Planning local economic development in the emerging world order

Edward Feser, University of Illinois at Urbana-Champaign
Planning Local Economic Development in the Emerging World Order

Edward Feser

University of Illinois at Urbana-Champaign*

8 September 2013

Abstract. A new consensus is emerging around effective modes of government action in the economic sphere—in essence, a new approach to industrial policy—that has significant implications for the reform of the subnational economic development function currently underway in the UK and US. Leading edge local and regional economic development practice must be smarter, more flexible, more collaborative among stakeholders, more experimental and evaluative, and much less prone to generic diagnoses of economic challenges and the application of universal strategies. In turn, good planning scholarship is needed to help design the organisations and practises the new model requires and to train the professionals who can function effectively under it.

Introduction

In his Abercrombie Lecture over 25 years ago, Michael Teitz described local economic development as one of the fastest growing domains of organised government activity in the UK and US (Teitz, 1987). Writing ten years later, he noted that local economic development in the US had gained all the trappings of a full-fledged profession: robust associations, practitioner-oriented journals, annual conferences, certifications and continuing education requirements, a claim that is not any less valid today. The situation is somewhat more complex in the UK, where the centralised system of public finance makes direct cultivation of the local tax base less immediately pressing (Brook, 2010). Yet most local authorities engage in economic development activities of some kind and the various regional strategies of successive national governments have helped spawn a sizable cadre of local economic development professionals embedded in a mix of public and quasi-public organisations, chambers of commerce and private consultancies (Bennett, 2011; Walburn, 2011). Local economic development is firmly established as a public sector function on both sides of the Atlantic.

Yet the institutions of subnational economic development planning and policy making are in major flux in both countries. In the UK, the elimination of Regional Development Agencies, the establishment of Local Enterprise...
Partnerships, and the general new localism agenda of the Coalition government have significant parallels with a wave of economic development agency reform that is sweeping through US states. In both cases, wholesale institutional reform—not just the adjustment of existing strategies, tools or programmes—is viewed as essential to addressing current and emerging economic challenges; the development of structures and mechanisms to cultivate private sector leadership and expertise is a major—if not the central—focus; and the matter of the geographic scale at which various forms of government intervention in economic affairs ought to be undertaken is a central question. Clearly there is deep dissatisfaction among many British and American political leaders with the results of what is being done in the arena of local and regional economic development policy and strategy. That dissatisfaction is driving efforts to change how such policies and strategies are developed, resourced, and implemented.

The town planning discipline should be a robust source of guidance about how best to restructure and manage institutions of local economic development in the face of an increasingly globalised and competitive economy. However, systematic theorising and empirical research by planning scholars on the design of planning organisations and practises, especially around the question of how best to join up the functions of local planning and local economic development, has not had the kind of influence on the current reform debates that one might hope and expect. Part of the problem is that such scholarship remains too limited. More research is needed on institutional questions in economic development planning, although American planning scholars probably lag their British counterparts in this regard. Yet it is also the case that the planning academy remains ambivalent toward economic development as a subject of research and teaching.

In the US, the economic development ‘tracks’ or specialisations that proliferated in post-graduate planning programs in the 1980s and early 1990s, as well as the number of faculty claiming economic development as a scholarly speciality, have been contracting over the last decade or so. Land use and environment, planning theory and history, and community development and housing have emerged as dominant focus areas for research, and likely for teaching as well (Goldstein and Carmin, 2006). Integration among planning specialisations is still underdeveloped in the classroom and in practise. In the UK, as in Europe, the concept of spatial planning provides a framework for the joint consideration of economic development, environmental, housing transportation and other planning concerns, along with questions of institutional design and geographic scale. However, the Coalition government’s new ‘localism agenda’ calls into question the form that spatial planning will take going forward (Baker and Wong, 2013). Unsurprisingly, despite the undisputed
connections between the vitality of the city’s economic base and the remit of the modern planner, town planning and local economic development as governmental or quasi-governmental functions remain in tenuous relation to one another in a great many British and American cities (Hall, 2002; Cullingworth and Nadin, 2006; Garmise, Nourick et al., 2008; Levy, 2011). It is well past time to change this.

In this paper, I argue that a new consensus is emerging around effective modes of government action in the economic sphere—in essence, a new approach to industrial policy—that has distinct implications for the practice of local economic development. Those implications, most of which concern issues of how economic development strategies are best identified and implemented rather than what specific strategies are pursued, create significant opportunity—and need—to tighten the alignment of local planning and local economic development as areas of enquiry in the planning academy. Planning scholars are better placed than their colleagues in allied disciplines to conduct the kinds of research necessary to inform and refine the new local industrial policy model and, moreover, the discipline of planning is especially well-suited to train economic development professionals who can function effectively under it.

