Australian Business Foundation

Place-based approaches to regional development: global trends and Australian implications

John Tomaney

Centre for Urban and Regional Development Studies,
Newcastle University (UK)
Institute of Regional Studies, Monash University

A report for the Australian Business Foundation

November 2010

researcher | activist | futurist | thought leader | intelligence source

November 2010

ISBN 978-0-9804138-8-5

Published by the Australian Business Foundation Limited
ABN 56 067 381 999
Level 12, 83 Clarence St, Sydney, NSW 2000, Australia

Phone: +61 2 9350 8126
Email: foundation@abfoundation.com.au

To order Australian Business Foundation publications or download individual reports, go to:

www.abfoundation.com.au

Designed & typeset by: Kim Webber, Southern Star Design
Cover design by: Mandos Design Pty Ltd

Table of Contents

Preface

This report was commissioned by the Australian Business Foundation as part of its research programme. It aims to explore new placed-based approaches to regional development, drawing on international developments.

The report draws on presentations and discussion at a seminar on "Local and Regional Economic Development Models: EU/Australia Comparison", sponsored by the Australian Business Foundation, the Directorate General for Regional Policy of the European Commission, Australian Government Department for Industry, Innovation, Science and Research and Victorian Government Department for Planning and Community Development, held at Monash University, 10th June 2010. I am very grateful to the sponsors of this seminar and to the participants from Europe, Australia and New Zealand and would like to acknowledge the excellent organisational assistance of Linda Mink.

In preparing this report I was indebted to a number of people for advice, guidance and critical feedback, including Chris McDonald, David Admans, Alison McClelland and Phil O'Neill. I would like especially to thank Narelle Kennedy and the staff of the Australian Business Foundation for their interest in the project and for careful comments on earlier drafts. Responsibility for the content of the report, however, remains mine.

John Tomaney
Newcastle upon Tyne
October 2010

ABOUT THE AUTHOR

John Tomaney is Professor of Regional Development and Director of the Centre for Urban and Regional Development Studies (CURDS), Newcastle University, UK; Professor of Regional Studies at Monash University, Melbourne, Australia; Associate Director of the UK Spatial Economics Research Centre (SERC) and is an Academician of the Academy of Social Science (UK). John Tomaney was educated at the London School of Economics, University of Sussex and University of Newcastle upon Tyne.

He has published over 100 books and articles on questions of local and regional development and has undertaken numerous research projects for UK Research Councils, UK government departments, the European Commission, the OECD, local and regional development agencies and private sector and voluntary organisations. He has given evidence to Royal Commissions and Parliamentary Committees in the UK. In addition, he is a regular commentator in the UK media on matters of local and regional development.

Summary

The "Commitment to Regional Australia" agreement following the 2010 Federal Election called for the adoption of "place-based thinking" in order to address the problems of regional Australia. This report for the Australian Business Foundation examines international trends in "place-based thinking" and their implications for Australia, drawing especially on thinking developed by the OECD and the European Union.

The new paradigm of local and regional development emphasises the identification and mobilisation of endogenous potential, that is, the ability of places to grow drawing on their own resources, notably their human capital and innovative capacities. This approach aims to develop locally-owned strategies that can tap into unused economic potential in all regions and are the basis for strategies that tackle questions of sustainable development and human wellbeing. Such approaches require strong and adaptable local institutions, such as regional development agencies, which are increasingly commonplace around the world. At the same time, such approaches require the involvement of a wide range of stakeholders and mechanisms for identifying assets in the local economy that can be the basis for local growth strategies.

Examples of this new approach are drawn from the European Union. Although Australian and European experiences are different, the relative success of some European regions is worth studying. The report looks in detail at the performance of three regions from different parts of Europe that outperformed their respective national economies in recent years. While revealing a diversity of experiences and conditions, the regions have a number of attributes in common, including a strong focus on innovation and human capital, clear long-term strategies and robust and accountable institutions.

The report notes the distinctive and diverse conditions of Australia's cities and regions and, in international terms, the relatively benign prevailing economic conditions compared to Europe. It notes that in some respects Australian policy is moving in the direction of place-based thinking, but that this development could be accelerated.

The report concludes:

- Placed-based thinking is being adopted in many places around the world and it could be applied with equal value both in metropolitan regions and regional Australia.
- Place-based approaches require strengthened local and regional institutions that are able to assess and develop local economic assets in ways that amount to more than "tailoring national policies".
- The active role of local stakeholders is critical to the success of place-based approaches but this places new demands on local business and other bodies to actively shape local policy, rather than merely make demands on State and Federal agencies.
- Successful place-based approaches place the development of human capital and the promotion of innovation at their centre.
- Successful place-based economic development is generally a long-term process.
- Australia's system of fiscal federalism potentially provides a supportive framework for the emergence of place-based approaches.

"Place-based thinking" has the potential to open new approaches to the development of Australian cities and regions. But its implications require careful consideration and assessment, not just by governments, but also by stakeholders such as business.

1 Introduction

The future of Australia's cities and regions rapidly ascended the policy agenda following the Federal Election of August 2010. This presents a new opportunity to think afresh about local economic development. Across the world, international organisations, national, regional and local governments have been rethinking their approach to economic development. The concern with finding new approaches has been heightened by the impacts of the global financial crisis, which has unevenly affected cities and regions in many countries (e.g. Australia, 2009). But the process of rethinking economic development was underway before the crisis as governments in developed countries struggled to deal with challenges of climate change, globalisation and the growth of regional inequality, demographic shifts and the rise of new economic actors in Asia and Latin America. The aim is to set out some of this thinking and to highlight the questions it raises for the future of Australia's cities and regions.

The "Commitment to Regional Australia" document included as an Annex to the agreement between the ALP and the Independent Members of the House of Representatives following the 2010 Federal Election identifies "place-based thinking" and "localism" among the solutions to the challenges facing Australia – even if commitments about infrastructure spending have grabbed the headlines.

This paper contributes to the discussion of what such "place-based thinking" and "localism" might look like. It highlights some of the ways this thinking has entered debates about economic development elsewhere and what lessons might be drawn for Australia. At the same time, this report attempts to avoid the implication that such approaches are only relevant in rural regions and suggests such place-based approaches to economic development can have equal value in metropolitan regions. Such an approach may have the added value of avoiding the sterile view of cities and regions as pitted against each other in a zero-sum game, where support for one must be at the expense of the other — a view which some commentators have expressed in relation to the "Commitment to Regional Australia".

The aim of this paper is to explore new thinking about local and regional development, reflecting international, especially European, experience and draw lessons for

Australia. For reasons that will become clear, it eschews the search for international best practice. Although there is a case for learning from elsewhere, this report argues that cities and regions must understand and develop their own assets as a necessary element in any development strategy and that this is the key to place-based thinking. There are no shortcuts to local development based on copying strategies from elsewhere. Australian problems will need Australian solutions.

The following section outlines the new thinking on place-based development that has been emerging internationally.

Section 3 describes the "new paradigm" of place-based development as proposed by the EU and OECD among others.

Section 4 outlines recent developments in Europe focusing on examples of successful regional development.

Section 5 examines the Australian context which needs to be considered in debate about place-based development.

Section 6 outlines some elements of place-based thinking which need to be addressed in the Australian context.

2 New thinking on place-based city and regional development

Over recent years there has been a growth in new thinking about the process of local economic development. Across the world local and national governments have moved away from traditional approaches that emphasised the provision of large-scale infrastructure, the attraction of footloose investors and the disbursement of transfer payments designed mainly to compensate for the effects of industrial restructuring and low growth. The new approaches tend to emphasise the identification and mobilization of endogenous potential, that is, the ability of places to grow drawing on their own resources. The new approach though is applied not just in areas with obvious economic strengths such as major cities – but in *all* areas. The new "place-based" approaches involve attempts to tap into economic potential that remains unused and not identifiable to outside agencies, so that all parts of cities and regions can contribute to national development.

