that are now more common in Europe because of the availability of EU funding. In Europe, the cooperative networks are institutionalized and long-term and the information and experience are generated by the participants themselves, in addition to being produced by other sources, such as national governments, the EU, or university researchers.

It is difficult to quantitatively assess the effectiveness of the information and best-practice sharing among regions that has been ongoing in various institutionalized formats in Western Europe for a number of years, and in particular, whether it has a positive effect on the development prospects of weaker urban economies (Leitner & Sheppard 1999). In some cases, there is "a perception either of a lack of concrete outputs, or of a plethora of conferences and talking shops" (Marlow 1992, p. 32). Yet precisely because there is no single straightforward approach to improving urban competitiveness and prosperity, exchanging information and best practice can be a useful way to disseminate both successful and less-successful experiences with economic development initiatives between different local and regional contexts.

One lesson that can be learned from Europe is that information and best practice exchange can be a good way to establish active interaction and relations of trust between local jurisdictions. This kind of ongoing collaboration means that cooperation has become a more accepted mechanism in policy and practice in Europe. Certainly, while collaboration that involves sharing information ("learning from others") is a "weak" form of cooperation, "deeper" more action-oriented activities ("doing things together") have evolved from information exchange initiatives in Europe (Martinos & Humphreys 1992, p. 16).

Territorial Scope of Competitive Regionalism

An important lesson from Europe and its increasing economic integration is that the loosening of national barriers to trade affects the metropolitan areas along border areas by altering the hinterlands of the urban areas within them (Pyrgiotis 1991). Cross-border cooperation between contiguous regions is well established in Europe and is increasing in North America as a result of NAFTA (Artibise 1995; Borras 1993; Dommergues 1992; European Commission n.d.*a*; Gollub 1997*b*; Schmidt 1995; Scott 1999).

Largely as a result of the EU's involvement, however, regional cooperation occurs quite frequently between noncontiguous regions within and even between countries in Europe (European Commission 1994*b*, n.d.*b*; Maillat 1990). In fact, cooperation between noncontiguous regions either within or between countries involving the United States is rare.

In Europe, noncontiguous cooperation has even been considered in a trans-Atlantic initiative with a province in Canada. In addition to being one of the "Four Motors of Europe" (see Box 3), Rhône-Alpes looked into the potential to cooperate with a region in North America, and in 1990 selected a dynamic region in Canada, the province of Ontario. Furthermore, some commentators in Europe see regional cooperative networks within the "Atlantic Basin" as a logical step in order to take advantage of the increasing integration of the EU in Europe and NAFTA in North America (Dommergues 1992).

With the growing economic integration associated with NAFTA, international borders in North America, and even the trans-Atlantic boundary should no longer be seen as an obstacle to regional cooperative efforts that can potentially enhance the competitiveness and prosperity of cities and regions in the United States. Regional cooperative efforts in Europe suggest that there are significant opportunities for U.S. cities and regions to enter into cooperate arrangements of certain kinds with cities and regions in Canada and Mexico, and even further south, as well as overseas in Europe and Asia.

Involvement of Higher Tiers of the State in Competitive Regionalism

One message from Europe is that cooperation can help regions to improve their competitiveness and prosperity at the same time as producing overall national and supranational economic and other benefits. In Europe, the national and EU tiers of government actively promote competitive regionalism partly because of the potential to achieve national and EU goals, such as reducing disparities in income between different regions within and between countries. For example, regional networking between local and regional governments is supported because of its potential to transfer information, know-how, and even technical assistance for project development from richer to poorer regions (Martinos & Humphreys 1992).

This European approach is different from the efforts on the part of the individual state governments and agencies in the United States that are focused on enhancing the economic competitiveness of their state rather than on improving the health of the national economy. The European approach also differs from federal initiatives, such as the National Institute of Standards and Technology (NIST) of the Department of Commerce's Technology Administration. The European approach targets cooperation between *cities and regions* as a means to improve the competitiveness of their firms. NIST targets cooperation between *companies* within cities and regions. NIST helps to improve U.S. economic competitiveness by working with private companies to help them modernize, develop, and share new technology. NIST's Manufacturing Extension Partnership is a network of local centers that offer business and technical assistance to small and medium-sized manufacturers.

