

Spatial Development Trends

Nordic Countries in a European Context

Editors Susan Brockett and Margareta Dahlström



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Spatial Development Trends: Nordic Countries in a European Context.
Editors Susan Brockett and Margareta Dahlström
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Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

The Nordic Council of Ministers

is a forum for co-operation between the Nordic governments. The Nordic Council of Ministers implements Nordic co-operation. The prime ministers have the overall responsibility. Its activities are co-ordinated by the Nordic ministers for co-operation, the Nordic Committee for co-operation and portfolio ministers. Founded in 1971.

Stockholm, Sweden
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Preface

This book, an introduction to some of the current trends that are affecting spatial development, came about as a result of a course offered by Nordregio. It is intended as a companion to similar courses in the future, but more as an introduction to themes that often are less than accessible to busy, but interested, practitioners.

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Thanks also to our production team, Liselott Happ-Tillberg, Brita Larsson and Chris Smith.

Stockholm, October 2004

Contents

Why another book	7
1. Globalisation, regionalisation and the rest	17
– <i>Kaisa Lähteenmäki-Smith</i>	
2. Analysing globalisation – a method.....	41
– <i>Margareta Dahlström</i>	
3. What is 'the new economy?'	55
– <i>Åge Mariussen</i>	
4. Creating learning regions.....	71
– <i>Staffan Larsson</i>	
5. Sustainable development.....	85
– <i>Tuija Hilding-Rydevik</i>	
6. Environmental justice	111
– <i>Karin Bradley</i>	
7. Regional development trends.....	123
– <i>Tomas Hanell</i>	
8. A diagnosis of transitional labour markets	143
– <i>Lars Olof Persson</i>	
9. New geography, new perspectives	159
– <i>Hallgeir Aalbu</i>	
10. Future directions in European spatial policy	179
– <i>Kai Böhme</i>	
11. The future as Wild Card	193
– <i>Karlheinz Steinmüller</i>	
Wild cards and trends	203
About the authors	215

Why another book?

Susan Brockett and Margareta Dahlström

There is a need for an introductory book for practitioners

We looked for a book that could introduce current trends and concepts that were of importance for regional development and spatial planning, for use in our courses at Nordregio. We found none, so we decided to write one ourselves. Busy practitioners are well aware of the importance of trends and new concepts, but often they simply cannot afford the time to orient themselves in the literature. Reading all of the books that are of interest is not practical, and many practitioners have limited access to such works in any case. We saw the need for a book that would provide a concise introduction to this field, presenting the key concepts and key themes that emerge from the current debates and that characterise our changing society.

We hope that we can provide a platform for informed work in spatial development while inspiring our readers. Following on from the introduction to the broad themes presented in this book, we hope that many readers will embark upon further investigations by picking the topics that they find most relevant and interesting and pursuing them more deeply.

The book is intended for practitioners in policy and in administration as well as those conducting development work. We hope that it will also be of use in education, in both advanced coursework and especially in continuing education.

This book presents one interpretation of important current trends

We have assembled the topics that we as editors, in cooperation with our colleagues at Nordregio, feel are important. But this is not an exhaustive list – there are other themes that we might well have included. For example, emerging ideas and practices pertaining to governance and partnership are important trends, but these will be treated in other publications from Nordregio in the near future. In general, the treatment of socio-cultural trends is not central to this publication, appearing only as sub-topics in relation to other issues. Changes in gender roles, family constellations and ethnicity are all important influences on our society, and although they certainly do influence spatial development, their influence is more subtle and complex than the influence of the topics covered here.

The natures of current trends, as well as their potential impacts, are necessarily contested truths, where we can only present our interpretations and give our rationales for inclusion. A different set of professionals would no doubt provide a different story. It is up to our readers to discern what is of relevance and use for them, and to determine the value of what is presented here. At any rate, any publication that pretends to be 'current' is of necessity ephemeral. We are trying to write about the present and the future, but we know that very soon, we, too, will be historic.

The starting point for this book is *spatial development*. This is a term that is much used, but perhaps less understood. Our usage includes all activities – physical, social and institutional – that contribute to the development of a specific territorial space. *Spatial planning*, then, is the intentional coordination of these multiple efforts in order to bring about desired development. Both policy and the implementation of policy are therefore a part of spatial development. At Nordregio, our work has tended to look more to the regional level, though our definition of spatial development does also include the local level.

This is not a 'how to' book. There are other works that deal more with the techniques and methods, strategies and implementation schemes that are of use in actually *doing* the business of spatial planning and development. Our desire here is to provide background, not recipes.

The structure of this book: A reader's guide.

The division of the book into six sections, each with two chapters, allows us to address major themes with one chapter that is more theoretical or broader-reaching, treating concepts and principles, while the other is more concrete and either exemplifies, amplifies or applies themes derived from the first.

There is a rough progression in the book, but it is more a bouquet than a chain. It is thus possible to start anywhere without losing content. Cross-referencing should help wherever there is a real need to connect the different parts of the book.

The *first section*, globalisation, is a macro-issue which is closely connected to the *second section* on the new economy, exploring the fundamental forces for development in regions. The *third section* on sustainability explores one of the central, normative concepts for steering and directing development. The *fourth section* on regional development is a more descriptive section, looking at how regions and their labour markets are, in fact, changing, while the *fifth section* treats the European policy responses to development issues. The *final section* is a view forward, where the concept of wild cards is presented, and then used to examine the trends in this book.

The authors approach their chapters from diverse vantage points, and there is no attempt to unify views. We prefer to allow the differing views to supplement one another, ultimately giving the book more breadth. Our only unifying theme is spatial development.

An introduction to the main themes of this book

After a presentation of the six sections of the book, we will turn briefly to some of the themes that run through the book's various sections and underlie much of what is treated here.

Part 1 – Globalisation

Globalisation is a phenomenon that impacts significantly on regional development. Many consider it to be an externality, in the sense that there is little that can be done about it through spatial planning. But in this sense it is, in fact, used politically as an excuse for either action or *in*-action, such as for instance the embracing of neo-liberalism in the absence of clear alternative policy options. Lähteenmäki-Smith sees globalisation as being about *power and knowledge*. It is a contested concept, and the chapter looks at some of the aspects that are under discussion: increased internationalisation, the changing nature of the international system, technological change, and the changing role of the state. The difference between internationalisation and globalisation is also discussed, internationalisation being about interaction between states while globalisation includes interaction between many agents, states as well as individuals, voluntary organisations, and others.

Globalisation is also contested in terms of how *new* it really is. The underlying phenomena are as old as trade itself, but the scale, speed and impact are changing fundamentally. The question is raised as to whether there is increased polarisation between those who are 'winning' the competition internationally and those who are not able to keep up – those who lose out on mobility terms.

Lähteenmäki-Smith also explores how globalisation, regionalisation and regionalism are connected to one another. New developments in regionalisation and in regionalism are influenced by the changing international system – they develop in response to changes at the international level. In Europe, the EU is an important aspect of this change. On the national level, globalisation relates to the changing role of the state towards a development of regional governance and the emergence of new roles for sub-national powers. Governance is not the opposite of government, but rather a new set of rules and a new agenda for novel forms of partnership-based governance models. Multi-level governance also relates to *supra*-national powers, in our case, the EU.

The companion chapter by Dahlström explores a methodology for analysing degrees of globalisation. It poses the question: what would the world look like if various elements of development (finance markets, production, labour markets) were truly globalised? Labour markets are used as an example, and interestingly prove to be one of the least globalised elements. One can contrast Lähteenmäki-Smith's discussion of the emerging possibilities of increased horizons for the cosmopolitan individual with Dahlström's description of the present, non-globalised, state. In contrast to the labour market situation however, globalisation can be said to be more or less a fact of life in the financial markets.

Part 2 – The new economy

When we discuss globalisation, we are, for the most part, considering economic factors. One of the reasons that globalisation of the economy is possible is due to fundamental changes in the nature of economic activity. This is generally described by the term the *new economy*. The new economy is about the knowledge economy and how knowledge is transferred. Thus, closely linked to any discussion of globalisation and regional development, comes a discussion of the new economy.

Mariussen explores the new economy in two ways. First, he looks at two fundamentally different paradigms for economic competition: a Newtonian one based on discovering economic laws and a Darwinian one based on an ecological and contingent approach. In the first, rules that will successfully support economic development exist, even if they are poorly understood and inadequately implemented. In the second, there is no way to know, *a priori*, which activities may be successful. Instead, the policy regimes must address the environment or climate for innovation. Only then can the 'species' that will be successful, evolve.

The other approach is to explore the types of policy regimes that exist, looking at how well they do this first job. He presents three types of innovation systems: entrepreneurial (US), associative (Netherlands, Germany) and developmental (Japan) and discusses how they form the basis for development. Each provides different sorts of connections between technological research, production and application, and potential consumers.

Many of the ideas concerning the new economy in regional development are untested. Is this just rhetoric, or can these ideas be used to create new, innovative activities in clusters? In the companion chapter in part 2, Larsson evaluates the case of Regional Growth agreements in Sweden. These provide a decentralised attempt to stimulate regional development through learning processes, by identifying possibilities and by increasing effectiveness. They are an example of an innovation regime

that seeks to increase the ‘Darwinian’ competitiveness of businesses in a region.

Larsson concludes, based on his evaluation of the Regional Growth agreements, that localised learning is the key to competitiveness. Mobilisation is essential, but it cannot be directed ‘top-down’ as it is dependent on local initiative. Policy is only part of this – formal and informal networks between firms are important to innovation and experimentation. Academic learning is important, but tacit, informal and cultural forms of learning are at least as important.

Part 3 – Sustainability

Sustainability is a normative approach to regional development, both in terms of locally determined goals, but also in terms of regional contributions to global accords and conventions. Hilding-Rydevik reviews the roots of this international trend, tracing the development of the concept in recent history. She also explores the ethical basis for this political stance and the various forms of anthropocentrism that inform it. In addition, the chapter discusses how ideas that have their starting point in ecological understanding have come to include economic, social and even cultural aspects of development. These broader issues are related to regional development, including the emerging tools for increasing sustainability, such as indicators of sustainability and their use in policy.

Bradley, in her companion chapter, starts with images of the sustainable city and then moves from these to expand the concept of sustainability. Importantly, that which appears to be sustainable in one place can have far reaching repercussions in a globalised world. The results can have negative impacts that are unequally distributed – hence the concept of environmental justice. Environmental justice is concerned with the *distribution* of effects, not just the magnitude of them, and with the international, intergenerational and in fact, intercultural aspects of this distribution. The chapter discusses environmental qualities and risks as social constructions and ends with a call for more reflexive perspectives on sustainable development.

Part 4 – Demography of geography

With the new economy, natural resources become less important to the location and development of economic activity than the human resource base. Hanell explores the problems, challenges and dynamics of demographic and economic development. He notes that while the disparities between the EU-15 nations are decreasing, differences within countries are increasing. The new ‘haves’ are metropolitan regions that are linked to global economic developments, while the ‘have-nots’ are peripheral

areas that are mono-industrial or that are, in fact, losing their human capital due to out-migration. He notes, in agreement with Dahlström, that labour markets are still limited by national boundaries. The drain from the north to the south is a general trend in the Nordic countries, and one that has few parallels elsewhere in Europe. This migration trend creates new problems in some regions, such as an ageing population and labour shortages. The question that then arises from this is whether peripheral regions can, in fact, compete globally.