This kind of thinking is evident in recent reports by the OECD and by Fabrizio Barca for the EU, which have pioneered "place-based" approaches. These reports posit a model of regional and local development intervention, which is being increasingly adopted, in adapted fashion, in developed and developing countries and, in cities and regions. At its heart this thinking focuses on the identification and mobilisation of endogenous assets, i.e. the region's skills and innovation capabilities. The OECD calls this a "new paradigm" (see Box 1). Skills and innovative capacity are very important to regional development because they can be used to *embed* investment in cities and regions in an era of more mobile capital in ways that the provision of low cost labour and infrastructure alone cannot.

'Place-based' development policies are partially a response to perceived failures of earlier regional policies and focus instead on tackling underutilised economic potential and reducing social exclusion, through supply of integrated goods and services tailored to local contexts and triggering innovation, which is critical to economic growth. As Barca puts it:

> "to reduce persistent *inefficiency* (underutilisation of the full potential) and inequality (share of people below a given standard of well-being and/or extent of interpersonal disparities) in specific *places*, through the

> promotion of bundles of *integrated*, place tailored public goods and services, designed and implemented by eliciting and aggregating *local preferences and knowledge* through *participatory political institutions*, and by establishing linkages with other places" (2009, 5).

This new approach emphasises the role of local and regional institutions in facilitating the adaptation of regional economies, drawing on recent work by economists such North (1995) and Rodrik et al (2004). Although there are many uncertainties concerning the precise way "institutions matter", there is agreement that stable and lasting institutions are critical to economic development and that they are likely to vary in nature between regions, albeit within the context of national or supranational (Rodríguez-Pose, 2010), while Amartya Sen (1999) emphasises the importance democratic institutions in the formulation of development priorities.

BOX 1: A "NEW PARADIGM" OF CITY AND REGIONAL DEVELOPMENT?

In response to poor outcomes, regional policy has evolved, and continues to evolve, from a top-down, subsidy-based group of interventions designed to reduce regional disparities, into a much broader family of policies designed to improve regional competitiveness. These policies are characterised by: a strategic concept or development strategy that covers a wide range of direct and indirect factors that affect the performance of local firms; a focus on endogenous assets, rather than exogenous investments and transfers; an emphasis on opportunity rather than on disadvantage; and a collective/negotiated governance approach, involving national, regional and local government plus other stakeholders, with the central government playing a less dominant role. The new regional approach is based on the principle that opportunities for growth exist in the entire territory, across all types of regions. The aim is to maximise national output by encouraging each individual region to reach its growth potential from within. Before, policy makers regarded regional polices as a zero sum game. Recent reforms of regional policy in a number of OECD countries provide evidence that this thinking has undergone a paradigm shift (OECD, 2009: 5).

Another important influence on current debates about the future of cities and regions are new ideas about how we conceptualise and measure growth in the context of rising environmental pressures and persistent inequality. New approaches go beyond a narrow focus on improvements in the rates of nominal GDP as the main measure of development. While growth is desperately needed to improve the conditions of the 'bottom billion' (Collier, 2007), in richer countries the relationship between economic growth and human development is more uncertain. For this reason the Commission on the Measurement of Economic Performance and Social Progress called for a broader understanding of development that focuses on its *quality* as well as its quantity and for a concern with its broader social and environmental impacts (Stiglitz et al 2009).

This suggests that local and regional development policy should not just be about promoting greater growth, but also about reducing levels of inequality, and that mobilizing resources in lagging and/or peripheral areas may constitute a valid recipe for both greater overall growth and lower territorial polarization. More importantly, it suggests that tackling local and regional inequalities may be necessary for the achievement of national wellbeing. In this context, Sen's (1999) notion that the focus of development should be governed by the formation of 'capabilities' rather than the pursuit of utility would seem to be especially pertinent at the local and regional scale. The European Commission (2009), for instance, has begun to examine the case for measuring progress "beyond GDP".

The ideas discussed above are increasingly important in debates about regional policy around the world. The global financial crisis, in particular, has stimulated new thinking about local and regional development (Tomaney et al., 2010; Pike et al, 2010). Local and regional development is a global challenge, but one which requires locally fashioned responses.

From an Australian perspective, the ideas outlined above merit attention, but there is need for caution in assessing their application. Growth trajectories, economic structures and settlement patterns are markedly different in Europe and Australia, while the two economies have had very different experiences in the Global Financial Crisis. Even terms such "capital city", "region" and "indigenous" carry quite different meaning in Australia and the EU.

3 New approaches to local and regional development: global developments

Table 1 summarises the broad shift in approaches to regional policy that can observed globally, albeit there is considerable uneveness in the application of the new principles and in practice the lines between them prove to be fuzzy.

TABLE 1: Old and new paradigms of regional policy

	Old Paradigm	New Paradigm
Objectives	Compensating temporarily for location disadvantages of lagging regions	Tapping underutilised potential in all regionsfor enhancing regional competitiveness
Unit of intervention	Administrative units	Functional economic areas
Strategies	Sectoral approach	Integrated development programmes
Tools	Subsidies and state aids	Mix of soft and hard capital (capital stock, labour market, business environ ment, social capital and networks)
Actors	Central government	Different levels of government

Source: adapted from OECD (2009: 51) *Regions Matter: Economic Recovery, Innovation and Sustainable Growth*, OECD: Paris

The new paradigm emphasises bottom-up, locally designed and owned strategies aimed at promoting growth potential in all local economies. It stresses the importance of integrating policies for land-use, infrastructure and business support. It places a particular emphasis on "soft" factors of development such as high-level skills and innovative capacities of firms and public sector organisations and especially the role of inter-firm networks in contributing to growth.

A global review of developments in urban and regional development policy indicates a shift from approaches based on the provision of infrastructure and the attraction of FDI, which were criticised for leading to the creation of "branch plant economies" (Pike et al, 2006). New approaches tend to emphasise the need for multi-annual comprehensive strategies which address the broader local environment that affects the performance of firms, including the quality of human capital, innovation and the provision of patient investment funds. They also tend to stress the promotion of endogenous assets rather the role of exogenous investments and transfers. Increasingly cities and regions conceive of their economies as regional innovations systems. Within these new approaches there is a preference for identifying and exploiting opportunities for growth, rather than ameliorating the consequences of decline. A further feature of the new paradigm is the prominence of negotiated multi-level governance with a stronger role for local and regional actors, including business and other social partners, in the formulation of policy. The proliferation of the Regional Development Agency model, especially in Europe, is a concrete expression of some of these developments (OECD, 2009, 2010).

To some extent the new paradigm represents an addition to existing concerns and approaches. Thus, good quality infrastructure is regarded as a necessary but insufficient condition for development. Infrastructure investments only have a positive impact on growth and development if they are accompanied by improvements in human capital and innovative capacity. For example, retaining graduates and attracting skilled migrants are typically policy priorities in the new regional policy paradigm, although these are especially difficult to achieve in lagging regions. The focus on human capital and the centrality of innovation, though, are the hallmarks of the new paradigm.

In a knowledge economy, know-how and product, process and organization innovation are the key to competitive advantage. Despite the growing integration of the international economy and concomitant increase in the mobility of capital, cities and regions which offer specialist skills and innovative capacities that are at a premium in the economy are able to attract and retain enterprises because of the quality of their local human and knowledge capital, albeit these need continual upgrading. The issue here is how cities and regions insert themselves and draw benefit from national and global flows of investment.