Leading edge local economic development practice must be smarter, more flexible, more collaborative among stakeholders, more experimental, and much less prone to generic diagnoses of economic challenges and the application of universal strategies. In turn, good planning scholarship is needed to help design the organisations, practises and tools that the new approach requires.

**Background**

In the US, local economic development has a long history as a focus of private sector leaders and organisations (Teitz, 1987; Cobb, 1993; Teitz, 1994; Waterhouse, 1997; Malizia and Feser, 1999). It did not emerge in earnest as a local public sector function until the mid-1970s when liberalized trade, stiffening international competition and the rising cost of oil and other natural resources put the manufacturing sector under considerable pressure to restructure and downsize, especially in the highly industrialised Midwest and Northeast. The property tax-dependent revenue base of many US cities came under tangible threat, even as swelling unemployment placed rising demands on local social services and a growing stock of idle factories, obsolete office buildings, and polluted industrial sites established a pressing need for creative redevelopment planning and financing. For many cities, rapid suburbanisation, an eroding residential base in the urban core, and associated fiscal imbalances between city and suburb created additional challenges. City officials could little afford to ignore the condition of the urban economic base and yet they could not depend solely on private sector leadership for a response. Not only was
conventional city boosterism the main focus of local commerce organisations—a strategy that serves well enough in periods of stable growth but is beside the point in times of decline and restructuring—but business leadership networks in many cities frayed severely with the collapse of longstanding anchor industries and the social capital nurtured by their presence (Safford, 2009).

The regional implications of deindustrialisation in the US in the 1970s and 1980s varied widely. The manufacturing sector in the South and West expanded even as it declined in the Midwest and Northeast (Norton, 1986). The local economic development response varied accordingly, although the trend toward growing public sector engagement in the activity was generally consistent. Cities and states in the South and West competed fiercely for branch plant relocations from the Rustbelt and the investment of foreign manufacturers. An economic development profession skilled in business prospecting, place marketing, and the design of tax and subsidy schemes emerged to support that competition. Such approaches were also pursued in the Midwest and Northeast, but the obvious limited potency of business recruitment in the face of higher costs, lower labour flexibility, and greater pressure on the public fisc meant that small business, entrepreneurship and other endogenous development strategies emerged more rapidly—if somewhat fitfully—in those regions (Eisinger, 1988, 1990, 1995).

The organisational base of local economic development practice in the US was, and remains, highly diverse. The network of consulting firms, utility companies, public-private development corporations, and local and state agencies engaged in economic development has become extensive, as has the policy and programmatic toolkit. What Teitz (1987) described as ‘protofield’ 25 years ago is now institutionalised and professionalised. By the 1990s, the field had been through enough evolution that scholars were describing three ‘waves’ or paradigms in the approach to economic development at the state and local level: the first focused on attracting established enterprises into a community or region with the use of targeted marketing, tax breaks, and subsidies; the second, emergent in the 1980s, aimed at building economic growth from within via an array of entrepreneurship and small business support programs (technical assistance, incubators, seed capital); and the third, partly fuelled by the ‘reinventing government’ impulses of the Clinton Democrats, emphasising new organisational approaches around public-private collaboration, inter-institutional and multi-jurisdictional networks, strategic planning, and targeting to industry clusters (Bradshaw and Blakely, 1999; Glasmeier, 2000).

In the highly centralised UK, local authorities derive the majority of their revenues from national government. Nevertheless, as the health of the local economy is linked to social and planning concerns, few localities can afford to
ignore local economic development as a policy domain entirely. Hall (2002, p. 347) notes that by the 1980s, nearly all authorities had economic development offices ‘staffed by a new breed of local government officer.’ In addition, in contrast to the US, the UK has a history of regional policy orchestrated from the centre, motivated by Keynesian principles in the immediate post-WWII period, later giving way to neoclassical rationales and influenced by the regional cohesion objectives of the European Union, but also heavily reliant on various forms of business subsidies as tools to influence the location of economic activity (Hildreth, 2009). Subnational economic development has therefore been a longstanding area of policy concern in the UK, albeit managed heavily from the centre in contrast to the very localised American approach.

**Subnational Economic Development in Flux**

Today, deep uncertainty over whether or not the right policies and investments are being made to encourage the emergence of new engines of economic growth is motivating significant change in subnational economic development institutions in both England and the US. The direction reforms are taking places considerable emphasis on the need for organisational models, institutional practises, and decision making frameworks that are more effective at surfacing and implementing distinctive, locally-determined and locally-implemented economic development strategies.