In the companion chapter in part 4, Persson looks at how labour markets actually function. In labour markets, people move, over the year and over their lifetimes, between a number of different employment forms and other forms of support strategies. These include social security, employment programmes, sick leave, partial retirement, training and re-training, unemployment, seasonal jobs, care of relatives or children etc. These sorts of factors need to be taken into consideration when working with regional development. Labour markets, where the majority were in permanent paid employment, can thus no longer be considered the norm. The new economy and global competition indicate that human resources are the most significant factor in regional development. Thus, policies that are tuned to the realities of transitional labour markets are essential to ensuring continued regional development.

Part 5 – EU and spatial policy

May 1st 2004 saw the single largest change in the European Union: the expansion from 15 to 25 countries, with the inclusion of the former eastern bloc countries. The disparities between the new member nations and the old ones are now much larger than before, and the challenges to cohesion are significantly greater. Aalbu, in chapter 9, looks at the way regional development policy in the EU will necessarily change with this enlargement. He also explores the internationalisation of regional policy with regard to state aid rules, national support zones and structure fund implementation. The relationship between economic integration and territorial cohesion is also explored. Aalbu discusses polycentrism – the creation of multiple, supplementary growth centres rather than one metropolitan giant, as the key to finding a balance between growth and stagnation. This is a concept that is strongly connected to sustainability and to regional development in general.

The scale at which one examines a phenomenon determines what is observed, a point made with reference to economic indicators among EU members as well as with regard to the definition of ‘mountains’ when defining regions with permanent geographical handicaps. Aalbu, in in-

cluding such concepts in policy generation, calls for a link between functional and geographical analyses in regional development.

In his chapter, Böhme deals with the European Spatial Development Perspective – a way of attempting to develop Europe-wide thinking on regional development with cohesion as its primary goal. This is important whether or not a country is a EU member. His thesis is that spatial planning *for* Europe is conditioned by planning *in* Europe and therefore it necessarily has to build on how planning in the different countries is actually carried out. Themes include balanced growth, sustainability and urban-rural links. The concept of territorial cohesion addresses the social and geographical dimension of territory as well as considering the various geographical scales at which the concept is to be applied.

Böhme points out that a key achievement of the Interreg programme is the dissemination throughout Europe of the policy concepts and aims of European spatial policy. Furthermore, through these projects, local and regional actors have ‘breathed life’ into the rather amorphous concepts of the original ESDP document. Spatial policy in this sense is a wide definition of regional development.

Part 6 – Trends, the future and wild cards

In the last section of this book, we move ‘out of the box’ and look into the future of regional development with regard to the trends identified in the five previous parts. First, Steinmüller presents a novel methodology for looking at the future and introduces the concept of *wild cards*, events or developments that ‘derail’ general trends and create an unforeseeable and dramatically different future. He identifies three different sorts of discontinuities: *futurequakes* where sudden, catastrophic events change the direction of development, *creeping catastrophes* where developments are moving in an unnoticed direction, and then suddenly the system involved shifts to a new state as a result, and *chaotic behaviour* where systems react in a strong and counter-intuitive way to the impulses that effect them. Steinmüller, a science fiction author himself, looks at how this form of literature can supply us with ideas for wild cards. He posits that although any *single* wild card event is unlikely, the disproportionate importance of the effects of wild cards indicates that the future is very likely to be significantly affected by *some* wild card.

The point with generating and discussing wild cards is to become more aware of how robust or how fragile our developmental systems and our policy regimes might be. In this way, we can work towards greater robustness. Wild cards cannot, by definition, be avoided, but their impacts can be mitigated. They provide a method of broadening our minds

while encouraging us to think in new ways about our own work with regional development.

In closing, Brockett, Dahlström and Böhme take a free-wheeling look at where regional development might go in the future. First, a scenario that represents an exaggerated prognosis, based on the trends in this book, is presented. Then, wild cards are generated, providing us with a way to think about possible alternatives. We conclude with a vision of a Europe that is 'lost in space'.

Scale, learning, and vertical and horizontal collaboration

There are several themes running throughout the book, and although they may not be explicit in all of the chapters, they are significant for the material in general.

One of these is the concept of *scale*. It is explicitly treated in chapter 9, but it is important in all that has to do with spatial development. The scale at which we study a phenomenon has much to say about what we perceive. For example, the concept of polycentricity (chapter 9) can be applied at the scale of the city level, leading to the formation of a city with multiple business or service nodes. It can be applied at the scale of the region, where it then becomes a discussion of how several different concentrations of population and employment can become interdependent. At a larger scale, the discussion leads to how various regions and their centres supplement one another and create alternatives to the agglomeration of activity in the central parts of Europe.

Any discussion of globalisation requires us to look at a macro scale, but effects can be seen at many scales, and in turn, the seemingly local effects of development can have far-reaching implications. This is the source of the 'think globally, act locally' slogan of the sustainability movement, but it is also important in discussions of the spatial distribution of many phenomena: from environmental risks to labour opportunities. Some phenomena are self-similar – that is, they are fractals where patterns repeat themselves at different scales. Others however change with scale. Migration patterns within regions are different from migration between regions, and some migration patterns are visible only at specific scales, such as those presented in chapter 7.

Another concept in this regard is that of *learning*. In chapter 4, the notion of learning regions is presented, but the concept of learning and knowledge development is actually central to the general discussion of the new economy. Innovation, technology transfer, and adaptation to market needs: all of these are learning activities. In the discussion on sustainability, the ability of regions to learn new modes of behaviour is central to their ability to transform development into more sustainable forms.

In chapter 5, Hilding-Rydevik discusses learning in terms of translating the principles of sustainable development to the world of practice. Bradley calls for a reflexive approach to environmental justice, and this is another way of saying that one learns from experience. Learning is a theme in labour market studies, as an important element in the movement of populations between the labour force and education. While EU policies and their spread among old and new member states and their regions, as well as the internationalisation of regional policy, both require mutual learning.

Many of the chapters deal with vertical and horizontal collaboration. These concepts can act as shorthand for a number of other notions that, depending on the subject and academic traditions, may include terms such as governance and partnerships. Vertical collaboration relates to cooperation between different levels of administration or parts of organisations, for example collaboration between local and regional authorities, government and supranational organisations such as the EU. Multi-level governance is a term often used for such collaboration. Horizontal collaboration relates to instances where different actors on the same level cooperate, for example cross-sectoral teamwork between different professions within a local authority. The term partnership is closely related to such activities, but this term can also include collaboration between different types of organisations on a project. EU funded development projects are good examples where partnerships are formed to include public organisations such as local authorities, private companies and voluntary organisations such as community groups. Larsson's chapter evaluating the Swedish Growth Agreements deals with these issues although not explicitly using the concepts of vertical and horizontal collaboration. Horizontal cooperation in the shape of cross-sectoral and particularly cross-professional teamwork is discussed as a crucial part of successful sustainable development practices. Both vertical and horizontal collaboration is dealt with in the contribution by Lähteenmäki-Smith. Her chapter discusses these features regarding the new roles of regions, both in terms of governance and of international regional collaboration.

Chapter 1

Globalisation, regionalisation and the rest

Making sense of the conceptual chaos

Kaisa Lähteenmäki-Smith

Abstract

We have long since acknowledged that the internationalisation of economics, politics and culture offers individuals, organisations and political communities new opportunities, as well as posing numerous challenges not least in respect of participation and co-operation. In recent years however a significant discussion has taken place in respect of whether we have moved beyond internationalisation to some kind of ‘next level’, similar to internationalisation but at the same time qualitatively and quantitatively different from it, namely ‘globalisation’. For many academic disciplines this has meant considerable challenges: not least to International Relations, where the unit of analysis and theories have been traditionally embedded in the ‘simple’ world of nation-states, their relationships and interactions. It is therefore argued in this chapter, from a largely International Relations inspired theoretical starting point, that these changes are important for not only the changing role of global, international and national institutions, and for regions, but also – and perhaps more importantly – for the role of individuals.

Why should we care about globalisation?

The aim of this chapter is to provide a theoretical backdrop to the discussion of globalisation as a process of considerable relevance to a variety of political scales, from the local and the regional to the European and trans-national, but also for the individual hoping to better relate him- or herself to activities on these varied scales. In this chapter we entertain the possibility that in political science terms it may not be the loss of state sovereignty that may ultimately come to be seen as the main impact of globalisation, but rather it will likely be the role of the individual within global politics, whether this individual is acting within the local, regional, national or trans-national policy sphere. The chapter will then provide some theoretical options as to interpreting the policy processes within these different scales.

Today we come across globalisation in a plethora of contexts and usages: from the cultural sphere, with Hollywood or *Bollywood* being typical manifestations of a truly global culture spreading across the globe and consumer behaviour, where one can count on finding a ‘genuine’ espresso, pizza or Chinese take-away in just about any part of the globe, not to mention a MacDonald’s, (though they usually cater to regional markets with slightly varied product portfolios) to the security/insecurity nexus with respect to ‘global terrorism discourses’ seen through the prism of September 11th. These perhaps often banal examples of globalisation represent only a fraction of the many who point to the fact that the human condition is becoming increasingly one of *reflexive globalisation*: growing awareness of being part of humanity that lives on the same globe and is increasingly dependent on processes and policies in other parts of that globe. Simply put, we should care about globalisation because we happen to live on this globe.

The chapter is organised into four main themes:

- Developing globalisation from the theoretical (mainly economic) perspective into a more encompassing view of mobilisation.
- Pointing out the main differences between globalisation and internationalisation.
- Describing regions, regionalisation and regionalism as facets of globalisation, or as responses to the globalisation process.
- Addressing the need to connect the wider meta-processes of globalisation to the realities of individual ‘lived experience’.

Developing globalisation – from a theoretical concept to a view of mobilisation

If we accept this starting point, we can then go on to ask, *where does this awareness originate from and how is it reflected into action?* Typically perhaps such an awareness of globalisation is most often to be found in the environmental field, as an awareness of sharing the globe makes us see increasingly clearly that there is a relationship (of interdependence) between what we do locally, regionally or nationally and the actions of others in other parts of the globe. Such newfound awareness often results in a change of *actorness* or agency, of being aware of the need to ‘think globally, act locally’. One such example of the blossoming of new levels of awareness can be seen in connection to the incidents that took place in the Baltic Sea in respect of recent oil spillages, and to the perceived risks connected to the poor level of security and safety checks afforded to oil transports, particularly during the winter months. Indeed public ‘outcry’ over

such issues led to both official political activities and diplomatic level statements of concern as well as to the mobilisation of individuals for 'direct action' in the environmental movement. It is argued here that the opportunities that different individuals, communities and groups have, in order to make a difference and influence the processes of globalisation however differ quite drastically. This leads us to the next step: *globalisation is about power*. Power is always a relational concept: power over someone, to do something etc. and therefore when it comes to globalisation our focus is quite naturally directed to power relations: having it, not having it, sharing it, exerting it, using it or misusing it, as the case may be.

Whilst the process of globalisation is multi-faceted, its key aspects concern knowledge and are, in a very tangible sense about knowledge becoming power, in terms of modes of production and distribution, decision-making, problem-solving etc. Differentiated needs and capabilities in terms of knowledge production, its nature and content, as well as distribution have all become key assets in the steering and influencing of global flows of different types, be it in mass communication, people, finance or strategic information.