The shift from redistributive approaches to growth-oriented spatial policy has different implications for different types of region. In general the focus on opportunities and the advantages afforded agglomeration economies would appear both to favour larger metropolitan areas and heighten territorial competition at the expense of weaker cities and regions. In Europe, cities and regions are insulated from the full effects of heightened interregional competition because, even under the terms of the new paradigm, centralized fiscal systems, which allocate resources according to population, act as automatic financial stabilisers of local economies. As a rule, the kinds of fiscal crises of local and state governments which are visible in the United States are less frequent in Europe[1]. In Europe, territorial competition has tended to be regarded as a

[1] Currently, at the scale of Europe itself, sovereign default risks are the product of macroeconomic imbalances in the absence of automatic fiscal stabilisers.

zero sum activity, which exacerbates territorial inequalities, although it may improve the efficiency and timeliness with which infrastructure, services and skills are provided.

Cities can derive economic advantages by virtue of their size. diversity, the extent to which they allow specialisation of economic activity, and the role these play in contributing to lower costs of labour and inputs, generating knowledge spillovers and increasing the value of urban assets. On the other hand, the advantages of concentration are offset by "diseconomies of agglomeration" including rising land and property prices, which can have negative labour market impacts and by costs of congestion. Concentration may drive growth, but the accrued private benefits are associated with societal costs. The balance between forces of centralisation and decentralisation is partially contingent on time and place and the extent to which public policy is effective in its management and the extent to which growth occurs in "unexpected places" (OECD, 2006, 2009; Turok, 2004).

The new paradigm operates differently in different places. In more remote rural areas characterised by a declining share of employment in agriculture, it finds expression in the shift from sectoral policies to the promotion of local competitiveness based on sustainable development and resource management, diversification around natural resource endowments, the introduction of new skills and technologies into traditional sectors, and reform of local governments in order to achieve scale economies in service provision. In many parts of Europe, policy focuses increasingly on interactions between urban and rural areas, often in the context of pressures to manage urban growth, with land considered less for its agricultural value and more for housing and leisure amenity.

At the urban scale, the new paradigm finds expression in the shift away from a focus on managing the consequences of urban decline to strategies based on making cities attractive to mobile knowledge workers. Urban problems, however, have not disappeared and in some respects have intensified, contributing to a growth in intra-urban inequality, sometimes exacerbated by rural migration. In practice, there is considerable variation in approaches to urban policy reflecting the degree of decentralisation within national political systems and the wide diversity of urban problems and opportunities. But, in principle, large agglomerations are able to contain a greater range of specialisms in growth sectors which avoid the problems of narrowly specialised economies and make larger urban economies more resilient. Policy strongly focuses on the promotion of knowledge assets, including industry-university links and the encouragement of key clusters, which require a detailed knowledge of the economic structure and its properties (OECD 2006). While almost all large metropolitan regions are seeking to be hi-tech leaders, Turok cautions that,

> …most branches of most urban economies do not need to compete in international markets. Many cities could prosper by serving predominantly regional and national markets, especially as services become a larger share of their economies (2004: 1072).

In general, major cities, especially cities at the top of urban hierarchies confront the dilemma of economic dynamism versus liveability. Liveability may increasingly be a factor in attracting dynamic firms and individuals, but it is constantly under threat in successful cities. The task is in designing taxation regimes and planning effective governance systems which address the negative factors which threaten liveability (including social inequality). This is highly challenging, but there are well-governed cities around the world which seem to manage this challenge better than others (Grattan Institute, 2010).

4 Place-based approaches in Europe

The EU is characterised by deep and enduring regional inequalities, partly the product of successive enlargements, in which lower income countries acceded to membership, but the result also of enduring structural problems in some regions in Western Europe. These inequalities are much larger than those in Australia. The European Commission's Fourth Report on Cohesion (2007) identified mixed progress on addressing regional development with some evidence of narrowing disparities between countries, but the widening of regional disparities within countries often reflecting the accelerating growth of capital cities and declining performance of lagging regions. The distinction between urban and rural regions is increasingly irrelevant in Europe, partly because of the growth of suburbanisation and, partly, because the new paradigm suggests growth is possible in both types of region. In Europe policy increasingly is concerned with the interaction between rural and urban economies, reflected in the growing interest in, and concern with, the development of city regions. This concept stresses the relationship between cities and their hinterlands. In some cases, such regions are mono-centric ,with a very strong urban centre – such as London, which dominates the whole of south-east England – or polycentric, with inter-connected multiple development nodes or centres often providing complement functions in the urban-rural system – such as the Randstad in the Netherlands or the Rhein-Ruhr region in Germany.

Within this context the European experience provides good examples of cities and regions which have prospered and in which public policy and effective city and regional development strategies have a played a critical role (Pike et al, 2006). These include cities which are simultaneously economically dynamic, relatively highly taxed and "liveable", notably in the Nordic and Alpine countries. Europe also provides examples of economies which have maintained competitiveness despite a dependence on traditional industries through the pursuit of strategies based on innovation and the promotion of SME networks, such as Emilia Romagna and Toscana (Tuscany) in Italy or Baden Württemberg and Bayern (Bavaria) in Germany or Steiermark (Styria) in Austria or which have remade themselves as high tech regions based around universities, such as Västra Götaland (Sweden) or Oulu (Finland). Industry clusters based on the developing manufacturing and knowledge activities have developed in western

Norway in relation to oil and gas and wood in Styria. Finally within Europe are regions which have successfully industrialised on the basis of the attraction of FDI including Navarre (Spain) and Wielkopolska (Poland). All of these regions are being tested in the current severe recessionary conditions in Europe, but some regions are likely to prove more resilient than others.[2]

The production of integrated city and regional development strategies is generally accompanied by the development of strong institutions of regional governance – a process sometimes referred to as the "new regionalism". Decentralisation and devolution have been strong tendencies across Europe, albeit in many countries central governments retain control of public finances. Across Europe the Regional Development Agency model has been widely adopted — the European Association of Development Agencies (EURADA) has a membership of about 150 regional development agencies from all member states. Typically, they operate at a range of urban and regional scales and tend to be semi-autonomous bodies, with strong business representation and a focus on key local clusters and the promotion of innovation (Halkier *et al* 1998). However, there is a wide diversity of forms of decentralisation between and even within countries and assessing the impacts of these is difficult.

One crucial denominator is the form of accountability to which development bodies are subject. In some cases Regional Development Agencies are instruments of central government such as in England or Romania. In other cases they are accountable to sub-national governments such as ERVET (*Emilia-Romagna Valorizzazione Economica Territorio*) in Emilia Romagna; or SFG, the Styrian Economic Development Agency (*Steierische Wirtschaftsförderung*) in Austria. Elsewhere, the emphasis has been coordinating existing multi-level governance institutions to focus on shared priorities, such as in the Swedish Regional Growth Agreement (*tillväxtavtal*). The OECD (2009: 112-113) concludes that locally accountable agencies are a superior form of institution because, by drawing on information and analysis possessed by local actors, they allow for a better focus on the identification and exploitation of local opportunities and the integration of this into effective strategies in tune with Sen's writings. However, local institutions can also contribute to functional, cognitive and political "lock-in" where local development strategies remain focused on outmoded sectors or activities (Pike et al, 2006). The examples of ERVET and SFG above are noteworthy because both have been critical to the ongoing adaptation of their respective industrial structures to changing competitive environments. These approaches to development policy rely heavily on the input of local actors such as business organisations, which requires them to devolve their structures and develop local analytical capacity.

[2] Of course, there are examples of European regions where strategies have failed (for some examples see Pike *et al* , 2006: chapter 7) and there are examples of successful place-based strategies relevant to Australia elsewhere, notably the development of high value manufacturing and knowledge-based activities in relation to resource industries, such as the Sudbury Mining Cluster in Ontario, Canada.

