Regional Policy

An Inter-organisational Approach

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Abstract

This paper starts out from the proposition that the segmented and impact-oriented nature of much of the existing literature on regional policy results in other aspect, not least regarding institutions and politics, tend to be overlooked. This constitutes a problem for studies attempting to compare different types of regional policy, to understand origins of policy change, and the interaction between coexisting programmes. The aim of this paper is to address this problem by developing a conceptual framework for the study of regional policy, capable of laying bare significant differences within and between various forms of regional policy, and sufficiently multi-dimensional to cope with the complexities encountered in empirical analysis such as the co-existence of different policy programmes. The paper begins first outlines the central features of an inter-organisational approach to the study of regional policy (Section 2), then five key areas are examined from this perspective on the basis of the existing literature in order to identify appropriate analytical dimensions (Section 3). This leads to the formulation of a comprehensive analytical framework (Section 4), and finally this exercise in 'concept crunching' concludes by an attempt to characterise paradigms in regional policy that are central for the study of recent transformations within regional policy in Western Europe (Section 5).

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1. INTRODUCTION

Regional policy in Western Europe has has undergone major changes over the last decades.[1] In the 1960s and 1970s regional policy was almost exclusively the preserve of central government which operated various programmes designed to redistribute economic activity in favour of designated 'problem areas' primarily by means of financial incentives. At the end of the 1990s the situation is rather different both in terms of actors and development strategies. On the one hand the 1980s saw the mushrooming of bottom-up initiatives where regionally-based organisations promoted economic development in their area through a host of policies, many of which relied heavily on attempting to improve the competitiveness of indigenous firms through various forms of advisory services and network building. On the other hand the European Structural Funds emerged as a sponsors of a separate set of development programmes, nut just in the lagging regions in the South and West of the Community but also in what used to be the industrial heartlands of Northern Europe. And sandwiched in between the new European and regional initiatives, the national-level programmes of central government were gradually scaled down.

On a general level of analysis the existing literature on regional policy certainly documents that major transformations have taken place, but when we move closer and attempt to examine developments in greater detail with regard to issues such as

- the origins of policy change
- the consequences of the introduction of new strategies and policy instruments
- the co-existence of and interaction between various policy programmes
- the politics of regional policy

the picture tends to become much more blurred. An extensive literature review concluded that this lack of visibility may reflect key features of the focusing devices through which this field of public intervention has been observed.[2] While much inspiration can be drawn from previous writings, the limitations of the latter should also be recognised, and three problems in particular were highlighted, namely

- the *segmented* nature of the existing literature with individual contributions focusing on either top-down or bottom-up regional policy - the use of different methodologies and concepts make it difficult to make detailed comparison between the two policy paradigms;
- a preoccupation with *economic impact evaluation* is in many ways understandable, given that regional policy generally attempted to redress inter-regional differences

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[1]For useful overviews, see e.g. Stohr 1989, Albrechts & Swyngedouw 1989, Martin & Townroe 1992, Bachtler 1993 & 1997, and Keating 1997.

[2]Halkier 1999a.

by improving the economic performance of 'problem regions' - but has at the same time lead to marginalisation of political and organisational aspects influencing the strategic choice made by policy makers, and

- when policies are compared, within or across paradigms, this tended to involve either *quantitative or dichotomous* concepts, sometimes of an ideological nature, e.g. 'strong' or 'weak' policies, or 'interventionist' or 'laissez-faire' approaches.

Taken together these characteristics have not been conducive to the emergence of a comprehensive analytical approach capable of accounting for different forms of spatial economic intervention, their development and interaction. The aim of this paper is to address this deficiency by developing a conceptual framework for the study of regional policy,[4] capable of laying bare significant differences within and between various forms of regional policy, and sufficiently multi-dimensional to cope with the complexities encountered in empirical analysis such as the co-existence of different policy programmes. The paper begins first outlines the central features of an inter-organisational approach to the study of regional policy (Section 2), then five key areas are examined from this perspective on the basis of the existing literature in order to identify appropriate analytical dimensions (Section 3). This leads to the formulation of a comprehensive analytical framework (Section 4), and finally this exercise in 'concept crunching' concludes by an attempt to characterise paradigms in regional policy that are central for the study of recent transformations within regional policy in Western Europe (Section 5).

2. AN INTER-ORGANISATIONAL APPROACH TO REGIONAL POLICY

The argument starts from the proposition that regional policy is essentially about changing patterns of behaviour amongst private actors in pursuance of public priorities with regard to spatial development. This suggests that three types of actors would seem to be central to the conduct of regional policy.

As a form of public policy, regional policy will have *political sponsors* from whom the political authority to institute options and incentives for private firms is derived. In democracies this authority will have emanated from elected political representatives in a more or less direct ways, but in many cases it will in practice rest with a political executive and/or its administrative organisations, i.e. national or regional government. The *implementing organisation* may be identical with the administrative arm of the political sponsors, but quite often this is not the case, and hence it seems to be sensible to highlight the two different roles within policy-making, although the degree to which they are linked to one another vary and the extent to which the implementing organisation is also involved in strategy formulation and policy design is again a

[4]Regional policy is here defined as public policies designed to influence the relative economic performance of one or more regions vis-à-vis other regions by establishing options and incentives that discriminate between firms according to spatial criteria (Halkier 1999c).

matter for empirical investigation. The defining characteristic of the implementing organisation is that it is the 'front-line bureaucracy', interacting directly with firms and other private actors by instituting the options and incentives entailed in a particular form of regional policy. The *targeted private actors* are crucial in the sense that while the aim of regional policy is to influence the aggregate relative economic performance of a region vis-à-vis other regions, this objective is to be achieved by making individual firms and other private actors behave in ways they would not otherwise have done. Policy instruments entailing options and incentives are employed by the implementing organisation in order to bring about the changes desired, but the outcome of policy initiatives depends on a response from private actors that may or may not be forthcoming.

It follows from this that two types of inter-organisational relations are at the centre of regional policy: the relationship between the political sponsors and the implementing organisation on the one hand, and the relationship between the implementing organisation and the private actors targeted by policy measures on the other.

Finally, these actors and their interaction are set within the context of broader inter-organisational relations and institutional features, and the political and economic environments which influence the positions and strategies of the three central sets of actors should therefore also be taken into account.

Figure 1: Actors, inter-organisational relations and environments of regional policy

This approach to the study of regional policy is summed up in Figure 1 and will structure the survey of analytical dimensions that follows. First the organisational characteristics of the implementing organisation at the interface between public and private actors are considered, then the relationship between the implementing organisation and its political sponsors and environment is explored, and finally the interaction between the implementing organisation and the targeted private actors in the context of the broader economic environment will be examined. In each of these five areas, the discussion will be based on the analytical dimensions listed in the adjoining Table 1, presenting a reworked version of a general framework for the study of inter-organisational relations. Consequently the text will also reflect the three levels of analysis - organisational, inter-organisational and multi-organisational - with the last of these also including broader institutional features.

Table 1: Inter-organisational relations - analytical dimensions

Level of analysis	*Dimensions*	*Sub-dimensions*
Organisational	Resources	
	Assumptions	Perceptions Values
	Strategies	Operational Positioning
Relational	Rules	Options Incentives
	Outcomes	Resource exchange Organisational change
Multi-organisational	Actors Coordination Discoursive terrain	

Source: Halkier 1999b Table 3.6

While the structure of this exercise in 'concept crunching' is drawn from a more general institutionalist approach to the study of public policy, the discussion of individual analytical dimensions primarily draws upon an extensive review of existing literature on regional policy, in Britain in but also further afield, as well as contributions to the study of adjoining policy areas. Regional policy has often been seen as a particular variation on the theme of industrial policy, and indeed many economic development programmes initiated from the regional level in order to strengthen the competitiveness of indigenous firms bear a strong resemblance to activities carried out by central government under the banner of national industrial or technology policy. Similarly inspiration can also be had from studies of spatial development initiatives on a smaller scale, i.e. urban policy and local economic policy, because although the settings and specific objectives may be different, all of these government activities share a critical feature with regional policy, namely the attempt to achieve public political goals by making private firms act in ways they would not otherwise have done.

3. ELEMENTS OF AN ANALYTICAL FRAMEWORK

3.1 The Implementing Organisation

Reflecting the approach summarised in Table 1, three dimensions are central to the study of individual organisations, namely resources, assumptions and strategies, and in the following the way in which these dimension can be analysed will be discussed in turn.

Resources

Although the existing literature on regional and related policies is clearly aware of the importance of resources in the policy process, the interest seems to focus primarily on the level of financial resources available.[4] In the following the point of departure will instead be the four resources identified in connection with the previous discussion of incentives in the context of policy instruments and inter-organisational relations.[5] When attempting to establish the position of an implementing organisation, or indeed other organisations involved in regional and similar policies, three aspects would seem to be particularly interesting, namely the stock, generation and depletion of resources, and here the four basic resources - authority, information, finance and organisation - pose rather different challenges.[6]

From an analytical perspective *authority* could be seen as a relatively accessible resource in the sense that basic features of the remit of a particular body will often have been put down in writing.[7] Such documents are, however, seldomly exhaustive, partly in order to maintain a degree of flexibility and partly because of the difficulties involved in describing complex relations in minute detail, and thus informal forms of authority also need to be taken into account, i.e. types of actions by an organisation that have come to be acceptable to other parties involved. Although formal authority is generally vested in a particular organisation by some other organisation with the authority to do so, an implementing body would in other words be able to extend its informal authority in line with Christopher Hood's point that authority may be augmented rather than depleted through use.[8] All in all the study of authority as a resource relies on qualitative judgements, sometimes starting from a semi-legal basis, but often involving more informal rights to define rules that have developed gradually through interaction with other actors.

[4]Writings focusing on inter-organisational perspectives such as e.g. multi-level governance are the exception (see Wannop 1995 pp 319ff, Urry 1990 p 192, and Pickvance 1990 p 8, cf the literature on multi-level governance cited in Halkier 1999a), but as the sources of inspiration in the latter are broadly similar to the literature on which the discussion in Halkier 1999a was based, no radically new perspectives have emerged.

[5]Halkier 1999a cf the discussion of policy instruments below. The four resources are defined in Table 9.

[6]Other forms of resources that cannot be reduced to combinations authority, information, finance and organisation may be relevant when studying other policy areas such as e.g. caring or education.

[7]Hood 1983 Ch. 4.

[8]Hood 1983 p 144.

Information is another type of resource that is potentially enhanced rather than depleted through use.[9] Establishing the informational resources of a particular implementing organisation, i.e. its capacity ‘to mobilise and process cognitive data’, could lead into very detailed and time-consuming empirical studies, not least if the relevance of the information to the policy area in question were to be assessed. Instead more indirect approximations can be used such as e.g. the educational backgrounds of staff, the presence of internal think tanks or outputs in the form of publications or advisory services.

From an analytical perspective *finance* as a resource has the advantage of being quantifiable, and since it can be converted into other, more specific, forms of resources such as information or organisation more easily than the other way around, it is tempting to see it as a central resource due to its flexibility. Contrary to authority and information, financial resources are, however, ✌immanently depletable✍ in that ✌they are used up as they are used✍,[10] and although knowing the overall size of the budget of an implementing organisation is of course relevant, it is even more interesting to know the extent to which the organisation is able to generate resources and/or shift them between different activities.[11]

Finally, *organisation* is also a depletable resource in the sense that any particular body can only take on a limited array of tasks at the same time.[12] Appraising the position of an implementing body with regard to organisational resources may start from the number of staff employed, but will also involve the internal structures of the organisation, e.g. functional divisions and the degree of decentralisation. Although these features can often be readily established, they are, however, still indirect ways of measuring capacity for direct action.

All in all the situation with regard to resources as an analytical dimension, as summed up in Table 2, would seem to be complex, not only because four different types of resources need to be taken into account, but also because many of the sources through which the position of a particular organisation can be assessed are of a qualitative and sometimes rather indirect nature.