The majority of approaches to globalisation today follow the dominant logic of *liberal globalisation*, which can be summarised as follows:

- The increase of transactions and exchanges across state boundaries is of great significance to the nature of the international system, in terms of structures, processes, and actors.
- The processes of globalisation have a logic and dynamic of their own, driven by technological change, increasing knowledge, and rational decision-making. As a result, societies across the world are increasingly linked through markets and through an increasingly close-knit transnational civil society, rather than through the arena of inter-state competition.
- Hence, states no longer form the only, or necessarily the most important framework of authority, as authority structures become more fragmented.
- There is a growing tension between the reality of a globalising world economy and an increasingly perceptible anarchic states-system.
- International institutions will increase and develop, as states perceive that their interests are better served in a globalising world economy through institutionalised co-operation. (Hurrell and Woods 1995, 451-452).

While the influence of this 'liberal' view of globalisation is considerable within the discipline of International Relations, there are now also a number of more socially constructive views available that place greater emphasis on human agency and interaction. For the purposes of this chapter then we can take as our point of departure Waters' operationalisation of the concept of globalisation, where globalisation is equated with 'a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding' (Waters 2001, 5). As far as specific types of social and cultural arrangements are concerned, we are here interested in *regions*, a subject to which we shall now turn.

Differences between globalisation and internationalisation

What then is the difference between globalisation and internationalisation? It has at times been suggested that globalisation in fact represents merely another facet of internationalisation or a more intensified form of internationalisation. If a difference is seen between internationalisation and globalisation then it is most often perceived in terms of who the key actors are, i.e. while internationalisation takes place between states (ultimately national governments) and there are intensifying connections between national domains (which are still distinguishable), globalisation is perceived as something that takes place between a variety of domains and actors with no clear hierarchy between them (from individuals to voluntary organisations, social movements, multi-national companies etc.). Thus globalisation means in this view that the unit of analysis has shifted.

It is also clear however that very seldom do radical changes or qualitative leaps occur in the field of academic research, where change tends to occur incrementally. As such we can point to a significant precursor to the current academic discourse on globalisation in the late 1970s discourse within International Relations on what was branded 'complex interdependence' (Keohane and Nye 1977: 240), whereby International Relations was no longer seen as being dominated by governmental actors alone, but was instead a site of increasingly diffuse power where Non-governmental organisations (NGOs), multinational corporations (MNCs) and various international organisations (NATO, EEC) all had a part to play. Keohane and Nye asserted that these new actors had a tremendous impact on the state of foreign relations and thus posed a challenge to the theory of state sovereignty, while the 'multiple channels of interaction' among states and non-state actors were seen as making the territorial and national borders so essential to traditional interpretations of state sovereignty, increasingly porous and thus ineffective. These new international actors were then already seen as eroding the sacred state sovereignty. To-

day the globalisation discourse has taken this process one step further; into the sphere where now actors beyond the organisational and institutional level now also have a role. What is most interesting about globalisation is then the more fragmented nature of political agency: instead of organisations with a formal role in the political and international field, globalisation is also about mobilisation within more informal contested spheres and organisational forms, bringing international relations into contact with the individual level through social movements and new forms of individualised protest.

The changes taking place at individual level, in the way each of us react to changes in our environment has for many changed dramatically in recent decades, with this change then being one of the key issues when globalisation as a transformative process in respect of the different levels of analysis is considered. This has been described by Rosenau (1997) as a major change in both the micro and macro levels of analysis (from individuals to organisations and polities). The main parameters of change within his argument are adapted to a model describing the move from internationalisation to globalisation in the table that follows.

From internationalisation to globalisation

	<i>Internationalisation</i>	<i>Globalisation</i>
<i>Individual level</i>	Individuals less analytically skilful and emotionally competent Authority structures largely unquestioned, as people rely on traditional constitutional sources of legitimacy and problem-solving	Individuals more analytically skilful and emotionally competent Authority structures in crisis as people evolve performance criteria for legitimacy
<i>National level</i>	Constitutional sources of legitimacy to comply with directives emanating from appropriate macro institutions	Compliance with the directives issued by macro officials
<i>Beyond national: trans-national / international / global level</i>	Anarchic system of nation-states	Bifurcation of anarchic system into state- and multi-centric subsystem, from government (hierarchical, monocentric and national) to governance (non-hierarchical, polycentric and multi-level)

This relates to the discussion on the role of the individual in the (assumed) new forms of governance, structure and agency, which we will return to in the last section of this article.

Regions, regionalisation and regionalism

If we accept Waters' definition that argues that the constraints of geography are receding, we need then to ask how this impacts on geography: what follows from this perceived lessening of constraints? It is particularly important to bear in mind however that this does not imply that geography no longer matters. In fact it is argued here that territorial entities such as regions (as political constructs) have gained a new role in this process. The key concepts to be further discussed here then are *regions*, *regionalisation* and *regionalism*.

Defining regions, regionalisation and regionalism

- ❑ *Region: The unit of analysis*
A cohesive area that is homogeneous in selected defining criteria and is distinguished from neighbouring areas or regions by those criteria. It is an intellectual construct created by the selection of features relevant to a particular problem. (Encyclopaedia Britannica's definition of region in the social sciences)
- ❑ *Region: The sphere of human action and interaction*
The space for civic participation in which man comes alive to the world and to himself at the same time (de Rougemont 1977, 219).
- ❑ *Regionalisation: The politico-administrative process*
The process by which regions emerge as relevant units of analysis for economic and political activity and welfare and service provision. In many cases this notion of regionalisation can be equated to notions of 'regionalisation from above' or devolution, i.e. regions being the objects of governmental reforms.
- ❑ *Regionalisation: The mobilisation process*
The process by which regions mobilise 'from below', i.e. become aware of their new opportunities and constraints in the face of international trends and policies (e.g. EU legislation) and mobilise resources in order to utilise EU financial opportunities and to act strategically together with international partners. Connected to this process is also the growing interest expressed in effective 'lobbying' activities and strategies and the impact of learning from EU methods and working practices.
- ❑ *Regionalism: The ideology*
The ideology and motivation that lies behind either the internal mobilisation (bottom-up regionalisation) or external mobilisation (top-down) regionalisation, which seeks to promote regions as the unit of analysis, level of activity and/or sphere of political mobilisation.

What is useful with these definitions is the constructivist emphasis on the mobilising and identity-building aspects of defining a region. This is similarly expressed in Keating's definition of *regional space* through three elements: territorial space, functional space and political space, which can also be seen as been defined from a constructivist starting point. The main focus in this chapter is however with the notion of *politi-*

cal space, which corresponds to ‘a space in which political debate takes place, a space recognised by political actors in which decisions are taken and legitimized’ (Keating 1998, 21). This also further emphasises the relevance of *power* in relation to regionalisation and globalisation, as deliberation, decision-making and legitimation necessarily hinge on questions of power, of who gets to participate, under which rules and in what capacity.

By *regionalism* we refer to the ideology behind the process of region building that results in the emergence of regional entities, either within the confines of a state or beyond it. It is, in essence, a process of mobilisation in order to further regional interests and autonomy, be it through new institutional structures and devolutionary strategies or through regionalist strategies with more *functional* and less far-reaching *constitutional* aims. In terms of the processes involved the key distinction between *regionalism* and *regionalisation* can also be outlined in terms of the difference between internal and external mobilisation, or of endogenous and exogenous action aimed at altering the status, role and responsibilities of the regional level. Thus the distinction emerges over the issue of whether the role and functions of regional ‘actors’ and their representatives are determined by themselves in the political process aiming at enhancing administrative and political autonomy (regionalism, the ideology of promoting regional autonomy), or whether these are determined by the central government or other authoritative entity seeking to alter the regional administrative structure to pursue its own goals (regionalisation; e.g. Keating 1997, 18.) Simplifying somewhat – this difference could then be seen as that between ‘bottom-up’ or ‘top-down’ initiatives.

The variant of regionalisation predominantly addressed here is that of the micro-level that mobilises sub-national regions and links them together within wider political spaces or spheres of action, such as the EU structure. Regionalisation can occur through a process of institutionalisation connected to the mobilisation process referred to above, whereby a region develops from a territorial entity to a symbolic space, gradually perhaps also taking a more structured form through the creation of institutions and the establishment of a regional unit as part of the larger system of regions (Paasi 1986). As we are mostly interested in the political and institutional elements of regionalisation and region building as it is connected to globalisation here, we shall now go on to look at this institutionalisation on the micro/sub-national level.

For the concerns raised here in terms of the interaction and relationship between the process-oriented and ideological aspects of regions in relation to globalisation, our interest lies particularly in the role of the

state (and its constituent parts on various politico-administrative levels), as well as with the role of the citizen. Both regionalism and regionalisation relate in the final instance to questions of state agency – of reforming the role of the central government and its constituent parts and those of regional level units and entities. Yet the important aspect of mobilisation is also implied in the concept of regionalism. Regionalism has accordingly often been identified as a ‘new political perspective of territorial fragmentation’, both within the EU framework and in relation to the state-region relationship (e.g. Hueglin 1986 and 1989) and in this sense regionalism could in fact potentially emerge as a more profound or dramatic change in social relations than is expected by those who view it simply in administrative terms.

Within the EU’s institutional framework, sub-national regionalisation (the mobilisation of regional interest, actors and organisations) represents a response to the wider processes (of integration) taking place at the supranational level. The actual form of this response varies according to national and regional differences, and is particularly related to the resources available.

Globalisation and regionalisation (or integration) are thus seen here as merely two sides of the same coin. This is due to the fact that integration is seen as a response to the political and economic circumstances of globalisation, thus also impacting on forms of regionalism and regional mobilisation. Globalisation has become manifest in Europe in particular through the process of European integration, which has provided the main analytical framework for political change in the post-war era. Without wanting to dwell too deeply on European integration and its different processes, it can be argued that as a manifestation of a global process of integration macro-regional (Europe-wide) integration has implied new challenges for the *micro* (sub-national) and *meso* regions (meso referring to those regional constellations which are placed between the macro and micro, e.g. the Nordic countries, the Baltic Sea region etc.) with new policy challenges, which have been channelled into various types of political activity, strategic thinking and planning.

The emergence of regionalisation can be defined in terms of a ‘globalisation strategy’ created by a micro (sub-national) region(s) as a reactive response, i.e. in essence representing a direct response to globalisation and the ensuing macro regionalisation. Such an initiative can however derive, at least partly, from above and need not therefore be ‘bottom-up’. The objective or motivation here is mainly for *economic competitiveness* in terms of creating ‘regional innovation systems’ either on the micro or meso level as opposed to national systems. An example

of this type of strategy is the 'Four Motors' (formed by Baden-Württemberg, Rhône-Alps, Catalonia and Lombardia), but also the universal concern with creating 'Regional Innovation Systems' across all different scales.

Does globalisation lead to similarity?