In short, recent interest in placed-based approaches to local development has begun to attract much policy attention and debate in Europe. Europe is characterised by a diversity of local economic experience, but strong commonalities are visible notably the presence of clear local economic strategies, strong and accountable local institutions and emphasis on innovation as the centrepiece of the approach. The Barca report attempts to codify this experience for European policymakers, but the broad lessons have application outside Europe and are worth consideration in Australia.

BOX 2: SMALL FIRM NETWORKS AND INTERNATIONAL COMPETITIVENESS IN EMILIA ROMAGNA

The experience of Emilia Romagna has attracted worldwide attention for the lessons it provides in relation local and regional development. Emilia Romagna has a population of 3.9 million people, with Bologna its capital and part of the Third Italy group of regions located between the poor south (or *Mezzogiorno*) and northern industrial heartlands around Turn and Milan. It experienced rapid and sustained economic growth during the 1970s based on a distinctive economic structure based on 90,000 small manufacturing firms, 90 per cent of which employed less than 50 people. The region was characterised by many "industrial districts" producing high value mature products based on networks of cooperating artisan enterprises, such as high end garments, footwear, fashion and furniture; ceramic tiles, farm machinery and engineering products and motorbikes. Also distinctive was the region's political culture, which was dominated by the Italian Communist Party (PCI) for most of the post-war period. The PCI-controlled regional government established a sophisticated set of institutions to support the development of the small firms, including the regional development agency, ERVET, and a group of "real service centres", which provided direct support to small firms in particular sectors (http://www.ervet.it/ervet2010/Default.asp — in Italian).

During the 1980s economic growth slowed in the region in face of intensifying international competition and the region underwent a period of economic and institutional restructuring. The process of industrial restructuring saw the decline of some industrial districts, this increased use of informal migrant labour and the consolidation of some micro-enterprises into larger firms. But this occurred alongside the renewal of some existing activities and the emergence of new ones and the arrival of inward investors for the first time. This process involved the intensification of innovation and upgrading of skills within exiting sectors, but also the growth new activities such as business services and consultancy linked to traditional industries.

Changes in policy and governance accompanied these developments. The PCI declined influence in the region and presided over a shift to a public-private partnership model of support for regional development, with the private sector more closely involved in the design and management of the regional development policies and agencies. Although the regional government of Emilia Romagna gained new powers from the central government,

(Continued)

it undertook a major reform of regional development institutions, closing many real service centres, focusing more strongly on support for innovation, entrepreneurship, the provision of patient capital and support for internationalisation of small firm activities. At the same time support moved away from individual firms to support for firm networks and the development of "one stop shop" approach to support for enterprises.

These developments were associated with a relative resurgence of the economic performance of the region. It would be wrong to eulogise this experience, but some important lessons can be drawn from it. These lie less in the particular forms of small firms that underpin the model of growth which are impossible to transfer, but rather the degree to which competitiveness has based on the adaptation of existing industries and the way in which locally owned policy and institutions have evolved to support this over a long period.

Sources: Brusco (1982); Bellini and Pasquini (1998); Rinaldi (2005), ERVET documentation.

BOX 3: RENEWAL AND GROWTH IN MATURE INDUSTRIES IN STYRIA (STEIERMARK), AUSTRIA

Styria (*Steiermark*) is a region which attracts attention because of its relatively successful recovery from a structural crisis of its economy in the 1980s. Styria is a state (*Land*) in the Austrian federal system with Graz it's capital city and a population of 1.2 million people, traditionally governed by the Austrian People's Party (ÖVP) until 2005. The economy was historically based on iron and steel production and mechanical engineering, with a high degree of public ownership. These sectors contracted in the recession of the 1980s and the region experienced a peak unemployment rate of 18 per cent and the state became a byword for economic decline in Austria. However, this situation changed during the 1990s and 2000s and — until the global financial crisis — output and employment in the state grew faster than the Austrian average. The basis for this improved performance was a massive increase in R&D and innovative activity. By 2007, Styria had had the highest spend per state on R&D as a proportion of Gross Regional Product at 4.3 per cent (compared to the Austrian average of 2.46 per cent) with over 70 per cent of this expenditure in the private sector and employing over 10,000 workers in this activity.

The transformation of Styria's performance coincided with some important instituional changes. At a national level responsibility for innovation policy — hitherto a national policy — was devolved to the states. Meanwhile, at the state level, economic development policy was radically restructured. At the centre of this restructuring was the creation in 1991 of new regional development agency, the Steirische Wirtschaftsförderung (SfG), an independent semi-public body funded by the state

(Continued)

government (http://www.sfg.at/ — in German). SfG developed a strategy focused on improving the innovation performance of existing firms and attracting new firms with a strong innovation performance. This strategy was pursued with a strong emphasis on support for the development key clusters which it had identified as being important for the regional economy and in which the exhibits real strengths. The state's 7 higher education institutes were also identified as a key strength and the aim of the strategy was develop and intensify university-industry links within (and beyond) the region. While some of these activities were hi-tech, such as life sciences and informatics located around Graz, others were included mature sectors such the automotive, wood and paper and mechanical engineering industries. The aim of the strategy is to raise the innovation performance of each of these sectors. The strategic focus on the innovative potential of mature sectors is a distinctive feature of the Styrian case.

These issues are exemplified by the wood and paper cluster (http://www.holzcluster-steiermark.at/en/desktopdefault.aspx). Over 60 per cent Styria is covered in forest and forestry and associated industries employ 55,000 people in 5,000 businesses. Enterprises are involved in a long value chain from timber harvesting and processing to innovation-intensive, high-end products such as flooring, fuel, housing and paper. This cluster has attracted global attention in part because of the large R&D programme supporting its development, focusing on innovations in the sustainable use of wood as a building material especially in housing.

Sources: Geldner (1998); Trippl and Tödtling (2008); Sturn (2000); SfG documentation

BOX 4: REGIONAL AGREEMENTS AND ECONOMIC RESTRUCTURING IN VÄSTRA GÖTALAND, SWEDEN

Västra Götaland in western Sweden is the second largest Swedish region by area and contains a population of 1.5 million. Its capital is the city of Gothenburg (*Göteborg)*. In the post-war period its economy was strongly specialised in shipbuilding as well as automotives, petrochemicals, pharmaceuticals and food. During the 1980s and 1990s these industries experienced decline. Since the 1990s, however, the region has made a relatively successful transition from a predominantly industrial region to one based more on knowledge-intensive activities. This change has been accompanied by the creation of new regional institutions, strategies and policies in a country hitherto characterised by strong central government, a large number of small independent local councils and a weak regional structure. Region Västra Götaland was created in 1999 through merger of existing county councils (*lansting*) as an experimental devolved region with an elected assembly and a higher level of autonomy than other local councils in Sweden.

(Continued)

Sweden in general suffered from slow growth in the 1990s and widening regional inequalities as regions such Västra Götaland struggled to deal with industrial restructuring. At the same time the Swedish economy was characterised by a high rate of R&D in both industries and universities. The Swedish government responded by promoting a new "national regional growth policy" aimed at promoting growth in all regions rather than compensating slow growing regions with transfer payments. The main instrument for achieving this objective was Regional Growth Agreements (*tillväxtavtal*) later replaced by Regional Growth Programmes (*tillväxtprogram*) aimed at coordinating the resources of central and regional authorities around agreed objectives rather than the provision of new resources. Central government remains an important actor in the process especially through the national innovation agency VINNOVA. These new approaches have emphasised coordinated sectoral policies, localised learning, innovation and clusters. Drawing on regional assets of corporate R&D departments, relatively high R&D expenditure and internationally renowned research-intensive universities, the core of Västra Götaland's strategy focuses the development of a "regional innovation system" and the diffusion of technology-based activities in new and existing businesses in hi-tech sectors exemplified by GöteborgBIO an initiative in the medical sector involving including among others AstraZeneca, Business Region Göteborg, Chalmers University of Technology, University of Gothenburg, Nobel Biocare and Region Västra Götaland.