The economic challenges facing the US, UK and Europe are well-known: persistently sluggish job growth, worsening income inequality, skill polarisation, slowing rates of educational attainment, the continued decline of onshore manufacturing production, and rising competition from rapidly industrialising countries like China and India, which are making aggressive investments in science, technology and education (Goldin and Katz, 2008; Atkinson and Ezell, 2012; Stiglitz, 2013). Especially worrisome are tightening fiscal conditions driven by welfare state obligations, exacerbated by aging populations and, in the case of the US, a national politics that has thwarted all attempts to address a severe structural deficit. The public sector’s capacity to invest in infrastructure, basic and applied research, and education is shrinking in many advanced industrialised countries.

The combination of structural economic trends, limited fiscal room to manoeuvre, and US political stalemate have generated a mini-boom in literature questioning the longstanding dominance of the advanced industrialised economies. Representative examples are Arvind Subramanian’s *Eclipse: Living in the Shadow of China’s Economic Dominance* (2011), Edward Luce’s *Time to Start Thinking: America in the Age of Descent* (2012), and William Holstein’s *The Next American Economy: Blueprint for a Real Recovery* (2011). The analysis echoes much earlier work investigating the reasons America overtook
Britain’s lead in manufacturing and Japan’s rapid rise vis-à-vis the US in the 1970s and 1980s (e.g., Kuznets, 1930; Kindleberger, 1974; Scitovsky, 1980; Vogel, 1980; Olson, 1982; Etzioni, 1983; Porter, 1990). Whether or not the current economic situation in the US is cyclical or more fundamental remains to be seen. Nevertheless, a growing number of cities and states are revisiting the way they are configured and resourced to pursue economic development. State and local institutional innovation is underway even if little change is occurring in Washington.

Some thirteen states have initiated or implemented major changes to their economic development institutions since 2010 (Sparks and Pappas, n.d.). In some instances, the changes have included the elimination of traditional state-run commerce or development agencies. In all cases, public private partnerships of one sort or another feature prominently. To date, the reformist impulse has been mostly restricted to the state level, with some of the reforms including adjustments to the apparatus of state-driven (or influenced) regional economic development planning and policy making. Unsurprisingly, given the political gridlock, there has been no significant policy shift—or even debate—at the federal level regarding appropriate national policy and governance frameworks for addressing city and state economic challenges, or the appropriate roles of government at the federal, state and local scales. The US federal government’s longstanding default policy of people-over place-based economic development remains intact, its small appropriations to agencies like the Economic Development Administration and Appalachian Regional Commission notwithstanding.

All of the drivers behind the US wave of institutional change at the state level are not yet clear. Among the possibilities are differences in political ideology (many of the reforms are occurring in states with new Republican governors and/or rising Tea Party influence), pragmatic political strategy, eroding confidence among political and corporate leaders in the prevailing de facto industrial policy of the US, or a shift in the political economic balance of power between cities and their larger metropolitan hinterlands, states, and the federal government (Katz and Bradley, 2013). So far, however, analysis of ongoing US state economic development reforms offer explanations that are more instrumental in focus. A recent assessment by the National Governors Association, based in part on the findings from a panel discussion of experts assembled to discuss the new trends, cites as the principal reasons states are experimenting with different institutional models: ‘organizational clutter’—a dilution of effort as the portfolio of initiatives in state agencies has grown, the inability of state agencies to appoint appropriately knowledgeable and experienced staff given civil service rules and salary restrictions, and the
longstanding avoidance of most states to undertaking meaningful quantitative evaluation of their economic development programs (Sparks and Pappas, n.d.). Prevailing economic development strategies and programs are increasingly viewed as ineffective in many states, and lack of focus and flexibility in sprawling government bureaucracies, as well as a tendency to adopt ‘one size fits all’ solutions that copy competing states, are perceived as major culprits.

Some of the same themes characterise reforms underway in the UK, albeit the driver is the centre rather than the cities and regions. The 2010 decision of the British government to abolish Regional Development Agencies (RDAs), the replacement of RDAs with Local Enterprise Partnerships as ‘joint local authority-business bodies,’ and the emergence of a presumed ‘new localism’ together constitute a major change in the established apparatus of subnational economic development strategy making and planning (Pugalis and Townsend, 2013). The motivations behind the Coalition government’s new localism agenda and its implications for regional development growth patterns and inequalities over the long run are the subject of robust scholarly investigation and debate (Hildreth, 2009; Bentley, Bailey et al., 2010; Jones, 2010; Hildreth, 2011; Shaw and Robinson, 2012; Bentley and Pugalis, 2013; Hildreth and Bailey, 2013).

New localism has been described variously as a mask for expenditure cuts, a reassertion of centralised control over local affairs, a bona fide effort to decentralise power and resources, a practical solution to the problem of bureaucratic inefficiency and inertia, an element in a national political strategy, and a new understanding of the appropriate scale of governance of economic affairs in the face of an agglomerated (‘spiky’) but globalising world.

