



WHAT ROLE FOR REGIONAL POLICIES IN AN UNEQUAL EUROPE?

40TH ANNIVERSARY CONFERENCE OF THE EUROPEAN REGIONAL POLICY RESEARCH CONSORTIUM

9 OCTOBER 2019, SCOTLAND HOUSE, BRUSSELS

TAKING STOCK OF REGIONAL POLICY IN EUROPE: PAST, PRESENT AND FUTURE

PROFESSOR JOHN BACHTLER, DIRECTOR, EPRC

Good morning and thank you Mr Neilson for your speech. Please thank the Cabinet Secretary for his kind words and we wish him a speedy recovery. Of course, we welcome his commitment of the Scottish Government to participate in EoRPA Consortium for the next 40 years. That kind of predictable government support is always welcome!

Also on behalf of Professor Fiona Wishlade and all our EPRC colleagues, thank you everyone for joining us at this 40th Anniversary Conference of the European Regional Policy Research Consortium. We are delighted to see so many friends of EPRC in the audience. It is a particularly timely opportunity give the resurgence in concern with regional inequality in Europe.

1. REFLECTIONS ON EORPA

Before focusing on regional policy, let me say a few words about the origins of EoRPA.

The founding of EoRPA in the late 1970s was indeed visionary. It was a time when the discipline of comparative European studies was still young. The two founders were Professors Kevin Allen and Douglas Yuill. Kevin Allen is sadly no longer with us but we are delighted that Douglas Yuill, Emeritus Professor in EPRC is here – thank you Douglas for coming. I am sure you had little idea that EoRPA would develop into a 40-year programme.

The project originated in a study undertaken at the Wissenschaftszentrum in Berlin – **the first Western European research on how national regional policies operated in the 11 countries of the then European Community**. The insights generated persuaded ministries in three countries –

Germany, Italy and the UK – that this work should continue to give policy officials an international perspective on how their own regional policies worked and compared.

The three founders were progressively joined:

- within a year by France, the Netherlands and Sweden;
- by Austria, Finland and Norway in the mid-1990s; and
- by Poland, Portugal and Switzerland in the mid-2000s.

Scotland was part of EoRPA from the start, initially through the Scottish Office and since devolution by the Scottish Government. They provide a distinctive perspective - as do the German *Länder* which are also represented.

Central to EoRPA from the start has been an annual high-level meeting for senior officials to meet off-the record and share knowledge on their regional policies and the influence of EU Cohesion and Competition policy control of State aid. Moderated by EPRC, the annual takes place at a country house – Ross Priory, which you can see on the banner – on the banks of Loch Lomond in Scotland. It has memorably been described as “Chatham House with whisky”!

40 of these annual meetings have now been held, the most recent one last week. As always, it provided opportunities for open and intensive discussion on the directions of policy in meeting common challenges.

The library of EPRC reports feeding these meetings have built up into a huge archive of knowledge and data on policy design and implementation in Europe, now encompassing 30 countries.

But none of this would have been possible without the sponsorship and long-term commitment of our national government partners, many of which are represented among the speakers and in the audience. Thank you to you all for your past and continued support.

2. REGIONAL POLICY – THE TRADITIONAL MODEL

But what of the subject matter of this conference: how has regional policy evolved in the past 40 years? Where are we now? And where is policy going?

Regional policy has a long history in Europe with precursors in the late 19th century and early 20th century in the form of government measures to ensure the optimal utilisation of industrial capacity, find new land for factory development and manage the strategic location of armament industries. It was during the 1920s and 1930s though that we saw the first recognisably ‘regional’ policy measures in Europe in the form of special help for areas suffering high unemployment.

It was after 1945, however, that we saw the big expansion in the role of government intervention in regional policies. This was part of the widening of government intervention in economic and social policy. The regional policy action was driven by the objectives – to varying degrees – of economic

efficiency, social justice or national stability. Policies were primarily designed and implemented by central governments in the form of:

- a) Financial aid to firms to stimulate investment or employment in designated 'problem regions' (in form of grants, loans, tax concessions, etc)
- b) infrastructure investment, such as factory building
- c) investment by state-owned/controlled industries
- d) development controls on industrial development in congested areas around the London and Paris regions.

This was a top-down model, relatively straightforward in terms of administration, and could be expanded or contracted in line with economic problems or government preferences. It was the prevailing approach to regional policy when EoRPA started, and reports of the time show large parts of the western European countries covered by 'national assisted areas' where businesses were eligible for grants of up to 50% of investment costs, sometimes automatically.

3. PARADIGM SHIFT OF THE 1980S

These policies came under pressure during the 1980s with an ideological shift in some countries away from government intervention. There were also pressures on state budgets, and more complex maps of regional disadvantage with a mix of problems (increasingly associated with the rapidity of technological change). This led to a profound shift in conceptual thinking about economic development, informed by theories such as the 'new regionalism'.

This is the way that Professor Michael Storper summed it up:¹

Something funny happened in the early 1980s. The region, long considered an interesting topic to historians and geographers, but not considered to have any interest for mainstream sector social science, was rediscovered by a group of political economists, sociologists, political scientists, and geographers... it was asserted that the region might be a fundamental basis of economic and social life "after mass production".

Under this new paradigm, the objectives of many new regional development policies became framed in terms of maximising the contribution of all regional economies to national growth (or at least ensuring that no region impedes national development) in a more competitive global environment.

Regional development was not restricted to selected areas suffering from particular disadvantages but began to operate in all regions.

¹ Storper M (1997) *The Regional World: Territorial Development in a Global Economy*, The Guildford Press, New York and London, p.3.