A key objective has been to connect areas of economic decline (towns such as Uddevalla and Trolkhatten) to knowledge hubs in Gothenburg in order to relieved inflationary pressures there in labour and housing markets.

This knowledge-based strategy was based upon high R&D intensity, new technology-based firms and intermediate organisations to facilitate university-industry knowledge transfer "science parks". The aim was to better connect the regional knowledge base with existing economic activities and more effective commercialisation and exploitation of new innovations and technologies. Cross-cutting and interconnecting the more generic research-oriented hubs and platforms were cluster-oriented initiatives focused upon automotive, forestry, metallurgy, IT and telecommunications, pharmaceuticals/biotechnology and medical technology, and aviation and aeronautics. For instance, the Trollhatten Science Park specialises in production technology and closely linked into the local automotive sector, particularly the research programmes of Volvo and SAAB.

Determining the exact impact of these initiatives is difficult, but they coincided with a marked improvement in the region's economic performance with region experiencing a long period of growth (until the GFC) with GDP and employment rates reaching 99% and 73% of the national average respectively (119% of EU average) in the mid 2000s. Moreover, Västra Götaland can claim an exceptional performance in levels of R&D investment and the growth of new technology-based firms in recent years, especially in the leading science parks in Gothenburg. Productivity and investment levels have improved alongside new firm formation rates.

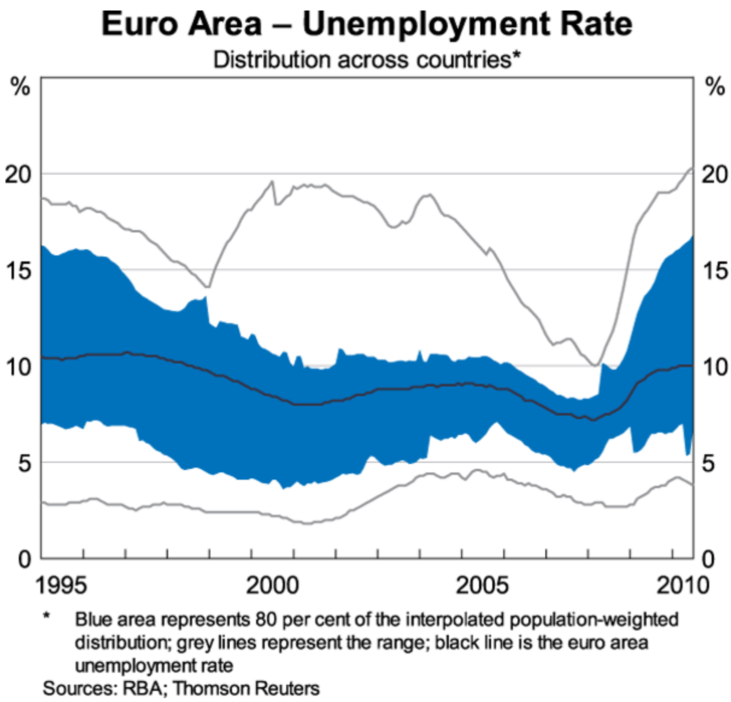
Sources: Larsson (2004) Niklasson, L. (2006) Region Västra Götaland (2007) Pike, A (2008)

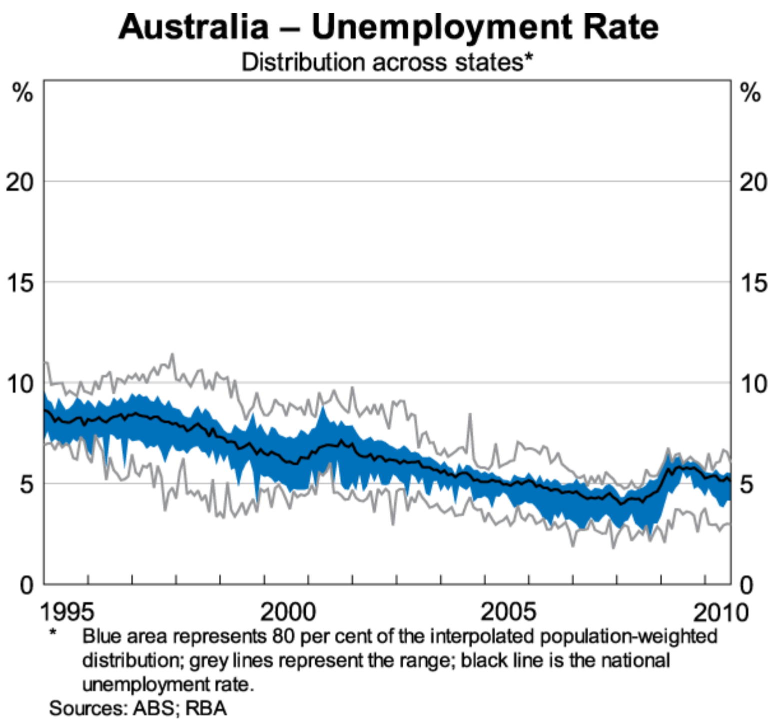
5 The Australian context

The conditions for city and regional development in Australia are different to those in Europe in some important respects and are determined by the interplay of a highly distinctive settlement pattern; particular trajectories of economic restructuring and demographic change; the politics of federalism; the unique discourse of 'regional Australia'; and the way these continue to be embodied in public policy. Moreoever, the recent performance of the Australian economy also means that the current debate about cities and regions has a quite different character to that of Europe. Australia, by official measures, avoided recession in 2008 and employment has continued to grow. Although disputed, the likely causes of this performance are a mix of a relatively well-regulated financial system, a well-funded stimulus package and, especially, the impact of a 10 year "resource boom", driven principally by demand from China. Additionally, public policy debates in Australia are framed in the context significant anticipated popualtion growth — estimated to rise from 22 million currently to 36 million in 2050, driven largely by migration. Thus, while in Europe the future of regional policy tends to be discussed in the context of a deep recession and ongoing structural problems, the discussion in Australia occurs in the context of enduring growth, anticipated population expansion and the opportunities and challenges for urban and regional development which these produce.

Australia's distinctive settlement structure and economic performance means that drawing simple lessons from elsewhere in not straightforward. In a recent speech Reserve Bank Governor Glenn Stevens drew attention to some aspects of this distinctiveness by highlighting the geography of unemployment in Europe and Australia (Stevens, 2010). This analysis demonstrates that regional differences in rates of unemployment are much greater in Europe than between Australian States, although differences between regions in Australia are greater than between States (see Figure 1). The explanations for these differences are complex, but the relatively low differences between economic conditions in the States owe much to the operation of fiscal federalism and the Australian Grants Commission (McLean, 2004).