One of the clearest tensions or dividing lines between different understandings of globalisation concerns the notions of difference and similarity, or that which is shared and that which is separate. Though the notion of globalisation often includes the reduction of differences, it can also lead to their amplification in the form of defensive responses, designed to protect local culture, the local economy, or political sovereignty. Indeed, David J. Elkins reminds us that competition in general does not result in uniformity, indeed the opposite is more likely, and this implies that adaptation to complex ecological niches may be characteristic of political forms as well as living species (Elkins 1995, 27). This suggests that globalisation may be a manifestation of a new 'human condition', which requires new types of strategies and adjustment mechanisms from individuals as well as from policies (the European Union in particular presents an ever enlarging variety of policies where governance is developed beyond the national context, e.g. Jachtenfuchs 1997) and polities (the nature of the European Union as a new form of governance, e.g. Shaw & Wiener 2000). We shall return to these questions in more detail in the section dealing with governance. Thus in this light the connection between the regional and the global may be viewed as part of this adaptation process, with regional *differentiation* then being a consequence of the differentiation process resulting from globalisation. It is hardly surprising however that the 'new human condition' looks very different depending on where one stands. The argument here is therefore that regional differentiation is a strategic response to globalisation.

The differentiation aspects of globalisation are also relevant in terms of the type of impact globalisation has on political and administrative processes, such as those taking place in, or those of relevance to regions. It is commonplace today to argue that regions can only flourish by concentrating on their 'endogenous strengths', by building on their differentiated profiles and specialisations, i.e. essentially by finding strategies that distinguish them from the rest. Discourses are dominated by the need for each region to carve out its own *niche* in the national, transnational and in the final instance *global* network of regions. Indeed this is now a central aspect of regional policy in the global context. The relationships and flows between the different territorial units and levels thus

become one of the main focus points for anyone interested in *the International* or indeed *the global*.

Although it can of course be argued that the hype surrounding the once fashionable notion that regions were 'taking over from the states' was overblown, while rumours of the demise of the state as the main actor in International Relations remain largely unsubstantiated, there are some aspects of this discourse that are useful for our purposes (i.e. clarifying the theoretical foundations of globalisation debate). Globalisation puts not only the nation states and their governments, but also the regions (and their governments) in a new competitive position, where they are expected to locate themselves strategically, associate themselves with strategically suitable partners (within and beyond national borders) for co-operation that seeks to strengthen their competitiveness, attractiveness and – by extension – their political bargaining power.

As has been argued by Ohmae and other 'management gurus', the traditional units of analysis within international politics, namely the nation states (or rather their governments) have increasingly lost the ability to control the flows and processes of most relevance: exchange rates, trade and other activities connected to economic activity. By losing this control, they have, according to Ohmae, also lost their role as the critical participants in the global economy and as the once efficient engines of wealth creation. The nation states of today are, it is now argued, inefficient engines of wealth distribution, whose fates are increasingly determined by economic choices made elsewhere. Notwithstanding such assertions however it may be worthwhile noting that this 'presumed' lack of control may not be as significant as once predicted, or that variations in the index of relative 'helplessness' depend upon how important the role of the particular state was in the global economy to begin with. There are then still significant variations between countries, these 'dinosaurs of international politics', as to their individual degree of control or room for manoeuvre. Though the Nordic examples also testify to the increasing weakness of national governments as creators of economic activity, the high share of public expenditure in various economic fields (from R&D and education to infrastructure and healthcare) still maintains significant focus on the nation states: if nothing else, they cannot forfeit their role as a source of employment without drastic repercussions, as in many regions the share of public sector employment remains high, with increasing differences between regions relying on public sector employment and those that seem to be 'masters of their own fate' – at least in employment terms (e.g. Lähtenmäki-Smith and Persson 2002, 23-31). Employment may also be related to the specialisation trend, while certainly in terms of em-

ployment, peripheral Nordic regions may want the state to remain a key factor, this may be less attractive in terms of attracting new businesses and inhabitants.

Further illuminating examples of this specialisation trend can be taken from the Finnish regional development legislation that came into force in January 2003. This is visible for instance in the definition of the 'Regional Centre Programme', the intention of which was to 'further the strengths and specialisations of regional centres and cooperation between them so as to reinforce the network covering all the regions' (Ministry of the Interior: Regional Development Act (602/2002), section 15), as well as in relation to the 'Centre of Expertise programme', where it was specified that the function was to 'support regional specializations and divisions of labour between centres of expertise' (ibid). Thus on a strategic level specialisation is the ideal and this is part of the globalisation discourse in its regional guise.

Responses to globalisation – regionalism and regionalisation

Globalisation is closely connected to *regionalism*, which has been understood in a variety of ways, though for our purposes it is perhaps best perceived as a change or adaptation process connected to the goals that are pursued through politically motivated activity (be it traditional political participation or more novel ways of becoming involved in social movements or direct action to reach one's goals) on whatever level it may be. Regionalism can therefore be seen as a central aspect of the pursuit by social actors of strategies designed to have an impact on:

- The distribution of responsibilities, power and authority
- The reforming (integrating or splitting) of identity
- The flow of production, goods and services
- The distribution (and re-distribution) of wealth and cohesion

Regionalisation can thus also represent a strategy of political mobilisation and an attempt to enhance devolutionary strategies, with political mobilisation, as well as the restructuring of the political and social space through the activities of social movements coming into focus here. Such movements often act as channels for the expression of needs brought about by the state's incapacity or unwillingness to act in support of the furtherance of regional interests. Thus there are a number of possible alternative routes to influence in the EU framework – institutional, direct and procedural / constitutional. Indeed, Scottish regionalism in the pre-devolutionary era can be partially explained in this light, with for instance

the establishment of the Strathclyde regional office in Brussels – being among the first sub-national regions to do so – effectively a reflection of the region's own inability to have its regional interests represented through the 'traditional' governmental route. Peripheral Nordic regions have at times embarked upon similar discourses, with European lobbying emerging as a strategy to circumvent national capitals that are seen as unsympathetic to the concerns of their more peripheral constituencies.

It has also been suggested that the process of regionalisation is in reality one of initiating sub-national regions into the rule-governed club that is the European/global political economy, representing a form of 'regionalisation from above'. In this context there occurs a simultaneous restructuring of the spatial division of labour according to the changing needs of production, adjusting political conditions in line with this logic of efficiency. In some cases this process can however cause a reactive response from specific local constituencies whose interests are deemed to be in contradistinction to this macro-level process. This is particularly likely in cases where there is a pre-existing potential for regional mobilisation, i.e. a regionalist ideology. In such cases, top-down regionalisation can thus feed into the bottom-up mobilisation process within the regions, with necessarily unpredictable consequences.

In this sense regionalisation can breed a type of counter-strategy or an anti-systemic movement designed to express political dissatisfaction. This can be aimed at globalisation ('new medievalism' or tribalism; e.g. Hedley Bull), but more importantly at the state (regionalism and separatist nationalism). Neo-medievalism as outlined for instance by Hedley Bull was based on the notion that a system or segmented authority is created that contributes to the undermining of state sovereignty. According to Bull this process entails the following elements of transformation that can be seen as potential threats:

- (1) A tendency for states to amalgamate on a regional basis (the EU).
- (2) The disintegration of states into constituent nationalities (the former Yugoslavia).
- (3) The re-emergence of private international violence (the drug barons).
- (4) The emergence of transnational organisations.
- (5) Global technological unification (Bull 1977, 264-276).

Even though this view represents a rather more drastic shift in the balance of global power than was suggested at the outset it is obvious that there do exist a number of clearly identifiable counter-reactions to inte-

gration in the sense that instead of integration and convergence being the panacea for all of the problems facing peripheral regions, autonomy and difference are now increasingly emphasised. (The Basque Country can be cited as an example here, as can the calls for independence in the Nordic autonomous regions, such as the Faeroe Islands and Åland.) On a more general level it can be argued that the counter-movement aspects of regionalism are based on the incitement on the part of the regional level to react, and these reactions are largely differentiated based upon the position of the region in the 'new economic geography' of production, power and policy-making.

These examples show that a conceptualisation of 'European regionalism' as a uniform phenomenon, an ideology of promoting the regions or regionalisation as a political process of implementing such an ideology is more complex than it initially seems. Regionalism as a reflection of some romantic idea of cosy localities being represented in the European sphere and thus achieving a more democratic way of governing Europe is thus a simplified and often unhelpful view of a complex phenomenon that entails a potential for empowerment and democracy, but equally reflects the realities of a highly competitive and commercially motivated regional condition in a globalised Europe. Regions are at the same time contested entities and representations of actors in their own right, as well as objects of public policies. In terms of agency this requires pro-active, reactive, and reflexive responses.

The theoretical approach to regional development and its relationship to globalisation used here is also strongly influenced by ideas of 'new regionalism', as developed by economic geographers and sociologists such as Jessop (e.g. 2000 and 2002). Here the process of new regionalism is perceived as a profound change in the economic, political and social processes and organising principles of the global economy suggesting, ultimately, a significant move towards a transformed political system. Within this system then the relationships between the 'political' and the 'economic' are changing and, thus it is argued, in the changing circumstances of such a novel global economy form, that the traditional anarchic interpretations and views that support the 'top-down' government agency view are questioned. Thus there is a shift from ideal-typical modernist discourses and academic demarcations, where the market and the state, 'the economic' and 'the political' can be strictly distinguished and kept in their own spheres, with the 'invisible hand' of uncoordinated market exchange based on the formally rational pursuit of self-interest taking place between the isolated market agents, and the 'iron fist' of centralized, top-down imperative coordination taking place between the

agents in the political sphere (Jessop 2002). If only it was so simple, one might say. In Jessop et al.'s view it is in fact the complexity of the system and the difficulties in making such ideal typical demarcations that require a new way of thinking. The state system today is too complex to be 'managed' by top-down government (hence new non-hierarchical *governance* solutions are required, which Jessop labels 'heterarchies' in contrast to hierarchical models of governance, i.e. forms of horizontal self-organization among mutually interdependent actors.) and which has been reflected in the movement from the central role of the official state apparatus in securing state-sponsored economic and social projects towards emphasising *partnerships* (with government being only one actor, though often the 'first among equals'). While partnership is then only one of the aspects of (regional) governance, it is particularly symptomatic of the desire to find new policy solutions in the field of regional development.

Defining governance

For Jessop the neo-regionalist agenda that emerges in this new situation is marked by issues such as the:

- Introduction of new forms of organisation (regional towns, municipalities) with respect to social life, work, production, services, consumption etc. (urban networks, town co-operation).
- New areas of development based upon the creation of place-specific competitive advantages with respect to commodities, services and information (improvement of the quality of life).
- Opening for new markets (to inhabitants, immigrants, commuters etc).
- Developing new resources in order to strengthen the competitiveness of the region (e.g. political institutions, and knowledge-based institutions are particularly central here).
- The reforming or re-definition of the regional hierarchy of towns (in order to achieve a horizontal pattern of co-operation, or the creation of 'virtual regions' within new organisational frameworks such as Eurocities).

