

MACRO FORCES AND MICRO INITIATIVES:
ECONOMIC POLICY PLANNING AT THE URBAN
LEVEL IN ADVANCED INDUSTRIAL MARKET
COUNTRIES

by

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ABSTRACT

Macro Forces and Micro Initiatives: Economic Policy Planning at the Urban Level in Advanced Industrial Market Countries

This thesis is concerned with the efforts of local government in advanced industrial market countries to positively influence urban and metropolitan economic development in response to pervasive economic stagnation and decline, and the implications of this expanding function for the planning profession.

It identifies some of the fundamental trends affecting city economies including 'de-industrialisation' impelled by decentralisation and inter-regional dispersion; dis-investment driven by the international mobility of capital seeking lower costs and higher returns; and overall economic stagnation associated with the retrenchment in service sector growth.

The consequences for urban areas are then discussed in terms of structural unemployment, physical decay, loss of vitality, and impending fiscal crisis. It is observed that national and regional policies have been largely unsuccessful in altering inter-regional employment, investment and production patterns.

Legitimate concern at the local level for both decline and neglect provides a major rationale for a greater role for local authorities as stewards of socio-economic welfare on behalf of constituents. Urban economic development, however, is currently pursued at the expense of sound analysis, clarifying objectives and effectiveness, and coordination and cooperation.

Due to the nature and extent of spatial and sectoral shifts occurring in the space economy, the integrity of standard spatio-economic theories is seriously undermined, so that economic policy planning at the local urban level has been undertaken without a satisfactory basis. Moreover, there has been no meaningful assessment to date of both broad strategic approaches adopted and policy instruments employed in local economic planning. In addition, the discipline of planning, in both an academic and applied sense, has tended to focus on land use, design and more recently social issues to the exclusion of the economic dimension, which has resulted in a professional vacuum in this rapidly emerging area.

The prevailing deficiencies in policy and practice present a real challenge to those involved. It is therefore timely to reflect upon the diversity of experience and subsequently formulate a set of principles to enhance effectiveness and guide action. The findings are based on an extensive review of literature from North America and Europe in which major themes and issues were identified and then structured into a coherent framework.

Because impacts and conditions vary enormously between jurisdictions, and outcomes are highly uncertain, policies should be contextuated in light of ongoing restructuring and local circumstances. This requires a sensitive perception of trends, dynamics and evolving linkages. Furthermore, policies ought to be strategically placed in terms of selectivity and targetting.

Innovation is recommended in the creation of new tools because a broad range of intervention points enhances flexibility. Unorthodox initiatives such as worker cooperatives have utility in expanding the range of options but instruments should be precise so that it is clear which objectives are being pursued. It is essential to have a thorough monitoring and evaluation component to assess impact and effectiveness.

Because it is also important to be cost-effective in this 'era of limits', costs as well as policy choices for the local economy should be clarified, particularly as significant costs may be involved in both turning around market forces and in ameliorative measures.

That the urban authority has a small but significant role to play in economic development efforts is now widely appreciated. As the scope for action is severely constrained by resource and jurisdictional limitations, capacity ought to be fortified by improving local authority funding and powers.

Planners can play a central role here in terms of their ability for researching and analysing trends and problems; their political awareness in dealing with local politicians and interest groups; their demonstrated expertise in animating the community and fostering a dialogue around goals, values, needs and priorities; and, finally, their communication skills with respect to inter-government liaison and regional coordination.

TABLE OF CONTENTS

	PAGE
ABSTRACT	ii
TABLE OF CONTENTS	v
Acknowledgements	vii
 1: INTRODUCTION	
1.1 The Rise of Urban Economic Development	1
1.2 The Problem	6
1.3 Justification for Thesis and Chapter Outline	13
 2: DYNAMICS AND TRENDS	
2.1 Introduction	16
2.2 Structural Change	18
2.3 Spatial Shifts	20
2.4 Explanations	21
2.5 Employment and Community Effects	28
2.6 Concentration and Centralisation of Capital	31
 3: VARIATIONS IN APPROACH TO URBAN ECONOMIC POLICY	
3.1 Introduction	34
3.2 The Conservative Approach	35
3.3 The Socialist Approach	37
3.4 The Liberal Approach	38

4: POLICY COMMENTARY	
4.1 Introduction	41
4.2 Land	42
4.3 Finance	45
4.4 Entrepreneurship	51
4.5 Labour	53
5: IMPLEMENTATION OF LOCAL ECONOMIC POLICIES	
5.1 Introduction	56
5.2 Interagency Coordination	56
5.3 Community Collaboration	59
5.4 Impact on Conventional Urban Planning	60
6: CONCLUSIONS	
6.1 Summing up of the Problem	64
6.2 Principles	65
 BIBLIOGRAPHY	 76

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CHAPTER 1 INTRODUCTION

1.1 The Rise of Urban Economic Development

Despite a few problems, city economies in advanced industrial countries of Western Europe and Anglo America were essentially buoyant throughout the 1950s and 1960s.

Consequently, there was never any perceived need for local planners to understand how they worked or to plan for their development.

Events and experience in the 1970s, however, shattered this complacency. The fundamental health of local economies could no longer be taken for granted. It is said of the national economy that 'a rising tide lifts all boats' but since about the mid-1970s

"the national economic tide receded unevenly
thereby exposing local boats to quite different
situations...many fell listless and adrift in the
economic backwaters of stagnant tidal pools while
others raced along unguided in the grip of regional
riptides" Bergman 1983a:260

Many local economies are no longer 'seaworthy' but are experiencing great distress.

It is the impacts of recession and restructuring that are placing an increasing burden on local economies. Restructuring, driven by the technological imperative, is producing so-called deindustrialisation with a resulting loss of manufacturing jobs. This process is particularly acute in aging industrial cities,

and protracted decline was found to be exacerbated by the severity and longevity of the 1979 recession.

Symptoms of decline have been apparent for some time but urban economic problems have certainly accentuated (Lawless 1981). There is now real concern at the local level about industrial decline, deteriorating job access and erosion of the municipal property tax base. Rising costs and static incomes are putting fiscal pressure on urban governments and for some even portend a fiscal crisis (Eversley 1973). This persistent erosion of the city's employment and tax base is diminishing urban economic vitality.

Although urban economic malaise is now widespread throughout the 'West', it is important to bear in mind that outcomes are very much context specific. In other words, each city's experience is a result of a confluence of many discrete forces specific to that centre. Conditions and problems vary enormously between urban centres. Some must merely cope with problems of transition to post-industrial prosperity while others must face a serious decline in their economic fortunes.

With respect to urban economic problems, local authorities are very much in the immediate firing line. Acute job loss and rate base reductions which manifest in the city generate pressure from constituents for some sort of local action to positively influence their urban economy. Local governments are therefore concerned to identify and promote new sources of employment (primary concern in the U.K.) and to restore the municipal tax base (main preoccupation in Canada).

Local economic policy initiatives are, then, prompted by problems associated with urban economic change, stagnation and decline, particularly the erosion of the city's tax and employment base, which intensifies the pressures for local intervention. In addition, the impulse for launching local policies is given by the perceived inadequacies of economic policies implemented by senior levels of government (Shapira 1981).

There is a widespread notion that senior government has failed to satisfactorily address urban economic problems. National economic policies arguably demonstrate a misplaced concern for national economic regeneration to the virtual exclusion of ameliorative regional, urban and social measures.

In this 'restructuring versus the cities', the imperatives of rationalisation and recovery are pursued in the national interest while local consequences are virtually ignored. According to Young and Mills

"the policy debate which is to come lies in the interstices between sectoral and spatial policies but this may also be the interstices between national priorities and local concerns". 1982:93.

There is in some quarters, then, a perception that senior or central government has neglected to formulate policies which mitigate or rectify market failures. In the ascendant neo-conservative scheme of things urban, regional and social policies are accorded low legitimacy.

Regional policy in particular has been subordinated to

the new overriding national orientation to economic policy making. The political eclipse or dismantling of regional policy was probably justified on the grounds that although it succeeded in diverting new industry, it failed to generate any substantial long-term growth (Martin and Hodge 1983). According to Pred (1976), regional policy in the 1970s constantly fell short of expectations.

The disappointing track record of regional policy can perhaps be partly explained by the fact that it was in a sense operating 'out of context'. In other words, it no longer met needs created by altered circumstances. While regional analysts struggle to understand the 'new geography', regional policy and planning has been superseded by a new philosophy of local initiative (Hall and Breheny 1983). Local government economic policies and strategies have filled a vacuum left by the rundown of regional policy (Crombie 1983).

Increasing local government involvement in economic policy planning is, then, a consequence of both economic decline and urban neglect. In addition, added impetus to local action is given by the increasing recognition that the city authority has a legitimate role to play in employment and economic development because of its unique features. Local government is directly accountable to its constituents, is rooted in communities, has good local knowledge due to its in situ perspective, and has demonstrated expertise in allied areas. It is, therefore, relatively responsive, well informed, decentralised, flexible and competent.

In addition to these special attributes, it has at its disposal a myriad of assets to mobilise for economic development. A typical inventory would comprise the property tax base and city land, as well as local factors affecting strategy such as natural resource endowment, human capital pool, condition of infrastructure, strength of consensus and quality of political leadership (Hutton 1982).

Local government can certainly contribute to urban economic development in a meaningful way. In many jurisdictions it already exerts a considerable influence over the urban economy in allied policy areas, and may be a major employer and purchaser in its own right. Its legal responsibility for certain services and functions such as infrastructure provision and development planning control impinge directly upon wealth and job creation (Waters 1983).

In setting out policies and programs that might be followed by local government in economic development, it is crucial to consider the capacity to act. The scope for local action tends to be severely curtailed by limited resources and powers, although U.S. local governments have independent powers of taxation and legislation which permits greater experimentation. Not only are authority and resources restricted but urban economies are subject to and local action is constrained by powerful exogenous market forces.

In sum, recession and restructuring are producing major urban economic change, stagnation and decline. Local concern over contemporary urban malaise generates in turn pressures for

action by urban authorities. This is reinforced first of all by a perception that senior and/or central government policies have failed to adequately address urban economic problems, and secondly by the acknowledgement that the local authority has a limited but useful role to play in economic development efforts. For these reasons urban governments have assumed a greater responsibility for the economic welfare of their constituency and, as a result, local economic policy planning has literally 'mushroomed' in recent years.