A lesson from Europe that may be relevant for the United States is the additional motivation for promoting regional cooperation on the part of the EU. While competitive regionalism occurs on both sides of the Atlantic to promote regional competitiveness in response to the internationalization of the economy, additionally in Europe, regional cooperation is seen as a mechanism for bolstering European political integration and identity at subnational levels (Scott 1999). The U.S. national government involvement in promoting regional cooperation as part of a process towards deeper regional and North American identity-building could potentially engender further cooperation with the possibility of mutual benefits for participants in terms of improving their economic competitiveness and prosperity.

Yet while the active involvement of higher tiers of the state in promoting regional cooperation can be beneficial, the experience in Europe indicates that care must be taken to avoid the drawbacks that have been identified for the EU. The administrative complexities associated with EU programs can work against effective regional cooperation with the result that the individual participating jurisdictions effectively end up carrying out unilateral projects. Moreover, in some cases, the EU funding is seen as an additional revenue stream rather than as an incentive for genuine regional cooperation (Scott 1999).

In addition, it is vital to ensure that national support for regional cooperation does not result in the central imposition on regions of the exact specifications for the networks. While central funding may provide support for regional cooperative efforts, national government should ensure that the efforts are the responsibility and choice of the local and regional participants in the first instance. A more active national government involvement in competitive regionalism should be in facilitating and guiding the process rather than in controlling it (Camhis & Fox 1992). This last point is particularly relevant to the U.S. context where the political culture is one of extreme local control over urban economic development, with less acceptance of financial or other assistance from central government that comes with regulations and restrictions affecting local action.

6. BEST PRACTICE IN FORGING COMPETITIVE REGIONALISM

This section attempts to identify best practice in forging cooperative networks and distinguishes important preconditions for successful regional cooperation.

- Economic Capacity: Successful cooperation rests on high-quality workers and transportation and communications infrastructures. While some prosperous regions exhibit social and economic inequities, disparities within regions, especially in educational attainment, can impede successful regional networking (Cisneros 1995*b*; European Commission 1993; Jensen-Butler *et al.* 1997; Porter 1990). Cooperative efforts must incorporate more general efforts to enhance the quality of the human, transportation, and communications infrastructures in addition to entrepreneurial strategies and incentives targeted directly at private firms.

  The cooperative strategies must be geared to the economic context (Markusen 1989). Gollub (1997*a*) identifies different strategies for regions with differing levels of prosperity:
  - Traditional manufacturing regions that are "trade impacted" by international competition can adopt strategies to promote high-value-added knowledge-intensive industry clusters.
  - Regions with "dependent and narrow economies," such as those traditionally dependent on national defense spending, can adopt strategies to diversify their economies by promoting new industry clusters or connecting to existing ones in the surrounding region.
  - Already prosperous "opportunity regions" can adopt strategies that proactively help them prepare for the future by managing and supporting existing growth.
  - Central city "disadvantaged communities" can adopt strategies, such as promoting new start-up companies or worker retraining, that provides a basis for connecting with economic opportunities in the wider regional market.

- Institutional Capacity: Successful regional cooperation requires a system of dynamic and representative collective governance. This involves participation by an active set of formal and informal institutions and individuals from the public, private, and nonprofit sectors not only at local and regional levels but also at national and even supranational scales (Amin & Thrift 1995; Cisneros 1995*b*; Cooke 1996; Gollub 1997*a*; Hudson *et al*. 1997; Wallis 1993).