From government to governance

- **PROCESS** rather than **STRUCTURE**: The process of coordinating multiple players in non-hierarchical systems (*heterarchies* instead of hierarchies) of political negotiation, regulation and administration that bring together and co-ordinate the actions of an increasingly wide array of social, political, and administrative actors seeking to guide, steer, control or manage societies (e.g. Jachtenfuchs 1997, 40).
- **RELATIONAL** rather than **POSITIONAL**: Typical to the forms of governance relationships between the actors involved are the non-hierarchical partnership relations where the state is only one (though often 'first among equals') (Jessop 2002). It is important to note here that *government* and *governance* are not opposites, as governments set the rules and agenda for new forms of partnership-based governance models.
- **PLURALITY** rather than **DUALITY**: In academic or disciplinary terms the key difference is the traditional duality between the market and the state, 'the economic' and 'the political' become increasingly contested, in some cases even arguing that the 'political' sphere is increasingly penetrated by the 'economic', as actors and structures of the 'economic sphere' become increasingly present and influential in the traditional 'political sphere' (what could perhaps be labelled a colonisation of the political by the economic, as 'managerialist' ideas are also increasingly influential in the political sphere).

Whatever ones view is on the degree of radicalism inherent in, or the novelty of, such changes, it is clear that 'the state' (or the national governments) cannot remain unaltered through the plethora of political and economic, as well as cultural and identity changes currently engulfing it. There is increased pressure to find new ways to deal with policy challenges, with one such approach often being referred to as 'multi-level governance', which is seen by some as presenting a significant challenge to state-sovereignty, and by others as a survival strategy for the state bombarded by new challenges. This process is not however without counter-trends or responses/reactions, as both the central government level and the local and regional levels continue to struggle to come to terms with the policy implications involved.

One of the most obvious challenges in this regard is not only 'political' in nature, but is rather posed by the internationalisation of territorial economies, which can be seen as the sum of the following processes:

- Internationalisation of production.
- Strategies of international businesses, production processes placed according to cost effectiveness, transnational corporations combining new technologies in new ways, the reallocation of industrial investments.
- Technological development enabling new business strategies: improvements in communication and information, facilitating quick decision-making, taking advantage of global changes, improvements in transport technology, improvements in production technology, and changes in the organisation of the factor of labour.

Though at times the economic and political aspects of globalisation are viewed as separate, or at least *separable*, here they are seen as intertwined and interdependent, while the distinction or the border between the two is viewed as constantly in flux, as described previously in connection to defining governance. Moreover, this notion of a shifting boundary with regard to the most decisive aspects of globalisation (economy vs. politics) as well as the unit of analysis (institutions vs. individuals) thus seems to be amongst the most interesting aspects of globalisation in our regionally oriented perspective.

Globalisation and the individual

Cosmopolitanism has the simple starting point of ‘human beings living in a world of human beings and only incidentally members of polities’ (Barry, 1999, p. 35). For global governance this is central, not least as its twin concept of ‘cosmopolitan democracy’ undertakes a radical reconsideration of the basis upon which democracy in the circumstances of the new global governance is built. According to one of its key proponents,

the term cosmopolitan is used to indicate a model of political organisation in which citizens, wherever they are located in the world, have a voice, input and political representation in international affairs, in parallel with and independently of their own governments. The conception of democracy deployed here is one that entails a substantive process rather than merely a set of guiding rules. For the distinctive feature of democracy is, in our judgement, not only a particular set of procedures (important though this is), but also the pursuit of democratic values involving the extension of popular participation in the political process...Cosmopolitan democracy aims at a parallel development of democracy both within states and among states (Held 1995, 12-14).

As argued previously, regionalisation can be seen as a strategy designed to 'manage' or to respond to the challenges posed by globalisation, and therefore these two processes are by nature closely linked. Therefore 'cosmopolitan democracy' can be a useful bridging concept between the global, regional and individual levels. Cosmopolitan democracy can be seen as being based on the following core ideas:

1. Multiple and overlapping networks of power.
2. Principle of self-determination that is seen to apply to all groups and associations.
3. Legal principles to delimit the form and scope of individual and collective action.
4. Law-making and enforcement to be developed at a variety of locations and levels.
5. The defence of self-determination, the creation of a common structure of political action and the preservation of the democratic good as the overall collective priorities.
6. Principles of social justice implying that the *modus operandi* of the production, distribution and exploitation of resources must be conducive to, and compatible with, the democratic process and a common structure of political action.
7. The principle of non-coercive relations.
8. Membership in diverse communities implying an extension of citizenship to cover all cross cutting political communities, from the local to the global. (Held 1995, 271. See also Held 2003 and Held & McGrew 2003).

Thus cosmopolitan democracy is at the same time an institutional framework of the various levels of power that globalisation entails (from the political to the legal), as well as providing a means of bridging the global, regional and individual spheres in a normative context (non-coercive relations, notions of global justice etc.) The regional level can either contribute to the realisation of such a global order or work against it, while individuals may also use the regional and local levels as steps towards the realisation of cosmopolitan democracy in their immediate environments. The institutional aspects of cosmopolitan democracy are thus related to ideas about how sovereignty could be perceived in the new global order.

Two primary ways in which this new system of governance can be brought about, both linked to notions of cosmopolitan democracy and cosmopolitan governance, though separated by the fact that the first is a

predominantly 'statist' approach, while the second exhibits considerable elements of 'post-sovereignty', are marked by the following elements:

- Regional democratic structures; that is to say delimiting democratic processes within regional constellations that are more than sub-state systems but less than traditional states.
- A global governance structure that includes new forms of interaction between states, sub-state actors, transnational actors etc. (e.g. Archibugi and Held).
- The decline in the range and effectiveness of available policy instruments in the face of increasing interconnectedness.
- Restrictions on the influence of governments over their citizens resulting from the expansion of transnational forces and interactions.
- The increasing requirements of traditional state responsibilities (linked particularly to security and welfare) to be fulfilled through international co-operation.
- The resulting pressure for increasing levels of formal integration among states.
- The resulting substantial growth of international institutions, organisations and regimes.

While there are numerous studies and examples of the empirical 'evidence' of globalisation, we have here made the rather radical choice of essentially ploughing a different course. As such, we have considered the theoretical tools available for understanding the processes globalisation and its challenges to governance entail.

Conclusions

The view of globalisation presented in this article focused particularly on four aspects of the gradual transformation in the global system that, it was argued, could be viewed as grounds for seeing a shift from internationalisation to something qualitatively different, an intensification of internationalisation accompanied by regionalisation. Globalisation discourses and theories should according to this view be seen as instruments for understanding mobilisation and agency on the level of individuals, local communities and regions. Regions, regionalisation and regionalism are perceived as facets of globalisation and as responses to the globalisation process, and as providing the possibility of perceiving changes in governance and in our democratic processes in new ways, with particular attention to the individual level via the cosmopolitan ideas of Held *et al.* This

approach it is hoped will provide a fruitful way of viewing globalisation not merely as a process of change in terms of state agency, but also in terms of what we could term a 'post-statist approach' where individuals and their local and regional contexts become of particular interest.

Recommended reading:

- Held, D. and McGrew, A. (2003): *The Global Transformations Reader. An Introduction to the Globalization Debate*. Second Edition. Cambridge: Polity Press. One of the most thorough introductions to the internationalisation vs. globalisation debate within International Relations (with prime examples of both 'schools of thought'.)
- Brenner, Jessop, Jones & Macleod (2002): *State/Space: A Reader*, Blackwell Publishers. An important and theoretically interesting overview of the changing geographies of state power under capitalism.
- Waters, M. (2001): *Globalization: An Introduction*. London: Routledge. 'Bluff your way through globalisation', i.e. a concise and accessible introduction to globalisation in all of its different guises.

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Chapter 2

Analysing globalisation – a method

Margareta Dahlström

Abstract

Globalisation is a buzzword that can be interpreted and analysed in numerous, often conflicting ways. Some argue that globalisation has led to the death of the nation state, while others claim that increased globalisation simply means a change in roles of the nation state. In this chapter globalisation is defined as a set of interlocking processes rather than a final outcome. The chapter offers a tool on how to analyse globalisation. This tool, based on Waters' (1995, 2001) 'inventory of economic globalisation', focuses on a number of specific dimensions of globalisation and compares an 'ideal' version of an already globalised condition with that of the current situation. Two such dimensions, the financial market and the labour market, are analysed to see if they are globalised. In the process of analysing these dimensions, examples of possibilities and barriers to globalisation as well as winners and losers are given. The concluding discussion addresses the question of the possibilities of policies in an increasingly globalised world.

Why 'analysing globalisation'?

'Globalisation is good for the poor in the Third World but bad for the poor in the West'. This bold statement is part of an argument by Peter Jay (2000), former economics editor of the BBC and British ambassador to the USA. He developed his argument in a special globalisation supplement of *The New Statesman* that was published in the lead-up to the IMF and World Bank meeting in Prague 2000. The statement exemplifies one analysis of globalisation in sharp contrast to that of many anti-globalisation activists who protested at the Prague meeting because they see poor countries as losers in globalisation. How can we really analyse globalisation?

Globalisation is a contested concept. Not only do researchers, commentators and anti-capitalism activists argue over the meaning of 'globalisation', there is also an argument of if globalisation is an 'inevita-

ble outcome' outside the reach of policies, a set of process and, of course, if it is good or bad.

The aim of this chapter is to provide a method of analysing globalisation. It is an attempt to unpack the abstract concept and bring it down to real world practice and factors such as the labour market or the financial market. With the help of this method it is possible to begin to unravel what globalisation means, or may mean, to different aspects of society and groups of people. By doing this it is possible to see to what extent globalisation is 'good' or 'bad', i.e. to identify processes and barriers as well as winners and losers of globalisation. This, in turn, is a starting point for considering policies to address effects of globalisation.

The chapter starts off with a short discussion of how globalisation is understood here – as a number of processes. Understanding globalisation as processes leads in to the method of analysing globalisation that is introduced in the following section followed by a presentation of Waters' (1995) 'inventory of economic globalisation'. The method is developed from Waters' framework and the following sections illustrate how globalisation can be analysed by exemplifying with the two cases of the financial market and the labour market. Particular focus will be paid to the example of the labour market, where I will return to Peter Jay's statement from above. The chapter concludes with a short discussion about the possibility of policies under globalisation.

How globalisation is understood in this chapter

This section draws heavily on the works of Waters (1995, 2001), Hirst and Thompson (1996) and Dicken, Peck and Tickell (1997). These academics do not fully agree in their analyses of globalisation, but they share the way they characterise it. Waters as well as Dicken, Peck and Tickell argue that globalisation processes are evident in today's world, while Hirst and Thompson dispute this by arguing that, at least at the mid 1990s we were still only in a state of advanced internationalisation. The strength with Hirst and Thompson's analysis is their argument around globalisation as a process rather than an end product and their clear distinction between globalisation and internationalisation. Dicken, Peck and Tickell, but also Waters, make a strong case for the geographical perspective on particularly economic globalisation, while Waters' especially strong contribution is his convincing analysis of the interlocking globalisation processes of the economy, polity and culture.

The three key themes underpinning this chapter are:

- Globalisation is qualitatively different from internationalisation.

- Globalisation is not an outcome or an end product but a set of interlocking processes.
- Territoriality, the spatial side of globalisation, lies at the heart of understanding the changes that globalisation processes bring.

I will explain these three themes briefly before moving on to the method of analysing globalisation.

The difference between globalisation and internationalisation

The globalisation processes are not simply a matter of a *quantitative* change, an ever deepening, or ‘more’, of internationalisation. Globalisation is *qualitatively* different from internationalisation. With regards to economic relationships, the distinction between globalisation and internationalisation can briefly be summarised as follows: *internationalisation* refers to the simple extension of economic activities across national borders; the national economies are key actors of the international economy. *Globalisation*, however, means that there is a functional integration among geographically dispersed activities and there are many more actors, ranging from multinational companies to non-governmental organisations and individuals. In an international economy, the nation states and national economies are principal agents while ‘the national’ is by-passed in globalisation. A deeper discussion of the distinction between the two concepts is made in the previous chapter.