From humble origins in industrial development, local economic policy planning has expanded in both scale and scope to encompass strategies of a human, financial as well as a physical nature. There are now a wide range of economic policy initiatives implemented by urban governments in various jurisdictions to positively influence their local economies. Considering that this has all taken place within the space of a decade is indeed quite remarkable. In this emerging policy field local government is cast in a leading role, and economic development has taken its place among the principal planning activities carried out at the urban level.

1.2 The Problem

Economic development policy planning at the urban level is now a major focus for public policy debate. Growing commitment to economic well being has resulted in a rapid expansion or 'explosion' of economic activity at the urban level (Miller 1981), and the general public is now more aware of local government efforts.

However, the debate over this activity emanates not so much from its visibility but from criticisms traced to perceived deficiencies in both policy and practice. Concern is expressed that urban economic development is for the most part ad hoc, disjointed and piecemeal - in other words it is lacking in coherence (Damesick 1981).

There is certainly no shortage of action in the field. However, for many policies there is no real basis for intervention. It is observed that many initiatives were and still are developed in response to political pressure or sudden crises. Many local authorities want to be seen to be doing something and subsequently opt for the 'quick fix' solution (Waters 1983). The term 'boosterism' succinctly captures the flavour of the short-term, reactive approach to local economic policy making.

It is apparent that to date analysis tends for the most part to be superficial and naive, and offers little insight into the nature and extent of urban economic change and decline. Those responsible for formulating urban strategies and policies lack a real understanding of their local economies. There is an urgent need for local economic planners, then, to gain an appreciation of the dynamics and macro forces underlying and trends characterising rapid change and decline in the urban space economy, and of the implications of this altered context for the formulation of economic policies at the local level.

Urban economic policy planning must account for the 'new economic realities' brought about by fundamental spatial and

sectoral restructuring in the larger economy. It is patently obvious that much has changed with respect to theories and assumptions pertaining to the urban space economy in the 1970s. Prior theoretical understanding of, for example, the product cycle, enterprise 'incubation', industrial linkages and the system of city economies is arguably rendered redundant by new conditions and circumstances. The new input-output relationships between components of the economic structure remain unclear. How do we incorporate into our theories the concept of service-based development or the changing nature of work? There may well be occurring a weakening of the interdependency between economic processes and spatial form.

It is unfortunate that at the present urban economic planners lack a composite theory of post-industrial development and structure capable of integrating sectoral, spatial and technological elements of change (Hirschhorn 1979). Furthermore, the great diversity of urbanisation experience does not lend itself readily to generalisations required for cogent theory (Hutton 1983). Contemporary urban economic problems are complex and the lack of firm academic foundations to guide action is serious.

There is, then, much uncertainty and consternation about what is happening to urban economies, and local economic planners are far from developing a coherent and comprehensive perspective on dynamics underlying changes in the urban space economy that is both conceptually and empirically sound. Justification for economic policies at the local level must

therefore await the outcome of a major reconceptualisation effort based upon a sensitive perception and interpretation of trends.

Concern is also directed at the enlarged economic development role assumed by urban authorities in some jurisdictions. A universal trend over the last decade has been for local authorities to become increasingly directly involved in many aspects of the local economy. Local governments have moved beyond the relatively simple provision of infrastructure, sites and premises for promotion of industrial development - its traditional 'bread and butter' activity - toward developing partnerships with the private sector, the provision of more broadly based advisory services and risk capital, interventions in the labour market, and even the promotion of community enterprise and worker cooperatives (Young and Mills 1982, Middleton 1983). In other words, they have generally become more interventionist and action-oriented.

There is also now an expressed preference for indigenous development which focusses on job conservation as well as creation, and assistance to existing local firms. The emphasis has clearly shifted away from attraction as a means to promote the local economy to assistance of existing economic activities.

It is not so much the enlarged role per se of urban governments or the new inward-orientation that is of concern to senior government but the hidden and ambiguous objectives underlying policy clusters. In some jurisdictions local and metropolitan authorities have devised strategies and policies

which have become quite controversial.

Initially, there was confusion because objectives were vague. It was not clear whether the main aim was to manage the local economy, ease transition, retard the process of change, regenerate or be concerned with more prosaic 'maintenance'. As long as ideological underpinnings remained hidden and biases concealed policies were not considered contentious. In other words, the 'fuzzy consensus' depended on divergent objectives not being made too explicit (Waters 1983). The consensus, however, has been shattered.

Young and Mills (1982) distinguish between those policies that 'flow with the tide' and those that struggle against it. Many local governments have refused to acquiesce and instead sought to devise their own strategies for 'struggling against the tide', particularly in the U.K. where many of the issues in urban economic development are pronounced. For some urban authorities the enlarged role has meant moving from industrial development to regeneration of the local economy and even social reconstruction of the local community (Middleton 1983).

Progressive initiatives represent an interesting departure in policy which raises real potential for inter-government conflict arising from pursuing different policy objectives. Alternative policy clusters may be contradictory to and even undermine national and regional policy goals and priorities (Rogers and Smith 1977). Also, local government intervention is anticipated to attract greater central/senior government attention in the 1980s not least because of the

expenditure consequences and implications for inter-government fiscal relations.

It is, then, the controversial nature of many initiatives that has thrust urban economic development abruptly into the limelight and pressures are growing to expose the objectives behind policy clusters, as well as to make explicit the underlying assumptions and biases. There are also pressures to expose both the magnitude and impacts of costs and benefits associated with established and experimental policies, not just from the right of centre but also from the left who are concerned about public subsidies to private capital.

There is a bewildering array of local economic policy initiatives but little is known at the present time about which forms of intervention are most cost-effective, practical and relevant. There are many options open to a local government with respect to economic and employment development but the task of choosing from among them is not an easy one, especially as precious little meaningful evaluation has been undertaken of the various remedial economic strategies and policies implemented by urban authorities.

Local monitoring of activities in this area has been at best self-justifying and at worst non-existent (Young and Mills 1982). The neglect is alarming particularly as serious resource constraints makes the evaluation of options more important. Johnson and Cochrane (1981) in a study in the U.K. did not find one local authority that had carried out a cost-benefit appraisal of its policies. Lip service is paid to the need for

evaluation. Many local politicians simply lack an interest in this follow-up activity, or regard the exercise as being too costly, academic (i.e. irrelevant) and too difficult.

It may also be that local officials are reluctant to assess the effectiveness and costs of policies because there is a fear that the results will find attempts largely misplaced or inappropriate. Because of the methodological and political difficulties in the evaluation of policies for urban economic development, the paucity of studies in this area is understandable but nonetheless regrettable.

Not only are those involved in urban economic development uncertain of the theoretical justification for their actions but also of the best way in which to achieve objectives (Waters 1983). There is both a theoretical and professional 'vacuum'. Local economic initiatives often require an unprecedented degree of interdisciplinary cooperation as well as interagency coordination and in this many problems are encountered.

With respect to the 'internal interface', the major issue centres around the planning profession's response to tensions between regulation/control - the dominant function of traditional urban planning - and promotion/creation which is the *raison d'être* of local economic policy planning. As for external relations, it is by no means clear how urban economic development should be organised to reduce or avoid the potential for duplication and conflict.

Certainly, the absence of a coherent framework for meshing national, regional and local policies is a particularly

serious omission. There is also a problem in forging links with local interest groups and obtaining consensus around issues. To overcome weaknesses in practical implementation, both the institutional structure and 'actors' involved must be clarified, and pertinent issues delineated.

In sum, it is widely asserted that local economic policy planning in its present evolutionary stage is pursued at the expense of sound analysis, exploring objectives and effectiveness, and coordination and collaboration. These deficiencies present a real challenge to local economic planners in the following areas: justifying policies in terms of wider dynamics and trends (as well as local conditions and opportunities); making explicit the values and assumptions behind the policy approach adopted; monitoring and evaluation; and enhanced implementation.

1.3 Justification for the Thesis and Chapter Outline

Undeniably, there are important lessons to be learnt from a decade of rapid expansion in urban economic policy planning. It is therefore timely to reflect upon the diversity of experimentation in this burgeoning policy field, and to subsequently develop a coherent perspective on policy and practice.

Specifically, a fundamental set of principles will be formulated based upon an assessment of experience to date. More formalised and systematic policy planning will, it is believed, enhance both the quality and effectiveness of urban economic development. Because of the universality of basic themes and

issues, this thesis will have a wide application in different jurisdictions and should therefore be of some relevance to both practitioners and academics.

To achieve this undertaking, an extensive review of pertinent literature in the field of urban economic development was drawn from North America and Europe. Arguments within the debate on policy and practice issues were delineated and synthesised into a logical framework. This structured, analytic overview permitted the formulation of principles or guidelines.

Contemporary economic turbulence brings with it a need for an improved analytic perspective for local economic policy planning. Rapid change and decline in the urban space economy is associated with macro forces and processes. Although cyclical dynamics are important to local economies, structural factors are more relevant to local economic planners. Chapter two therefore focusses on spatial and sectoral restructuring, and examines the nature and extent of shifts occurring in the space economy and the impacts upon local economies.

As we move from observation to diagnosis to prescription consensus dissolves rapidly. Trends can be verified objectively but in terms of theory their interpretation is wide open. There are many analytic perspectives which result in variations in approach to policy making. Chapter three examines the very different approaches and delineates the objectives and assumptions behind each.

Because it is necessary to establish the degree of success or failure of particular strategies, in chapter four a

qualitative analysis addresses the implications of restructuring for specific policies directed at promoting the local economy. Only a 'coarse-level' evaluation of the options is undertaken. A full examination is precluded by the paucity of evaluative studies as well as the limited scope of this thesis. A modest ambition is to attempt a tentative understanding of the strengths and weaknesses of various strategic options in light of ongoing restructuring.

Chapter five focusses on implementation, particularly the need for improved coordination and cooperation. Internal and external links are discussed in terms of the corporate or integrated approach to strategic economic policy planning at the local level. It highlights the impact of emerging local economic planning upon traditional urban planning and discusses the changing role for planners. A brief argument is made for a future regenerative regional policy which builds on and incorporates urban economic initiatives within a sub-national spatial policy framework.

In the concluding chapter, the main points discussed within the text are summarised and a set of principles or guidelines for improving urban economic policy planning proposed.

CHAPTER 2 DYNAMICS AND TRENDS

2.1 Introduction

Prevailing trends indicate a radical and profound change occurring in the urban space economy. The scale, pace and complexity of economic change is unparalleled in recent history. Because local economies are increasingly integrated into the larger economic system, the root cause of economic change can be traced directly to the national and international levels. It is impossible to explain to explain events today in purely local terms, rather they must be related to the dynamics of the wider environment (Massey and Meegan 1978).