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[9]Hood 1983 p 144.

[10]Hood 1983 pp 144f.

[11]In an interesting study of government expenditure in Britain, Dunleavy (1989) distinguishes between core budgets (running cost, direct consumption and investment), bureau budgets (the core budget plus direct payments to private actors), programme budgets (the bureau budget plus transfers to other public agencies), and super-programme budget (the programme budget plus associated spending by other actors).

[12]Hood 1983 pp 144f.

Table 2: Resources as an analytical dimension

Sub-dimensions	*Central sources*
Authority	Interpretation of documentary sources
	Acceptance of other actors
Information	Inputs (staff, organisational structures)
	Outputs (research, databases, publications, advice)
Finance	Accounts
Organisation	Number and qualifications of staff
	Hierarchy, functional & spatial divisions

Assumptions

The next dimensions to consider on the level of the individual organisation are the assumptions made about the external world. The way particular phenomena are interpreted and the basic values espoused may have important bearings on the strategies adopted, and thus from the perspective of an organisation implementing regional policy, key assumptions will relate to the nature of 'the regional problem', namely the inter-regional inequalities perceived to be significant, and the underlying values that transform inter-regional inequalities into a social problem warranting public intervention. Both sets of assumptions have been given a good deal of attention in the literature on regional policy, sometimes focusing on the officially stated rationale for particular policies, but often on the basis of what can be imputed from the strategies and policies pursued.

The regional problem has been diagnosed in many different ways, but most of them refer either to aggregate indicators according to which some regions 'underperform' in relation to other regions, or to structural deficiencies that weaken the competitive position of firms in particular regions, as illustrated by Table 3. *Firstly*, it should be noted that while aggregate measures of underperformance are more likely to be readily available (because they are regional break-downs of statistics that have been central to macro-economic policy), they do not give many clues as to what the

Table 3: Perceptions of inter-regional disparities

General nature	*Issue definition*
Aggregate underperformance	Unemployment Slow growth Income disparities Population decline
Structure of regional economy	Distance from markets Outdated sectoral structure External ownership Uncompetitive firms Inadequate infrastructure Inadequate human resources Congestion

Based on McCrone 1969, Allen & Yuill 1980, Ashcroft 1980, Diamond & Spence 1983, Regional Studies Association 1983, OECD 1989, Beckman & Carling 1989, Martin 1989, Scouller 1989, Funck 1990, Keating 1995, and Yuill et al. 1999.

origins of underperformance might be and hence can be associated with many different development strategies. Structural perceptions of the regional problem, on the other hand, would seem to be more specific: although remedying an outdated sectoral structures can be attempted in different ways, strategies must still focus on the balance between various sectors in the regional economy. *Secondly*, with the exception of congestion and external ownership, all the specific problems perceived as being regional relate to the relatively weak regions, and hence strategies developed on the basis of such perceptions could well come to focus primarily on the problem regions themselves rather than their relationship with more well-off parts of the country. And *thirdly*, the diversity of the list would appear to present policy-makers with inherent dilemmas because some of the ways in which the regional issue is defined may be difficult to reconcile, at least from a short-term perspective.[13] For example, making firms within the regions more competitive by introducing more efficient technologies may lead to redundancies, and improving the sectoral structure by attracting investment from outside will strengthen the externally owned sector of the regional economy. All in all the multiple variations and permutations with regard to inter-regional disparities do not seem to lend themselves to a limited set of fixed variables, and thus when analysing a particular implementing body the task will be to identify the explicit and implicit assumptions about the nature of the regional problem on the basis of the statements and activities of the organisation.

Table 4: Values underlying regional policy

Inter-regional equality
Regional competitiveness
National growth
Socio-economic stability
Political stability

Based on McCrone 1969, NordREFO 1978, Ashcroft 1980, Diamond & Spence 1983, Regional Studies Association 1983, Neuperts 1986, Folmer 1986, Oscarsson 1988, Parsons 1988, Scouller 1989, Hansen et al. 1990, Keating 1992, and OECD 1994.

In order for regional disparities to be translated into regional problems, value judgements must be made as to why such differences are unacceptable and a legitimate object of public policy. Table 4 summarises the most common values identified by the existing literature as underlying regional policy, and two types of fault-lines appear to be in evidence. On the one hand the nature of the desired state of affairs points in directions that are not necessarily compatible: stability versus growth, and political, social and economic values respectively. On the other hand rather different inter-regional relations are implied - while equality would require solidarity between the regions of a nation, regional competitiveness would involve competition between regions - and hence the actors designated as agents of change could be both national and regional. The values underlying regional policy would in other words potentially seem to be at odds with one another. While 'mission statements' and other forms of corporate PR may occasionally attempt to define the values informing a particular organisation, they will also have to be inferred from other statements or activities because official statements may or may not be in accordance with the activities actually undertaken.

[13] For succinct statements of this dilemma, see Townroe 1986, NordREFO 1978 p 74, and Oscarsson 1988.

Strategies

An organisation involved in implementing regional policy will need to engage in strategic behaviour along two principal lines: operational strategies in relation to those private firms it seeks to influence, and positioning strategies in relation to other public organisations involved in the same policy area.

Looking first at the broad guidelines for the deployment of resources in pursuance of functional goals, one could hope that these operational strategies would reflect the perceived nature of the regional problem. The existing literature on regional policy suggests that such rationalist expectations are in fact not frustrated, as operational strategies have included:[14]

- attempts to increase the number of jobs and the levels of income and growth via support for private firms in problem regions,
- diversion of economic activity from more prosperous areas in order to alleviate congestion and avoid inflationary bottlenecks on the labour market,
- modifying the sectoral structure of the regional economy through promotion of modern industries,
- support for the modernisation of individual firms in order to make them more competitive,
- stimulating local firms in order to strengthen the indigenous sector of the economy, and
- upgrade existing infrastructure and skills within the region.

On a general level there would indeed seem to be a high degree of correspondence between assumptions about the nature of the regional problem (Table 3) and the operational strategies listed above, but this does of course by no means guarantee a similar correspondence within individual policy-making organisations. Most regional problems can be tackled in more than one way, and thus ‘problem logic’[15] is less than determinate. In these circumstances ‘other considerations’ - e.g. existing competences within the organisation or the potential for building ‘political capital’ - may well come to play a major role in the choice of strategies.

[14]See references for Table 3 above.

[15]Jeffrey Anderson’s expression (1992).

Turning now to the question of positioning strategies vis-à-vis other organisations, the most important inter-organisational relations for a body implementing regional policy are likely to be with its political sponsors[16] and with other development bodies operating in the same region. As long as regional policy was exclusively the domain of central government departments, the relevance of these issues was limited and they were therefore not given much attention until the 1980s where of a host of new actors on the European and regional levels appeared.[17] The analysis of positioning strategies has generally been based on various theories of networks, intergovernmental relations and multi-level governance, and as can be seen from Table 5 a range of strategic options have been identified. Although the strategies enumerated do not constitute an exhaustive list but are merely some commonly used terms attempting to capture particular ways in which resources can be employed to maintain or change relations with other organisations, it will be noted that different positioning strategies would seem to reflect different ideals with regard to how coordination of activities between organisations should be achieved, i.e. through hierarchical means, via network-type collaboration or market-style patterns of un-commitment. As the realisation of these strategies requires deployment of particular resources, not all of them will be open to any organisation, and the scope for choice exists for individual organisations will of course also be circumscribed by the resources and strategies of other actors.

Table 5: Positioning strategies

Incorporation
Control
Delegation
Recognition
Cooperation
Imitation
Circumvention
Competition

Based on Rhodes 1988 pp 92f, van Waarden 1992, Christensen et al. 1990, Gustaffson & Seemann 1985, and Cameron & Danson 2000.

While implementing organisations often make public statements about their strategic intentions with regard to their functional objectives, this is less likely to be the case with regard to positioning strategies vis-à-vis other public actors in regional policy, but in both cases the possibility of discrepancies between words and deeds must be taken into account, and hence the analysis should not confine itself to official statements of intent, but must also consider actions in relation to other actors.

[16]Discussed separately in the following section.

[17]See e.g. Anderson 1992, Morgan 1998, Cameron & Danson 2000, and Halkier & Damborg 2000.

Table 6: Implementing organisations – analytical dimensions

Dimensions	*Sub-dimensions*
Resources	Authority Information Finance Organisation
Assumptions	Inter-regional disparities Underlying values
Strategies	Functional Positioning

The preceding pages have developed an approach to studying the front-line public body vested with the task of implementing regional development initiation, and Table 6 summarises the key dimensions that are to be considered. From the discussion above it is clear that very different forms of regional policy could be accounted for within this framework, and hence the scope for variation and conflict has been maintained. Moreover, the analysis of many of the variables will to a large extent have to rely on interpretations of words and actions, and thus the need for the application of qualitative methods in the study of regional policy is already clearly evident. Although the dimensions are all measured on the level of the individual organisation, the underlying inter-organisational approach ensures that they are capable of situating a particular body in the context of its organisational and institutional environment, and therefore the following sections will be able to draw upon many of the points made above.

3.2 Political Sponsoring

Bodies implementing regional policy have an ongoing relationship with their political sponsors, and this can be studied along the same lines as other inter-organisational relations. Political sponsorship involves authorising another body to perform certain functions, and it thus entails a hierarchical relationship between the two organisations. The degree to which political sponsors attempt to exercise authority over policy implementation does, however, vary greatly, and front-line bureaucracies often control resources that are significant for successful implementation, and it is therefore important to look not only at the formal rules as laid down in legislation and operational guidelines, but also to consider the eventual outcome of the interaction between the implementing body and its political sponsors.

Within the literature on regional policy the issue of political sponsoring has mainly been associated with bottom-up forms of regional policy, presumably because a fairly unambiguous situation prevailed with regard to the responsibility for policies and their implementation when mainstream departments of central government administered traditional subsidy schemes. With the introduction of a new array of implementing bodies outwith the mainstream apparatus of government, the nature of sponsoring relations came much more to the fore, but mostly in a form that either noted the issue or questioned the position of particular bodies claiming to be in a semi-autonomous position. The following discussion will therefore primarily build on previous efforts to conceptualise different forms of sponsorship relations[18] in combination with literature of a more general nature.

When studying the rules governing political sponsorship, the relation of authority between the implementing body and its political sponsors is the obvious starting point. From an institutionalist perspective, two distinctions would seem to be central:

- whether the object of sponsorship is the implementing organisation as such or just a particular policy activity, and

- the extent to which authority is granted to the implementing body.

Looking first at circumstances in which the sponsor relation pertains to the *implementing organisation* as such, the relationship between the two actors is clearly a hierarchical one because the implementing body does not have an existence independently of its political sponsors. In this situation the general incentive for the implementing body to comply with the rules established by its sponsors is a very strong one indeed, namely to ensure its continued existence.[19] Still the degree of authority vested by political sponsors in the implementing body - bureaucratic autonomy for short - may vary significantly, and in the literature on public administration a distinction has been made between departmental and arm's-length (non-departmental) types of relationships. In a *departmental* relationship, elected executives such as ministers are responsible for any decision made by the implementing organisation and can ultimately be held accountable for the activities of their department by e.g. parliament. Day-to-day business is, however, largely conducted according to guidelines delegating authority, and the bureaucracy may even enjoy some scope for initiative in the development of policy programmes.[20] Contrary to this, an *arm's-length* relationship[21] describes a situation where political sponsors have established a separate organisation outside the normal structures of the government apparatus and vested it with a relatively large measure of authority, both with regard to policy development and implementation. Here the involvement of the political sponsors is limited to a fairly general level, i.e. allocation of resources and broad policy guidelines, and the possibilities of direct parliamentary scrutiny is much more limited.[22] An arm's-length relationship in other words places both strategic initiative and important discretionary powers with front-line bureaucracy, albeit subject to political scrutiny. It is important to note that 'departmental' and 'arm's-

[18]Halkier 1992 p 5f and Halkier & Danson 1997 pp 244ff, cf Halkier & Damborg 2000.