- Self-Identification and Social/Political Cohesion: A shared territorial, political, or cultural identity is necessary for effective regional cooperation. A collective regional consciousness can act as the foundation for replacing individual impulses with collaborative actions. Homogeneity and complementarity of regional characteristics and interests enhance the development and operation of cooperative efforts. Initial "weak" cooperative efforts, such as information and best practice exchange, can help foster a collective regional consciousness (Cheshire & Gordon 1996; Cooke 1996; Gordon 1995; Hudson *et al*. 1997; Jones & MacLeod 1999; Keating 1997; Markusen 1987; Martinos & Humphreys 1992).

- Active Interaction: "Social capital," relations of trust, and the political will and commitment on the part of the various participants to pull together are important for successful cooperation. Fostering the institutional conditions that promote relations of trust and reciprocity can produce more effective cooperation and outcomes, which can help deepen social capital and enhance conditions for further cooperation. The length of time that cooperation and relations of trust have been developing also affects the cooperative efforts attempted and their outcomes (Amin & Thrift 1994, 1995; Dommergues 1992; Jones & MacLeod 1999; Martinos & Humphreys 1992; Putnam 1993; Wallis 1994*a*). The quality of this "civic infrastructure" or "institutional thickness" may be the most important factor affecting successful cooperation. It comprises a

> combination of factors including inter-institutional interaction and synergy, collective representation by many bodies, a common industrial purpose, and shared cultural norms and values ... which both establishes legitimacy and nourishes relations of trust ... which continues to stimulate entrepreneurship and consolidate the local embeddedness of industry. It is, in other words, a simultaneous collectivization and corporatization of economic life, fostered and facilitated by particular institutional and cultural traditions. (Amin & Thrift 1994, p. 15)

> The search for common objectives, cooperation, and partnership is not easy to handle because the regional actors often pursue different interests. Mediation and negotiation could help regional actors to overcome these difficulties. Platforms for dialogue could be provided by regional authorities and other nongovernmental organisations. These methods for conflict settlement have already contributed considerably to working out regional conflicts and to finding common solutions [in Europe]. (Thierstein & Egger 1998, p. 169)

These four preconditions are not always present and must be promoted or, if they do exist, must be strengthened, by taking four steps (Cooke 1996; Dodge 1990, 1992; Dodge & Montgomery 1996; Gollub 1997*a*; Hudson *et al*. 1997; Jones & MacLeod 1999):

- <u>Mobilize stakeholders</u>: The different stakeholders must be mobilized in order to engender interest and cooperation across a wide range and diversity of participants from the public, private, and nonprofit sectors; local communities; and all tiers of government. A lead organization or individual can be vital in successful mobilization efforts.
- <u>Identify available resources</u>: The mobilized stakeholders must identify the resources available to address regional problems as well as the region's strengths, weaknesses, and immediate challenges. This exercise is necessary so that the subsequent strategy and its implementation can be geared to the assets and liabilities of the region.
- <u>Devise strategy</u>: Given its needs, resources, and context, it is necessary to devise a collaborative strategy for addressing the opportunities and challenges facing the region. This strategic plan can take many forms and focus on one or a number of areas for strategic action. This stage involves identifying strategic targets and devising strategies to reach them.
- <u>Implement strategy</u>: The implementation and assessment process for the strategic plan must specify who will undertake the specific actions, the time frame, and the nature and amount of the resources needed to reach the strategic targets. The strategy must be revised regularly so that it remains part of a process that is sustained, up-to-date, and responsive to change.

7. PUBLIC POLICY IMPLICATIONS

This concluding section examines some of the public policy implications of these findings for U.S. cities and regions and for the national economy as they relate to three main areas: effectiveness, institutional issues, and transferability.

Effectiveness

The economic effectiveness of regional cooperative efforts is not always clear or measurable. Yet it is apparent that many of the more successful regional and metropolitan economies enjoy a strong network of intersectoral and intergovernmental collaboration and coordination that enhances their ability to maintain and improve their economic prosperity (Bennett & Krebs 1994; Gollub 1997*a*; Hudson *et al*. 1997). The need for a strong regional "institutional thickness" has implications for the effectiveness of efforts either to promote endogenous development through a cluster approach or to moderate wasteful competition to attract exogenous development.