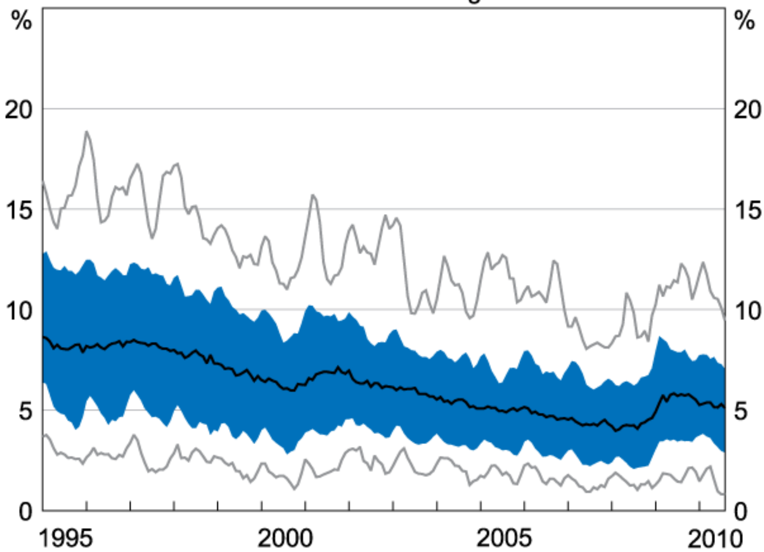
FIGURE 1: Geographical distribution of unemployment in Europe and Australia





Australia – Unemployment Rate

Distribution across regions*



* Blue area represents 80 per cent of the interpolated population-weighted distribution; grey lines represent the range; black line is the national unemployment rate. Ranges are three-month moving averages of non-seasonally adjusted data.

Sources: ABS; RBA

Australia is the most urbanised society in the world, by conventional measures, with its settlement structure dominated by the State capital cities to a degree which is unusual in most European countries. Some 70 per cent of the popualtion lives in the metropolitan regions of Sydney, Melbourne, Brisbane, Perth and Adelaide. The State capitals developed as entrepots for the pastoral and agricultural economies in the 19th century and later became centres of tariff-protected manufacturing. The Australian economy experienced a major programme of deregulation in the 1980s, which triggered large-scale industrial restructuring, resulting in a sharp decline of manufacuring and rapid growth of services in the Australian economy, which had uneven effects.

It is beyond the scope of this paper to examine these processes in detail, but a number of key trends should be noted. The rise of services in the economy has been associated with growing suburbanisation of jobs and dwellings and simultaneous gentrifcation of former inner city manufacuturing districts. Sydney is Australia's global city, and centre for financial and business services and an entry point for immigrants, but is also characterised by substantial out-migration. Melbourne has also experienced significant immigration and is the headquarters location of many leading Australian firms. Brisbane and Perth are located within States at the centre of the reources boom with Brisbane's growth also fuelled by population growth and tourism and Perth's based on mining services. Adelaide lags the other cities and continues to deal with legacies of deindustrialsation. Outside the capital cities some coastal and larger urban centres are growing strongly based on a range factors including migration, tourism, the strength of agriculture or resource industries. Some towns have grown by attracting population from surrounding declining settlements. Elsewhere smaller and remoter urban centres are experiencing population decline. Mining centres are characterised by the “fly-in, fly-out” phenomenon, which produces unstable and poorly serviced communities in remote locations. Indigenous communities in the remotest parts of Australia suffer unique and severe social problems. In short, there has been a growth disparity and diversity of economic conditions between and within cities and regions (ARCRNSISS, 2007).

The State of the Regions reports produced since 1998 by National Economics for the Australian Local Government Association offers a useful typology and classification of regions which draws upon but adapts Australian Bureau of Statistics data, respecting state and local government boundaries, but paying more attention to internal economic interactions. National Economics classifies these regions in terms of their relationship to the knowledge economy comprising:

- Core metropolitan regions, identified as centres of the Australian knowledge economy – essentially the State capitals and their metropolitan regions.
- Lifestyle regions, related to the knowledge economy principally via tourism and retirement migration from the metropolitan areas.
- Dispersed metropolitan regions whose relationship to the knowledge economy is via a nearby core metropolitan area, whether by commuting or by business relationships.
- Non-metro city regions – regions whose relationship to the global knowledge economy is mediated through an independent city which does not have core metropolitan status, including Newcastle and Wollongong in NSW; Geelong, Ballarat and Bendigo in Victoria; Townsville and Cairns in Queensland.
- Resource regions, in which mining and related transport, mine support and mineral processing account for a substantial proportion of employment.
- Rural regions dependent on agricultural and pastoral production.

According to this classification its possible to develop a typology of regions as demonstrated in Box 5.

Although such typologies can always be criticised, this one has the advatage of highlighting the regional diversity of Australia and a possible framework for thinking about the application of the new paradigm of regional policy.

An additional consideration is that the term region carries a particular meaning in Australia. One influential account from the mid 2000s states:

> To a very large degree debates about regional issues in Australia have focused upon the the nation’s non-metropolitan parts. ‘Regional Australia’

BOX 5: TYPOLOGY OF AUSTRALIAN REGIONS

Knowledge-intensive regions: ACT, Sydney Central, Melbourne Central, SEQ Brisbane City, Adelaide Inner and Perth Central, plus SEQ Gold Coast, Sydney Northern Beaches, Sydney Eastern Beaches, Sydney Parramatta-Bankstown and Melbourne Inner South East. (11)

Lifestyle regions: NSW Mid North Coast, NSW Richmond Tweed, NSW Central Coast, Qld Sunshine Coast, Qld Wide Bay Burnett. (5)

Dispersed metro: Sydney Old West, Sydney Outer North, Sydney Outer West, Sydney Outer South West, Sydney South, Melbourne West, Melbourne North, Melbourne North East, Melbourne East, Melbourne Outer South East, SEQ South, SEQ Moreton Bay, SEQ West Moreton, Adelaide North, Adelaide South, Perth Outer North and Perth Outer South. (17)

Independent city: NSW Hunter, NSW Illawarra, Victoria Geelong, Victoria Ballarat, Victoria Bendigo, Queensland North, Queensland Cairns, Queensland Darling Downs, Tasmania Hobart and NT Darwin. (10)

Resource-based: NSW Far West, Queensland Resource, Queensland Fitzroy, SA Spencer Gulf, WA Pilbara Kimberley, WA Gascoyne Goldfields and NT Lingiari. (7)

Rural: NSW North, NSW Central West, NSW Riverina, NSW Southern Tablelands, Victoria North East, Victoria Mallee Wimmera, Victoria West, Victoria Gippsland, Queensland Mackay, SA Mallee South East, SA Mid North Riverlands, WA Wheatbelt Great Southern, WA Peel South West, Tasmania North and Tasmania North West. (15)

Source: National Economics/Australian Local Government Association

> has become a synonym for non-metropolitan Australia and 'RaRa' (Rural and Regional Australia) has dominated policy development and the attention of senior politicians. The prominence of non-metropolitan regions has been the inevitable consequence of the political landscape – and voting behaviour – of Australia over the last decade. Unfortunately, this focus has resulted in a skewed perception of Australia's regions and regional issues (Beer, *et al*, 2003: xi-xii).

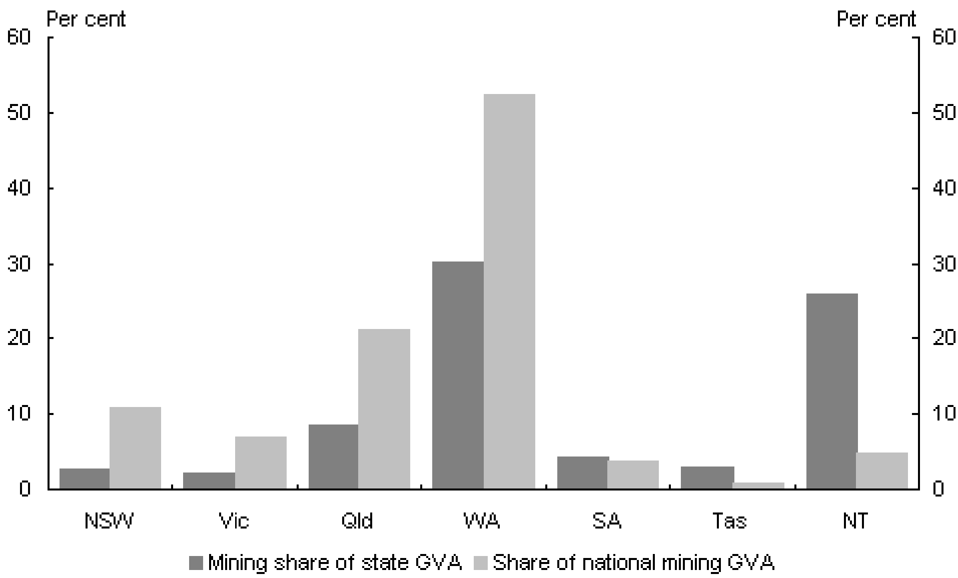
One of the effects of this discourse is that discussion of the future of cities and of regions tends to be conducted separately, often obscuring the connections between them.