[19]Beesley & White 1973 p 65.

[20]Greenwood & Wilson 1989 pp 21f, Hood & Schuppert 1988 pp 5f, and Wilding 1982.

[21]A term originally used to describe the relationship between nationalised industries in Britain and their sponsoring department in central government, although a high level of direct political involvement in these industries casts doubt on the accuracy of this description (see e.g. Greenwood & Wilson 1989 pp 31ff, Fine & Harris 1985 pp 153-65, Williams et al. 1983 pp 104-9, Pollard 1983 pp 310ff, and Scouller 1987 pp 6.31-46).

[22]Beesley & White 1973 p 65, Hood & Schuppert 1988 pp 6f, Wilding 1982 p 40 and Greenwood & Wilson 1989 Ch. 11. By focusing on the relationships of sponsorship, the not always fruitful search for a definition that can separate out a well-defined group of organisations - as QUANGOs (Quasi Non-Governmental Organisations), PGOs (Para-Governmental Organisations), NDPBs (Non-Departmental Public Bodies), or forms of quasi-government or indirect public administration - can be avoided (see Greenwood & Wilson 1989 Ch. 11, Barker (ed.) 1982, Hood 1986, Modeen & Rosas (eds.) 1988, Hood & Schuppert (eds.) 1988, and Hogwood 1995).

length' relations are ideal types on a continuum of bureaucratic autonomy, and thus it would be possible to have departmental relations with more or less direct involvement of elected politicians,[23] and arm's-length agencies being kept under different degrees of control by their sponsors, ranging from detailed scrutiny of implementation to the 'technocratic dream scenario' of being given money and told to 'get on with it'.[24] Determining 'the length of the arm' is, however, not a straight-forward task. On the one hand formal rules of authority may in themselves be difficult to interpret. Many British implementing bodies positioned at arm's-length from central government can for instance be issued with specific instructions to perform particular tasks, but the fact that these powers are only very rarely used could give the impression that in practice the arm as a fairly long one - unless its function is simply to be a general deterrent and last-resort measures while pressures normally are brought to bear in much more discreet ways.[25] On the other hand even in cases where 'the arm of sponsorship' is a relatively short one, an implementing organisation may have other resources that could strengthen its position vis-à-vis its political 'masters'.[26] Indeed Rhodes in his extensive study into sub-central government in Britain found that

> the capacity of [arm's-length agencies] for independent action is rooted in their command of organisational and informational resources[27]

and thus by playing a central role in the development and implementation of policy, such an agency may even be able to accumulate informal political authority that can further reinforce an arm's-length position, especially if its activities are perceived as being important by a wider constituency.

Instead of using directly subordinate organisations such as government departments or arm's-length agencies, political sponsors may decide that the best way to pursue particular policy objectives is to leave implementation to an organisation sponsored by another political authority. When e.g. a central government scheme in regional policy is being administered by local government bodies, political sponsorship relates to a *particular policy* rather than the implementing organisation as a whole. In this case the relationship between the policy sponsors and the implementing body can best be described as a network-type relation because of the long-term nature of the relationship and the absence of formal subordination between the parties involved, and the wider resources and strategies of the actors take on particular significance: how easy would it be for the political sponsors to substitute the implementing organisation? How important are the externally sponsored activities to that body? And what are the long-term positioning strategies of the parties involved?

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[23]The presence of a separate advisory council of e.g. private sector representatives could strengthen the position of implementing organisations vis-à-vis its political sponsors, and having an arm's-length agency sponsored jointly by a large number of co-sponsors may have the same effect (Halkier & Danson 1997 pp 246f).

[24]Having stressed the wide range of meanings attached to the two ideal types, the need for the two additional 'extreme' ideal types proposed earlier (Halkier 1992 pp 5f) is no longer obvious.

[25]See Johnson 1982.

[26]Rhodes 1988 pp 170ff, cf Hood 1986 pp 195-98.

[27]Rhodes 1988 pp 180.

When analysing the relationship between an implementing body and its political sponsors - be it departmental, arm's-length or networked - it is therefore crucial to consider not only the rules of the game but also the outcome, i.e. how the overall patterns of resource dependencies and the strategies of the actors have been translated into outcomes: Who influences what decisions in practice, and how are relations of authority related to other forms of resource exchange such as flows of finance and information or long-term organisational change? Other things being equal, the less bureaucratic autonomy, the greater the likelihood of e.g. party-political preferences affection policy development and implementation - but other things are seldom equal because formal relations of authority are mitigated by other resource dependencies and the strategic ingenuity of actors involved, and thus the question of 'the length of the arm' can itself take on political significance. What might have looked as a fairly straight-forward task in terms of analysis, has acquired a high degree of complexity and turned out to involve both analysis on the level of individual organisations - assessing the resources and strategies of sponsors and sponsored - and inter-organisational relations including the eventual outcome of policy sponsorship.

3.3 The Political Environment

The political environment of an implementing body comprises phenomena related to the political processes surrounding the making of public policy, i.e. public and private organisations that may provide input into the process as well as the prevailing forms of political discourse. The sponsoring organisation has been considered in the previous section, and thus four areas remain to be considered, namely the roles played by other public bodies, organised private interests, and political parties respectively, and the discoursive terrain in which regional policy is being conducted. Studying the political environment will involve three different analytical levels: that of individual organisations and their resources and strategies, the direct relationship between the implementing organisation and various actors, and the way these relationships are inscribed in policy networks and affected by wider political institutions.

Public Bodies

The activities of other public organisations can influence the activities of an implementing body both directly and indirectly. On the one hand a number of different public organisations will be involve in most policy areas, each with different roles and perspectives, and these activities tend to be coordinated through what has become known as policy networks, directly influencing on the activities of individual implementing organisations. On the other hand the presence of other public bodies also have an indirect influence in that their policies affect the environment in which an organisation is operating by instituting alternative options and incentives.

The general notion of *policy networks* can readily be applied to regional policy, not only in the multi-level phase where a large number of actors emerge on the scene, but also in the preceding national phase where the way in which sub-national actors are involved can vary greatly.[28] What needs to be considered is, in other words, which organisations are the key actors within the network,[29] and what roles they play, especially with regard to ensuring the overall coordination of activities within a particular area of public policy. The literature on policy networks has produced a wide range of conceptual schemes aiming to distinguish between different forms of networks, but as argued elsewhere[30] it seems to be more fruitful to assume the existence of a wide range of permutations depending on the actors involved and the nature of their resource dependencies, especially the balance between hierarchical and network relations amongst the participants.

The existence of indirect *policy impacts* - i.e. that the activities of one organisation may affect those of other organisation - is undoubtedly one of the reasons for the existence of policy networks, but also the activities of public bodies outside the immediate network may have a bearing on an implementing organisation by creating alternative incentives that make private firms ignore its best laid plans. Given that regional policy has had both economic and social rationales, a fairly broad range of policies may have an indirect impact on regional development activities, and this has indeed been widely recognised within the existing literature. *Firstly*, regional policies operating in other geographical contexts may have a significant impact because they influence the competitive environment, both with regard to attraction of investment from external sources and with regard to support for indigenous firms. This horizontal impact does not only apply to regions within the same national context but also has an international dimension, especially with regard to attraction of footloose investors.[31] *Secondly*, other forms of spatially targeted development measures such as urban policies or the economic policies of local government may also be an influence,[32] e.g. by giving preference to particular geographical areas or working with individual firms in ways that differ from regional priorities and strategies. *Thirdly*, the macro-economic policies of central government may have a major impact on the regional economy, and e.g. national incentives schemes relying on diversion of investment would be hampered by dampening of economic growth through tight fiscal and monetary policies.[33] *Fourthly*, other economic policies of central government attempting to improve the performance of particular groups of firms - e.g industrial policies, technology policy, or promotion of small firms - can have spatial effects that may well run counter to regional policies aiming for inter-regional equality priorities because

[28]Although notions of interaction between mutually dependent actors are common in especially writings on bottom-up regional policy, explicit adoption of some form of policy-network perspective is less common. For examples of this, see Anderson 1990 & 1992, Hogwood 1977 & 1987, Ackermann & Steinmann 1982, Cooke & Morgan 1993, Balme & Bonnet 1994, and Heinelt & Smith (eds.) 1996.

[29]The question of delimitation of individual policy networks is notoriously difficult (Lane 1995 Ch. 4, Parsons 1995 pp 191ff), but not necessarily a particularly fruitful line of enquiry.

[30]Halkier 1999a cf Halkier & Damborg 1997.

[31]An official rationale for EU regulation of national regional policy is to avoid 'competitive outbidding' between nations and regions (Wishlade 1998 p 573), cf the analysis of the relationship between Scottish and UK-wide attempts to attract inward investment in Chapter 15 below. The competition between regions via non-financial means is a more discreet, but nonetheless real, phenomenon, cf e.g. Armstrong & Twomey 1993, Keating 1995, and Damborg & Halkier 1998.

[32]See e.g. Barnekov et al. 1989, Christensen 1990, Keating 1993, and Pickvance 1990.

[33]See e.g. Firn & Maclennan 1979, Martin & Hodge 1983a, Prestwich & Taylor 1990.

firms in relatively prosperous areas can be better positioned to take advantage of such schemes.[34] And *finally*, limited welfare provisions for individual unemployed may prompt migration and run counter to regional policy attempts to halt population decline in problem regions. In each of these areas a lack of 'strategic fit' between regional and other policies can clearly affect the performance of the former, and thus such effects - or even perceived differences between different policies with regard to e.g. goals and underlying values - may lead to strategic adjustment by one or more of the organisations involved.

All in all not only the position of the implementing organisation in the internal organisation of the political process in the form of policy network, but also the relationship with the policy output of other public bodies constitute important parts of the environment which need to be taken into account.

Private Sector Organisations

The role of organised private interest in the policy process has generally attracted a good deal of attention as part of the attempt to contextualise the policy process, and as the essence of regional policy is to make private firms behave in ways they would not otherwise have done, one could expect a high degree of interest in these matters from interest organisations representing employers and employees. The issue of spatial discrimination can, however, be highly contentious because interest organisations operating on the national level may find it difficult to endorse unequal treatment of their members,[35] and on the regional level the interest of individual firms and managers in promoting the development of particular localities depends amongst other things upon economic interests and intangible things such as place attachment.[36] The involvement of private actors and interest organisations in regional policy can in other words not be taken for granted, and the nature of their involvement and strategies must form part of the empirical analysis.

The general thrust of the analysis of the role of organised interest has shifted several times,[37] from the early pluralist perspective via the corporatism discussion to the current somewhat more flexible emphasis on policy networks,[38] and similar tendencies can also be found in the literature on regional and related policies, with network-oriented perspectives becoming increasingly significant in the 1990s.[39] Particular attention has been given to various forms of formalised interaction between public and private actors, and this has given rise to numerous attempts to develop typologies of

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[34]See e.g. Cameron 1979, Amin & Pywell 1989, Anderson 1992 pp 68ff, Begg 1993, Harrison & Mason 1993, and Charles & Howells 1993.

[35]Kenworthy 1990.

[36]See the literature on formalised public-private collaboration cited below, cf Kooistra 1998.

[37]See Halkier & Damborg 1997.

[38]Jordan & Schubert 1992, Parsons 1995 pp 257ff.