Signature accompanying initiatives, such as the ‘City Deals’ proposal to devolve some powers and resources for planning and development from Whitehall to selected English city authorities, highlight the critical role of strong local institutions, namely a well-functioning system of governance, ‘region-wide economic and financial assessment frameworks to appraise and prioritise projects,’ the need for project and programme delivery at ‘arms-length from policy,’ and city authorities that are catalysts ‘for change and provide for an effective working relationship between local and national government, business and communities’ (Woolley, 2012). None of this will be easy to implement. As in the US, general appeals to the power of public-private partnership, and specifically the advantages of tapping the assumed greater competence and hard-headed decision making capacity of corporate leadership, will not be enough. The combination of political and professional skill necessary to coordinate multiple partners in the development, adoption and execution of comprehensive local economic strategies requires a level of organisational capacity that many cities may presently lack (Deas and Doyle, 2013).
There are parallels with emerging EU policy as well. The Coalition government’s quest for unique strategies carefully tailored to local and regional conditions and opportunities is echoed in the ‘smart specialisation’ agenda driving the European Union’s current regional cohesion policy. The concept behind smart specialisation—which calls for authorities to undertake rigorous self-assessments of their regions’ ‘knowledge, assets, capabilities, and competences’; to avoid off-the-shelf solutions; and to address local institutional and governance issues that foster or hinder the diffusion of innovation—is that Europe can close its longstanding productivity gap with the US if it can find a means of surmounting cross-country and cross-regional frictions limiting knowledge spillovers and innovation-related agglomeration economies (McCann and Ortega-Argilés, 2011). Smart specialisation imagines the cultivation of unique regional knowledge- and network-based creative clusters that build sustained research excellence, attract leading multinational companies, foster the use of the latest productivity-enhancing technologies among existing firms, and stimulate entrepreneurship. It recognises the key importance of agglomeration but also tries to balance the advantages agglomeration economies confer with the objective of widely-shared growth by imagining that different countries and regions will specialise in those industries and knowledge competences in which they are best suited to thrive. In this way, it is hoped the dominance of a few regions can be avoided and the cohesion objective achieved.

The creation of a regional smart specialisation strategy is summarised in four ‘Cs’: choice and critical mass, i.e., prioritisation based on a region’s unique strengths and the objective of international specialisation in order to minimise duplication of target research and innovation clusters across the European Research area; competitive advantage, and specifically the mobilisation of local talent and encouragement of local entrepreneurial discovery; connectivity and clusters, the latter ‘arenas for related variety/cross-sector links internal in the region and externally’; and collaborative leadership, i.e., the encouragement of public-private partnerships and the quadruple helix, thereby ‘giving voice to unusual partnerships’ (Foray, Goddard et al., 2012). As a pre-condition for the receipt of structural funds, regions are directed to analyse their regional context and potential for innovation; establish a collaborative governance structure; produce a shared vision regarding the region’s future; select a limited set of priorities for economic development; establish a supporting mix of policies; and include monitoring and evaluation in the implementation effort.

Differentiated regional innovation policy, or economic development strategy more broadly, is not a new idea. For example, Tödtling and Trippl (2005) argue that innovation strategies are too generic across too many regions and they identify several innovation types that map to specific options and
strategies. However, the smart specialisation agenda at the European Union level, as well as the direction of institutional change in the apparatus of local and regional economic development in the US and UK, are different in an important respect. The philosophy is not that there exists a typology that specifies what kinds of strategy will work in a limited set of prototypical situations or contexts. Rather, the focus is the process of policy and strategy development and implementation. Specifically, the claim is that how a development strategy is identified, defined, agreed-upon and implemented in a given context is critically important to its prospects of success. Getting the policy or strategy right is a matter of getting the process right.

**The New Industrial Policy**

That general notion represents a new approach to industrial policy and it arises not from a single source, but rather a convergence of ideas. Rodrik (2007, p. 100) describes industrial policies as those policies aimed at encouraging economic restructuring ‘in favor of more dynamic activities.’ Such policies are attempts to address allocative inefficiencies and undesirable distributional consequences associated with economic restructuring and the emergence of new sources of growth. Industrial policy is an oddly taboo subject in the US, is only somewhat less so in the UK, and is debated openly and vigorously in the EU and among development economists studying growth in less industrialised states.