In addition, the processes at work are not only cumulative but highly complex.

"Major transformations are at work in the way we produce...from an increasing application of capital and technology to the production process which is fundamental and well recognised...to changes in the organisational and institutional arrangements of the private sector" Stanback et al 1981:48.

Furthermore, not only is the interaction of long-term structural factors a very complex process but the persistent downturn serves to compress the rate of change.

This rapid change in the nature and functions of cities is seen by Gottmann as more than just mere growth or evolution but a 'metamorphosis', and this altered context gives rise to a new set of urban problems not previously experienced, especially

those relating to industrial decline and job loss. The qualitative change also serves to compromise many of the notions held about urban dynamics. There are major differences between industrial and post-industrial development which threatens the integrity of earlier theories and models. Former policy remedies have become undermined by the mismatch between old theory and the new pattern of economic development.

Contemporary city problems are driven, then, by broad and fundamental structural and technological changes occurring in the national and international economies (Shapira 1981). The identification of effective and appropriate policies therefore requires a thorough understanding of dynamics in the space economy because this is the context for urban economic change.

Economic policy planners at the urban level must attempt to develop a coherent perspective on the dynamics underway in local economies, and devise policies that reflect or at least acknowledge these 'new economic realities'. The universality of basic forces and trends is of analytic interest for the strategic planning of urban areas in quite different jurisdictions.

There now follows a condensed overview of broad developmental forces and processes shaping urban economic change, and resulting problems and issues associated with this change. In other words, cause and effect of the considerable flux found in the urban space economy will be delineated within limits imposed by the state of current theory.

Fundamental change in the space economy can be traced to

essentially two factors: sustained technological developments and increased concentration and centralisation of capital. These in turn are producing changes in the structure of the economy and the location of economic activity, and in employment and central place functions (adapted from Shapira and Leigh-Preston 1984).

2.2 Structural Change

The economy is being rapidly restructured away from goods production to services both relative to the service sector in the domestic economy and relative to manufacturing overseas in the newly-industrialised countries. In 1962, the manufacturing sector in the U.S., including construction and mining accounted for 36.5% of total non-farm employment, while service-performing activities (trade, finance, insurance, real estate, government) accounted for 56.5%. By 1978 the former had fallen in relative size to 29% of total employment while the latter had grown to 65.3% (Haren and Holling quoted in Shapira et al 1984).

Manufacturing is now in decline in cities across a broad industrial spectrum. The process of manufacturing decline in employment and output has been coined 'deindustrialisation' and refers to the dismantling of basic industries and traditional manufacturing in older cities and regions of advanced industrial countries (Bluestone and Harrison 1982). It therefore concentrates on manufacturing firms in 'core' areas (Townsend 1983). Aging industrial cities are impacted adversely by such change because historically they contained the bulk of manufacturing industry vulnerable to such restructuring.

The loss of manufacturing capacity is accompanied by a shift to the service economy. Stanback (1979) notes a fantastic growth in services, particularly producer services. However, the rise of services is widely misunderstood. Stanback et al (1981) differentiate freestanding consumer services amenable to standardisation to achieve scale economies, public services, those for consumption or final demand tied in with product differentiation, and producer services as an intermediate input to goods production.

The central distinction between services to consumers and business, though important, is not well appreciated. With respect to the growth in consumer services, Ley (1983) observes the emergence of a 'culture of consciousness' comprising lifestyle identity, the amenity ethic, aesthetics and sensuous products accompanied by a growing 'quaternary elite' with considerable disposable income that translates into expanding real demand for personalised services.

The growth of producer services, on the other hand, is associated with larger markets and corporations in which an increasing burden in terms of administration, marketing, legal services etc. leads to a demand for specialised business services. Producer services therefore play a fundamental role in binding together or integrating increasingly differentiated and specialised market functions.

The nature of sectoral linkages between offices and factories tends to be obfuscated because of the failure to distinguish between service output and employment, and this has

led to false notions about the extent of decline in the goods production sector (Noyelle 1983). Industry has simply become more dependent on the service infrastructure, particularly producer services which are very important in terms of productivity growth and market expansion (Hirschhorn 1979).

Gottmann anticipates the growing significance of information linkages among major quaternary cities carrying out commercial transactions, and a weakening of the traditional relationship between the central business district and its hinterland market. New inter-metropolitan spatial linkages are developing within what he terms the 'Neo-Alexandrine' urban system.

Interestingly, services are now a crucial element in the export base of many larger urban economies such as New York and London. The rise of services is seen to affect cities unevenly - the result being a four-tier urban system comprised of: diversified, advanced (or high order) service centres; specialised, advanced service centres; production centres; and consumer-oriented centres (Noyelle 1983).

2.3 Spatial Shifts

Trends in the structural transformation of urban economies are paralleled by fundamental spatial shifts. First, a new geographical pattern of economic activity is emerging in which a sweeping interregional shift in both jobs and population is taking place. For instance, a dramatic shift has occurred in production capital and labour from the 'frostbelt' in the North and North-Eastern United States to the 'sunbelt' in the South

and West (Sternlieb and Hughes 1977). Another example would be the shift from the North and North-West to the South and West in the U.K. (Fothergill and Gudgin 1982). Population outmigration and economic decline appear to be mutually sustaining and cumulative; that is, they interact to produce a 'spiral of disinvestment' (Young and Mills 1982).

Second, in addition to interregional dispersal, production capacity, particularly heavy industry and traditional manufacturing, is transferring overseas (Bell 1980). The international spatial division of labour is seen responsible for gradually reshaping the entire global economy as comparative advantage migrates to countries of cheaper labour (Shapira and Leigh-Preston 1984a).

Third, a focus on the more dramatic interregional and international shifts tends to obscure events occurring within regions. Generally speaking, intraregional decentralisation of manufacturing and low-order services from the central city to the urban field or smaller urban centres tended to precede the larger spatial moves. Vigorous growth in suburban economies is, with the exception of major conurbations such as London and Paris, a fairly recent phenomenon (Phillips and Vidal 1983).

2.4 Explanations

Evidence over the shifting equilibrium of centrifugal and centripetal forces operating on the urban space economy is inconclusive at the present time. Certainly, the spatial adjustment process for the urban economy is very complex. Technological advances permit a loosening of both hierarchical

and spatial linkages within larger firms. The 'splitting' of office functions in particular means that large firms' functionally differentiated units are increasingly spatially separated (Pred 1976). Suburbanisation of office activity is therefore due in large part to the 'spatial rupture' between routine clerical and non-routine management office jobs, and results in a new lease of life for the urban periphery.

Traditional arguments for proximity such as benefits of interfirm linkages constitute the 'glue' of centripetal attraction. Yet if these arguments no longer hold true for many industries and firms, the city's locational advantage collapses and the urban economy becomes 'unglued'.

Technological developments enhance the ability to geographically relocate certain production activities by rapidly eliminating or attenuating the significance of proximity. The information industry in particular is touted as being free of spatial considerations. Information technology is, then, making firms more 'footloose' and less reliant on physical inputs and linkages.

Fortunately, many non-routine management and control functions remain resistant to standardisation. Also, technology can never totally eliminate the need for direct personal contact. The centripetal effect of the 'communications revolution' prematurely discounts the continuing need for 'face-to-face' contact in the transactional services.

Furthermore, the interaction of social, cultural and educational factors exerts a considerable centralising

influence, and this 'ephemeral urban milieu' may perhaps be more important than proximity benefits in location decisions. An important distinction should be made between the newer 'strong centre' cities such as Toronto, Seattle and Vancouver and older ones where urban diseconomies abound.

It is highly unlikely economic activity will abandon the central city en masse because the locational propensity of quaternary services is the reverse of that for manufacturing. The former, because they exhibit strong locational centrality, are rapidly becoming the residual central place function. The central business district continues to demonstrate significant attraction for producer and export-oriented services. Spatial agglomeration forces prevalent in the 'core' continue to foster or 'incubate' as well as concentrate service sector growth.

Although the trend toward central city decline and 'fringe' growth is mirrored worldwide (Edgington 1982), perhaps it is going too far to suggest as some commentators do a 'suburbanisation' of economic activity, followed by further population shifts. As Lewis Mumford reminds us - 'trend is not destiny' - there is considerable flux in the urban space economy and precise outcomes are uncertain at this time. Whatever the outcome of this intraregional decentralisation, the changing character of the suburbs reflects a new economic independency which seriously compromises earlier models.

Up until about a half century ago, the economic analysis of authors such as Smith, Ricardo and Marx was chiefly concerned with aggregated market behaviour or with national economic

behaviour. A need arose, however, to develop a theory of the firm when businesses became more complex. This micro theory emerged to deal with every aspect of firm behaviour in markets - it is primarily a theory of markets, and purports to explain the way resources are allocated by a price system.

The theory of the firm analyses how objectives are determined in a business organisation, and the reaction of firms to changes in the environment. Unfortunately, firm behaviour can no longer be explained purely in terms of traditional economics. The theory must be constantly developed to accommodate reality and thereby enhance its predictive reliability.

The revision of the theory of the firm can be traced to growth in firm size and changes in market structure. Increased concentration means the predominance of oligopoly as a market form, and larger businesses means a divorce between ownership and control as size affects the position of salaried management to shareholders. Traditional assumptions with respect to the theory of the firm are, then, becoming undermined. Changes must be made to motivation assumptions and in the analysis of the decision making process (Howe 1978).

Simple profit maximisation no longer applies; other goals such as sales maximisation, asset growth and the search for new markets must be substituted. Managerial theories of the firm are, then, premised more on satisficing as opposed to maximising behaviour. In addition, the so-called behavioural theories contain no preconceived notion of corporate goals, and instead focus on the process by which goals are arrived at. Large

firms are essentially a coalition of management, shareholders, bank lenders and employees, and in group decision making conflict resolution and consensus-building or compromise are important. Rooted in organisational theory, however, the behavioural theory has a poor predictive ability.

The idea of each individual firm in an atomistic market maximising profit by increasing output of its single product until marginal cost is equal to marginal revenue must now be discarded. Unfortunately, a considerable problem with the newer approaches is that there is no longer a single general theory of the firm. The alternative to neo-classical theory is, according to one author, a 'seemingly endless array of theories, individually persuasive but often mutually contradictory'.