Globalisation as a set of interlocking processes

Very briefly, viewing globalisation as a set of interlocking processes means that globalisation is not seen as an outcome or result. A fully globalised world would look different from the one we live in – something that I will come back to discuss in the method below. Dicken, Peck and Tickell argue that the contemporary production system is subject to *globalising processes*, but it is far from being *globalised* i.e. it is not an outcome. The major driving force in the globalisation processes is the transnational corporation. The processes have created an intensification of the transition from an internationalised world economy towards a deeper integration of globalised production.

In Waters’ words, globalisation is processes or movements *towards* a globalised world. Although the world may never become fully globalised, *globalisation* is a way of understanding the trend or direction of development. A fully globalised world would be, for example, one where nation states no longer exist and production as well as people move freely to seek out the optimum location regardless of geographical boundaries.

Waters, as well as Dicken, Peck and Tickell, argue that globalisation can be traced through the following three main arenas.

1. *The economy* – i.e. the production, exchange, distribution and consumption of goods and services. Trans-national companies are crucial here. This is the sphere of globalisation that I will base the method of analysing globalisation on below.
2. *The polity* – the location and application of power. The changing role of the nation state is the key factor here. Another crucial element is also how other actors (e.g. non-profit organisations) on the policy arena appear and by-pass the nation state in their international (global) communications and interactions. This is further developed in chapter 1. A brief distinction between polity and policy would indicate that the latter is about actions and programmes rather than the location and application of power. Polity is Waters' choice of terminology stressing the location of power. I use the concept policy that puts focus on action and processes but this includes an examination of the changing role of the traditional location of power – the nation state.
3. *Culture* – this is about the production, exchange and expression of symbols that represent facts, affects, meanings, beliefs, preferences, tastes and values. This means, for example, that experiences can be transformed to information. A practical example is the global production and distribution of mass media that we witness, i.e. companies delivering common images worldwide.

Dicken, Peck and Tickell also add a fourth arena – that of institutions, which in Waters case can be understood as parts of the other three spheres.

These different arenas are related and interacting. An example of such interaction is the changing role of the nation state, which is fundamental to the policy sphere but also has a bearing on the economy. Individual nation states have weakened with regards to the possibilities of economic and financial policies while at the same time nation states have become increasingly active introducing new programmes of micro economic policies.

An example of the reduction in the national power is the Swedish currency crisis of November 1992, when the Bank of Sweden attempted to protect the Swedish currency through extremely high interest rates. The interest rates and financial flows had been regulated since the Second World War, but with new international openness of the financial market the attempt to use the interest rate to save the exchange rate was doomed

to fail. The acute crisis was instead solved by the depreciation of the Swedish currency that followed from introducing a floating exchange rate. (Jonung, 2000)

National governments increasingly turn to micro economic policies to promote competitiveness and domestic growth in an international open economy. Such policies are known as ‘supply side economics’, and for example, both Conservative and Labour UK governments have made use of such policies. The policies aim to make a nation more competitive by improving the supply side in the economy – particularly the work force. In the UK this has been done through new institutions and regulatory programmes in relation to the labour market for example making labour more flexible or more employable through anti-union legislation, deregulation of the labour market and retraining programmes for the work force.

Another example of interaction between the three spheres of the economy, policy and culture is how globalisation is reflexive. This means that individuals in their everyday life as well as in their working lives self-consciously relate to the world as a whole. Organisational and managerial practices in the economy are influenced by global trends such as ‘just in time’ and ‘Japanisation’. Perhaps we could even say that the policy buzz word ‘exchange of best practice’ is a practical example of globalisation.

A geographical take on globalisation

In the previous chapter, globalisation was discussed mainly from a political science point of view, particularly within the framework of the sub-discipline of international relations. This is a particularly strong perspective on understanding the shift in power of nation states. Before introducing a method on how to analyse globalisation, I would like to highlight some key *geographical* aspects of globalisation.

As geographers, Dicken, Peck and Tickell stress the geographical understanding of globalisation. Globalisation brings changes in importance and role of different spatial scales. To understand the changes that globalisation processes bring it is necessary to identify trends and shifts in importance of these geographical scales – from the local to the global. However, globalisation is not just about one geographical scale becoming more important than the rest; it is also about changes in the very nature of the relationships between scales.

An example of such changes of roles and relations of different geographical scales can be taken from the Stockholm archipelago. The archipelago is a distinctive sub-regional level within the greater Stockholm area although it does not have a single administrative body but consists of parts of several local authorities. The archipelago has particular

characteristics that form barriers but also opportunities to its development. Due to the recognition of the similarities regarding conditions for development between the Stockholm archipelago, Åland and the Åbo archipelago there has been collaboration between these areas since 1978. The archipelago in Stockholm has found it difficult to gain attention to its particular problems due to its location within the capital region of Sweden. Since Sweden joined the EU in 1995, the standing of the archipelago has changed fundamentally in this respect. The opportunities for international projects within EU programmes increased the funding for the collaboration ten-fold and more funding opportunities arrived through the various Structural Fund programmes. The position of the sub-regional level of the Stockholm archipelago has through these supra-national programmes and institutions strengthened considerably both in relation to the regional and the national levels.

Other geographers, for example Harvey (1989) have provided valuable contributions to the aspect of globalisation that focuses shifts in geographical scales and relationships between these. For Harvey, the issue of space is fundamental to the understanding of globalisation processes. He uses the concept of 'time-space compression' to describe how the world seems to be 'shrinking'. Because of technological developments from means of transport to information and communication technologies, time to communicate over distance has reduced and so has the experience of spatial distances. This time-space compression is an historic process that has been speeded up during capitalism, particularly quickly in bursts of developments linked to innovations in transport technologies. At such ground-breaking times, the world is thrown into a state of rapid change and great uncertainty. Towards the end of the 20th century, we experienced a total time-space compression in at least one sphere of interaction – the financial market. Around the clock simultaneous trading spanning the globe is a reality. The sociologist Giddens (1990) also operates with a similar concept – 'time-space distanciation'. The relationships between globalisation and regions, and the changes in relationships between geographical scales are also discussed in chapters 1 and 9.

A method of analysing globalisation

From the more abstract discussion of globalisation as a set of interacting processes and something different from internationalisation, this section introduces a method of analysing globalisation. The way in to this method is to systematically compare factors such as the financial market and the labour market against an 'ideal' state of a fully globalised economy. This comparison makes it possible to see how 'globalised' any particular factor is, and it also helps unravelling the particular globalisation

processes at work as well as barriers to these processes. The method is based in the economic aspects of globalisation, but as seen above, this is interlocked with globalisation processes in the fields of policy and culture.

Inventory of economic globalisation

The method builds on Waters' (1995 and 2001) 'inventory of economic globalisation' that he introduced in the first edition of his book. Waters states that capitalism is the vehicle of economic globalisation due to particular institutions of this economic system. Institutions, especially markets of goods, services, finance and labour make economic exchanges possible on a global scale. He argues that global economic relationships take place through these exchanges but also in the shape of organisational ideology and international economic cooperation.

In his inventory he identifies six different dimensions of the economy; trade, production, investment, organisational ideology, financial market and labour market. He systematically describes an 'ideal typical pattern of globalisation', i.e. what a fully globalised state of each dimension would look like. On each dimension this 'end-state' of globalisation is compared to the current state of affairs. (See figure 2.1)

The method of analysing globalisation will be exemplified by two cases: the financial market and the labour market. It can be argued that these are the most and the least globalised dimensions of the world economy respectively.

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALISATION	CURRENT STATE OF AFFAIRS
Trade	Absolute freedom of exchange between localities	Some tariff and substantial cultural barriers. Regional neo-mercantilism
Production	Determined only by physical/geographical advantages	Emerging technical division of labour. Decentralisation of production
Investment	Minimal Foreign Direct Investment, trade and production alliances	Considerable Foreign Direct Investment remains, emerging alliances
Organisational Ideology	Flexible response to global markets	Flexibility is new orthodoxy but Fordist remain
Financial Market	Decentralised, instantaneous, stateless	Globalisation largely accomplished
Labour Market	Free movement of labour. No permanent identification with locality	State regulated. Pressure for economic migration

*Figure 2.1: An inventory of economic globalisation
(Source: Modified by author from Waters, 1995)*

Is the financial market globalised?

Using the comparative method above, it is possible to analyse the financial market to see if it can be classified as globalised. In Waters contribution from 1995 he argues that globalisation is accomplished in relation to the financial markets, i.e. the financial market is ‘decentralised, instantaneous and stateless’. Looking behind this argument in a little more detail, and also updating it beyond Waters’ first contribution, it is worth highlighting the following aspects of the globalised financial market.

First of all, the globalisation process within the financial markets is not a new phenomenon even though the speed has picked up tremendously over the last 20 years or so. An early example of the globalisation tendencies within the financial dimension is the appearance in the 1970s of a European market for American dollars outside the USA. An important part of this market was the so-called ‘Petrodollars’ that were payment for oil purchases, particularly in the Middle East, but were deposited in banks in Europe. The European dollar market was outside the managerial control of the US financial centre New York and had by the late 1980s a size almost as big as the dollars circulating within the USA itself. Because the Eurodollar market was outside the control of the nation state of

the USA, it was no longer a matter of international trade (in currency) but of an aspect of economic globalisation.

The real speed and depth of globalisation of the financial markets have, however, appeared with the development of information and communication technologies coupled with deregulation of financial markets. Electronic trading around the clock is now possible, and in that way both time and space have been eliminated on the financial market, an example of time-space compression to use Harvey's concept. Deregulation has resulted in a financial market with more agents. Supermarkets can now act as banks and banks as stock dealers. State credit providers were previously the main credit providers on the international stage – this role has now been taken over by banks.

Is there a globalised labour market?

A globalised labour market would allow people from anywhere to seek employment anywhere they would like on the planet. This is clearly not the situation at the moment in the world where individual national governments as well as supra-national organisations such as the EU regulate the rights for migrants to enter a country and to seek employment. Furthermore, in a fully globalised labour market, labour would no longer have a permanent identification with a locality. This latter factor, or barrier to globalisation, is not an institutional one but a personal/individual one. It has to do with issues such as kin, language, domestic investments and cultural familiarity.

International labour mobility or migration is not a new phenomenon. Early stages of global expansion saw high levels of labour mobility although it is important to stress that in its initial phase much of this was incontrovertibly forced. During the period 1500-1850 slave traders moved 9.5 million people from the Africa to Americas. Labour migration when individuals moved mainly away from poverty to seek a livelihood elsewhere was also of a very large scale during the 'Great Migration' 1845-1914 when 41 million people migrated to the Americas, mainly from Europe and mainly to the USA.