Indeed, the official view of industrial policy among national leaders in the US remains stuck in a mid-1980s time warp, where a debate between market sceptics and market fundamentalists simply trailed off after the depreciation of the dollar helped shore up US trade competitiveness that began slipping badly beginning in the mid-1970s (Norton, 1986). As the US economy recovered from the 1982 recession and prepared to enter its long 1990s growth phase, the view of market sceptics that government has an important role to play in nudging the economy toward specific sectors in order to protect jobs and communities or, alternatively, to speed the economy’s transition out of less profitable industries and markets, lost its force. Where the debate settled was that government attempts to shape the country’s economic transition would do more harm than good—government failures would outweigh any attempted market failure corrections—and thus government should remain as ‘hands-off’ as possible. Industrial policy was caricatured as ‘picking winners’ and everyone could agree government officials would be terrible pickers. Official policy discourse around industrial policy more or less ceased and a presumed consensus around a market fundamentalist logic emerged.

Block (2008) makes a good case that activist industrial policy actually is very much in evidence in the US, mainly around aggressive government support for innovation and the commercialisation of new technologies. The policy is
simply hidden behind partisan political dynamics that favour keeping the myth of a largely hands-off government alive. Furthermore, Block claims, the political infeasibility of entering into a thoughtful, open debate on the merits of industrial policies and how they might best be structured and implemented comes at significant cost in terms of the developmental state’s effectiveness.

Block’s perspective is national, but the absence of thoughtful discussion of industrial policy is a particular problem for American cities and states seeking more potent economic development strategies. Admittedly or not, subnational economic development in the US is industrial policy, with its heavy use of targeted business location incentives, research and development tax subsidies for selected technology-based industries, investment in public university research competencies that align with favoured local industries, promotion of a limited set of industry clusters, creation of seed capital funds, and development and management of business incubators, research parks, and industrial parks. The key policy question is not just which among the strategies are mostly likely to be successful, but rather how can they are best identified, targeted, and especially implemented to achieve positive outcomes without generating excessive distortionary effects. Indeed, it is the general perception that waste and distortion plague the efforts of existing economic development institutions—state agencies in the US and RDAs in the UK—that is fuelling the reformist impulse described above.

What is needed, in the words of Rodrik (2007, p. 100), is a ‘framework for conducting industrial policy that maximizes the potential to contribute to economic growth while minimizing the risk that it will generate waste and rent-seeking.’ In fact, a growing body of research in development economics, including Rodrik’s own model of economic development as ‘self-discovery’; the (network) developmental state perspective of Evans (1995), Amsden (2001), Chang (2003), Block (2008), and others; and the emphasis on experimentalism best articulated by scholars like Banerjee and Duflo (2011), together suggest an emerging new consensus on industrial policy that holds useful lessons for the design of local economic development institutions in industrialised countries. Although these various perspectives are not in lockstep agreement with one another, they are broadly consistent in their calls for a government approach to economic development that is cautiously activist, context-specific, experimental, emergent and, above all, pragmatic. The capacity of economic development organisations to experiment with truly local solutions, learn as they go, and adjust according to outcomes achieved is especially critical, as is their ability to balance cultivating a working relationship with corporate partners against maintaining enough autonomy to avoid capture by those same partners.
In the framework of Rodrik (2007) and Hausmann and Rodrik (2003) industrial policy is not a matter of government enumerating market failures and then intervening to correct them. Rather, it is a ‘discovery process’ whereby ‘firms and government learn about underlying costs and opportunities and engage in strategic coordination’ to support the pursuit of new lines of business that diversify the economy (Rodrik, 2007, p. 101). Both government and the private sector possess too little information; thus the need for close interaction between them. One particular problem for business is the existence of information externalities associated with the identification of viable market opportunities: once an individual entrepreneur discovers that a new endeavour can be profitable, that potential profitability is then widely known and thus encourages imitating competitors. Because the first entrepreneur must bear all the risk of uncovering a new opportunity but cannot capture the full benefits of its revelation, entrepreneurship of this kind is effectively under-provided. Hausmann and Rodrik suggest a ‘carrot and stick’ strategy that incentivises first movers but closely monitors performance to ensure any subsidies or other benefits are used for intended purposes. The other major problem Hausmann and Rodrik describe is the prevalence of coordination externalities, the need for simultaneous investments—some by related firms and others by the public sector—to create the conditions for a particular new business opportunity to thrive. Here government can use tools like linking one agent with another, subsidies, investment guarantees, and public infrastructure investments to help facilitate the necessary joint investments.