Returning to the deindustrialisation debate, a key issue is how far dismantling of basic industries and manufacturing is attributable to net closures of firms and how far to moves to more favourable business climates. With respect to relocation, an explanation for the changing locational preferences of manufacturing plants was put forward by Norton and Rees (1979). According to their product cycle theory, production develops to a mature routinised stage at which point it becomes more profitable to move the plant to a cheaper location. However, this 'seed bed - spin off - hierarchical filtering' model is critiqued by many as nothing more than primitive extrapolation.

A better explanation for the ejection of industry from the city is changing comparative costs which increasingly favour non-central locations. Decentralisation is a strong process. The

tendency to disperse is accentuated by powerful market forces such as the relatively high cost of land and taxes in the central city, the shortage of suitable premises, inadequate site access, obsolete premises, internalisation of scale economies and linkages, and a fall in relative costs of transportation (Lawless 1981).

Similarly, there are 'pull' as well as 'push' factors involved in relocation. The reduced demand for centrality can be traced to lower density and labour costs, tax concessions, and weaker environmental controls in 'greenfield' sites. But it is centrifugal forces, particularly the cumulative effect of congestion costs and assorted diseconomies which strongly encourage dispersal and decentralisation of manufacturing from the city 'core'. In addition, government policies have tended to augment trends stimulated by market forces. City land use policies, for example, have tended to inhibit industrial growth by discriminating in favour of higher uses such as housing and amenities.

Net closure comprises a balance of births and deaths of enterprises. Traditionally, the industrial city served as 'seed bed' for new firms but lately seems to be faltering in this 'incubator' role. Industrial cities have suffered a serious fall in their 'industrial fertility' (Young and Mills 1982).

As far as overall metropolitan industrial decline is concerned, the drop in the birth rate is less significant than the rise in the death rate. Small business in particular is observed to have both a high birth and death rate but closures

and in situ contractions are dimly understood. This is unfortunate because Keeble's empirical evidence for London, England, which is probably applicable elsewhere, finds net closure has it over relocation by a ratio of 3:1.

In contrast to the more conventional explanations, Scott (1982a, 1982b) attempts a comprehensive theory of urban economic change from the historical materialist perspective. His focus is on commodity production as the primary element in the organisation of the space economy, while (perhaps too readily) dismissing mainstream approaches as too formalistic and simplistic. In Scott's view 'push' and 'pull' factors are regarded as subsidiary to the primary reconstruction force, and the product cycle theory is

"an unfortunate metaphor that conceals analysis of clustering, linkage dynamics and local labour markets...it prematurely forecloses investigation of more basic issues" (1984b:194).

In this perspective, it is goods production that drives forward and shapes the structure and character of the contemporary city. Dispersal and decentralisation of manufacturing, as well as service sector growth, are explained purely in terms of the 'drive for productivity' which involves an increasing application of both capital and technology to the production process, as well as changes in the organisational and institutional arrangements of the private sector. Capital intensification for the purpose of plant rationalisation is, then, a normal part of industry's evolution.

The fundamental restructuring taking place is seen by many as signifying the advent of post-industrial society. The post-industrial order is primarily a knowledge and information-based society characterised by "intellectual technology and science-based industries that derive from the codification of theoretical knowledge" (Bell 1980:237). Proponents of post-industrialism assert that we facilitate the information and service economy, and instead of reindustrialising prepare for the next 'long wave'.

In short, we are urged to embrace the 'technological revolution' in telecommunications, computing and transport. Such technological advances are, however, having far-reaching consequences (Homenuck 1982), and these will be discussed below.

2.5 Employment and Community Effects

Thus far, the discussion has revealed little about the human dimension associated with restructuring. The transition to the post-industrial order portends qualitative and occupational shifts in the employment structure, as well as deteriorating employment opportunities. The tendency to substitute capital for labour in goods production, which the 'recovery' only accelerates, is resulting in substantial 'blue collar' job loss.

In addition to technological displacement, the decline of manufacturing in general is reducing the overall level of factory employment. With respect to primary industry, 'streamlining' during the recession has meant a shedding of labour. MacMillan Bloedel, for example, has 'dumped' 3,100 employees in B.C. in the past couple of years (Globe and Mail

Report on Business 1000, June 1984).

Though office work has traditionally filled the vacuum created by the erosion in industrial employment, this is not necessarily a benign development for employees concerned because of the number of low quality jobs created in the service sector. Factory work tends on the whole to be well paid but the new jobs created in services are, except for managerial and professional positions, not equal to those lost in manufacturing. In other words, we are losing 'good' jobs but gaining 'bad' ones.

Within the service sector a dual or two-tier labour market is evolving in which jobs are polarised in terms of earnings, skill-level, status, security, satisfaction and opportunity for career advancement or upward mobility (Stanback 1979, Davis and Hutton 1981). Generally speaking, within the labour market overall the middle ground is gradually disappearing (Homenuck 1982), and this 'vanishing middle' is associated with both increased segmentation and inequity (Kuttner 1983).

Furthermore, it is no longer correct to assume that the service sector will continue to act as an 'employment lifeline' for an ailing labour market. The service sector is unlikely to continue to absorb labour 'shaken out' or shed from manufacturing at the same rate as it has done in the past because of a combination of slowdown in growth and the rapid application of technology to service industries. Daniels (1983) observes that services sector growth has in fact failed to offset quantitatively manufacturing job loss in the U.K.

A vigorous period of rationalisation lies ahead for the service sector and it is likely that in the process many existing service jobs will be eliminated. In pursuit of greater efficiency and productivity the service sector is also in the process of disengaging workers, particularly low skill, routine office work which is subject to automation. Once services are standardised, the potential for utilising technology grows.

For those fortunate enough to avoid displacement there is the prospect of deskilling to the level of 'machine minders', and for a lucky few greater specialisation will indeed require further training. Capital deepening is occurring not only in physical but also human terms. However, investment in human resources for the purpose of skill intensification will probably be very limited in scope and thus we are unlikely to see a massive 'professionalisation of the workforce' materialise.

In sum, capital intensification and new technology are altering the character of work itself. Intense rationalisation is likely to sustain a low growth economy but this may well prove to be a 'jobless growth', offering little relief to the unemployed. Temporary job creation schemes involving public expenditures are widely regarded as no more than 'make work palliatives' and a 'band aid' solution to the problem. In addition, proposals for work-sharing and early retirement to reduce the workforce have not been well received and are encountering many cultural and political obstacles.

The prospects are indeed quite dim for technologically illiterate persons (or 'techno-peasants') seeking employment in

growth areas. The major victims in all probability will be the traditionally disadvantaged with the problem of medium-term unemployment being especially serious for youth. There is a significant body of literature documenting the substantial negative social, psychological and health effects associated with protracted periods of unemployment for individuals.

Cities and towns can also be 'victims' of restructuring. Wholesale plant closings are observed to devastate the economic and social fabric of entire communities. Well established linkages are severed when the dominant industry closes or relocates, and negative multiplier effects can drastically reduce the employment and tax base putting a 'fiscal squeeze' on the town in question. The nature and extent of human and economic costs caused by the abandonment of whole communities by private capital through 'capital flight' or disinvestment is well documented by Bluestone and Harrison.

2.6 Concentration and Centralisation of Capital

An alternative framework to the post-industrial perspective on economic change exists which concentrates on the private corporate sector. Concentration and centralisation of capital, which accelerated rapidly during the 1960s as a result of vigorous merger and acquisition activity, continues to this day albeit at a slower pace.

In 1960, Fortune's top 200 corporations lay claim to 54.5% of all U.S. mining and industrial assets and 44.7% of sales, by 1977 this had grown to 62.4% of assets and 66.6% of sales (U.S. Department of Justice quoted in Shapira and

Leigh-Preston 1984a). Of companies making up the Toronto Stock Exchange 300 Composite Index, 9 'super rich' families or individuals own shares with a market value of around \$9 billion out of a total index value of about \$80 billion. However, they control more than half of the value of shares, and much of the wealth represented was accumulated by acquisition and manipulation of companies rather than by innovation and production (Globe and Mail, 25:8:1984 B1).

With respect to changing corporate structure, large domestic corporations have been transformed into multinational companies whose interest in worldwide expansion and diversification has 'internationalised' the business system. The multinational is now a major actor in the international economy through its ability to plan and organise production, distribution and financing on a global basis.

Corporate concentration and centralisation bears a striking relationship with sectoral and occupational change and with uneven spatial development (Blakely and Shapira 1984). Because urbanism and economic development are historically correlated, centralisation of corporate control in major business centres stimulates both the development of key cities and white collar employment. Urban functions lie predominantly in the quaternary and quinary sectors as centres of control and command in the mixed economy (Young and Mills 1982).

At the same time, concentration of business activity in large corporations has enhanced the capacity to shift economic activity geographically to the 'periphery'. The process of

disinvestment from older industrial centres is facilitated by the increased mobility and concentration of private capital (Massey and Meegan 1978, Bluestone and Harrison 1982). Simmie (1983) goes as far as to suggest that in advanced countries, the spatial hierarchies of cities are a function of the location of parts of the organisational hierarchies of the multinationals.

The result of concentration and centralisation of capital being uneven spatial development characterised by a metropolitan 'core' containing corporate headquarters; a dependent, rapidly industrialising semi-periphery; and a struggling primary periphery (Friedman and Wolff 1982). At the metropolitan level, the core-periphery relationship is inverted with problems of inner city decline and suburban growth.

CHAPTER 3

VARIATIONS IN APPROACH TO URBAN ECONOMIC POLICY PLANNING

3.1 Introduction

The preceeding chapter discussed powerful dynamics and forces underlying contemporary urban economic change. This chapter will now examine the response by urban authorities to problems presented by dramatic shifts occuring in the space economy. In any fundamental change such as taking place now there are elements of conflict and choice. Alternative policy packages comprising progressive initiatives exist which, rather than acquiesce, prefer to 'flow against the tide' of powerful market forces and the national policy thrust.

Undeniably, there are different schools of thought on events in terms of both interpretation (diagnosis) and policy prescription. This requires some explanation. Economic policy planning is not only a technical exercise but also a political activity: the currency of technics being facts and the currency of politics being values (Solesbury 1974). Policy at the local level is therefore an expression of both facts and values. The respective roles of the public and private sectors is in particular very much an ideological question.

There exists a wide range of opinion on the nature of problems and their solutions. Some suggest that we facilitate the transition to post-industrial society and ride 'the waves of the future' oblivious to the costs. Others take a more skeptical outlook, pointing out the consequences involved and indicating the need to compensate and protect. Another group are far more

critical of the changes taking place and offer resistance to the dominant trends.