[39]See e.g. Ackermann & Steinmann 1982 and Sturm 1991. Some authors combine aspects of corporatism and network perspectives (Moore & Booth 1989, and Totterdill 1989), while others argue that their analysis aims at situating their case studies on a corporatism-pluralism continuum (Anderson 1992 pp 25ff, Moore & Pierre 1988).

public-private cooperation, i.e. growth coalitions,[40] urban regime theory,[41] development coalitions,[42] and public-private partnerships.[43] While some of these typologies seem to be too tightly bound to particular historical circumstances,[44] many move along lines that are parallel with the inter-organisational approach to public policy employed in the current project, emphasising the importance of resource inter-dependencies and the strategies of actors.

From an inter-organisational perspective two scenarios would seem to present themselves: Private actors may either be directly involved with the implementing organisation, or play a more or less formalised indirect role within the broader policy network. *Indirect involvement* of private actors in the broader policy network can be assessed in the same way as that of public actors, and again a key issue will be the strategies and resources employed and the extent to which the eventual outcome is seen to have been influenced. *Direct involvement* of private actors with the implementing body can be studied as other inter-organisational relations in terms of rules and outcomes, and of particular interest are of course what private actors are involved, which aspects of the policy-making process they are involved in, what the consequences of their involvement appears to be both in terms of the policies pursued and the response of private firms to particular policy initiatives, and how their presence affects the relationship between the implementing body and its political sponsors.

All in all the possibility of private actors being involved in regional policy as more than targets for public intervention would certainly seem to exist, although it should not be taken for granted.

Political Parties

Although the centrality of political parties in the development of regional policy, and indeed public policy in general has been disputed,[45] party politics are still involved in two important aspects of the political process, namely representation of constituencies within civil society and executive roles within the government administrative system, and thus parties cannot be ignored within an inter-organisational approach to public policy ,[46] although their influence needs to be established empirically. Accordingly political parties will be seen as a particular form of organisation with functional strategies pertaining to the overall direction of public policy and the state as such, and positioning strategies centred on maintaining and strengthening political support in

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[40]Molotch 1976, cf Logan & Molotch 1987.

[41]Lauria (ed.) 1997, Wong 1999.

[42]Keating 1991 Ch. 7 and 1993, cf Morgan 1998.

[43]See e.g. Moore & Pierre 1988, Eisinger 1988, Harding 1990, Keating 1995, and Batt 1996.

[44]This would seem to be particularly true with regard to the American literature on growth coalitions and urban regimes (Lloyd & Newlands 1988, Keating 1993 p 387, and Wong 1999).

[45]See e.g. Rose & Davies 1994, Hogwood 1992, and Hood 1994, cf Halkier 1999a.

[46]Rhodes 1988 pp 83f, Hall 1986 pp 91f, cf Anderson 1992.

order to gain direct access to executive roles within the political system.[47]

A key resource for political parties is therefore authority in the form of political legitimacy generated through success in the electoral process, and discoursive interventions in support of their strategic projects are therefore an important way to further party interest. For political parties spatial considerations are, however, both crucial and cumbersome at the same time. Although most parties in Western Europe are national in the sense that they are committed to maintaining the current state boundaries and promoting particular interests and ideas throughout the national territory, the spatial dimension of politics does not disappear. Regionalist or separatist parties may have a presence, electoral support for national parties may be unevenly distributed geographically, and sub-national parts of the party organisation may pursue particular regional interests,[48] and thus national parties may adopt strategies that discriminate between different areas by means of e.g. regional policies in order to maintain influence. Moreover, these interactions take place in an environment structured by political institutions that have spatial dimensions and consequences, e.g. the role of territory in the electoral process or the relative influence of different tiers of government, which may be conducive or otherwise to the inclusion of regional problems on the political agenda.

With regard to political parties and regional policy it is in other words important not to see parties solely in terms of their official discoursive interventions, but also to take both institutional features and organisational positioning into account.

The Discoursive Terrain

An important part of the political environment in which regional policy is conducted is the discoursive terrain, i.e. the prevailing assumptions that as informal institutions make certain claims ‘natural’ and other claims inherently dubious. Establishing or maintaining the dominance of assumptions that are conducive to a particular political strategy is important because successful discoursive interventions can contribute to the entrenchment of certain assumptions and values that will influence also future decision-making. Like modification of formalised political institutions, ‘ideational’ battles as a form of long-term strategic behaviour by political actors, and thus implementing organisations are at the same time both actors on the discoursive terrain and objects of such interventions in that they may embody, espouse or have ascribed to them certain values and assumptions.[49] As ‘embodiment’ can be more or less ambiguous - a particular policy can be compatible with different underlying assumptions - the room for discoursive association is often considerable, and presenting activities to the public in an acceptable ‘discoursive wrapping’ may thus become a strategic tool in its own right.

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[47]A formulation combining Jessop’s notion of strategic agency and a more traditional perspective of competition between parties (Hogwood 1977 pp 13-16).

[48]Keating 1997, Rhodes 1988 pp 208ff, and Townroe 1986 p 368.

[49]Jessop 1990.

We saw earlier that the core assumptions underlying regional policy concerned primarily the nature of the 'regional problem', ie. why particular regional inequalities are deemed to be legitimate targets of public intervention. Views may of course diverge with regard to these basic assumptions, but in addition to this the practice of regional policy has become linked with two issues that have been key themes in Western European politics since the 19th century, namely the relationship between government and private economic actors on the one hand, and the relationship between central and regional governments on the other. Differences with regard to the relationship between government and private economic actors have to a large extent been the organising principle behind the traditional distinction between left and right in politics,[50] and although no generally agreed nomenclature prevails, it is possible to identify a number of ideal-type perceptions of the desirable nature of this relationship, all of which have been associated with regional policy. While economic development would seem to be a shared underlying value, the means by which this is to be achieved vary according to what is assumed to be the comparative advantages of markets and public agencies in realising growth, cf the adjoining Table 7. At one end of the scale *planning* assumes the superiority of government agencies because they can take coordinated decisions on the basis of comprehensive information whereas the horizon of private firms operating on the market is limited by short-term self-interest and a comparatively weak informational basis.[51] Presenting policies in terms of *interventionism* could be seen as a more pragmatic version of this approach, relinquishing the claim of extensive public control of the economy, but in effect still applying the same basic thinking on a more selective basis in e.g. particular industries.[52] The antithesis of planning is the *laissez-faire* approach that sees the market as the most efficient allocator of scarce resources and insists that public interference will only keep the spontaneous workings of the economy from delivering its benefits and should therefore be kept at an absolute minimum.[53] The corresponding 'pragmatic' *market failure* approach adheres, in principle, to the fundamental virtues of the market as extolled by the laissez-faire position, but at the same time it is recognised that markets do not always produce economically or socially desirable results. If market failure occurs due to e.g. imperfect information, these problems may be addressed through targeted public intervention.[54] Both the two 'extremes' positions, planning and laissez-

Table 7: Government and private economic actors in political discourse

Planning
Interventionism
Market failure
Laissez-faire

[50]Bogason 1992 Ch. 1.

[51]Hansen et al. 1990, and Lane 1995 Ch. 1. Planning has been known as a 'socialist approach' (Grant 1982 pp 12ff) or 'administrative guidance' (Kristiansen 1987 pp 52ff).

[52]Parsons 1986, Ewers & Wettmann 1980, Imberg & Northcott 1981, Grant 1982, Keating & Midwinter 1983 pp 171ff, Hindley 1983, Turok 1987, Moore 1988, Hodgson 1989, Prestwich & Taylor 1990, Danson et al. 1990, Barberis & May 1993. Dirigism has sometimes been used as a roughly equivalent term, e.g. Sidenius 1989 and Morgan 1994.

[53]Parsons 1988, Lane 1995, Grant & Wilks 1983, Hansen et al. 1990, Balchin 1990, Prestwich &Taylor 1990, Gudgin 1995. Liberalism or a 'market-based' approach have often been used as parallel terms, e.g. Morgan 1994, Kristiansen 1987, Sidenius 1989, Martin 1989, Christensen 1990, Keating 1993 and Morgan 1994.

[54]Sawyer 1992. Alternative terms are 'social market strategy' (Grant 1982 pp 12ff) or 'modified market approach' (Danson et al. 1989b & 1990, Moore & Pierre 1988, Cochrane 1990).

faire, would seem be based on the unrealistic notion that their privileged agents of economic development operate on the basis of complete and perfect information, but in the world of *realpolitik* this has, of course, not prevented any of them from functioning as the general discoursive setting for political parties or individual policy programmes. This underlines the dual nature of these assumptions as informal institutions, functioning both as a guide to future action and as a form of 'wrapping' that aims to situate particular actions within the framework of a socially or politically acceptable discourse.

The other central set of assumptions with which regional policy has become associated relates to the spatial organisation of the political system, i.e. the degree of decentralisation within a particular nation state and the position of regions relative to one another. Perhaps because of its meta-political nature - focusing on the distribution of authority rather than particular policies - its presence on the political agenda has been more uneven,[55] but it is still clearly possible to identify different assumptions about the desirable relationship between the national and regional governments. From a *vertical* perspective, the central issue is the distribution of authority between central and sub-national levels of government.[56] In a *unitary* political system authority is primarily seen as being vested at the national level with parliament and central government, while in a *decentralised* context a more or less extensive transfer of authority to sub-national actors has taken place, although the constitutional preeminence of the national level is being maintained and the division of labour between different tiers of government can therefore at least in principle be unilaterally modified by central government. Contrary to this a *federal* setting not only involves more extensive transfer of authority but also enshrines this constitutionally and hence makes it more difficult to encroach upon the position of sub-national actors. Parallel to these vertical inter-tier relations, assumptions are also being made along *horizontal* lines with regard to the relationship between different regions within the national political system where the ideal can either be *equal* treatment, i.e. every region being vested with the same degree of authority, or *preferential* treatment, i.e. different regions enjoying different degrees of authority for whatever reasons.[57] As the boundaries of authority may be challenged through political strategies, regional policy initiatives can easily be interpreted as being part of vertical or horizontal positioning strategies, and hence particular measures may become controversial simply because they are seen as contravening existing divisions of authority. The growth of bottom-up regional policy from the 1980s onwards has, for example, often be interpreted as a result of or a vehicle for a strengthened position of sub-national actors vis-à-vis central government.[58]

Organisations implementing regional policy do in other words find themselves in a political environment in which certain assumptions tend to prevail because these are sustained by and help sustain dominant political actors. The presence of such informal

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[55]See e.g. Sharpe 1993, and Keating 1988, 1997 & 1998.

[56]See Loughlin & Peters 1997, Wiehler & Stumm 1995, and Anderson 1992.

[57]The asymmetrical form has often been associated with British-style devolution, but can also be found in e.g. Spain where the position of the autonomous communities vis-à-vis central government in Madrid is highly uneven.

[58]Keating 1992 & 1997.

institutions as part of the historical setting has important consequences for the conduct of regional policy because they will be taken into account by the organisations involved. On the one hand a sponsoring body or a political party may attempt to associate itself with an implementing organisation by claiming it for particular values in order to e.g. influence its activities or make it part of an acceptable political discourse - something that is of course particularly likely to happen because the assumptions underlying regional policy touch upon central issues in Western European politics. On the other hand the implementing organisation itself may use discoursive means as part of its positioning strategy, i.e. by making sure that it publicly espouses values that are in accordance with dominant assumptions, not lest those of its political sponsors. Although many regional policy activities could be said to be ambiguous with regard to their underlying values, there are limits to this flexibility, and therefore it becomes important to establish the relationship between the assumptions embodied in the policies of an implementing organisations and the way these activities are interpreted publicly by the organisation itself and by other political actors, because differences may suggest tensions and possible future directions of change.