The focus of regional policy shifted towards promotion of competitiveness, entrepreneurship, innovation, skills.

Crucially, the top-down model was superseded (at least in part) by a more regionalised mode of organisation with a greater role for regional offices of the State or regional self-governments in determining strategies and interventions for their regions.

EU Cohesion Policy was an important part of this paradigm shift. It not only provided increased resources for regional development – massively so in some countries – it promoted a new model through Structural Funds based on:

- a coordinated approach to economic and social development;
- strategic regional development planning;
- multi-annual programmes;
- a partnership model – vertical between levels of government and horizontally (MLG); and
- accountability through monitoring and evaluation.

This Cohesion policy approach has had spillovers into domestic policies and institutional arrangements. It shaped regional development policies in many southern European countries and, in the 2000s, in Central and Eastern Europe. But it also influenced policies in many NW European countries, not least through partnership and the emphasis on evaluation.

4. REGIONAL POLICY IN 2019 – WHERE ARE WE NOW?

Over the past decade, it is fair to say that regional development policies have been under pressure in many parts of Europe.

The crisis hit most countries hard. Spending on regional policies was drastically reduced as part of fiscal consolidation – in some cases (as in the Netherlands and the UK) whole policy frameworks and institutional arrangements were abolished.

The legacy of the crisis is still with us, not least in parts of southern Europe. More fundamentally, **the assumptions about development paths leading towards greater regional convergence are challenged** by new analysis from the European Commission, OECD and ESPON which has identified important patterns:

- a) increasing concentration in a relatively small number of richer regions that have accumulations of leading firms, highly educated people and high productivity;
- b) some regions on the southern and eastern peripheries that appear stuck in conditions of low growth and low income respectively;

- c) many regions in more developed countries which are losing ground, in some cases with stagnating employment growth; and
- d) so-called inner areas or inner peripheries of many countries which are disconnected from the growth in urban areas and feeling ignored.

And there are clearly political consequences. As the paper by Lewis Dijkstra, Hugo Poelman and Andres Rodriguez-Pose published last month in *Regional Studies* argued,² it is particularly regions suffering long-term economic decline that have voted against the established political parties.

With regard to policy, the universal focus on 'regional competitiveness' has been questioned, not least in debates over regional resilience and the way in which sectoral specialisation (and insufficient attention to the wider ecosystem) left regions exposed to external shocks.

The locus of the 'region' as the framework for policy intervention is being moderated by new geographies based on functional regions or other spatial scales.

The influence of Cohesion Policy is changing. Though still powerful in terms of resources, there is a strong sectoral dynamic in the policy priorities of the EU, combined with centralisation of policy development and a more prescriptive approach. The evolution of European economic governance may yet bring a Budgetary Convergence & Competitiveness Instrument. Countries and regions are giving more thought to their domestic policy priorities for regional development for 'life after Cohesion Policy'.

And we see that **citizens are becoming more vocal**, looking for more engagement and influence in the development and implementation of policies that directly affect their quality of life and economic prospects.

5. WHERE ARE WE GOING? THE FUTURE OF REGIONAL POLICY

Finally, there is the question of where are we going? Well, **regional policy is back on the political and policy agenda.** Our latest EoRPA Annual Report on the state of regional policy in 30 countries noted that the current period is remarkable for the extent of debate and reform of regional development policies across Europe. Nine of the EoRPA countries have reforms underway or are in the process of defining new strategic objectives or priorities, (institutional arrangements or forms of intervention).

Four trends are notable.

² Dijkstra L, Poelman H and Rodríguez-Pose A (2019) The geography of EU discontent, *Regional Studies*, DOI: [10.1080/00343404.2019.1654603](https://doi.org/10.1080/00343404.2019.1654603)

- First, there is a renewed **commitment to addressing territorial inequality**, following the financial and economic crises where national and sectoral policy objectives were often prioritised over regional policy concerns.
- Second, we can see more recognition of the **regional dimension to major national or international challenges** (economic growth, sustainability, energy transition) requiring a regional policy response.
- Third, there is a new wave of **regionalisation of responsibilities for regional and local development**, through deconcentration or devolution.
- And, lastly but importantly, there is evidence of a more **place-based approach to regional development intervention**, focusing on the specific needs of individual regions, sub-regions, functional regions, cities or localities.

Does this represent a new shift in the paradigm of regional policy? As academics it's always tempting to interpret trends in such terms but never easy to identify such shifts ex ante. However, we can see the signs of new thinking about the role of regional policy – centred on development agendas that encompass sustainability, inclusivity and well-being, a greater commitment to differentiating the needs and opportunities of individual 'places', and new forms of governance that involve greater participation of localities and citizens.

Given that we are in Brussels, let me say that Cohesion Policy – despite its resource pressures – is pointing the way with recent thinking and practice on smart specialisation, a strong commitment to climate change and the energy transition, and citizen engagement, particularly through integrated territorial development.

Speaking as someone who has studied regional policy over three decades, this is an exciting time to be working in the field. There are hugely important questions for policymakers and academics to address. Although I cannot promise to be here for all of the next 40 years of EoRPA, EPRC will continue to work with you, our policy and academic partners, to address these challenging questions to improve the design and implementation of policy. Thank you very much!

6. INTRODUCING THE CONFERENCE AGENDA

Turning now to the next part of our agenda today, four of our EoRPA partners have kindly offered to share their perspectives on their domestic policy agendas on regional development – the lessons from past policy intervention and where they see regional policy going. The four speakers – from Poland, Germany, Portugal and Finland - come from countries with different problems and policy contexts but collectively they reflect many of the policy trends that we see in Europe. Thank you for coming.