Classifications can be very useful in bringing coherence to an otherwise mixed bag of viewpoints and policy initiatives. The conservative/liberal/socialist typology first elucidated by North and Leigh (1983) with respect to local economic development planning is a useful one because of its general validity. It will be used now to examine the wide variations in approach to urban economic development. Specifically, the aim here is to delineate the political philosophy or ideological base, assumptions and biases, the role of the private and public sectors, and strategy manifestations contained within each approach.

3.2 The Conservative Approach

Conservative administrations pursue the imperatives of rationalisation and recovery. The 'butter-and-guns' approach to financing the Vietnam war followed by the two OPEC 'oil shocks' fuelled inflation worldwide so that by the mid-1970s Keynesian-led economic growth became exhausted. The twin evils of inflation and recession combined into 'stagflation' and this became recognised as the number one problem.

It also became increasingly necessary to address poor productivity performance and low efficiency which weakened international competitiveness. Conservative administrations therefore duly follow monetary policies at the macro level and implement sectoral policies to facilitate restructuring at the micro level.

According to conventional analysis, then, rationalisation and disinvestment are widely regarded as necessary components of a dynamic economic system. Interestingly, the recession in 1979 gave added impetus to these processes and technological change within industry accelerated.

Regeneration of the economy in this view is synonymous with revitalisation of the private sector. In other words, the private sector is the 'motor' of revival and private free enterprise is to be given more autonomy or 'room to fly'. The belief in the 'magic of the marketplace' can be traced to the 'invisible hand' of the classical economist Adam Smith and to neo-classical free factor flows to achieve equilibrium. The market-based approach is therefore consistent with both monetarism and laissez-faire economic doctrine.

Because autonomous market forces inherently serve the public good, no real need is seen for significant State intervention or planning. Indeed, government is urged not to impose on the market but 'get off the back of business'. In particular, government should stay out of the business of picking winners and losers. Where public sector involvement is deemed necessary, responsibility lies primarily with senior government. Local authority involvement in economic development can best be summed up as 'benign neglect'.

In this perspective there is an active bias against public ownership and direct intervention. A minimal role is envisaged for the public sector; one that is essentially passive and indirect. Government must create a 'good business climate'

conducive to business enterprise and investment by removing obstacles to growth and providing incentives. This usually means cutting 'red tape' and taxes, and deregulation. Government may also act to enhance the supply of factors of production, especially land and capital. A manifestation of this approach can be found in the Enterprise Zone concept.

3.3 The Socialist Approach

At the opposite extreme of the ideological spectrum is the collectivist approach. It is usually associated with left-wing Labour Councils in metropolitan areas of England, and can be found where unemployment is chronic and the local economic base is in danger of collapse. These urgent needs translate into radical objectives and policies.

In this perspective, the primacy of the market is rejected. The efficacy of the market-oriented approach predicated upon growth and supply-side factors is in serious doubt when demand is falling. Instead, there is a belief that the local economy has the potential for self-regeneration if only local skills and resources could be liberated. An internal 'bootstrap' development process is emphasised that 'builds from below'. The real engine of growth is not nations or regions but cities (Evans 1983, Jacobs 1983). Notions of self-reliance reveal, perhaps, the utopian-anarchist origins of the philosophical underpinnings.

There is also a belief that the restoration of economic vitality requires a fundamental change in the ownership and control of resources. The aim, then, is to revitalise the urban

economy under local control and determination (Shapira 1981). Institutional reform is deemed necessary to permit local participation in and control over decision-making and the distribution of profits. The emphasis is put on economic or workplace democracy and self-management (Taylor 1981). It is preferred to base investment decisions on social criteria identified by workers and the community rather than the profit criteria of private capital.

Restructuring the local economy to favour labour over capital requires the redistribution of productive wealth as well as consumption. Rigorous intervention is called for by the public sector. Local government is to play a strong lead role in generating and supporting local economic and employment initiatives. The strategy is people-oriented and focusses on the existing economic base i.e. job conservation and creation and assistance to indigenous firms.

The radical approach has utility in expanding the range of policy alternatives because of its experimental and ambitious attitude. Typical progressive initiatives include the provision of grants and rates and rent subsidies, tapping new sources of capital such as pension funds for direct selective investment, promoting worker cooperatives and other forms of common ownership enterprises, and procurement policies.

3.4 The Liberal Approach

This is derived from Keynesian arguments about the role of the State in a mixed market economy which recognises market imperfections or failures and externalities. Concern is

expressed for competition, efficiency and the need to adapt to future technology but this is coupled with considerations of welfare and equity i.e. the mitigation of adverse consequences. There is a modest role for government, then, as both reforming instrument and manager of the economy.

Although some direct government intervention is envisaged, those subscribing to this perspective basically accept the existing structure of economic relations. The public sector complements rather than competes with the private sector.

There is deep belief in cooperation and consensus. Ideally, a partnership of business, government and labour, as well as between the various levels of government, is desired. There is also a solid belief in the need for a coordinated industrial strategy to exploit market niches in which a country has world class strength and adopt new production technology to upgrade traditional industries.

Typifying this approach, the Science Council of Canada has recently proposed an elaborate system of metropolitan technology councils in the country's 24 largest urban areas to break down barriers between business, labour and government (Globe & Mail 12:9:1984 B3).

The neo-Keynesian approach is more sophisticated and pro-active in industrial development than the neo-conservative approach which is seen as lacking in innovation and creativity. Local government takes a more pragmatic view of its role in economic development and will identify and overcome gaps in financial, property and labour markets. It is therefore involved

in land and premises provision, financial assistance and business advisory services. There is more emphasis on employment generation than was traditionally the case, particularly short-term job creation and training of redundant labour.

The Liberal approach resembles closest the mainstream or 'new orthodoxy'. In practice, it is common to find a combination of all three approaches. Elements of each are adopted in reality and the resulting mix reflects not only variations in local conditions and opportunities but also the pluralistic and competing nature of urban interests, and perhaps an absence of faith in any single tack.

CHAPTER 4 POLICY COMMENTARY

4.1 Introduction

The choice between the three approaches is essentially a political rather than a technical one. However, the local economic planner can say something about the suitability of strategies and policy initiatives in light of an analysis of ongoing structural change and local conditions. Unfortunately, because of the paucity of evaluative studies in this area we are a long way from identifying unequivocally those forms of intervention most effective at least cost.

Nevertheless, a preliminary assessment of experiments and innovations, as well as more established policies, will now be attempted. There is a plethora of literature documenting the wide range of initiatives developed and implemented by local governments (Crombie 1983, Waters 1983, Lawless 1981), Miller 1981, Mawson and Miller 1982, Mawson 1983, Johnson and Cochrane 1981, Middleton 1983, Young and Mason 1983). There now follows a summation of the opportunities for intervention accompanied by a 'coarse-level' evaluation. In other words, the nature and merit of options available to local authorities will now be examined.

Although local government involvement in economic development varies enormously between jurisdictions it is nonetheless possible to generalise from the broad range of experience. A useful if traditional way to structure and present the diversity of policies is to take in turn the principal factors of production: land, including premises and

infrastructure; capital or finance; entrepreneurship linked to information and advice; and labour or human capital.

4.2 Land

Local government sites and premises provision constitutes the 'property-led' approach to industrial development, and together with infrastructure comprise the physical 'hardware' of urban economic development. This is the best developed area of local government involvement since it is a natural extension of planning powers and expertise. Because this area of intervention is long established, it is for the most part well understood and accepted.

Urban authorities are, by and large, very active in land transactions such as 'banking' (the deliberate acquisition of land) and assembly of land into suitable sites for development. In Canada, Industrial Parks are very much the norm and "no self-respecting municipality would be without one" (Walker 1980). Most do not, however, conform to a narrow definition of a strictly controlled park environment but instead resemble industrial districts. In England, Industrial Improvement Areas are far more formal and entail both financial assistance and public investment in infrastructure.

The provision of infrastructure, such as site servicing and social facilities, is an important element in development efforts. In many countries redevelopment or replacement investment such as road access to inner city industrial zones has become as important as 'greenfield' site servicing (Waters 1983). It is found that the designation of Industrial Zones can

assist in overcoming functional obsolescence and stimulate private investment by confirming a long-term commitment to a specific area. Such measures may in practice, on the other hand, be regarded as little more than cosmetic (Lawless 1981).

In terms of premises provision, speculative building such as Advance Factories have long been a component of British regional policy, and many urban authorities in the U.K. keep a stock of premises for new or relocating firms. Involvement by local government is justified on the grounds that gaps exist in the market for suitable property in terms of quantity, quality or cost and this constitutes a local constraint on firms.

The solution is not, however, indiscriminate investment in modern land and buildings of uniform standards. Demand is complex, and needs vary according to the type of firm and product. For example, modern factories are essential for high technology firms but the provision of new premises should not occur at the expense of demolishing old buildings. There is a need to preserve older and cheaper premises on which small and new businesses depend, particularly craft-based firms with low profit margins.

A fairly recent development is the rehabilitation of older premises and conversion into smaller units. For example, delapidated textile mills in the North of England have been successfully converted into workshops or Enterprise Centres (Waters 1983). They help promote the development of an idea into a prototype for commercial exploitation at a later date. These non-traditional 'nursery' units afford small businesses the

opportunity to assess and modify technical, managerial and marketing problems prior to commencement of full production.

Concern for small premises is, then, linked to product development and innovation - the traditional role for the city as 'seed bed'. In Canada, multi-occupancy industrial malls typically cater for small operations and are therefore important in 'incubating' small business in suburban areas (Walker 1980). It is important that in terms of sites and premises provision local government be selective when ensuring the availability of various 'hardware' according to the size, lay-out, tenure type and price (North and Leigh 1983).

To facilitate the property-led approach, many urban authorities have formed Development Companies either as wholly-owned subsidiaries (the U.K. experience) or as joint ventures with the private sector (the U.S. experience). The 'arm's length' relationship afforded by such an arrangement avoids some of the legal and financial constraints on local government, and in addition is preferred by the banks and the private sector who would otherwise be suspicious of its objectives as well as its competency. Equipped with a clearly defined role, and often staffed with recruits from the private sector, such agencies can be quite effective in the commercial and retail as well as industrial property market.

A debate has arisen over whether local government should be directly involved in development involving a unilateral expenditure of public funds or rather play a more indirect catalytic role by forging partnerships with the private sector.

Due to financial constraints, many local governments enter into financial partnerships with developers for the purpose of providing premises.