For our purposes, the specifics in the Hausmann and Rodrik framework are less critical than the basic principles. The first is that because government is not capable of detecting externalities and other sources of market failure on its own, ongoing information elicitation by government from the private sector is important. The second is that because any interventions by government to correct market failures associated with entrepreneurship and the emergence of new growth engines are open to rent seeking, countermeasure policies and practises need to be designed and implemented. According to Rodrik: ‘A first-best policy in the wrong institutional setting will do considerably less good than a second-best policy in an appropriate institutional setting...when it comes to industrial policy, specifying the process is more important than specifying the outcome’ (2007, p. 111). With respect to the importance of information flow between private and public sector actors, the parallels with local economic development institutional reform in the UK and US is striking. Yet the limited discussion in those same reform efforts of the need for institutions that support an ‘embedded autonomy’, thus reducing the risk of rent seeking and corruption, is also as striking.
The self-discovery model of Hausmann and Rodrik focuses on a specific kind of emerging economic opportunity in newly industrialising countries: the existing product or technology for which the character and production can be profitably adopted (and likely adapted) for local use or production. Explanations of post-WWII activist industrial policy in East Asia—described as the Developmental Bureaucratic State (DBS) by O’Riain (2004)—are similarly focused largely on policies and associated institutional models and practises for helping local firms catch up in established international markets. Work by O’Riain, as well as by scholars like Evans (1995), Amsden (2007) and Chang (2003), highlights the fact that aggressive industrial policy of this sort was not just a Japanese or Korean phenomenon, but also accompanied the early industrialisation of the US and other highly advanced countries. In contrast, the Developmental Network State (DNS) variant is a characterisation of current industrial policy practice in Europe, the UK and the US that purportedly supports firms in their development of wholly new products, technologies and processes. In the case of both DBS and DNS, the notions of embedded autonomy and careful attention to the process of information elicitation and application of incentives are central features.

In the DNS model as laid out by Block (2008), government officials identify major technological challenges for which a solution would yield significant economic and societal benefits. They then offer funding and support to those research teams and organisations they deem most likely to achieve progress (called ‘targeted resourcing’). Officials may also work to assemble different teams into larger groups and working networks to improve chances of success. A parallel strategy seeks to create multiple channels via which innovators across multiple types of organisations—universities, government labs, corporate labs, etc.—can access resources and support to pursue their own ideas (called ‘opening windows’). Block describes two other DNS tasks, ‘brokering’ and ‘facilitation’, where the former is either connecting groups that will bring complementary technologies or approaches to bear on an innovation problem or linking innovators to commercialisation supports. ‘Facilitation’ echoes the notion of the coordination failure described by Hausmann and Rodrik: there are often obstacles—e.g., the absence of standards, the need for shared infrastructure, the need for parallel investments among related firms—that prevent deployment of a given technology or stymie its ability to gain a foothold in the market. Such obstacles will not be resolved by an individual innovator and entrepreneur, either because of the scale of the problem or because the benefits of clearing the particular obstacle cannot be fully appropriated, thus the need for a facilitative public sector role. All four functions highlight the importance of government actors who are ‘deeply rooted in the
particular technological community that they are funding’, a version of embedded autonomy (Block 2008, p. 173). Also critical is sustained organisational learning: experimenting with different means of advancing technological change through the provision of funding, research infrastructure, brokering services, and the like, and then adjusting practices according to the results of those experiments. The emphasis is on good institutions, but institutions of a specific kind, with the organisational and financial flexibility to try different approaches and the capacity to generate and absorb lessons from direct experience.

Indeed, formal policy experimentation through randomised control trials, or ex post evaluation through quasi-experimental research designs, is receiving growing attention in development economics, economics proper, and related fields like regional science and geography (Feser, 2013). Banerjee and Duflo (2011), for example, argue that it is misguided to either attempt to implement large, comprehensive development strategies or to assume that highly-functioning macro-level institutions are a necessary precursor to successful development (i.e., property rights, tax systems, and political systems). They call the assumption regarding institutions the ‘melancholy view’, namely that without good macro-level institutions—and especially good politics—it is impossible to design and implement good policies. They cite evidence of effective local, context-specific solutions to development problems in extremely adverse poor country conditions. The answer is to set out to solve concrete, narrowly-conceived problems by implementing focused solutions and rigorously evaluating outcomes, and thus ‘to make very significant progress against the biggest problems in the world through the accumulation of a set of small steps, each well thought out, carefully tested, and judiciously implemented’ (Banerjee and Duflo, 2011, p. 15). Like the growth diagnostics framework of Rodrik (2007, 2010), the approach eschews dogmatism and generic blueprints and prioritises a focus on implementation and learning.

The ideas converging to yield this new type of industrial policy are consistent with many of the motivations currently influencing the reform of local and regional economic development institutions and approaches in the US and UK, as well as the smart specialisation agenda of the EU, including the emphasis on identifying unique context-specific strategies, increasing the focus on evaluation and accountability, tapping private sector knowledge and expertise in partnership with government, involving a wider range of stakeholders in the making of strategy, and emphasizing flexibility and targeted investments over fixed programmes. Success will require organisations and staff skilled in engaging stakeholders and citizens, conducting regular analysis, orchestrating collective choice and actions, and rigorously evaluating policies and programs
(and learning from the results). In other words, local economic development practitioners, organisations and their partners will need the capacity to undertake day-to-day activities for which the economic development profession has not hitherto been known to excel. My contention is, however, that many such practises are the stock in trade of the contemporary town planner and—one hopes—key components of the core content in planning academic curricula. The planning academy and town planning profession are therefore important potential resources for the successful implementation of the new industrial policy ideas. This creates an opportunity and need for a stronger alignment of economic development and city planning, both in scholarship and practise.