The preceding pages should have demonstrated the importance of the political environment in which regional policy is situated, both in terms of direct interaction between the implementing body and public or private organisations, and the more indirect, but nonetheless real, influence of prevailing political discourses and institutions. But even the impact of this impressive array of external pressures still depends on the concrete interaction between actors in concrete historical circumstances: resource interdependencies and conflicting political assumptions and strategies may well leave considerable room for manoeuvre, and thus the extent to which the activities of an implementing organisation reflect values and strategies that prevail in its political environment needs to be investigated empirically and cannot be taken for granted. Like it was the case with regard to political sponsorship, this task requires the undertaking of a number of different analyses of individual organisations and how they relate to the implementing body and the discoursive terrain - in short, a multi-dimensional approach involving a range of, mainly qualitative, methods.

3.4 Policy, Implementation and Private Firms

Having explored the political aspects at some length, attention is now turned to the other key inter-organisational relationship within regional policy: the direct interaction between the implementing body and private firms. The importance of the response from actors targeted by public policy has been widely recognised not only within the general literature on policy analysis,[59] but also in writings on regional and related policies,[60] and again the argument will be structured on the basis of the inter-organisational approach outlined in Section 2. The discussion proceeds in two steps, looking first at the relationship with individual firms under the headings of policy instruments, modes of implementation and outcomes, and then in the next section situating these interactions in the broader context of the economic environment.

Table 8: Classifications of regional policy measures

Authors	*Key variables*	*Authors*	*Key variables*
Vanhove & Klaassen	Infrastructure Financial incentives Discouragement measures Government office dispersal Government purchasing RDAs	McCrone	Controls Grants and inducements Public investments
		Coffey & Polese	Social animation Information Finance
Demko & Fuchs	Infrastructure Monetary incentives State ownership Controls and disincentives Migration/training policies	Young & Lowe	Economic regulation Legal regulation Exhortation Advice and services Financial inducements

Sources: Vanhove & Klaassen 1987, Demko & Fuchs 1984, McCrone 1969, Coffey & Polese 1985, and Young & Lowe 1974.

Policy Instruments and Modes of Implementation

As options and incentives designed to influence the behaviour of private actors, policy instruments constitute the general rules that govern the interaction between an implementing body and private firms, and the choice of instruments and the way in which these are put to use can therefore be expected, to some extent at least, to reflect

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[59]See e.g. Christensen & Christiansen 1992 Ch. 1, Christiansen 1993 p 23, and Winter 1994 Ch. 4. Sabatier (1993) coined the somewhat ominously sounding expression 'output compliance'.

[60]See e.g. OECD 1977 pp 26ff, Ackermann & Steinmann 1982, Pinder 1982, Swales 1993, Henning 1983, Heclo 1986, Grahm 1988, Beckman & Carling 1989, and Hudson 1994 - cf the extensive literature on evaluation which could be said to owe its existence to the uncertainty created by regional policy depending on the response of private actors so that the outcome of public intervention cannot be taken for granted.

considerations about what measures would bring about an appropriate response by a sufficient number of private firms in order to meet overall policy objectives.[61]

In the existing literature on regional policy, the notion of different forms of policy instruments is generally recognised, explicitly or implicitly. As illustrated by the classification schemes summarised in Table 8, most attempts to distinguish between different measures would seem to be situated somewhere between the 'programmist' and the 'resource-based' traditions.[62] The prominence of the latter may well reflect the historical development of regional policy where the original range of measures - location control, financial subsidies and factory building - could easily be associated with distinct resources, and subsequent bottom-up initiatives could be grouped under headings such as advice or social animation, suggesting informational and organisational resources respectively. Like the programmists in general, regional policy classifications would seem to reflect the historical setting in which they were developed,[63] and like many resource-based taxonomies the idea of some instruments being inherently 'strong' (controls) or 'weak' (advice) can also be found.[64] All in all the notion of policy instruments found in the literature on regional policy does not diverge significantly from the general picture in the literature on policy instruments,[65] and therefore the solutions proposed there can still be pursued, namely to adopt a rules-based approach to the study of policy instruments, focusing on the options and incentives instituted by particular forms of public policy, as illustrated by Table 9.

From this perspective a *policy instrument* is seen as embodying a specific combination of options and incentives that defines the courses of action open to private firms and the resources they can gain access to by becoming involved. The focus is in other words on how a particular policy changes the options and incentives confronting private actors, *not* on what resources the implementing body have to employ in order to bring these policies about. As policy instruments are seen as specific combinations of options and resources, they also exhibit the general characteristics of the latter, i.e. the imminent depletability of financial and organisational resources, and thus an implementing organisation is not necessarily able to employ the instruments most likely to bring about particular changes in the behaviour of private firms because its own resources are not unlimited. Moreover, the attraction of a particular policy instrument to private actors is inherently a relative one: is money being made available

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[61]For a full discussion, see Halkier 1999a.

[62]Other texts employing interpretative schemes along 'programmist' lines to regional and industrial policy also include Armstrong & Taylor 1985 Ch. 10, Rothwell & Zegveld 1985 pp 83ff, Kristiansen 1987, Eisinger 1988, Funck 1990, and le GalΠs 1993. Additional variations on the theme of a resource-based approach can be found in Beckman & Carling 1989, Alonso 1989, Kern 1990, Halkier 1992, and Yuill *et al.* 1998 (pp 21f) and earlier editions.

[63]Compare e.g. the US-style approach of Eisinger (1988) with the French of le GalΠs (1993) and the British of Armstrong & Taylor (1985).

[64]See e.g. McCrone 1969 Ch. 8, Allen 1979, Hogwood 1983, Richardson 1984, Beckman & Carling 1989, Alonso 1989, Allen & Yuill 1990 and Halkier & Danson 1997. Folmer (1986) distinguishes between 'control' and 'influencing' instruments, focusing explicitly on the nature of the options created for firms by public policy.

[65]See Halkier 1999a.

on terms that are more attractive than other sources of finance that would not involve moving production to designated problem areas, can location controls be circumvented without incurring even greater costs or risks, and is the information offered through advisory services sufficiently valuable for firms to commit management time to become involved? Ultimately the likeliness of realising public goals depends on the implementing organisation being able to institute options and incentives that will persuade private actors to adopt new patterns of behaviour.

Table 9: Policy instruments as rules

Options of interaction	Mandatory	Compulsory behaviour
	Conditional	Access to resources on certain terms
	Voluntary	Resources made available unconditionally
Resources as incentives	*Authority*	Legal and/or legitimate position to define rules
	Information	Capacity to mobilise and process cognitive data
	Finance	Stocks of moneys or other means of general exchange
	Organisation	Capacity to coordinate physical and human assets in direct action

In addition to the 12 basic combinations of one option and one incentive, a large number of policy instruments exists which draw upon several types of especially resources, and some of these may of course be more relevant from a regional policy perspective than others. Even a brief overviews of the development of regional policy[66] do, however, suggest that all three types of options and all four types of incentives have to varying degrees been employed in Western Europe, as illustrated by the examples given in the accompanying Table 10.[67] Mandatory authority is involved in location control when firms are required to have a permit when expanding their activities in certain areas, and government approved quality assurance schemes used as a marketing device can be seen as employment of conditional authority: if a firm wants to be part of a regional scheme, it will have to fulfill certain criteria. Advisory services obviously rely on information as the main incentive, but while many operate on a voluntary basis by letting firms pick and choose from what is available, some require more involvement of e.g. senior management and could therefore be interpreted as conditional use of information. Regional grant schemes, the mainstay of central government regional policy from the 1960s onwards, are essentially conditional use of financial resources - money will only be forthcoming to firms

[66]Halkier 199a.

[67]The policy instruments are used here merely to provide some typical examples by way of illustration, and especially the position with regard to the options dimension may vary according to specific circumstances.

locating in particular designated areas and possibly fulfilling a number of additional criteria - while differentiated tax rates can function as a mandatory form of financial incentive. Improving the basic infrastructure could be seen as putting organisational resources at the disposal of private actors on a voluntary basis - firms may use a harbour facility for many different purposes - while establishing e.g. a joint regional marketing bodies involve access to organisational resources on a conditional basis. The use of several forms of resources at once often occurs in the form of giving private actors gain access to informational or organisational resources on subsidised conditions, i.e. by renting factory space or obtaining advice at prices considerably lower than the cost of obtaining similar services from private actors through e.g. market transactions.

Table 10: Policy instruments as rules in regional policy - examples

	Authority	*Information*	*Finance*	*Organisation*
Mandatory	location control		taxation	
Conditional		specialist advice	grants	joint marketing
Voluntary		general advice		transport infrastructure

The way in which particular policy instruments are employed can also make a difference to the interaction between public and private actors, both with regard to making firms respond and securing outcomes that are in accordance with public priorities. These secondary rules, or *modes of implementation*, are specific policy designs that define the roles of public and private bodies in the interaction on a more detailed level. The present study is primarily concerned with the relative influence of the actors involved in the implementation process, and therefore the following modes, reflecting key stages of the process through which public resources are used to influence private actors, would seem to be particularly relevant:

- *selectivity* - the designation of specific forms of economic activity for support,
- *project generation* - the origins of individual projects considered, and
- *project appraisal* - the way in which the decision to support individual projects is taken.

Turning first to *selectivity*, a focus on particular firms or groups of firms sets not just regional policy but industrial policy in general apart from macro-economic policies aimed at the national economy as a whole.[68] By designating particular forms of economic activity for support and excluding others, selectivity can be seen as an

[68] Young & Lowe 1974 pp 16ff, Wren 1986a pp 5ff.

expression of public priorities that involves potentially controversial choices.[69] Any form of regional policy is by definition *spatially* selective, promoting the development of one region vis-à-vis other regions, but the nature of political controversy is likely to differ between various forms of regional policy. Top-down policies operated from the national or European level institute divisions between designated and undesignated areas *within* the polity, and thus the process of area designation could in itself be contentious. Conversely, bottom-up policies applying to a particular region are only selective in the sense that the same support measures are not available elsewhere,[70] and in this case politicisation is more likely to take place after new measures have been introduced by e.g. neighbouring regions.

Table 11: Selectivity in regional policy

Dimension	*Criteria (examples)*
Spatial	Top-down designation Bottom-up self-designation
Sectoral	Macro sectors (manufacturing, services) Industries (electronics, textiles)
Firm type	Size (SMEs, large firms) Ownership (indigenous, external, multinational) Supply-chain position (e.g. subcontractor)
Project type	Expenditure items (wages, property, equipment) Firm strategies (expansion, modernisation, relocation)

Based on Allen et al. 1988 and Yuill et al. 1981ff.

With regard to non-spatial criteria in Western European regional policy, selectivity has historically included and excluded firms on many grounds, and the most common ones are listed in Table 11. The reasons for introducing different forms of selectivity range from targeting of specific regional weaknesses via restriction of public expenditure to the perceived political ‘sexiness’ of e.g. high-tech industries, but from the perspective of private economic actors the result is the same: some forms of activity are included and some are excluded from support, and thus selectivity is one way of introducing specific public priorities into regional policy. Selectivity along *sectoral* lines is one of the most common forms: in the case of policy instruments based primarily on authority or financial resources it has often involved an explicit exclusion of groups of firms, e.g. in the service sector, but it can also found in connection with e.g. advisory services or collective marketing efforts designed to promote particular industries. Selectivity according to the *type of firm* has also been

[69]Wilks 1984, Zukin 1985, Townroe 1986, and Eisinger 1988 Ch. 1.

[70]The importance of area designation within top-down forms of regional policy is clearly demonstrated in the work of the Allen *et al.* 1988 and Yuill *et al.* 1981ff. The indirect selectivity is of course one of the main concerns about the increased role of bottom-up regional policy because it may potentially disadvantage relatively poor regions which have to compete with similar development initiatives in more well-off regions, cf Halkier 1999a.

fairly common, both as formal exclusion of e.g. firms above/below a certain size from subsidy schemes, and by informal means through provision of advisory services that are mainly of interest to e.g. either subcontractors or relatively large firms. Finally restrictions on *project types* have historically been important in connection with financial subsidies both in terms of restrictions on the items that can be supported by grants, and by linking support to e.g. expansionary firm strategies through the setting of targets for job creation. Project-type selectivity can, however, also be found in connection with other policy instruments: a public testing facility for new products and processes would for instance seem to be relevant mainly for firms aiming to modernise their production facilities. With this range of selectivity criteria, the scope for variation is very wide indeed, ranging from the minimalist option of purely spatial criteria to combinations of several sets of criteria that make only very specific forms of economic activity eligible for support.