A common formula is the lease or leaseback arrangement whereby the authority provides the land and guarantees a minimum return to the investor, who in turn advances the capital for construction. Demonstration of local government commitment to such a project creates the financial confidence which enables the developer to easier access institutional finance.

Partnership arrangements therefore permit private funding to be 'leveraged' and risks to be shared. Joint ventures with the private sector are seen as evidence of growing public-private collaboration and cooperation.

4.3 Finance

The wave of interest in small and medium-sized firms has highlighted the serious gap in the financial market for businesses of this nature. Commercial lending institutions are by and large conservative in outlook and tend to look unfavourably upon applicants for a bank loan without a track record or assets to offer as security.

The discrepancy in the market is acknowledged by senior government which has instituted measures to address this need, as well as provide for lenient tax treatment on equity investment in small business. An interesting innovation in France to generate finance for small business is the scheme which allows unemployed persons to capitalise their entitlement to benefit and subsequently use this sum to finance new business

ventures (Waters 1983).

Many local governments, however, believe this response to be inadequate and accordingly have become increasingly involved in the provision of venture or start-up capital to new firms, investment capital to existing ones and even working capital to frequently under-capitalised enterprises such as cooperatives. Because grants constitute an expensive use of scarce resources, loan finance or guarantees are preferred, particularly as they permit the leveraging of private contributions.

Investment subsidies for the purpose of attracting mobile capital is said to be very sensitive to the spatial scale at which it is disbursed. So-called 'footloose' firms are now a very scarce commodity worldwide (Crombie 1983). Consequently, marketing efforts based on subsidised premises and financial assistance have become very aggressive. It is not uncommon to find locational advantages of specific areas in advertising literature grossly exaggerated, even to the point where "London-based executives now know that to the North of Watford lies Heaven on Earth" (Middleton 1983).

Competition at public expense is a waste of resources, for example in England there are currently over 1300 empty Advance Factories (Alternative Regional Strategy 1982). Even when successful in attracting external private capital, such firms tend to be branch plants comprising low quality jobs (Shapira 1981). Propulsive firms are not generally attracted by such investment subsidies. Labour and capital markets, transportation, regulation and amenity exert a far greater

cumulative influence on business location decisions.

Costly capital subsidies are not necessary to stimulate economic development or growth. They have little importance regarding business investment and location decisions and merely represent a windfall to business profitability (Kierschnick 1981) or 'corporate welfare' (Harrison and Kantor 1978). Investment subsidies also encourage capital intensification resulting in a poor job creation impact.

'Smokestack-chasing' is said to be futile and nothing more than a zero-sum game. Competitive bidding amongst local authorities is an unnecessary duplication of effort (or 'beggar-thy-neighbour') and results in scarce public resources merely redistributing and not creating jobs. For example, the Enterprise Zone as established in the U.K. and to a lesser extent the U.S. is found to 'suck in' jobs at the expense of job loss in neighbouring areas. These 'legal islands' or freeports, in which taxes are cut substantially, zoning eliminated and most regulations rescinded, are at best irrelevant and at worst damaging (North and Leigh 1983).

Originally touted as a non-planning exercise, Enterprise Zones have ironically turned into an example of positive planning and intervention (Williams and Butler 1982). Although introduced only a few years ago, there are already serious doubts as to their efficacy and they have generated a surprising weight of critical literature. Goldsmith (1982c) regards them not as a solution but part of the problem and a crude attempt to create banana republics at home. Local policy makers should be

wary of panaceas such as Enterprises Zones and Science Parks.

Incentives and subsidies used to lure external private capital also do nothing for indigenous firms and the retention of existing employment, and pay little attention to the quantity and quality of jobs created or the local multiplier effects. The land and buildings (or physical determinism) approach in particular is said to provide unthinking assistance to industry.

An interesting innovation in this area is the attempt by some local authorities in England to extract greater accountability on the part of firms receiving public aid through a Planning Agreement. These reciprocal arrangements seek a commitment from the recipient regarding the number, type and duration of jobs created, as well as rates of pay and working conditions in return for public assistance. In practice, however, this may prove difficult to enforce and may not survive abrupt changes in economic conditions (North and Leigh 1983).

An argument is made that the provision of equity capital rather than loans or grants by local government affords greater influence over management decisions, and subsequently increased control over the local economy (Miller and Miller 1982). There is also a recognition of both an unmet need for long-term developmental capital and the weak financial base of many local firms. The more progressive urban authorities in the U.K. are therefore taking equity shareholding in local businesses. This can also be seen as a 'pump-priming' activity (Minns and Thornley 1979).

Because this activity requires a new set of skills and

expertise, it is hived off to a semi-autonomous Enterprise Board. This institutional device permits the urban authority to leverage supplementary private sector funding, act as investment manager on behalf of financial institutions such as pension funds i.e. to legally handle portfolio investment, purchase equity in any form and offer loan guarantees (Edge 1983, Lyons 1983).

This public sector development capital body represents a major step by the local authority in extending its range of activities and permits it to play a more direct, entrepreneurial role in the local economy. Opportunistic interventions in existing local industry, though open to political manipulation, can avoid bankruptcy and subsequent plant closure, and thereby stem job loss.

A strong case can be made out for linking pension funds in particular to direct investment in new and existing firms rather than unproductive portfolio stocks and real estate (Minns 1983). In B.C., the local Credit Unions are beginning to move toward channelling local funds into new and existing local enterprise.

Some urban authorities extend beyond the Enterprise Board approach and seek to rekindle enthusiasm for municipal enterprise in which local government participates directly in commercial trading activities such as public utilities, transport, housing etc. However, conservative central governments exert strong pressures on local governments to 'privatise' or contract out as many of their services as

possible in the belief that exposure to the rigours of the marketplace will increase cost-effectiveness.

Finally, the totality of local government involvement in the local economy - as employer, developer, purchaser - is only now being appreciated, and some urban authorities have implemented a procurement policy which explicitly discriminates in favour of local firms. However, there is some concern over the unfair competition which such assistance represents. As part of its competition policy, the European Commission is attempting to impose upon local governments aid ceilings which will limit the level of assistance made by them (Waters 1983).

Overall, investment subsidies and incentives are not a reliable instrument of local economic policy because of the following problems. First, subsidising industry at the public expense can be very expensive - a form of industrial philanthropy (Miller and Miller 1982). The propping-up of inefficient firms is also a serious misallocation of resources.

Second, as lenders of last resort, local government will most likely end up supporting the more marginal, high risk projects which will result in a significant number of failures. No amount of public aid can compensate for basic weaknesses in firms.

Third, projects which fail to satisfy commercial banking criteria but are supported by local government implies a mix of economic and social objectives. Inevitably, conflicts will arise between financial and social criteria used in project appraisal. More importantly, the interest of some authorities in promoting

innovative forms of enterprise such as community businesses poses considerable ambiguity in evaluating the impact of such support.

Gone, then, are the days of non-specific, expensive advertising and subsidy. The problem facing the local authority today is how to withdraw unilaterally from this industrial roulette - in a sense they are hostages to private mobile capital (Shapira and Leigh-Preston 1984a).

4.4 Entrepreneurship

An increasingly important intervention point for urban governments in the local economy is that of information and advice. Traditionally, this activity consisted primarily of participation in exhibitions and the provision of promotional literature advertising the range and type of assistance available, and indicating the opportunities for investment.

'Prospecting' activity for the purpose of attracting mobile private capital is now downplayed in favour of promoting and serving the existing economic base i.e. assisting indigenous firms and focussing on job conservation. Information gathered for marketing serves a dual purpose: promotion and intelligence. Knowledge of markets, regulations, opportunities and programs has a value for both indigenous businesses and local economic policy planning.

The marketing function, which involved the passive dissemination of information, has recently been transformed into a much broader range of information and business advice services. Out of the original promotion function has evolved a

wide range of business services and technical support to aid local firms, particularly those in growth sectors with strong local linkages (Packham 1983),

Until fairly recently, entrepreneurship (or the quality of management and innovation) was not considered an area for public intervention. Now, however, virorous attempts are made to stimulate and improve this activity through business counselling, information and start-up training which lend themselves naturally to local-level delivery. The expertise and goodwill of the business community is a valuable resource which can be tapped to provide advice to fledgeling entrepreneurs.

Because they are locally based and labour-intensive, and characterised by worker initiative and self-management, there is a growing interest in promoting producer cooperatives and other forms of community business. In the E.E.C. between 1976 and 1981, 6,700 cooperatives were established, mostly in Italy (Titley 1983).

Whereas local government can stimulate small business via training, advice and the package of premises and finance, encouragement of common ownership forms of enterprise calls for specialist institutional support. Consequently, Cooperative Development Agencies have been set up by local government in the U.K. Because promotion of permanent employment opportunities encounters special problems in mobilising residents, particularly in low-income areas, and in dealing with the new type of business form, this activity contains a strong component of community as well as economic development.

Though small enterprises continue to attract considerable attention because of the belief that they are significant generators of employment or in the vanguard of technological innovation, the evidence is inconclusive. Supporters see them as being an important vehicle in economic development (Rothwell 1982) but others hold serious reservations about the professed abilities of small business, and doubt whether the future salvation of cities in decline lies entirely with this sector (Middleton 1983).

Certainly, work by Birch in the U.S. initially generated much enthusiasm for small firms but subsequent reinterpretation cast doubt on the application of many of the conclusions in other jurisdictions (Fotherhill and Gudgin 1979a, Storey 1983). Specific concerns are raised as to the quality of jobs created because small firms tend to be service-oriented, and the security of jobs as well as the sustainability of the enterprise in question because typically they are characterised by a high failure rate. These criticisms have yet to permeate conventional wisdom and the myth surrounding small business job impact persists.

4.5 Labour

Though not a statutory obligation of urban authorities, their concern over the quality and quantity of manpower is quite valid. Local government involvement in human capital evolves essentially around identifying gaps in training and retraining provision, and subsequently lobbying appropriate agencies and departments.

In a broader sense, lobbying can be undertaken to

sensitize senior government about local concerns , as well as to take advantage of programs. Formal training is linked to the more informal advice and counselling to stimulate entrepreneurial activity. A host of new business techniques have been developed as part of an increasing body of managerial technology, and professional training of businessmen creates the human capital which embodies this new technology (Stanback et al 1981).

In rare instances, the local government may engage in direct action and establish or take over facilities but it is more usual for central agencies under senior government auspices to have responsibility for training and manpower planning. However, because national programs are not tailored to specific local requirements and central administrative machinery can appear remote and bureaucratic, local government is frequently found to act as management agent for the manpower agency and to be involved directly in the coordination and planning of local-level delivery.