Town Planning and Local Economic Development
Planning and local economic development as government functions and areas of scholarly enquiry within the planning academy have long stood in somewhat ambivalent relation to one another. A sudden and desperate need for growth to stem inner city decline in older industrial US and UK cities in the 1970s and 1980s directly challenged the planning profession’s orientation toward regulation and control. In the UK case, the ‘guidance and control of growth, traditional concerns of the British statutory planning system since 1947, had quite suddenly been replaced by an obsession with encouraging growth at almost any cost’ (Hall, 1988, p. 347). In the US, the worst excesses of urban renewal programmes and the emergence of powerful and undemocratic urban growth coalitions encouraged many planners’ already instinctive inclination to act as a counterweight rather than enthusiastic partner in economic development. That economic development practice is often more opportunistic than it is systematic creates further practical and cultural divides between the two professional domains.

Surveying economic development practices in the US in the late 1980s, Levy (1990, p. 158) found them to be largely untargeted, concluding that ‘connections with specific municipal planning goals will generally by tenuous.’ Teitz’s (1997, p. 784) fifteen year-old claim that planning and economic development ‘are intimately related in tension as well as mutual support’ would appear to remain true today, if the International Economic Development Council’s (IEDC) retrospective analysis of 40 years of urban economic development planning is a judge. In its report, the IEDC—the largest organisation of economic development practitioners in North America, with some 4,500 members—describes the profession’s inattention to land use policy, its privileging of industrial and commercial development over housing, its lack of focus on the neighbourhood scale, and its general tendency to work in a ‘siloh,’ unconcerned with ‘other urban issues that affect the overall health of cities’ (Garmise, Nourick et al., 2008, p. 6). Those are especially discouraging findings.
given that the American Economic Development Council—the forerunner to the IEDC—argued in its influential 1991 call to action, Economic Development Tomorrow, that economic development professionals were poised to become ‘total community developers’ (Swager, 1991).

The professional divide between local planners and economic developers is echoed in the planning academy. Economic development topics—things like development finance, employment or ‘manpower planning,’ economic impact analysis, regional development theory—began to emerge in the curricula of US planning schools in a significant way in the late 1970s and early 1980s, as economic and fiscal trends made evident the need to teach future city planners something about emerging global and local economic dynamics, economic analysis techniques, and potential planning and policy solutions to persistently high unemployment. Economic development as a taught specialisation representing a promising area of professional practice for planners appeared first in programs in those parts of the country either facing the brunt of manufacturing job loss (where economic development curricula emphasised local scale urban redevelopment and development finance) or enjoying rapid expansion (where curricula placed somewhat greater emphasis on regional scale problems and solutions). Planning research on local economic development techniques, practises and strategies grew rapidly. In 1974, only one of 36 US planning schools accredited by the Planning Accreditation Board (PAB) had developed a formal economic development specialisation, concentration or track as part of its master of planning degree program. Ten years later, one-quarter of PAB schools (15 of 59) had such specialisations; by 1994 the share had risen to half (33 of 62 schools).

Today, however, the share remains roughly half. Moreover, listed specialisations can be misleading. A deeper look at online course catalogues finds that few planning programs offer more than one or two courses in the field and the use of adjunct faculty or temporary lecturers for instruction is common. Based on listed areas of expertise, the share of permanent faculty at PAB-accredited US planning programs identifying economic development as one of their specialisms peaked at slightly over 11 per cent in the early 1990s, falling to about 9 per cent today. Thus, while economic development is not in danger of disappearing as a component of US planning curricula, it could hardly be described as thriving. Assembling hard data to prove this is difficult, but I do not believe I am out on a limb in making the claim. A colleague and I organised a panel discussion at the 2012 Association of Collegiate Schools of Planning (ACSP) annual meeting framed around the discipline’s approach to local economic development teaching and research. The tenor of the session open discussion was distinctly one of concern that the US planning academy is
increasingly disengaged from this subject area, positioning itself neither to educate town planners to fully grasp the implications of emerging economic trends nor to train economic development professionals to develop strategies to address those trends. Although one session at one conference hardly constitutes scientific evidence, surely it is suggestive since the ACSP meeting is the largest annual gathering of US planning scholars.