- Endogenous development and promoting industry clusters:
  Competitive regionalism is viewed as having the potential to play a significant role in improving the qualify of life at urban, regional, and national scales by contributing to developing and achieving enhanced regional development strategies and regionally based projects and programs (Dawson 1992). The urban economic development literature contains numerous success stories showing the efficacy of regional cooperative efforts to encourage endogenous development through a focus on promoting competitive industry clusters and high-quality local and regional attributes, such as a skilled labor force and good transportation and communications infrastructures (Cisneros 1995*b*; Gollub 1997*a*; Peirce 1993; Porter 1990, 1995; Waits & Howard 1996). Yet successfully identifying and then effectively fostering incipient clusters is no easy task, especially for the economically weaker regional economies that suffer from weak intersectoral and intergovernmental collaborative relations. An implication of this situation is that policies and programs that seek to promote improved local and regional networking can help regional economies, especially weaker ones, enhance their economic competitiveness and prosperity (Bennett & Krebs 1994).

- Exogenous development and moderating wasteful competition:
  The potential for competitive regionalism to contribute to stemming the volume of public funds provided to companies by local governments as incentives to promote urban economic development has important policy implications (Burstein & Rolnick 1995; Fisher & Peters 1996; Pammer 1991; Rubin & Rubin 1987). In this ongoing period of budgetary constraints at all levels of government, the extent to which cities can cooperate, save public resources that would otherwise be expended on unnecessary incentives, and invest these funds more productively has implications not only for the prosperity of cities and regions, but also for the U.S. national economy.

  On the one hand, regional cooperation that contributes to public cost savings or even to reducing wasteful competition involving public incentives at any scale is a welcome advance. While there is a more established tradition of interjurisdictional cooperation in the provision of public services and infrastructure, local jurisdictions in the United States and Western Europe are beginning to work together to promote their entire region for inward investment. Local jurisdictions are recognizing increasingly that the benefits of any resulting investment in one area can provide benefits in the others. For example, employment generated from exogenous development in one locality usually benefits the regional economy as a whole because the beneficial spillover effects cross local political boundaries.

This awareness partly underlies the regional cooperative efforts to promote exogenous development on the part of the Trade Development Alliance of Greater Seattle that was established in 1991. Participants include the Port of Seattle, King County, the City of Seattle, the Greater Seattle Chamber of Commerce, organized labor, and more than 160 companies. The bottom-up stimulus for this regional cooperation resulted from the view that it was necessary to raise the visibility of the Puget Sound area on the international marketplace. This regional public-private partnership designed a promotional campaign to promote Greater Seattle internationally for inward investment (Wallis 1994*b*). Similarly, there have been explicit attempts to curb wasteful competition, as in the CAR cooperative network of cities and regions that have been affected by the restructuring of the motor vehicle industry (see Box 9). Instead of competition, CAR explicitly seeks to promote cooperation and information exchange between members (Dawson 1992; European Commission n.d.*a*.). Efforts such as these can produce benefits not just for the cooperating regions themselves, but for a national or supranational economy as a whole.

On the other hand, regardless of the presence of a strong "institutional thickness," the imperatives forcing local jurisdictions to compete individually for some of the available international investment are strong. Moreover, the prospects are not good for either regulating local government incentive programs or curbing the opportunities for companies to play cities off against each other in order to raise the level of public incentives offered.

Regional cooperative efforts may merely shift the competition from one between local areas to one between regions. "Tensions between competition and co-operation are implicit in all networks. Whilst networks may foster cooperation between members, at the same time they may boost their competitiveness *vis-a-vis* non-members" (Dawson 1992, p. 9). Even if individual local governments are cooperating within a region, they may still be competing with other regions (Goetz & Kayser 1993; Kenyon 1991; Randles & Davis 1998).