Job creation and training are typically the responsibility of senior government, yet in Europe a few local authorities have accessed the E.E.C.'s Social Fund in order to introduce a wage subsidy aimed at the long-term unemployed. These employment subsidy schemes are marginal at best but do at least create a few opportunities for employment and on-the-job training and provide some basic work experience (Botham 1984, Packham 1983).

Yet another interesting innovation in the area of

manpower is the 'key worker' housing scheme in which a portion of the municipal housing stock is reserved for key personnel moving into an area with a new or expanding firm. Despite complaints about queue-jumping, this can be an important element in a promotional package aimed at migrant firms, and in a wider context facilitates the geographic mobility of labour.

CHAPTER 5 IMPLEMENTATION OF LOCAL ECONOMIC POLICIES

5.1 Introduction

Having examined the nature of shifts occurring in the urban space economy and the various strategic approaches and policies adopted by urban authorities, this chapter will now focus on practical implementation of local economic policy planning. There are real problems observed with respect to the institutional framework and the 'actors' involved. How real is the potential for conflict and duplication, and how should this activity be organised? What are the implications of the recently enlarged economic role for the planning profession?

Because the relatively new field of urban economic development crosses traditional interdisciplinary boundaries, a high degree of cooperation within the administration is called for. Ideally, economic policy planning at the urban level ought to be a corporate activity permeating every department and involving a wide spectrum of local interests as well as interagency coordination. The expanding economic function presents to local government, then, a challenge both in terms of internal and external relations.

5.2 Interagency Coordination

It is imperative that policy formation at the local level take into account other jurisdictions and relate to, for example, national industrial development strategies. Unfortunately, national policies lack an explicit urban

dimension and present interventions by local authorities tend to be ad hoc and disjointed.

The absence of regional coordinating machinery in particular is a real hindrance to sub-regional planning because independent action by autonomous agencies can disrupt the plans of others and therefore be counterproductive. A framework for regional planning is vital for local economic policy initiatives in terms of resolving or better still avoiding tension and possible conflict (Self 1983).

There are also clearly economies of scale to be realised in the provision of certain functions. Cost can be reduced, for example, if local authorities cooperate regionally in the attraction of 'footloose' firms, economic intelligence gathering, lobbying and training.

A strong case is made by Martin and Hodge (1983) for incorporating local economic policies into a new sub-national spatial policy framework. Traditional regional policy has a disappointing track record and the reasons for this can be traced to costly capital subsidies and incentives. 'Locational bribery', though successful in diverting new industry, generally failed to generate any long-term growth.

It is suggested that recent developments in the space economy progressively undermined conventional regional policy and rendered measures inadequate to cope with the the new economic realities. The political 'eclipse' of regional policy is due not only to the increasing mismatch of programs to needs but also to the new approach to policy making which is almost

exclusively national in orientation. Conservative central governments in particular have moved away from a social concern for regional equity toward promoting national industrial efficiency and rationalisation.

Martin and Hodge argue persuasively for a new regional policy which aims at economic reconstruction within regions. That is, future regional policy should have an intraregional focus and attempt a 'structural reconversion' through first of all increasing the competitive efficiency of existing industries and secondly channelling investments into new expansionary forms of enterprise. In other words, the economic base requires consolidation and regeneration. A redistributive or diverting social role for the new regional policy is not envisaged as this would merely 'spread the misery of mass unemployment'.

Because of the strong efficiency arguments for building on local economic policy initiatives, expertise and in situ knowledge, the new regional policy should first of all be recast on the basis of sound local economic development and secondly shifted to a local framework of aid delivery. The future regional policy according to Martin and Hodge should support and encourage local economic policy planning. The ideal framework for economic planning and intervention is one that is nationally coordinated yet locally controlled and succeeds in 'meshing bottom-up impulses with top-down orthodoxy'.

In the absence of this ideal, local economic policy making must be reconciled to the inadequacies of the prevailing

structure and the thrust of national policies. It should be undertaken within the broader context of interagency liaison and consultation.

5.3 Community Collaboration

Apart from the interagency coordination of policies, the other major area of interest to local economic planners with respect to external relations is community collaboration and dialogue. Urban economic development aims to influence the local economy in accordance with expressed community goals. In terms of process, then, it is imperative that clear links be forged with local interests, notably the business community, trade unions and community groups through such mechanisms as Commissions, Committees and Task Forces.

The opening of the system in this way helps refine policies and in addition makes the organisation more responsive to community concerns. The involvement of local citizens, business and labour in policy making not only generates much needed creative input but also also enhances the legitimacy of the process. This exercise therefore helps build consensus and political support for policies, and is important for resolving competing interests and determining trade-offs.

It should be noted, however, that the public participation approach to policy making is by no means cost-free. Democracy has its price. Because of the highly pluralistic nature of contemporary urban society, the formation of compromise solutions can have the effect of seriously postponing decision-making or 'fudging' the policy approach.

5.4 Impact on Conventional Urban Planning

Urban economic policy planning, because it is characterised by new assumptions, tools and outlook, presents both an opportunity and a challenge to the planning profession. The emerging economic policy role at the urban level strongly interacts with more orthodox urban planning. This portends a possible realignment of bureaucratic power but more importantly highlights the basic conflict between the control/regulation function of urban planning and the promotion/creation function of economic policy planning.

The traditional concerns of urban planning are with social infrastructure and the physical environment i.e. issues of equity and distribution, and physical land use and design. It assumes growth and expanding resources, and aims to manage growth from a predominantly land-use perspective with a negative control function dominant. By focussing on zoning and physical aspects of growth, urban planning addresses the symptoms or consequences of economic growth. In other words, it is put in a reactive mode and responds to private sector initiatives through regulatory means.

The assumptions, objectives, attitude and instruments of urban economic policy planning are, by contrast, quite different. Because local economic planners are by and large aware of the nature and extent of urban economic change and decline, they appreciate that the contemporary era is one of austerity not plenty and therefore accept the current restraint in public expenditure.

Local economic policy planners are also proactive. They very much take the initiative in facilitating the revitalisation and/or conservation of the local economy. Urban economic development, being production rather than consumption-oriented, tends to be sympathetic toward commerce and industry.

Urban economic planning based exclusively on conventional spatial tools and regulations is going to have little overall impact on influencing economic change which is essentially aspatial and structural. The economic development process is also complex. To cope with restructuring, new tools are being developed which is drawing on the local economic planner's creativity.

In terms of stimulating economic activity, it may well be that an emphasis on urban milieu and amenity rather than traditional land and finance provision might in the long run prove more fruitful. In addition, it may well be that the ability of local government to influence the urban economy depends as much if not more on sympathetic approaches in allied policy areas such as zoning, transport and housing.

Because of rapidly changing economic conditions it is argued that the assumptions and instruments of traditional urban planning are quickly becoming obsolete, and historic perspectives must be revised in accordance with the 'new economic realities'. Urban planners are urged to reorient themselves, particularly as to diminishing not expanding resources, and incorporate or give greater weight in their

analysis to the economic dimension. In effect, they are recommended to effect a paradigmatic shift in their thinking from negative interference and crisis intervention to positive development and entrepreneurial innovation, or at least to attempt a better 'balance' in their orientation.

It has been observed that orthodox planners tend to harbour a bias against business which may be part of professional ideology and engendered in education and training. Certainly, the planning profession is viewed in some quarters as being antithetical to the private sector and constituting a barrier to private investment and growth. It is therefore under a great deal of pressure to be more understanding of business and to relax regulations and cut 'red tape'.

There may well be some validity to the claim that the planning bureaucracy imposes unnecessary and unreasonable costs and delays on developers and property owners. However, there are legitimate fears that moves to 'streamline' the development process will compromise many hard-won safeguards of environmental quality, health and safety. Some see a real danger in over-enthusiasm for this new planning function and in identifying too closely with private sector interests. Empathy for the business community is perhaps long overdue to rectify past hostilities yet at the same time many do not wish to see communities and citizens 'sacrificed at the altar of private profit'.

Business and community needs and priorities are not always congruent. Somehow, a balance must be struck between

economic and social/environmental objectives. There is also a need to reconcile the two branches of the profession. Relations between more orthodox city planners and economic planners are at best indifferent and at worst hostile. It may well be that recruits from the private sector in Economic Development Offices of municipalities are too business-oriented and lacking in sensitivity toward social issues and needs. The answer is probably to sensitize them to the diverse, multiple aims of local government.

There is, then, an urgent need to resolve the internal conflict between conventional urban planning and emerging economic planning at the urban level. This requires that the apparent contradiction between regulation and promotion functions be reconciled through corporate or integrated policy planning.

The potential certainly exists for linking social, physical and economic planning at the urban level but the realisation of this perhaps lies somewhere in the future. It remains to be seen how the profession will adapt to the changing circumstances.

CHAPTER 6 CONCLUSIONS

6.1 Summing up of the Problem

During the prosperity of the post-war era, the fundamental health of local economies was never in question. But the onset of 'stagflation' in the 1970s brought about increasing urban malaise - industrial decline, manufacturing job loss and erosion of the municipal tax base.

Coupled with growing concern about the distress experienced by local economies was a perception that perhaps the economic policies of senior government were not adequately addressing urban problems. The current economic doctrine of central administrations revolves around pursuing the imperatives of national recovery and rationalisation.

Restructuring in particular is facilitated in the national economic interest to the virtual exclusion of consequences and impacts. With the rundown of regional policy, local and regional dimensions are now effectively ignored. In a sense, then, local economic policy planning plays a vacuum-filling role, and is formulated in response to perceived decline and neglect.

Economic development is no longer of peripheral concern to urban authorities. Because of the special attributes of local government, it is widely acknowledged now to have a legitimate role to play in economic development. As the downturn and high levels of unemployment persist, local government commitment to this area is likely to grow.

Accompanying the functional expansion is what is seen as an 'explosion' in economic policy initiatives at the local level and, because of increased visibility and controversy surrounding the precise role of local government, urban economic policy planning has become a major focus for public policy debate.

There are serious deficiencies observed with respect to both policy and practice. Specifically, it is asserted that urban economic policy planning is carried out at the expense of sound analysis, clarifying objectives and effectiveness, and collaboration and coordination. These prevailing weaknesses present a challenge to the local economic planner in the areas of theory, evaluation and implementation.

6.2 Principles

The traditional analytic framework on urban economic change is probably obsolete because of the profound restructuring which has transformed the urban space economy in a fairly dramatic fashion. Weak policies and strategies derive from a weak perspective.