There are a variety of reasons why planning programs and scholars have only partially embraced local economic development as an area of research and study (Visser and Wright, 1996; Waterhouse, 1997). Allied disciplines—economics, public policy, public administration, geography—have captured some of the market for postgraduate students who would seek to go into the field. At the same time, the number of positions in local economic development is far fewer than in traditional town planning. Scale differences in planning subfields mandate choices as to numbers of courses to offer, faculty to hire, and doctoral students to train. Part of the explanation is simply the smaller size of local economic development as an area of professional practice and the number of different academic disciplines that have something to offer in preparing would-be practitioners. Initial optimism over the potential expansion of academic programs in local economic development in the 1980s in the US proved premature, as demand for degree options lagged expectations and agreement among academicians as to appropriate curricula proved elusive (Visser and Wright, 1996; Carroll and Blair, 2012).

However, differences in philosophical perspective, modes of intervention in the public domain, and theoretical and epistemological frames of reference among planning faculty are also pertinent. First, the pro-growth orientation in local economic development continues to clash with many planners’ deep concern with environmental sustainability and equity, though certainly such ideas have penetrated local economic development research and teaching to a degree as well. Second, local economic development remains a highly political—as opposed to regulatory and technical—practice. Not only does it not lend itself as readily to classroom teaching, but it has tended to be resistant to planning approaches geared to truly engaging the full range of interest groups and stakeholders in communities. Economic development is an elitist business in many communities, one that privileges corporate interests over other stakeholders. Third, many planning scholars focused on economic development approach the subject from a theoretical base in economics or related fields (e.g., regional science, economic geography) and tend to be quantitative and technical in their methodological approach to research. There is some evidence that planning scholarship has taken a turn away from the quantitative (Goldstein,
2012), perhaps making its journals and conferences somewhat less welcoming of the work of economic development scholars.

It is my contention that a major reason why town planning and local economic development remain disconnected in many communities, as well as infrequently taught as integrated concerns in planning academic programs, is that planning as the art and science of revealing options, eliciting preferences, engaging the knowledge and views of stakeholders, and programming solutions—planning not as a substantive domain but rather as a process or functional activity—has been only weakly embraced in both local economic development practice and scholarship. Certainly local economic developers have discovered strategic planning, at least as understood in a corporate context. However, strategic planning as an occasional exercise and planning as an ongoing activity are different things. The understanding of strategy making and strategic planning in economic development remains rudimentary and formulaic, a problem that has only worsened with emergence of competitiveness and industry clusters as dominant frames of reference for strategy making in the field (Feser, 2009).

That economic development practice is still a loose set of tools and generic one-size-fits all strategies is a common refrain in both the practitioner and scholarly literatures (Rubin, 1988; Meyer, 1991; Jeep, 1993; Reese and Fasenfest, 1996; LeRoy, 2005; Reese, 2013). Local and regional economic development has suffered from policy isomorphism as a result: local governments apply very similar interventions, giving rise to the concern that economic development is the art of chasing fads (Chien, 2008). Unsurprisingly, scholarly research findings regarding the factors driving local and regional growth or the effectiveness of particular interventions do not align very well with the interventions most commonly pursued (Currid-Halkett and Stolarick, 2011; Reese, 2013). The so-called ‘third wave’ in economic development practice—the presumed attention to process and organisational design—at least in so far that it produces unique, evidence-based local solutions, has really been not much more than a ripple.

All this leads back to my initial claim that the new industrial policy calls for an approach to local and regional economic development that is pragmatic, flexible, experimental, evidence-based, and focused intently on implementation; led by organisations that are capable of rigorously assessing outcomes and adjusting course accordingly; executed in carefully proscribed partnership with the private sector; and skilled at eliciting the involvement of the full range of community stakeholders. The new approach, therefore, places heightened emphasis on institutional design, precisely at a time when the subnational economic development functions on both sides of the Atlantic are undergoing
significant reform. The work of planning scholars is needed to inform the creation of new, more effective institutions of local economic development, and subsequently to train the professionals who will staff them.

References


BRADSHAW, T. K. and E. J. BLAKEY. (1999), What are the "third-wave" state economic development efforts? From incentives to industrial policy, Economic Development Quarterly, 13, 229-44.

BROOK, M. (2010), Successful economies mean successful communities. The experience of 25 years of local economic development in the London Borough of Wandsworth, Local Economy, 25, 81-86.


HILDETH, P. (2011), What is localism, and what implications do different models have for managing the local economy?, Local Economy, 26, 702-14.


JONES, A. (2010), Here we go again: The pathology of compulsive re-organisation, Local Economy, 25, 373-78.


WALBURN, D. (2011), Is there a fresh chance for local authorities to take the lead in local economic development?, Local Economy, 26, 75-81.
WATERHOUSE, M. D. (1997), Professionalizing the economic developer, New Directions for Higher Education, 97, 84-95.