Moreover, any moderation of competition only occurs among the cooperating jurisdictions and only for the particular collaborative efforts agreed to. Regional cooperative efforts, however, can help to broaden a city or region's economic, social, and cultural horizons and engender and set the stage for a culture of cooperation and understanding between different areas in an otherwise strong culture of competition (Dawson 1992).

Institutional Issues

The institutional arrangements for competitive regionalism in terms of the initiation of cooperative efforts, participation, and inclusiveness and accountability have policy implications for U.S. cities, regions, and the national economy.

- <u>Source of Initiation of Cooperative Efforts</u>:
  In terms of the logistical difficulties of achieving effective regional cooperative networks, there are important policy implications associated with identifying the best source for the initial and subsequent impetus for cooperative efforts. Much of the European literature identifies the need for the involvement of higher tiers of the state in promoting and facilitating cooperation in a top-down manner (Cheshire & Gordon 1996; Gordon 1995; Hall 1991; Wüsten 1995). The resources of individual local governments are seen as inadequate to effectively address a city's problems, especially in the weaker urban

economies. In addition, the strong culture of competition in many facets of local government policy and practice mitigates against depending exclusively on bottom-up calls for regional cooperation (Hershberg 1996).

The stronger tradition of local control in the United States, however, would not allow the complete adoption of the kind of national involvement called for in a country like Switzerland:

> the national level should provide a legal and organisational framework which supports the formation of flexible cooperative agreements and partnerships between public and private actors. These arrangements within and among regions can provide important public goods for regional development. Rules for cooperation have to be defined, weaker participants protected, democratic structures ensured, and free-riders must be forced to pay their share ... financial incentives could motivate regional public and private actors to strengthen cooperation and coordination themselves ... the national level should provide relevant information to lower levels and strengthen problem-solving capacities. This comprises evaluations of regional programmes to induce learning processes, exchange of experiences, monitoring of future developments, and training for responsible public and private actors. (Thierstein & Egger 1998, pp. 167–8)

Cooperative networks must also be initiated by bottom-up stimuli because it is the local and regional bodies themselves that must make the cooperative networks succeed (Leitner & Sheppard 1999). Achieving the goals established for a cooperative network depends, to a great extent, on the efforts of the local and regional participants and the quality of the local "institutional thickness." "Urban networks belong to the cities themselves, only cities can make them work" (Camhis & Fox 1992, p. 6).

The policy implication is that a combined top-down and bottom-up approach is necessary. Local and regional bodies and individuals must be willing to actively cooperate for their mutual benefit and higher tiers of the state must support these efforts. In fact,

> evaluations have shown that both approaches have to be combined. Actors at the regional level have to accept their own responsibility, and central government has to learn to be more supportive ... Top-down and bottom-up approaches are complementary. (Thierstein & Egger 1998, p. 164)

- <u>Participation</u>:

In this connection, the literature is clear on the need for the active involvement of the private and nonprofit sectors in addition to participation and interaction between all tiers of government (Gertler 1997). The more active involvement of the public sector in Europe, and the private sector in the United States, in forging cooperative networks raises important policy implications for their operation and effectiveness. In Europe, the less active participation of the private sector in many regional cooperative networks weakens the scope, efficiency, and outcomes of these efforts. In contrast, in the United States it is often the public sector that is less actively involved than the private sector in regional cooperation, with the implication that social and economic equity concerns are not highly placed on the agenda.

- Inclusiveness and accountability:
  At the same time, the concept of a cooperative network suggests a commitment to participatory democracy. Yet regional cooperative efforts do not guarantee that the process will be politically democratic (Putnam 1993). In fact, the changes in intergovernmental relations and in the relationships between the public, private, and nonprofit sectors that have been associated with the trend towards competitive regionalism can result in negotiation replacing public policy (Keating 1997). Despite the participatory governance basis of regional cooperation, the continued concern with competition can result in the networks being hierarchically structured and driven by an influential regional elite. Cooperative networks can be dominated by a narrow range of interests with limited room for community views to be expressed or incorporated (Amin & Thrift 1995; Dang-Nguyen *et al.* 1993; Jacobs 1997; Jones & MacLeod 1999; Raco 1999).