An additional dimension of the debate in Australia has been the regional implications of the resources boom which, among other things, highlights the way in which the debate about cities and regions is sometimes conducted in a divisive way. The suggestion is that the benefits of the resources boom have accrued principally to those States in which the industry is located – namely Western Australia and Queensland – has led to the idea that Australia is a "two-speed" economy (see Figure 2). While there has been a divergence in the growth performance of the mining States and the others, some analysts suggest that the notion of two-speed economy is overstated and that the benefits of the resource boom have been more widely distributed than commonly accepted. This case rests on evidence that some income has accrued to foreign residents; share dividends in mining companies have have been distributed across all States; the Commowealth Government has derived significant company and other taxes from the mining sector, which have been redistributed between States; financial and business service industries in cities like Sydney and Melbourne have gained business from the miners and higher inflation rates in resource States offset some of the income gains. Moreover, there is evidence that much of the difference in State employment and output growth to higher population growth in Queensland and WA (Garton, 2008; O'Neill, 2010; Stevens, 2010). An important question arising from the resource boom, however, is the extent to which it contributes to sustainable regional development, especially in remote communities and the extent to which the Australian economy is well-placed to benefit from knowledge-intensive downstream activities in the way that regions such as Sudbury in Ontario or Stavanger in Norway have managed to do[3].

FIGURE 2: Mining shares of gross value added at basic prices, 2006-07*

* Gross value added at basic proces exluding taxes less subsidies on products which not apportioned by industry

Source: ABS data, reported in P Garton (2008), "The resources boom and the two-speed economy", *Economic Roundup*, 3: 17-29. Canberra, ACT: Australian Government. The Treasury



[3] This forms part of a larger part debate about the extent to which economic policy in Australia is clouded by "Quarry Vision" – that is, an over-dependence on rents from mining resources with deleterious environmental impacts (Pearse, 2009).

The institutional context for the development of cities and regions is the federal system of government. Regional development as a field of public policy has a complex history in Australia. Federal Labor governments of the 1970s, 1980s and early 1990s sought to define a role for the Commonwealth in urban and regional policy, including the creation of new federally-sponsored regional development organisations and city planning initiatives, designed to cope with fallout of deregulation and economic restructuring. The Howard (conservative) Liberal government (1996-2007) maintained that local and regional development was a State responsibility. To the extent that the Commonwealth government entered regional policy, this was often as a competitor rather than a partner of the States. Although the structure of local government varies among the States, in general, compared to Europe, local autonomy is very limited in Australia and the States remain the most important actors in local and regional development through the provision of infrastructure, incentives to industry and funding for training and skills development. Whereas the European Union provides an overarching long-term framework for regional planning and development, such a lasting national framework for regional development has been largely absent in Australia. The recent establishment by the Commonwealth Government of Regional Development Australia (RDA) is significant for two reasons. First, it is an explicit attempt to coordinate Federal and State activities and; second, it covers not just "regional" areas, but metropolitan sub-regions. But these remain consultative bodies lacking authority and resources.

Partly reflecting this institutional context, Australia has been characterised by contested cycles of interest in regional policy, which rarely embed regional perspectives in national policy frameworks. The implications of national policies for cities and regions tends to be a secondary consideration. By comparison to Europe, the problems of Australian cities and regions have tended to be viewed in Australia in terms of infrastructure deficiences rather than in relation to potential innovation assets, broadly defined to include organisational, managerial and social aspects. This is revealed in relation to the debate about the National Broadband Network (NBN), which is often presented in political discourse as a panacea for regional Australia, although international evidence suggest it is unlikely to be. While the NBN may be a necessary condition for the development regional towns and cities, it is likely to require complementary support from the development of skills, enterprise and innovation if is to have the impact on development that is hoped for.

Although improving Australia's innovation performance is a national priority, the Australian Innovation Report (DIISR, 2009) makes only passing reference to the spatial dimensions of the innovation process. More innovation-centred approaches to regional development, however, are emerging at the State scale (e.g.Tasmania, see West 2009) and at the Federal level through initiatives such as the Innovative Regions Centre, while there is the beginnings af a discussion of the urban and regional population implications of population growth and the extent to which this will be a challenge or driver in relation to the liveability of capital cities and the growth and development of regional cities and towns.

6 Place-based city and regional development in Australia: outline of some issues

The "Commitment to Regional Australia" document obliges the Gillard government to develop place-based approaches and localist solutions. The new focus has the potential to transform thinking about the future of Australia's cities and regions and move it beyond the idea that problems can be solved by an "infrastructure fix". The place-based approach suggests that infrastructure is a necessary, but not sufficient condition for local economic development.

This paper has sought to explore the basis for such approaches and has drawn on international debates and examples to inform the Australia debate. While acknowledging the important differences between the European and Australian contexts, there is a good case for carefully considering these debates and experiences. The place-based approach makes policy sense given the increasing diversity of regional economies in Australia. The lessons lie less in the detailed policies pursued in different regions and more in the principles that appear to underpin regional success. Place-based approaches are acknowledgement of the spatialised nature of economic growth (and decline).

The first lesson that emerges is that "place-based" approaches are being applied around the world in both urban and rural contexts. Thus their value applies not just to "Regional Australia"defined as rural regions, but also to metropolitan regions. Indeed, thinking about Regional Australia as exhibiting a special category of economic problems requiring unique solutions may be unhelpful. In addition, focusing on the cities versus regions dichotomy obscures the degree to which development is shaped by the relationships between regions, as well as what happens within them. Metropolitan sub-regions could benefit from place-based approaches as much as rural and regional Australia.

Local and regional institutions play a prominent role in place-based approaches. Economic development in Australia tends to be dominated by the role of the States, with the Federal government playing a fluctuating role over time. Effective institutions typically pay regard to functional economic areas, rather than constrained by a focus on adminstrative areas, which means identifying and shaping a coherent local economy rather than merely delivering business support through convential government agencies. Among the key role of such institutions is assessing the socio-economic assets of regions and designing judicious interventions for their development, a task which is difficult to achieve by State or Federal agencies alone. This requires localities and regions to be able to analyse their own economic conditions and design their own solutions in ways that go beyond "tailoring national policies".

The role of stakeholders in the design and implementation of regional strategies appears to be an ingredient in their relative success. The examples described above are characterised by strong public-private partnerships. The role of stakeholders in the design of local and regional strategies is not without problems. It places demands on business groups and requires them to think beyond their immediate interests. For instance, it requires business organisations to contribute to research and analysis rather than simply making demands on public bodies. Moreover, the position of stakeholders needs to be balanced with accountability to the wider community through formal democratic channels.