With increased internationalisation in the world since the end of the Second World War, international labour migration has taken different forms. This includes the more traditional push to seek a livelihood abroad on the part of people from poverty in the Third World, as well as within the industrialised world and increasingly the former Eastern Bloc. A classic European example of this is the large numbers of Turkish citizens moving to Germany for employment. Another form of labour mobility is 'brain-drain' where highly skilled people from the less developed countries move to highly qualified jobs in the industrialised world. Typical

examples of 'brain-drain' include engineers, physicians and scientists moving from India, Pakistan, the Philippines and increasingly countries in Eastern Europe, mainly to USA, Canada, Britain and Australia. One strong factor in both these types of migration has been that of people from former colonies moving to seek jobs in the former colonial powers. Furthermore, there is the type of mobility where people's change of jobs simply 'happen' to include a move overseas, e.g. people working in multi-national companies, in Academe or merely making use of the greater opportunities to look for jobs on an international labour market.

A true global labour market would mean no institutional or individual barriers to labour mobility. We do not have a globalised labour market at the moment, but we do have examples of countries where the institutional barriers to labour migration are removed. There has been a free labour market in the Nordic countries since 1954, and European Union citizens have the right to live and work anywhere within the Union. What about labour migration in these areas?

Waters (2001) argue that labour migration within the EU has been very limited despite the open labour market and despite the disparities of standard of living within the EU. In 2001 around 360,000 people moved within EU 15 – less than 1 % of the population. (EUROSTAT) The case of labour migration from Finland to Sweden has been closely related to the levels of demand for labour in Sweden. However, a closer look at this migration reveals that the role of personal and individual circumstances and experiences of earlier migrants are important for the decision to move.

During the period of large demand for labour in the Swedish labour market in the 1960s, the largest stream of migrants within the Nordic labour market was from Finland to Sweden. It is worth pointing out that the vast majority of the migrants were Finns and not of the Finno-Swedish minority for whom Swedish is the mother tongue. The migration stream reached a peak in 1969-70 when 80,000 people moved from Finland to Sweden. By this time the demand for labour in the Swedish manufacturing sector had started to decline, and the return-migration from Sweden to Finland started to exceed that of the immigration from Finland. (Heikkilä *et al.*, 2003 and Häggström and Borgegård, Rosengren, 1990)

An interesting study of the labour migration from Finland to Sweden reveals that it is not only lack of job opportunities in the home region that explains the decision to move to Sweden, even though areas with poor labour markets tend to generate more out-migration than others. Personal circumstances and networks are also significant. Areas with a 'tradition' of labour migration to Sweden seem to generate more out mi-

grants than similar regions with limited such tradition. Family networks, holiday visits to friends and relatives who have already moved to Sweden are important factors that play a role in the decision on whether or not to seek employment in Sweden. (ibid)

Waters argue convincingly that the labour market is the least globalised dimension of his inventory. The reason for this is both the numerous institutional barriers and the personal/individual barriers. The latter obstacles are not likely to ever disappear fully even if some of them may diminish due to for example opportunities to travel and study overseas. Even when the formal institutional barriers are removed as in the case of the Nordic labour market and within the EU, such barriers still exist for example due to difficulties with acknowledging overseas qualifications. Furthermore, there are still more hidden barriers, that some would argue are just as institutional, such as discrimination. And then there are the personal barriers as well.

The closer look on the labour market leads back to the bold statement by Jay at the start of this chapter. His argument that globalisation is good for the poor in the Third World but bad for the poor in the industrialised world is based on the opportunities that globalisation, and therefore a global labour market, would bring the former. If there were no institutional barriers to labour migration, then poor people (or indeed anyone) would have the opportunity to move to the industrialised world to seek employment. This strategy, is as we have seen, widely used by poor people throughout history and can be summed up as: 'Let the poor seek a place in the sun' as the title of his article is. The reason that globalisation is disadvantageous to the poor in the industrialised world is that it gives capital, that previously through regulation was more locked in in nation states, the opportunity to seek out the most profitable places for its investments. Due to the globalisation of the financial market there has been major foreign direct investment in Third World countries to capitalise on the cheaper labour costs there. In this context, the poor in the industrialised world are losers.

Concluding discussion – the possibility of policies in an increasingly globalised world

To conclude, I agree with Waters, Hirst and Thompson and Dicken, Peck and Tickell when they argue that globalisation is a set of interlocking processes rather than an end result. We live in a world that is increasingly globalised, but we are certainly not fully globalised yet. The financial market can perhaps be characterised as global while the labour market is the least globalised part of the international economy. What about the

role of manoeuvre left for nation states, i.e. national governments, within this situation? Is it totally impossible for nation states to act regarding issues such as economic growth, regional development or the welfare of the population? Is the world economy simply run by multinational companies and supra-national organisations such as IMF and the EU? What are the possibilities of policies in an increasingly globalised world?

What the academics above, and many others, argue here could perhaps be paraphrased as ‘the nation state is dead – long live the nation state’. National governments are still important actors in policymaking on the economic arena. It would be irresponsible of governments to ‘swear themselves free’ of responsibility by claiming that globalisation is inevitable and that national policies are toothless. National governments still have scope for policymaking but perhaps in a somewhat different way to twenty or thirty years ago. While Keynesian demand-management policies may have been commonplace in those days, policies aiming at supporting regional development through for example investment subsidies and favourable tax breaks for companies locating to assisted areas are now less likely to be allowed due to international competition legislation. However, national governments are very active on fields such as micro-economic regulation of labour markets. This includes the supply-side policies mentioned earlier that aim to make labour more flexible and ranges from union-busting such as in Mrs Thatcher’s Britain to uncontroversial programmes on training to make people more ‘employable’. All in all, nation states and their governments remain key actors in the global economy.

Recommended reading

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Chapter 3

What is ‘the new economy’?

Åge Mariussen

Abstract

The ‘new economy’ concept once so fashionable has of late been increasingly questioned. The reason for this relates not just to the latest ‘bubble trouble’ in the ICT industry, but rather to the prevalence of neoclassical economic theory. In this light, this article argues for the sustained importance of studying not just *the economy*, ruled by some universal laws, but rather different kinds of economies, or ‘ecologies’. The first section explores two alternative ways of viewing economic development: here called the Newtonian and the Darwinian approaches, and discusses how the ‘new economy’ is, in part, a shift in thinking from the first to the second, where the institutions supporting economic growth are seen as the competing ‘species’. Following this, three types of business systems are presented for further analysis.

Confusion about ‘the new economy’

The concept of the ‘new economy’ has been used in many contexts. It is in part connected to broader sociological visions of technologically driven mega trends such as in the work of Castells, particularly with regard to his analysis of ‘the network society.’ The concept has also been used extensively by researchers seeking an understanding of recent technological changes, such as those driven by biotechnology and ICT in particular. From a historical perspective however, the concept can be said to refer to a technological divide in history – a transition to what Best called ‘a new form of competition’ – a new market created by new technologies.

Seen in this context, the ‘new economy’ may be best viewed as a subset of an even broader category often referred to as ‘the learning economy.’ According to Lundvall, this economic metamorphosis into a ‘learning economy’ cannot be seen as an isolated phenomenon within certain hard science driven sectors (ICT, biotech etc), but rather it must be viewed as encompassing the more generalized properties of the economy as a whole, where ‘knowledge is the most important resource, and learning is the most important process’.

Research in this area, as illustrated by Staffan Larsson's article in this book, does not always link up very well with the learning abilities and frameworks of action utilised by national and regional policy systems. In the wider public debate the notion of the new economy seems to rest on the rapid growth of ICT, biotechnology, and other new science-based industries, commercializing *expectations* of future markets and technologies. The 'bubble trouble' of these strategies, following the recent Millennium hype, has moreover only added to the scepticism directed towards such notions. Indeed, the level of expectation with regard to new products and technologies and in particular to their *market potential* can fall as quickly as they rise, with the practical benefits of a particular application often simply turning into thin air. As a corollary of this, stocks rise and fall on the slightest piece of pertinent information. As 'traditionalists' never tire of telling us, it is the 'fundamentals' that remain important, and as such the 'old economy' once again finds itself back on centre stage. If this is all there is to it we might as well stop here and simply forget about the new economy leaving the economy in the hands of the 'traditionalist' old economy theoreticians. Like most things however, it is not as simple as that. There is indeed something to the concept.

The whole notion of 'the new economy' is grounded on the assumption that a shift in the basis of economic competition has taken place, turning, as Lundvall and Borrás (1998) point out, *knowledge into the most important resource, and learning into the most important process*. Among the most important implications of this position is the fact that the learning capacities of firms, regions, networks and nations are now seen to be *more important* than any of the other factors determining competitiveness. As such, economists should not only seek to construct policies targeted at reducing inflation, or attempt simply to curb the costs that render the national economy uncompetitive, because, in the new context, for an economy to be truly competitive on a global scale it must *also* be able to use new forms of knowledge for economically useful purposes, and more importantly, it must be able to do this better than other economies.

This assumption may of course be disputed. In the debate, it has been continually emphasized that there is no direct or clear-cut correlation between innovativeness and profitability. There is no single, observable, clear-cut and successful 'best-case' form of regional clustering either. As such, what Lundvall suggests, defining as it were the essence of the new economy, is not necessarily a specifically new form of economic organization or networking. The new economy then is not a new species,

but rather it is best viewed as a changing ecological structure, which includes new forms of competition, thus increasing the pressure for the further mutation of various forms of economic and spatial organization all of which have different points of departure. The *new* economy is then an evolutionary concept.

In order to understand the implications of the ‘new’ economy agenda, we have to look at the fundamental distinction between two sets of theories of development that are ‘borrowed’ from other fields, each of which can provide some insight to understanding economic development. The theories we will use here are those of Newton and of Darwin. Once we understand this distinction, it is easier to see why we need policy systems that are able to handle the competitive challenges of the new economy, and why thereafter we must reject the Newtonian illusions of economic development.

An ecological approach, not a mechanical one

Neoclassical economists are Newtonians. They look upon the economic system as being determined by certain eternal principles. For instance, economic theory assumes that economic systems have single and identifiable points of balance, where optimization is possible (just as planets are kept in their orbits around the sun by balancing forces). Given these assumptions, they give useful advice as to how the national economy should be ‘kept in an orbit’ that avoids inflation, and maintains a healthy balance between supply and demand. Evolutionary economists on the other hand are Darwinians. They search for the evolution of the various species of economic life, determined not by eternal principles, but rather by new mutations – evolving through diversity and struggle for survival in a dynamically changing ecology. From a Darwinian perspective, the focus is on diversity or heterogeneity, with several changing optimal solutions, and several possible answers to evolutionary challenges. Let us then briefly look at the roots of Newton’s physics. The Copernican revolution changed the idea of man’s position in the cosmos. The accepted and authoritative understanding of the world was geocentric. Authority came from the Bible, at least in most of Europe. The earth was the centre of a well-ordered and stable universe, created by God and kept in place by His divine principles. On earth, there was man, created by an eternal God in the form of a miniature facsimile of himself. Man was in command on earth, with God as the supreme commander in chief, residing in heaven.