As shifts in the space economy provides the context for formulating urban economic policies, it is necessary to understand the underlying processes and problems associated with economic change, and subsequently develop an enlightened perspective that clarifies and explains trends and evolving linkages. The systematic and thorough analysis of the local economy is strongly advocated as opposed to the current ad hoc, reactive response.

With respect to trends, the following represent structural aspects of change: internationalisation of the economy; displacement of goods production by services as the cutting-edge of economic growth; and the growing importance of human capital (Ginzberg and Vojta 1981). The qualitative change taking place in the space economy signifies the emergence of knowledge-based, post-industrial society.

Transition to the post-industrial order portends upward shifts in both capital intensification and occupational structure, and rapid growth of business services employing vast numbers of quaternary professionals. The space economy is reordered so that urban functions lie predominantly in high-order services as centres of control and command in the mixed economy.

Strategies must appreciate the changing nature of linkages developing between the service base of the local economy and the wider regional, national and even international markets. It must also recognise the specialised 'supra-local' role played by some urban centres, for example, Vancouver's function as both Western entrepot and Pacific Rim 'gateway'.

Proponents of this vision urge that we face the new reality of restructuring and rationalisation, and accept the decline of manufacturing as inevitable and a necessary part of system dynamics. Reindustrialisation efforts in this view are misplaced; instead we should focus on industries of the future. The challenge for cities is to provide the requisite innovative and growth milieu.

This perspective on trends is overly optimistic. It tends to downplay and even ignore negative aspects and consequences - there is no recognition of market failure or externalities. Yet the new reality intensifies the realignment within the workforce and a dual labour market is rapidly emerging. Rationalisation is resulting in serious employment erosion or displacement as well as economic dislocation. Substantial costs are associated with persistent high levels of unemployment and abandoned communities.

It is highly likely according to most observers that the labour market will never recover to past levels of full employment. An unforeseen generation of urban problems are predicted to emerge (Scott 1984b). Despite the seductive promises of post-industrial prosperity, it is prudent at this point in time to maintain a healthy skepticism or critical attitude toward 'waves of the future'.

To cope with the problems of post-industrial transition, Stanback urges a wholesale reformulation of public policy. Unfortunately, we are a long way from developing a composite theory with respect to the changes in the urban space economy to serve as a guide in the formulation of effective policies. Because the situation demands urgent action, local economic policy planners cannot wait for a cogent theoretical framework. Policy making is therefore to a large degree operating in a theoretical vacuum.

It is important, then, to contextuate policies in light of a sensitive perception of trends and dynamics, as well as

local conditions and opportunities. Being aware of the wider environment yet at the same time implementing solutions which are locally developed and applied has been coined 'thinking globally and acting locally'.

To maximise effectiveness, interventions must be strategically placed. That is, rather than being blunt and broad-brush, they ought to be sensitive to developmental needs and selective to facilitate targetting. Strategies should move away from the blanket or scatter-gun approach and concentrate on a few key expanding sectors. For instance, they could focus on small firms with strong local linkages within growth sectors by targetting mini-factories and mini-workshops.

Because broadening the range of options affords greater flexibility, it is necessary to experiment with new instruments. A creative and innovative attitude is therefore useful in helping to promote alternatives. The city ought to be regarded as a laboratory for small-scale pilot projects. It is likely, then, that unorthodox initiatives such as community businesses and direct selective investment will form a growing component of future local government economic strategies.

Because instruments are also uncertain in their impact, a policy package ought to contain a thorough monitoring and evaluation component in order to determine both cost-effectiveness and impact. In addition, instruments must be made more precise. When formulating criteria for intervention there must be clarity as to which objective is being pursued.

Urban economic policy planning must come to terms with

two very serious constraints on the scope for local action: powerful market or exogenous forces and limited resources and powers. Interventions can be very demanding of resources but the shift from growing affluence to an era of limits severely reduces the scope for action because there are simply fewer resources available. Instruments should therefore be cost-effective and the local economic planner should seek to clarify not only the policy choices facing the local economy but also the full costs (and benefits) associated with choices.

Significant costs may be incurred in attempts to turn around market forces. Policies that resist such forces and instead 'flow against the tide' can exact an expensive toll in terms of opportunity cost. A rule of thumb might be for policies to facilitate market forces and treat market failures and externalities through ex poste equity intervention. Implementation of social policy after the fact recognises the futility of attempting to 'square the circle' i.e. collapsing efficiency and equity considerations.

The dimensions of strategic choice can be delineated as follows, with perhaps cities in decline represented predominantly to the left of the spectrum and cities experiencing or anticipating growth to the right. It must be borne in mind, however, that the overall strategy developed for a particular area will be very much jurisdiction specific. That is, in practice the precise mix of elements within an overall strategy will vary enormously depending on local circumstances and problems.

STRATEGIC DIMENSIONS

direct/ active intervention.....passive/ indirect
(unilateral expenditure) (catalytic)
inward orientation.....outward orientation
(assist indigenous base) (attract external capital)
people-based.....firm-based
(concern for employment) (concern for tax/capital base)
survival (conservation).....recovery (growth)
consumption/distribution.....production
social criteria (equity).....commercial criteria (efficiency)
reindustrialise (manuf.).....post-industrial (services)
'software' component.....'hardware' component dominant

Typically, cities in decline are production centres and face the greatest challenge because they are caught in a vicious downward spiral of disinvestment. When they implement policy packages that 'swim against the inexorable tide of decline', they are for the most part fighting a rearguard action against the broad and powerful forces of restructuring. It has been noted with respect to these kinds of initiatives that

"policies adopted cannot be simply dismissed as ideological excesses...but represent a positive response to the scale of economic deterioration that older industrial areas have experienced".

Miller and Miller 1982:153

In these cases, local economic policies are likely to have a very limited impact in the short-term. However, a case for

continuing the policy thrust can be made in terms of the seriousness of the problems, the local nature of certain constraints and community support for the initiatives.

Typically, the policy package will focus on the 'software' component of economic development comprising the facility to make loans, give guarantees, take equity participation and provide a wide range of business services.

For the post-industrial city, circumstances and prospects are very different. Their economic base is in a growth situation. The strategy ought to stress comparative advantage; that is, build on strengths rather than shore up weaknesses. The focus for such a strategy will be key industries and sectors which lead growth such as specialised producer and export-oriented services, and propulsive segments of manufacturing. In other words, the so-called 'sunrise' as opposed to 'sunset' industries.

However, specialisation carried beyond reasonable limits has serious drawbacks in that a narrow, highly specialised urban economic base is quite vulnerable to exigencies in the market, and lacks stability provided through diversity.

'Specialisation within diversification' requires that more attention be paid to the existing base; that is, assistance to indigenous firms and retention of employment.

It is important therefore to retain key manufacturing industries and maintain linkages vital to the local economy because "the vitality of the service sector is dependent in large part upon the vitality of manufacturing" (Noyelle

1983:288). But this is not to say that each city must replicate all elements of the national industrial structure. Perhaps a more realistic and reasonable ambition is to aim for a 'diversity of specialisations'.

A typical policy cluster for a post-industrial city would comprise marketing and promotion to create a positive business environment and factor supply enhancement, particularly regarding human capital and discretionary subsidies to sustain local linked industries. The focus on the 'hardware' component of economic development entails physical works including land assembly, infrastructure provision, and factory and commercial building.

The policy package would also emphasise 'streamlining' of municipal regulations; consultations with senior levels of government, including lobbying to sensitize personnel as to urban concerns; dialogue with the local community; and the engaging of the private sector through joint ventures.

It has been stressed throughout how important it is to foster community collaboration and dialogue, as well as interagency coordination and cooperation. With respect to forging links with local interests, the problems of consensus-building cannot be underestimated. It is here that the planner can play a vital role in mobilising community resources and, in some instances, build on a strong 'area planning' tradition.

Any future inter-governmental liaison should focus on the potential contribution of urban economic policies to

national efforts aimed at improving efficiency and competitiveness, and regeneration and recovery in general. Consultations with senior government authorities and agencies should delineate appropriate roles within a synoptic regional framework.

As far as possible, policy should be defined and implemented at the level of the economy it is trying to benefit. However, though much acclaimed in rhetoric, the question of a coordinating structure remains largely unresolved. For instance, in Canada we find no industrial policy; a rather unsuccessful regional policy; and no explicit urban dimension in national policies.

In light of the altered context, Kraushaar and Gandels (1982) predict three new roles for planning which are not necessarily mutually exclusive: technicians of development; managers of decline; and facilitators of change. The first and second roles are respectively production and consumption oriented, whereas the third purports to link production and consumption issues. It is far from clear at the present time whether the profession is able, and indeed should, reconcile the two.

The purpose of this thesis has been to present a structured overview of basic themes and issues in urban economic policy planning, and offer a broad policy commentary. Local economic development, despite having made considerable progress, is still very much in its infancy. Because a critical maturing stage has been reached in its evolution, it was

considered both appropriate and timely to attempt the development of a coherent perspective on the challenges facing urban economic planners wishing to positively influence the local economy.

The 'bottom line' with respect to the impact of urban economic policy planning is that it is relatively marginal, though the scope for effective local action can be significantly enlarged if good relations with business and senior government can be established.

Actual policies can be quite effective when facilitating market forces but when 'flowing against the tide' they probably do no more than 'stab at the wind'. It is simply not possible for purely localised initiatives to stem the tide of decentralisation and dispersal.

As urban authorities cannot independently revitalise cities in distress, governments throughout the 'West' should abandon their obsession with inflation and their preoccupation with monetary targets in favour of a more balanced approach that combines responsible economic management with a fully-developed social policy dimension.

Although local action can never substitute for rigorous policies and programs at the national level, urban economic development does have a small but nonetheless significant role to play due to the responsiveness, accountability and in situ knowledge of local government. Economic activity does not depend solely on the level of demand. Urban economic planners therefore have a key role to play in removing local obstacles

and constraints to growth and development.

The capacity of local government should be fortified by increasing funding and decision making authority. This might require constitutional reform to enable the devolution of power to a more local level. The strengthening of local government 'powers of initiative' would certainly enhance its inherent ability to motivate and mobilise, and encourage innovation from the 'bottom up'.

Because of the uncertainty and volatility resulting from complex and rapid changes in the space economy, a flexible and innovative approach to policy making is advocated. Rather than a doctrinaire response to urban economic problems, this author would urge local government authorities to take a pragmatic attitude and encompass the eclectic set of principles contained in this text.

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