As a mode of implementation *project generation* is important because the location of the initiative may have implications for the degree of public influence on the nature of a particular project. In the literature on regional and related policies the distinction between reactive and proactive forms of public policy is widespread,[71] with the former denoting situations in which private actors propose a project which is then considered for support by the implementing body, and the latter referring to situations where public bodies are actively encouraging individual private actors to pursue particular types of projects for which public support may be available. The basic difference between a proactive and a reactive approach relates to the extent to which firms are prompted to do things they would not otherwise have done, and here a reactive approach relying on projects initiated by the firms themselves would seem to be more likely to end up supporting activities that are in line with the current strategies of private actors. Contrary to this a proactive approach shifts the initiative to the implementing organisation, and thus a potential would seem to exist for policies to stimulate strategic changes within firms. It would, however, still be misleading to equate proactive strategies with promotion of innovative projects: on the one hand proactivity could for instance simply be a way of raising the profile of an implementing organisation vis-à-vis other public bodies through aggressive marketing of policies, and on the other hand qualitative change could also be brought about by e.g. a reactive scheme combining a highly selective approach with adequate incentives.

The final mode of implementation concerns the way in which individual projects are *appraised* by the implementing organisation before it is decided to provide access to public resources. In the existing literature the basic distinction being made with regard to appraisal is between automatic and discretionary forms, where the former involves overt conditions and fixed rates of support and the latter gives the implementing body discretion with regard to whether a project should be supported, and if so, to what extent.[72] Although this distinction has been used mainly in connection with financial

[71]Distinctions between proactive and reactive (or passive) approaches to policy implementation have been employed by e.g. OECD 1977, Ewers & Wettmann 1980, Imberg & Northcott 1981, Grant & Wilks 1983, Martin & Hodge 1983b, Rothwell & Zegveld 1985, Moore & Booth 1986, Beckman & Carling 1989, Totterdill 1989, Martin 1990, Rees & Morgan 1991 and Hogwood 1992 Ch. 9.

[72]For a succinct definition, see Allen *et al.* 1988 p 19.

subsidies, more or less formalised screening of individual projects also takes place in connection with other forms of support, and thus the notion of discretion would seem to have a more general relevance. Policy programmes operating in an automatic manner presuppose that eligible forms of economic activity can be specified to such an extent that firms can predict whether their projects are likely to be eligible or not; in this case public priorities are transmitted primarily through what in effect amounts to selectivity criteria setting out in advance what will and will not be supported. In contrast to this, discretionary programmes only need to have such criteria defined for internal use[73] or can rely on the tacit knowledge and concrete judgements of experienced staff, and thus for relatively complex criteria for public support - relating to e.g. technological change or the profitability of individual projects - a discretionary appraisal process would seem to be an obvious choice. The borderline between automatic and discretionary modes of implementation is, however, not entirely clear-cut because an implementing organisation may announce broad criteria that projects will have to comply with - e.g. long-term profitability or creation of a minimum number of jobs - and then subject the documentation submitted by firms in support of their claims to detailed scrutiny and negotiation.[74] Overt, but vaguely defined criteria would in other words seem to introduce a considerable element of discretion into the appraisal process, and it is therefore probably advisable to think of the automatic/discretionary distinction in terms of a continuum.

The implications of automatic and discretionary modes of implementation for the actors involved in regional policy have been discussed extensively in connection with financial subsidies. Automatic grants, historically the form that originally prevailed across most of Western Europe, have been seen to have the advantage of being predictable and hence possible to integrate into the investment assessment procedures of private firms while at the same time being relatively easy to administer for both the implementing body and private sector applicants. Automatic programmes with limited selectivity did, however, also come to be seen as unduly expensive, financially as well as politically, because large capital-intensive investments with no real choice of location had to be supported if they happened to be situated in designated problem areas; under these circumstances financial incentives could easily be construed as ‘windfall gains’, bolstering the profitability of e.g. large multi-national companies but making little or difference to the regional economy in terms of productive capacity or employment.[75] In contrast to this, discretionary grants have often been claimed to increase public influence on the investment decisions of private firms because discretion allows the implementing organisation to give priority to ‘good’ projects or to ‘improve’ proposals put forward by private firms,[76] something that should also help to increase the precision of policy measures and economise with depletable policy resources.[77] Discretionary programmes do, however, clearly entail more administration

[73]The link between discretion and the difficulty of specifying criteria of support is well made by Ham & Hill (1984 Ch. 9).

[74]Conversely, the existence of internal administrative guidelines for awarding discretionary regional grants may in effect makes them semi-automatic (Allen *et al.* 1988 pp 21f).

[75]See e.g. Maclennan & Parr 1979, Imberg & Northcott 1981, Richardson 1984, Neuperts 1986, Damesick & Woods 1987, Allen *et al.* 1988 & 1989, and Balchin 1990.

[76]See e.g. Wilks 1987, Parsons 1988 p 201, Balchin 1990 Ch. 3, and Yuill *et al.* 1992 p 12.

[77]See e.g. Vanhove & Klaassen 1987, Allen *et al.* 1989, and Beckman & Carling 1989.

for both the public and private actors involved, something that larger firms with more organisational resources may be better equipped to deal with,[78] and as the outcome of an application for discretionary support is fundamentally uncertain, it cannot be incorporated into the formal investment appraisal procedures of firms and will therefore constitute a windfall gain because only projects that are viable on their own terms would have been put forward.[79] Although the latter argument may overestimate the importance of both formal investment appraisal procedures in private firms and windfall gains as an economic problem,[80] it does underline the difficulties associated with establishing the impact of discretionary modes of implementation. While purely automatic schemes, at least in the absence of stringent selectivity criteria, would mainly seem to accelerate existing investment projects and increase the overall volume of investment in assisted regions, a discretionary approach would seem to be more likely to produce individual projects of a 'path-breaking' nature through public targeting of support and/or dialogue with applicants.[81] It is, however, important to stress that discretionary regional policies should not be construed as a panacea. On the one hand pointing firms in new directions is clearly critically dependant on the organisational and informational resources of the implementing body in terms of knowledge of firms, markets and technologies, and here public bodies are of course subject to the general conditions of incomplete information and hence will be more or less capable of identifying new ways of promoting regional development. On the other hand bringing out projects of a qualitatively new nature may be more or less necessary, depending on the nature of the regional problem. Significant change does not necessarily require the abrupt introduction of completely new patterns of behaviour at the level of individual firms, but may also be brought about by a cumulative effort, supporting trends already in existence as an undercurrent in the regional economy.

All in all policy instruments and the ways in they are put to use through modes of implementation constitute the rules on the basis of which the interaction between the implementing organisation and private firms takes place. The eventual outcome does, however, still depend on the response of private actors who will judge the options and incentives put in place by public policy on the basis of their own objectives and strategies, a perspective that may well differ significantly from that of regional policy.

[78]Walker & Krist 1980, Allen *et al.* 1988, Swales 1989, and Allen & Yuill 1990.

[79]This has been argued strongly by Kevin Allen and his colleagues (Allen *et al.* 1986 & 1988, cf Ashcroft & Love 1988 and Scharpf 1983), but other studies find less of a difference between the way firms cope with discretionary and automatic grants (McGreevy & Thomson 1983).

[80]Walker & Krist (1980) argue that even by improving the profitability of one round of investment by a particular firm, the next round is being brought forward.

[81]The use of the notion of path-breaking here refers exclusively to individual projects and does not in any way imply that path-supportive policies are inherently inferior in bringing about change in the regional economy, as sometimes implied in the literature (e.g. Sidenius 1984 pp 123ff, and Goodwin & Duncan 1986 p 18).

Outcomes

The outcomes of regional policy can be studied from a number of perspectives, each of which could potentially influence the perception of a particular form of public intervention as more or less successful.

Because the majority of policy schemes involves interaction with individual firms that can be quantified and the level of response to non-mandatory policy instruments cannot be predicted with any great certainty, measuring the *output* of an implementing organisation in terms of e.g. grant expenditure, firms advised or factory floor-space constructed becomes an important task in its own right.[82] Output measures produce more or less extensive information about the resource exchanges taking place between public and private actors, and while such figures are of course an uncertain guide to what impact a particular policy makes on both individual firms and the regional economy as a whole, they easily feed into the political process as symbols of public (in)action.

Table 12: Firm-level impact of regional policy

Type of firm	Nature of change
New	Indigenous creation Incoming location
Existing	Liquidation Change of ownership Preservation Expansion Modernisation

With policy objectives focusing on improving the relative position of particular regions by influencing the behaviour of individual firms, the *firm-level impact* of regional policy is not only a central form of outcome but also one that to a certain extent can be inferred from e.g. the way particular policy instruments are employed: promotion of inward investment is likely to attract new firms from outwith the region, while provision of advice on new technology in a particular industry is likely to result in modernisation of existing indigenous firms. As illustrated by Table 12,[83] two distinctions can be made here, namely between the types of firms involved and the nature of change taking place. These firm-level outcomes are interesting not just because of their relevance in the context of various policy strategies, but also because they entail different socio-economic perspectives for private actors and policy-makers that may be translated into political repercussions even as policies are in the process of being devised. The implications of the advent of *new firms*, i.e. creation of additional productive capacity in the shape of new separate entities, is likely to vary according to their origin. While both indigenous start-ups and inward investment from outwith the

[82]The distinction between the policy output directly produced by the policy-making organisation and the outcomes of public intervention as changing patterns of behaviour among private actors is well-established in the literature on policy analysis (see e.g. Ham & Hill 1984 Ch. 1, Hogwood & Gunn 1986, and Hood 1983 Ch. 8).

[83]Although recognised on a general and strategic level in the form of choices between strategies based on indigenous and incoming growth (see e.g. McCallum 1979, Martin & Hodge 1983a, Vanhove & Klaassen 1987, Eisinger 1988, Hart & Harrison 1990 and Halkier 1992), attempts to account for the different possibilities in a systematic way are rare. Table 12 is an expanded and reworked version of the typology employed by Yuill *et al.* (1981ff) in their annual surveys of central government regional policy in Western Europe.

region will provide additional employment, their importance for existing firms depends on their respective markets and strategies: some may welcome the advent of new potential subcontractors or customers, while others could construe newcomers as unwelcome competitors. At the same time the political pay-off from strategies relying on incoming and indigenous new firms would also seem to differ: while the former represents a 'lumpy' form of economic growth which is highly visible and produces excellent photo opportunities – 500 new jobs, minister pictured opening new factory - the latter will result in a low-profile long-term trickle of smaller start-ups. *Liquidation* of existing firms inevitably has direct and immediate adverse consequences for the workforce and mostly occurs as a result of deliberate non-intervention, e.g. a government decisions *not* to support firms in crisis; head-on decisions to eliminate productive capacity has only been a realistic policy option with regard to industries in public ownership. *Change of ownership* in existing firms, ranging from nationalisation or privatisation via more or less friendly mergers and take-overs to management buy-outs, may lead to anything from liquidation to modernisation, depending on how and why the present owners are displaced, and hence the political ramifications are likely to be equally varied, especially because some forms of change of ownership have historically been inscribed into particular forms of public political discourse, e.g. for and against public or foreign ownership of productive facilities. *Preservation* is defined as a situation where the activities of an existing firm are maintained in terms of output and employment, despite the immediate pressures of the market.[84] *Expansion* of an existing firm is probably the least controversial option available: increasing the volume of production without revolutionising organisation or technology could potentially increase employment, output and profits at the same time, and hence keep both management and employees of the supported firm happy, if not necessarily their competitors. Contrary to this, *modernisation* involves significant organisational or technological changes and could therefore be a mixed blessing for all parties involved: certainly more demanding in terms of management resources and a potential threat to shop-floor employment in the short run as productivity increases or resources are transferred to R&D activities. The impact of regional policy on private firms does in other words vary greatly, and this has important implications not just for the aggregate socio-economic effect of public intervention, but also, potentially, for the politics of regional policy.