In the cases cited above, a strong focus on innovation is a feature of regional economic strategies. However, the nature of this focus can vary. While the attraction of hi-tech sectors have often been viewed as the key to local economic development, the examples described above show that innovation can lead to a renewal of traditional industries and spin-offs from resource industries in the form of knowledge-based activities and business services. In other cases, organisational innovations and inter-firm networks have been central to local development. The examples discussed in this report emphasise the importance of locally-undertaken analysis of economic strengths and locally-owned economic strategies in order to maintain a focus the identification and development of local assets.

An additional lesson from the European experience is that the creation of successful local and regional development is a long-term process requiring patience. Although local institutions require adaptation in the face of changing circumstances, stability and longevity of institutions and strategies appears to be a component of their success. Constant (ideologically-driven) institutional restructuring is probably unhelpful to the development of effective long-term strategy.

Australia's system of fiscal federalism has acted to limit the growth of regional inequality and one danger with place-based approaches is that they may imply that weaker regions should be left to their own devices. Place-based policies are not an alternative to State and Federal action but require a shift in the latter's approach. The role of State and Federal action becomes that of creating an enabling institutional and financial context for the design of locally-owned strategies and solutions. An additional danger is that a focus on local assets can lead public and private actors to lose sight of the importance of connections between cities and regions in shaping their patterns of development.

"Place-based thinking" has the potential to open up new approaches to the development of Australian cities and regions. But its implications require careful thought and assessment, not just by governments but by stakeholders such as business and its peak bodies. This report has been a contribution to that process.

Bibliography

ARCRNSISS (2007) Challenges and Directions for Australia's Urban and Regional Future. Report 1: Identifying the Key Issues. Australian Research Council Research Network on Spatially Integrated Social Science, University of Queensland, Brisbane.

Australia Parliament House of Representatives. Standing Committee on Infrastructure, Transport, Regional Development and Local Government (2009), *The Global Financial Crisis and Regional Australia*. Canberra: Commonwealth of Australia

Barca, F (2009) *An Agenda for a reformed Cohesion Policy. A Place-based approach to meeting European Union challenges and expectations*. Brussels: DG Regio, European Commission.

Beer, A; Maude, A and Pritchard, B (2003) *Developing Australia's regions: Theory and Practice*. Sydney: University of New South Wales.

Bellini, N. and F. Pasquini, (1998), 'The Case of ERVET in Emilia-Romagna. Towards a Second-Generation Regional Development Agency, in H. Halkier, M. Danson and Damborg (eds.), *Regional Development Agencies in Europe*, London: Jessica Kingsley.

Brusco, S. (1982), "The Emilian Model: Productive Decentralisation and Social Integration", *Cambridge Journal of Economics*, 6, 167-184.

Collier, P (2007) *The Bottom Billion. Why the Poorest Countries are Failing and What Can be Done About it*. Oxford: Oxford University Press.

DIISR (2010) *Australian Innovation System Report*. Canberra, ACT: Australian Government. Department of Innovation, Industry, Science and Research.

European Commission (2007) *Growing regions, Growing Europe. Fourth Report on Economic and Social Cohesion*. Brussels: European Commission

European Commission (2009) Communication from the Commission to the Council and the European Parliament. *GDP and Beyond: Measuring Progress in a Changing World*. COM(2009) 433 final. Brussels: European Commission

Geldner, N (1998) "Successful Structural Change in Styria", *Austrian Economic Quarterly*, 3 2: 95-100

Garton, P (2008) "The resources boom and the two speed economy", *Economic Round-up*, 3: 17-29. Australian Government. The Treasury.

Grattan Institute (2010) *Cities: Who Decides?* Melbourne: Grattan Institute

Halkier, H. Danson, M and Damborg, C (Eds.) *Regional Development Agencies in Europe*, London: Jessica Kingsley/ Regional Studies Association

Larsson, S. (2004) "Creating learning regions: Experiences from a policy initiative in Sweden", in S. Brockett and M. Dahlström (Eds.) *Spatial Development Trends: Nordic Countries in a European Context*. Stockholm: Nordregio.

McLean, I (2004) "Fiscal Federalism in Australia", *Public Administration*, 82 (1): 21-38.

National Economics/Australian Local Government Association (2009) State of the Regions 2008-09. Deakin, ACT: ALGA.

Niklasson, L. (2006) *Joining-Up for Regional Development*, Stockholm: Statskontoret

North, D.C. (1995) "The New Institutional Economics and Third World Development", in Harriss J., Hunter J. and Lewis C. *The New Institutional Economics and Third World Development.* London: Routledge.

OECD (2006) *Competitive Cities in the Global Economy*. Paris: OECD

OECD (2009) *How Regions Grow. Trend and Analysis*. Paris: OECD

OECD (2009) *Regions Matter. Economic Recovery, Innovation and Sustainable Growth*. Paris: OECD.

OECD (2010) *Organising Local Development. The Role of Local Development Agencies and Companies*. Paris: OECD.

O'Neill, P (2010) "Invest in our cities", *Business Spectator*, 2nd February (http://www.businessspectator.com.au/bs.nsf/Article/Invest-in-our-cities-pd20100127-23UHP?opendocument&src=rss)

Pearce, G (2009) "Quarry Vision: Coal, Climate Change and the End of the Resources Boom", *Quarterly Essay*, 33

Pike, A. (2008) "Västra Götaland Regional Growth Agreement, Sweden", in OECD LEED, *A Review of Local Economic and Employment Development Policy Approaches in OECD Countries.* Paris: OECD.

Pike, A, Rodríguez-Pose, A and Tomaney, J (2006) *Local and Regional Development*. London Routledge

Pike, A, Rodríguez-Pose, A and Tomaney, J (2007) 'What kind of local and regional development and for whom', *Regional Studies*, 41 (9): 1253-1269

Pike, A, Rodríguez-Pose, A and Tomaney, J (2010) (Eds.) *Handbook of Local and Regional Development.* London: Routledge

Region Västra Götaland (2007) *Sustainable development in Västra Götaland. Report on the Region in 2006*. Göteborg: Region Västra Götaland.

Rinaldi, A. (2005) 'The Emilian Model Revisited: Twenty Years After', Business History, 47, 244–266.

Rodríguez-Pose, A (2010) "Do institutions matter for regional development?", IMDEA Working Paper 2010/2. Madrid: IMDEA.

Rodrik, D., Subramanian, F., Trebbi, F. (2004) Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development", *Journal of Economic Growth*, 9: 131-165.

Sen A (1999) *Development as Freedom*. Oxford: Oxford University Press

Stevens, G (2010) "Monetary Policy and the Regions", Speech to the Foodbowl Unlimited Forum Business Luncheon, Shepparton, 20th September. Sydney: Reserve Bank of Australia

Sturn, D (2000) "Decentralized Industrial Policies in Practice: The Case of Austria and Styria", European Planning Studies, 8 (2): 169-182

Stiglitz, J; Sen, A and Fitoussi, J-P (2009) *Report by the Commission on the Measurement of Economic Performance and Social Progress.* (http://www.stiglitz-sen-fitoussi.fr/en/index.htm).

Sustainable Development Commission (2009) *Prosperity without growth? The transition to a sustainable economy*. London: Sustainable Development Commission

Tomaney, J; Rodríguez-Pose, A and Pike, A (2010) "Local and regional development in times of crisis", *Environment and Planning A*, **42** (4): 771-779

Trippl, M and Tödtling, F (2004) One size fits all? Towards a differentiated policy approach with respect to regional innovation systems. Department of City and Regional University, Vienna University of Economics and Business Administration, Vienna.

Turok, I (2004) "Cities, regions and competitiveness", *Regional Studies*, 38 (9): 1069-1083.

West, J (2009) An Innovation Strategy for Tasmania. Hobart: Australian Innovation Research Centre, University of Tasmania.