  Moreover, ensuring democratic accountability across the often large spatial extent of a cooperating network is not easy (Hall 1991). Leitner and Sheppard (1999) are concerned that failing to incorporate the active participation of ordinary citizens in efforts to improve the competitiveness and prosperity of their cities may eventually undermine the viability of the cooperative networks themselves. Similarly, the participatory governance basis of regional cooperative networks does not guarantee social equity in terms of the equitable distribution of the costs and benefits of the cooperative efforts within particular regions (Amin & Thrift 1995; Morgan 1992). For Leitner and Sheppard (1999, p. 240)

  > it is far from clear how far the effect of elevating competitive entrepreneurial strategies from the level of the city to that of the network would go toward eliminating social and spatial inequities.

Transferability

The effectiveness of competitive regionalism as a means of promoting urban and regional competitiveness and prosperity relates to the issue of the transferability of policy and practice within the regions of individual countries and between the regions in different countries. Yet there has been a greater acknowledgment recently that many of the success stories have been a one-time combination of particular local contexts and historical trajectories that created unique local “institutional thicknesses” that cannot be recreated elsewhere (Amin & Thrift 1994). Despite the numerous examples of successful competitive regionalism in the literature, each case is specific to its own particular local context (Parks & Oakerson 1989; Tödtling 1994).

In addition, the evidence from the literature for the United States and Western Europe is that competitive regionalism does not represent a simple or straightforward recipe for economic success in the form of a single formulaic method that can be automatically implemented in every region (Amin & Thrift 1995; Saxenian 1994). “There has been no one way, no one model” (Murray 1991, p. 6).

So the absence of a single straightforward cooperative method for all regions, combined with the diversity in local contexts, present challenges for communities seeking to engage in competitive regionalism to enhance their economic competitiveness and prosperity. Yet the very fact that no one solution fits all regions means that there are opportunities for communities to familiarize themselves with the efforts in other regions and to then devise effective cooperative efforts that are geared to their own particular circumstances and needs.

At the same time, there is also a general acceptance that the strength and performance of urban and regional economies depend partly on large-scale economic and political factors that are outside the direct control of regional efforts to influence completely. These factors include the activities and investment decisions of large private corporations. Consequently, competitive regionalism cannot guarantee economic success.

Yet while competitive regionalism is constrained by the larger economic and political contexts, there is scope for these efforts to make a difference by helping to position a region so that it can attempt to take advantage of changes in the larger political economy. The evidence from the more successful examples of competitive regionalism indicates that conditions internal to the region are important factors in a region's competitiveness and prosperity in spite of the power of external economic and political factors to affect regional economic growth. These internal factors include strong economic and institutional capacities, self-identification and social/political cohesion, and broad-based and active interaction among participants that creates an "institutional thickness" that forms the basis for success.

Clearly, however, competitive regionalism is not a cure-all. Despite the longer tradition of regional cooperation in Europe, and the recent initiatives in the United States, there is much to improve upon and achieve. Regional cooperation has occurred across a range of areas including promoting exogenous and endogenous development by targeting start-up, expanding, and incoming firms; improving general conditions for firms more indirectly through public spending on improving labor force skills and the transportation and communications infrastructures; fostering scientific and R&D collaboration; jointly lobbying higher tiers of government; and exchanging information and best practice. Even in regions touted as success stories, progress remains to be made in addressing inclusiveness, accountability, and entrenched social and economic disparities, and forging an even greater culture of metropolitan cooperation to replace individual local competition.

Although most commentators acknowledge that competitive regionalism will not solve all the problems faced by cities and regions, many are optimistic that competitive regionalism has the potential to help cities to strengthen individual local capacity by achieving results collectively that would not be possible by acting individually. Despite the difficulties associated with achieving effective regional cooperative efforts, the potential benefits mean that competitive regionalism is likely to continue to develop both over time and across space.

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