Ultimately, the *aggregate impact* on the regional economy and its position vis-à-vis other regions is of interest as a measure of the effectiveness of regional policy, and especially from the 1980s onwards a growing body of writings has been devoted to establishing the effects of various forms of public initiatives. Given the broad range of social, economic and political goals associated with regional policy and the coexistence of many forms of public intervention in any given region, evaluation is certainly no mean task, and most studies have tended to concentrate on the explicit or implicit economic goals of regional policy.[85] For the purposes of this project, the (varying) reliability of the evaluations themselves is, however, less interesting than the

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[84] In this sense preservation covers not only high-profile one-off 'rescues' of ailing firms, but also the more low-key support of firms that is sufficient to make them maintain their position with regard to markets and employment.

[85] Cf Halkier 1999a.

way such studies are being used in political discourse to underpin different perceptions and claims about the success or otherwise of particular policies and organisations.

All in all it is clear that understanding the implementation of regional policy from an inter-organisational perspective will involve drawing on a wide range of methodologies, primarily qualitative but also quantitative, in order to account for the interplay between actors, strategies and institutions. The interaction between the implementing body and individual firms leaves plenty of room for the former to institute different options and incentives reflecting public priorities with regard to regional development: a wide range of policy instruments are available, and the various modes of implementation allow support to be targeted by selectively focusing on a particular group of firms or by screening private sector projects according to more or less transparent appraisal criteria. As argued earlier in this paper, the choice of strategies by the implementing organisation is likely to have been informed by all manner of considerations, some of which are more clearly related to the perceived nature of the regional problem than others, but whatever their lineage, the resulting policies still constitute a new set of rules that may alter the behaviour of private firms by making some options more attractive than others. The eventual outcome of public intervention does, however, depend on the way in which private actors respond to particular policies, and this, in turn, will have been influenced not only by the resources and strategies of the individual firm, but also by the wider economic environment in which they operate.

3.5 The Economic Environment

The economic environment of regional policy is in a sense even more difficult to delimit that the political environment. Whereas the latter refers to a relatively well-defined and stable set of organisations,[86] the large majority of which operate within the context of one and the same territorial state, the economic environment is a much more fluid phenomenon. Private economic actors within a region may operate on international markets, have formalised links with firms in other countries or simply be affected by the changing fortunes of the global economy, and thus focusing on a fixed spatial entity like an administrative region or the national economy would not be particularly helpful. At the same time both the structure of the regional economy and the way its firms are positioned in the international division of labour are subject to change, and we thus find ourselves with the seemingly unenviable task of trying to take a closer look at something that is spatially indeterminate and temporally variable. The problem of fluidity encountered when attempting to arrive at a definition of *the* aggregate economic environment of an organisation implementing regional policies could, however, be circumvented by focusing instead on the way the private firms targeted by public intervention are positioned in the economic division of labour.[87] In

[86]Cf the discussion earlier in this paper.

[87]A parallel approach to the study of the economic environment of regional policy can be found in the work of Moore & Booth in which characteristics of industrial sectors are associated with particular forms of regional policy (1989 pp 82ff), albeit not in a deterministic manner. This source of inspiration was very visible in earlier work (see

a sense, of course, this results in a situation where an implementing organisation has as many ‘economic environments’ as there are firms within ‘its’ region, but as the position of individual firms in the regional, national and global economy is likely to influence the resources at its disposal and the strategies it pursues, the approach would still seem to make sense, although it may well produce a relative complex account of the economic environment in which regional policy operates. The text therefore proceed in two steps: first different ways in which regional firms are integrated into the wider division of labour is considered, and then role the discoursive terrain is briefly revisited in relation to private actors and their strategies.

Economic Patterns of Coordination

As argued elsewhere,[88] economic activities can be conducted through different modes of social coordination, and three modes have predominated in Western Europe since World War II, namely hierarchies, markets and networks. In the following each of these modes of coordination are considered in turn, especially with regard to their implications for makers of regional policy and their development strategies.

Hierarchical relations are part and parcel of the economic environment in the sense that firms are hierarchical organisations and different patterns of ownership are likely to influence the ways private actors respond to public policies. While the relative advantages of particular ownership structures are the subject of, sometimes fierce, debate which essentially concern the perceived nature of ‘the regional problem’,[89] ownership structures define options and incentives for private actors that public policy-making has to take into account. Three features is generally identified in the literature on regional policy as being of particular importance, namely the extent to which ownership is:

- *fragmented or concentrated* - a limited number of key players does provide a very different target for public policy than does many smaller ones,[90] both when attempts to deal with firms on an individual and a collective basis;

- *external or indigenous* - regardless of what other advantages external ownership may have in terms of e.g. access to resources, it will to some extent limit the decision-making capacity of branch plant managers by integrating them into the overall strategies of multi-regional or global firms;[91]

Halkier 1992 pp 3ff), and the following pages essentially rework the idea within an institutionalist framework.

[88]Halkier 1999a.

[89]Prominent issues have included the relationship between external and indigenous ownership (cf Chapter 13 below), small and larger firms (cf Chapter 14 below), and the role of public ownership (cf Chapter 12 below).

[90]Moore & Booth 1989 pp 82ff cf Chapter 14 below.

[91]Moore & Booth 1989 pp 82ff cf Chapter 13 below.

- *private or public* - while the raison d'Λtre of privately owned firms is to achieve and maintain profitability, the goals of public firms have historically been of a much more complex nature, in theory more amenable to goals like e.g. employment retention but in practice often integrated into multi-regional (i.e. externally owned) corporate structures and/or controlled by public bodies whose primary remit lies outwith regional development.[92]

Patterns of ownership are of course only one dimension of the structure of a regional economy, and the response of firms to particular policy initiatives must also be seen in the light of their resources and strategies vis-à-vis other private actors, i.e. their involvement in market and network relations.

Market relations are important to the extent that firms within the region (or indirectly their external owners) buy their inputs, including labour, and sell their products on competitive markets. The market relations of individual firms has been analysed from different perspectives, including:

- *the industrial sector* in which it operates, giving a broad indication of the general ways its field of economic activity is developing,

- *product characteristics*, e.g. intermediate products or original equipment,

- *market location*, i.e. local, regional, national or international, and

- *market shares,* ranging from monopoly to being a minor player.

Again aspects that will influence the way in which a firm is likely to respond to public policies: both in terms of resources and strategies there are obvious differences between e.g. a major regional player in a stagnating industrial sector and a minor subcontractor in a rapidly expanding international field of economic activity.

Network relations, long-term cooperation between independent actors on the basis of mutual resource dependencies, is the third way in which firms interact with other economic actors. Network relations have often associated with spatial agglomerations in the form of 'industrial districts', but this type of economic interaction is not necessarily confined to a particular region.[93] Similarly, it would be unwise to associate networking with a capacity to adopt in a flexible manner to new challenges: a situation of mutual resource dependency could also produce an impasse where no new strategies can be agreed upon and no individual actor carries enough weight to take the lead,[94] and thus once more the specific circumstances need to be established. From the perspective of regional policy, a feature of particular interest is the extent to which formalised associations or networks along e.g. sectoral lines exist within the region, because the presence of this form of collective organisational resource changes the options and incentives faced by an implementing body: coordination front between

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[92]See e.g. Hudson 1989 Ch. 8, Moore & Booth 1989 pp 63f, Anderson 1992 p 69, cf Chapter 12 below.

[93]Amin & Thrift 1994, cf Morgan 1994.

[94]For a sobering perspective on networking industrial districts, see Bellini & Pasquini 1998.

private actors could improve their bargaining position, but may also present a potential vehicle for collective solutions to particular development problems.[95]

Clearly the overall importance of each of the three modes of coordination will differ between regions and change over time. Some have argued for the existence of a long-term trend away from hierarchical in the direction of network relations reflecting a transition from ‘fordist mass-production’ to ‘post-fordist flexible specialisation’, and these general trends in the economic environment have furthermore been seen as underlying the shift away from the top-down diversionary regional policies of central government towards bottom-up policies focusing on promotion of indigenous firms.[96] Although the existence of ‘flexible specialisation’ as a general trend can be questioned[97] and the link between the nature of regional problems and regional policies is hardly a direct or automatic one,[98] it is still important to take the various modes of social coordination and their key aspects into account when analysing the economic environment in which regional policy operates.[99] The way in which firms in a region interact with other economic actors clearly influences the resources at their disposal and the strategies they pursue - and hence makes some regional policy strategies more feasible than others.

The Discoursive Terrain

Although the imperative to stay profitable and competitive looms large in the horizon of managers of private firms, it would be unhelpful to see their strategic choices as reflecting the economic interests of the firm pure and simple. Also in dealings with public bodies involved in regional policy incomplete information limits the vision of *homo economicus*, and different personal pay-offs for managers of particular strategies may present further complications in connection with e.g. decisions to locate production in problem areas. Moreover, the interaction between private firms and public bodies takes place on a discoursive terrain entailing particular assumptions about the world - assumptions that may or may not be shared and which could affect the ways private actors come to view particular organisations and policies.[100]

In addition to the fundamental question concerning the nature of the regional problem - policies designed on the assumption that regional problems are caused by incompetent management would probably go down less well with many managers - the main areas of interest continue to be discourses concerning the ideal relationship

[95]Moore & Booth 1989 pp 82ff cf the discussion in Chapter 13 below.

[96]E.g. Scott & Storper 1992, Dunford *et al.* 1981, Stohr 1986, Albrechts & Swyngedouw 1989, Martin 1989, Nielsen 1991, and Amin & Thrift 1994.

[97]See e.g. Sayer 1989, Martin 1989 pp 29ff, Gertler 1988.

[98]Cf the discussion earlier in this paper.

[99]Comparing this approach to that of Moore & Booth (1989 pp 82ff), the main difference would seem to be that the emphasis on social modes of coordination results in more dimensions of the economic environment being taken into account, ultimately resulting in a wider range of possible relationships between public and private actors.

[100]See Winter 1994 Ch. 4.

between government and private economic actors and the relationship between different regions and levels of governance. With regard to the ideal form of *economic governance*, liberal views extolling the benefits of a ‘market economy’ and the autonomy private firms might be expected to prevail, but in many case the need for varying degrees of public sector involvement has also been accepted,[101] and thus establishing the nature of the prevailing assumptions and their possible impact on the response of private actors to regional policy measures remains an empirical task. In terms of assumptions of a *spatial* nature, three aspects would seem to be relevant: relevant:

- the *vertical* relationship between e.g. national and regional tiers of governance, i.e. the degree of decentralisation versus attachment to the national level,

- the *horizontal* relationship between regions, i.e. the extent to which discrimination along spatial lines is acceptable, and

- *individual regions* and their desirability as location for economic activity.

While the first two are essentially assumptions about politics and policy that were noted earlier as part of the political environment of regional policy, the third aspect introduces assumptions about specific regions and thus allows for the fact that private economic actors are potentially more ‘footloose’, i.e. less tied to a particular geographical location, than public organisations tend to be. While the latter operate in a defined geographical setting and hence by definition have a ‘territorial remit’, the attraction or attachment of a particular region for private economic actors cannot be taken for granted,[102] something that may prompt the use of images and place attachment in regional policy strategies.

From the perspective of regional policy the relevance of the notion of a discoursive terrain is in other words not limited to the political environment, but should also be considered in connection with the interaction between an implementing organisation and private economic actors within and outwith the region.

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[101]See e.g. Pedersen *et al.* 1992, Wilks 1984 Ch. 1, Berrefjord *et al.* 1989, and Christiansen 1993 Ch. 2.

[102]See e.g. Burgess 1982, and Kooistra 1998.

4. REGIONAL POLICY - AN ANALYTICAL FRAMEWORK

The development of a conceptual framework was based on the notion that regional policy is essentially about making private economic actors change their pattern of behaviour in accordance with public spatial priorities. A framework would therefore have to take two key aspects into account, namely:

- the political process through which aims and means emerge, and
- the implementation process in which private actors interact with public bodies on the basis of rules instituted by the latter.

Working on the basis of an institutionalist and inter-organisational approach to the study of public policy, the framework takes as its point of departure the implementing organisation, focuses on its key inter-organisational relationships and situates these interactions in their broader political and economic context. This identifies five areas of analysis that must be considered, and in each of these the discussion of analytical dimensions and sub-dimensions incorporated issues highlighted by the existing literature on regional policy as well as more general points emanating from traditions within institutionalism, policy analysis and inter-organisational studies, ultimately resulting in the conceptual framework summarised in Table 13.

From the perspective of the current project the main advantages of the framework would seem to be that it manages to overcome the principal limitations identified in the analytical approaches of the existing literature, including the fragmentation, the side-lining of political and organisational issues, and the reliance on quantitative or dichotomous conceptual schemes. Instead a comprehensive approach has emerged, capable of accounting for different forms of regional policy and provide a multi-dimensional picture of the interaction between public and private actors. While this is likely to require employment of a broad range of especially qualitative but also quantitative methods and eventually produce a relatively complex picture, building the framework around basic ideas drawn from institutionalism and organisational studies should result in a reasonable degree of consistency. Moreover, the systematic use of core concepts - institutions, actors, resources, assumptions and strategies in particular - should also ensure that the proposed framework is not just capable of illuminating permanent features of regional policy, but also able to identify and account for historical patterns of change. If these claims are supported by the experience of employing the framework in empirical analyses, then the approach might even serve as a possible source of inspiration in connection with studies of other policy areas, notably, of course, those involving attempts to change patterns of behaviour amongst private firms according to public priorities.

Table 13: Regional policy - an inter-organisational perspective

Areas of analysis	*Dimensions*	*Sub-dimensions*
Political environment	Discoursive terrain	Public-private assumptions Central-regional assumptions Nature of regional problem
	Political parties	Positioning strategies Functional strategies
	Private bodies	Direct involvement Indirect involvement
	Public bodies	Policy networks Policy impacts
Political sponsoring	Rules	Organisational sponsorship Policy sponsorship
	Outcomes	Resource exchange Organisational change
Implementing (and other) organisations	Resources	Authority Information Finance Organisation
	Assumptions	Inter-regional disparities Underlying values
	Strategies	Operational Positioning
Policy implementation	Rules	Policy instruments Modes of implementation
	Outcomes	Output Firm-level impact Aggregate impact
Economic environment	Coordination	Hierarchy Markets Networks
	Discoursive terrain	Public-private assumptions Central-regional assumptions Nature of regional problem

5. PARADIGMS REVISITED: TOP-DOWN POLICIES AND DEVELOPMENT AGENCIES

Having developed the analytical framework, this section immediately puts it to work by applying it to two key paradigms in regional policy. Reconsidering these 'ideal types', summing up features that tend to characterise different forms of regional policy in the existing literature, should provide a reinterpretation on the basis of the new framework of the broader historical context of regional policy in Western Europe. The two paradigms in question are, not surprisingly, the top-down approach of central government, the dominant form of regional policy in Western Europe till the late 1970s, and the RDA approach, a version of bottom-up regional policy which became particularly prominent. The paradigms should, however, not be seen as normative ideals, prescribing how policy ought to have been,[103] but rather as empirical generalisations that can be used to highlight areas in which individual nations and regions diverge from the predominant pattern of regional policy in Western Europe.

A preliminary outline of the top-down and bottom-up paradigms was given elsewhere,[104] contrasting central government policies attempting to redistribute economic growth through the reactive use of financial grants with bottom-up attempts to improve the competitiveness of indigenous firms through selective and proactive deployment of a wide range of policy instruments. The main difference between the latter and the RDA approach is one of organisation, namely that the implementing organisation is a semi-autonomous public body rather than a government department.[105] The RDA approach in other words sees the meeting of two trends, the growth of bottom-up initiatives in regional development and a more general trend towards implementation 'by proxy'. The increasing importance of various forms of what has sometimes been dubbed 'quangos' (quasi non-governmental bodies) in public policy has been recorded throughout Western Europe and elsewhere,[106] and while the forces behind this development differ between countries and policy areas, the origins of quangos in the field of regional policy has been traced back to two types

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[103]The use of the term 'model agency' as short-hand for the characteristics of RDAs in earlier work on bottom-up regional policy in Western Europe (Halkier & Danson 1997) could give this impression, although the actual use of the model as a vehicle for identifying different types of regionally-based development bodies was analytical rather than prescriptive.

[104]Halkier 1999a.

[105]Halkier & Danson defined an RDA as a regionally based, publicly financed institution outside the mainstream of central and local government administration designed to promote indigenous economic development through an integrated use of predominantly 'soft' policy instruments (1997 p 245). This can be seen as parallel to the definition suggested by Velasco for DG XVI of the European Commission (Velasco 1991 p 12), but differs from that employed by Yuill *et al.* (1982 p 1) in their early 1980s survey which focused exclusively on the quango nature of RDAs and therefore included also organizations operating on the national level (like DATAR in France and the Danish *Direktoratet for Egnsudvikling*). Given the explosive growth of bottom-up initiatives through quangos from the 1980s onwards (see e.g. Halkier, Danson & Damborg (eds.) 1998 and Danson, Halkier & Cameron (eds.) (in print)), a definition that also takes non-organizational issues into account would, however, now seem to be preferable.

[106]See Hood 1978 & 1986, Barker (ed.) 1982, Curnow & Saunders (eds.) 1983, Modeen & Rosas (eds.) 1988, Hood & Schuppert (eds.) 1988, and Ridley & Wilson (eds.) 1995. As shown in note 21, the terminology is almost as varied as the arm's-length organisations themselves.

of considerations in particular.[107] A frequently cited feature of RDAs is the *insulation* from political pressures achieved by vesting implementation in a semi-autonomous body; this should have the advantage of keeping party-political or local territorial interests at bay and thus promote long-term development strategies at the expense of short-term gesturing.[108] From an *organisational* perspective a position outside the mainstream government apparatus is believed make it possible to recruit specialist staff and adopt a more flexible approach to policy implementation and collaboration with private actors, something which should further the development of strategies tailored to address the specific weaknesses of particular regions, allow a more integrated and proactive approach use of public resources, and also generate a business-like image more attractive to private actors than the traditional civil-service image of traditional government departments.[109]

By combining these organisational features with the general characteristics of the bottom-up approach,[110] it is possible to arrive at a profile of RDA approach that can be compared to that of the traditional top-down approach of central government on the basis of the new analytical framework. As can be seen from Table 14, the comparison comprises all five areas of analysis identified as relevant from the perspective of regional policy in Table 13 above, although some dimensions and sub-dimensions have been omitted because they have not been recognised in the existing literature as exhibiting regular features in either approach.

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[107]As noted in Halkier 1999a, the literature on RDAs tends to be dominated by case studies of individual organisations or countries, and hence the following points are not based on a comprehensive survey of the origins and thinking behind the introduction of quangos in bottom-up regional policy but merely collates the most prominent official and unofficial reasons identified in the existing literature.

[108]See Stephen 1975, Barberis & May 1993, EURADA 1995, Keating 1998 cf Harden 1988. The insulation from local territorial interests can of course also be interpreted as being part of an inter-organisational positioning strategy aiming to bypass or exclude lower level actors from the field of economic development (Hood 1986 & 1988, cf Greenwood & Wilson 1989 Ch. 11).

[109]See McCrone 1969 p 205, Regional Studies Association 1983, Vanhove & Klaassen 1987 Ch. 7, Velasco 1991, Danson *et al.* 1992, EURADA 1995, Batt 1996, and Halkier & Danson 1997; organisational flexibility and the need to employ specialist knowledge have also been seen as reasons for quango-type set-ups in other policy areas, cf Beesley & White 1973, Wilding 1982, Forrest 1983, Hood 1988, and Rosas 1988.

[110]See Halkier 1999a.

Table 14: Regional policy paradigms compared

Key analytical dimensions	*Main features*	
	Top-down approach	*RDA approach*
Political environment	National policy networks Political parties	Regional/national policy networks
Political sponsorship	Central government Departmental relation	Regional/central government Arm's-length relation
Implementing organisation	Government department National authority	Semi-autonomous body Regional authority
* key resources	Finance	Specific information
* underlying assumptions	Interregional equality	Regional competitiveness
* functional strategies	Diversion of investment	Indigenous growth
Policy instruments	Conditional finance Mandatory authority Voluntary/conditional organisation	Voluntary/conditional information Conditional finance Conditional organisation
Modes of implementation	National spatial selectivity Reactive Automatic/discretionary	Non-spatial selectivity Proactive Discretionary
Firm-level impact	Incoming location Indigenous expansion	Indigenous creation Indigenous modernisation
Economic environment	Hierarchy/markets	Markets/networks

The first conclusion that can be drawn from Table 14 is that each of the paradigms are complex forms of public intervention, involving choices made on the basis of limited information, potentially conflicting interests both amongst public actors and in their interaction with private firms, and uncertain outcomes depending on the wider economic environment. Success in regional policy, by whatever standard, can be difficult to measure, let alone achieve, and it would therefore be unhelpful to describe top-down policies as being per se 'stronger' than those associated with the RDA approach - or vice versa. The resourcefulness of central government with regard to authority and finance has to be balanced against the informational and organisational resources of RDAs, and the use of mandatory authority within the top-down approach must be balanced against the potential for promoting public priorities through selectivity, proactivity and discretion. Both policies are inter-active in the sense that they depend on the response of private actors, and according to specific historical circumstances some forms of public policy may be better equipped than other forms to elicit strategic changes amongst the firms targeted.

Comparing the two approaches to regional policy, the extent to which they display material differences across the whole range of analytical dimensions is difficult to overlook:

- the *political environment* and *sponsorship relations* differ both with regard to the spatial dimension and the degree to which elected politicians are involved in regional policy,

- the *implementing organisations* operate in different territorial domains on the basis of different resources, pursuing objectives and strategies that are not necessarily compatible,

- *policy implementation* includes some overlap with regard to policy instruments but important contrasts with regard to modes of implementation and the firms targeted by public policy, suggesting rather different forms of interaction between public and private actors, and

- the *economic environment* in which each of the two approaches is likely to make a sizeable impact would also seem to differ, with top-down policies requiring the presence of private firms establishing branch plants and RDAs needing indigenous firms willing to improve their market position and network relations.

A transition from one paradigm to another would in other words certainly make a difference to regional policy, and in situations where the two paradigms coexist, cohabitation may result in national and regional actors adopting positioning strategies ranging from cooperation to competition. On this background it is hardly surprising that the two approaches have been seen as alternative paradigms in regional policy, two forms of public intervention that are both concerned with remedying spatial inequalities but which involve different actors, different spatial levels of operation, different underlying assumptions, different strategies, and different forms of interaction between public and private bodies - and thus ultimately different consequences for the politics of regional policy.

This brief sketch would seem to suggest that the analytical framework may well become a useful tool. By examining regional policy from a new and hitherto neglected perspective, an adapted version of an institutionalist and inter-organisational approach to policy studies, it is possible to focus more precisely on key issues and, most importantly, bring a much wider set of dimensions into the analysis in a systematic fashion.

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