This belief was eventually replaced by the realisation that the earth was just one among many planets, soaring into the vast, open space that is the universe. Such a realisation was however rather shocking. If the earth

is continually moving, how can we know for sure that there will be a tomorrow? Are such ideas not simply a recipe for chaos? It was Newton however that discovered the eternal principles that rescued the cosmos from chaos. These principles, the simple mathematical descriptions of the forces of gravity, explain why the world is stable. Newton replaced unswerving belief in the laws of God with a similar level of belief in the laws of Nature. These laws of nature may be explored through mathematics and physics, providing a new, modern form of scientific understanding. By replacing God with nature and Gods' laws with mathematics, Newton was able to restore the nature of belief in the world as a stable universe, even in a world without the benefit of God's divine and continual intervention. Moreover, Newton's theories were taken to suggest that should man fully explore and master the laws of nature, he would effectively control the world, as did the man that was the facsimile of God the Creator. In this way, Newton not only restored order, he laid the foundations for the development of modern society, mastered through scientific principles, with the mathematicians as the new prophets. One such set of such applied Newtonian scientific principles, based on mathematics, is to be found in classical and neoclassical economic theory. Economists believe in the existence of eternal principles. Economic systems have optimal points of adaptation, which may then be laid down as the foundations for a variety of mathematical ecologies, explaining the dynamics of economic systems, just as Newton did with the planets and the sun.

This 'sight of hand' performed by the magicians of neoclassical economic theory – based on the assumption that the economy was governed by the same rules as those that applied to physics - is a smart move. It gives the neo-classical economist a set of mathematically defined ecologies which, given the right input data and assumptions about the world, may be used to produce authoritative and useful policy advice. What is more, neoclassical economists have powerful agencies to support them within the policy system, such as national banks and ministries of finance, providing modern states with systems of learning, knowledge transfer and policy action which gel perfectly with the message of the Newtonians. In the context of the Norwegian policy system the stronghold of these economists is the so-called 'iron triangle', representing the relationship between the Ministry of Finance, the Institute of Economics at the University of Oslo, and the National Bank. Most modern states have institutions within them that send receive and act upon messages coded in the language of neoclassical economic theory. Neoclassical economics is then a modern success story, and moreover, as the economists

themselves constantly remind us, its findings are based on firm scientific grounds.

An approach to economics based on Darwinian thought may however provide us with an entirely different way forward. Darwin studied biological life, rather than the movements of physical bodies in space. As such, he was forced to accept the emergence of the novel in nature. To Darwin, completely new and more complex forms of life evolved from simpler forms. What was more, in the evolution of the species, the stability that influences the forms of life that may evolve, expand, and disappear, is always relative. There is not one, but several different forms of successful adaptation, while the conditions for the success of such adaptations are constantly changing. In nature, random or unexpected events seem to prevail, making evolution itself the only constant. Adaptation is dependent on the environment of an organism: that is to say, it is *context dependent*. There are no general rules for success, only possibilities for success in a given situation and at a specific time.

The solutions that species evolve to survive remain stable for longer periods of time, undergoing only gradual change. Species may, however, be made extinct at any time by some random external event, and new answers to the competitive challenges of a changing ecology may be found. With Darwin, the belief in the eternity of human existence, guaranteed by a living God, was vanquished forever. The only certainty is that we, too, will one day vanish.

Applying Darwin to the study of economic phenomena means that we have to look for the evolution of the relatively fixed principles of the economy, the institutions. The analysis of the evolution of institutions is the focus of evolutionary economists and institutional theorists. Tracing the evolution of institutions however, and in particular studying the way in which they shape *different* economic species, (forms of organization) is not as easy as observing the movements of the stars in the sky, or indeed monitoring the changing balance between supply and demand.

True, evolutionary economics has embarked upon mathematical modelling, but the main focus of the analysis of the 'new economies' has a somewhat more biological point of departure, it is more Darwinian, in other words, as it is based on the careful mapping and classification of cases into species: a skeleton here, a rock there, in order that a new understanding may emerge. Not surprisingly, this simple analysis of the diversification of the economy has subsequently evolved into a rather more rigorous mapping of different ecologies.

Economic institutions

The European Group for Organisational Studies, a network of researchers with Whitley, Hollingsworth, Zeitlin, and Sozkies as its most prominent contributors, has studied the various institutions of the economy. Through studies of firms operating in global markets, they have identified national economic systems that consist of mutually adopted sets of institutions determining how actors in the economy learn. These ecologies have certain strengths and weaknesses in terms of knowledge creation and innovation. These strengths and weaknesses are summarized below.

The entrepreneurial ecology

The entrepreneurial ecology is associated with an institutional framework that encourages the development of radical innovation strategies. It is typically dependent on the development of new, codified scientific knowledge, and an organisational capacity for drawing upon cognitively complex and varied knowledge from a wide variety of sources. Economies organised around liberal market institutions such as the US and UK can more readily accommodate the entrepreneurial ecology of business organisation and innovation strategies. These countries have based their co-ordination of the economy on market mechanisms, efficiently backed by the regulation of competition, which blocks evolution in a more 'associative' direction. The labour market in this ecology is occupational in character offering a relatively high scope for job mobility between firms (Lam 2000; 2002). Knowledge and skills are owned by individuals rather than by firms, while career mobility relies on institutional signals (public certification) and/or informal signals (peer group recognition).

The efficient transfer and accumulation of tacit knowledge within this type of labour market takes place only in specifically localised firm networks such as in Silicon Valley, where shared industry or occupational norms provide a supporting social structure for collective learning (Saxenian 1996). Moreover, the willingness of people to take risks and change jobs is made possible by the guarantee of job opportunities elsewhere within the region. The characteristic practice of hiring and firing in this ecology enables firms to develop high-risk employment strategies and rapidly reconstitute their knowledge base and competence structures in the course of their innovative endeavours. It encourages radical innovation (Hall & Soskice 2001), while at the same threatening cohesion, the undermining of which may result in labour market polarisation. The latter is also caused by an elitist educational system that has a bias towards academic education and attaches little social status to practical skills (Lam 2002).

Table 1: Socio-Economic ecologies: Strengths and weaknesses of knowledge creation and innovation, social cohesion, role of projects

Socio-Economic		<i>Entrepreneurial</i>	<i>Associative (Participatory)</i>	<i>Developmental</i>
<i>Development Ecologies</i>				
Knowledge creation and innovation	Strength	New Knowledge creation and utilization, industry – university links, radical product innovations entrepreneurship	Complex problem solving, and process innovations, good at knowledge combination.	Knowledge diffusion and exploitation, process innovations, incremental product innovations
	Weakness	Knowledge diffusion mainly through clustering and regional labour market mobility Knowledge destruction through excessive temporalisation	Weak in product innovations, new knowledge utilisation,	Weak in new knowledge utilisation due to weak industry – University links,
Social cohesion		Deregulated labour markets, individualized welfare security systems	Negotiated welfare state support system, collective employment contracts	Firm/employment based welfare system

This type of educational system, while generating a good supply of highly qualified scientific personnel, appears to reinforce the domination of formal academic knowledge over tacit skills. It creates a bias in the use of human capital and generates knowledge discontinuities and social distance between different categories of the workforce, hindering the rapid diffusion and exploitation of knowledge.

The elite educational system also has repercussions for the research and development system, which is characterised by strong university-based research and development within some elite institutes and strong state-sponsored defence-oriented research and development, but which has weak intermediary infrastructures to diffuse results. The corporate governance of this ecology is characterised by a high level of ownership co-ordination combined with a low level of alliance co-ordination (Whitley 2000).

Ownership is largely remote from the management of the enterprises, there is little involvement of the workforce in the management of companies, and trade unions have a weak position. Few long-term connections between suppliers and customers develop. The ecology is dominated by a large and liquid capital market, which promotes the high-risk venture capital strategies critical for the development of entrepreneurial high-technology start-ups such as biotechnology companies. Overall, the institutional environment of this ecology discourages long-term cooperation between economic agents, but facilitates an efficient reallocation of resources between firms and sectors and a high level of flexibility and responsiveness to short-term demand changes.

The associative ecology

In contrast to the entrepreneurial ecology, the associative socio-economic ecology of development is characterised by a much more regulative and organised institutional framework governed by consensual decision-making norms and significant levels of dependence among the economic actors. It is often regarded as an ecology of 'public-private partnership', where the state negotiates with, and delegates important social and economic functions to, industrial associations. Moreover, these industrial associations have emerged as important vehicles for regulating competition between business partners and are seen as vital in fostering collaboration with regard to training and other issues of common interests. In other words, the state enables forms of self-organisation that fosters economic development and political stability (Cooke & Morgan 1998). The collaborative nature of economic institutions, coupled with pervasive egalitarian social norms and non-market patterns of coordination, is conducive to the development of incremental innovation strategies that build

on long-term cooperation between firms and cumulative organisational competence.

However, such institutional features also appear to create constraints on radical innovation and entrepreneurial start-ups in new industries requiring substantial reshaping of organisational competences and the rapid re-allocation of resources across industries and technologies (Soskice 1997; Whitley 2000).

The associative ecology is typically to be found in Germany, Austria, and Switzerland and to some extent also in the Netherlands, and in a slightly different 'participatory' form in Scandinavian countries. It facilitates the development of an education and training system that combines broad-based general education with deep vocational training for a wide spectrum of the workforce. This type of educational system recognises the value of both formal academic knowledge and practical experience as a source of organisational competence. The system prevents the polarisation of skills and labour markets, and supports the development of a decentralised mode of work organisation that encourages interactive learning and the cultivation of tacit knowledge as a source of organisational capability. The dominant form of knowledge base for innovations is tacit: embedded in company-specific product and process technologies combined with market and customer knowledge in the industry. It is conducive to successful high-quality incremental innovation strategies (Soskice 1997). However, the high degree of employer-employee interdependence encouraged by strong trade unions and regulated by well-established public vocational training systems inhibits the development of active labour markets and the flexible re-configuration of organisational competences and human resources across technologies and sectors. As a result, newly emerging industries that build on radical innovations cannot easily be developed within the associative institutional framework.

Corporate governance and financial systems within the associative ecology also reinforce long-term cooperation among economic actors and emphasize growth goals and the continuous exploitation of knowledge with regard to established technologies. The business system usually combines a high level of ownership integration with strong inter-firm linkages (Whitley 2000). There exists moreover a high degree of risk sharing between companies and a profound level of co-operation between competitors over training and technical support, encouraged by industry associations and other intermediary institutions, such as chambers of commerce. The capital market is typically credit-based, characterized by close links between banks and companies, and strong alliances between capital providers and users. Banks are willing to provide patient capital

for major investments in traditional sectors with relatively low long-term risk, but reluctant to finance more risky entrepreneurial projects because of the relative absence of 'exit' options.

The development of a cooperative research and development system that attaches a strong role both to universities and public research establishments, and to large and partly also to medium-sized enterprises is another important feature of the associative ecology that has an important impact on the innovation strategies of companies. The close cooperation between these bodies enables companies to combine their existing knowledge base with diverse sources of new knowledge to develop new product qualities for differentiated uses. Together, the research and development system and organizational competence support the development of complex product and process innovations, often at the leading edge of scientific discovery and innovation.

The associative socio-economic ecology of development is sustained by a political economy in which the state plays a strong role in fostering social partnerships in policy decision-making. The domain of voluntary associative arrangements in the economy has been restricted by regulations governing competition in the latter half of the 20th century, as noted by Djelic (2001). In several European countries, however, this associative ecology has been challenged by the interpretation of 'competition' and other corresponding regimes of competitive regulation applicable within entrepreneurial ecology. Despite this, this associative ecology remains persistent in many European countries. It is particularly notable that associative modes of governance now play an increasingly important role in the regions, transforming the regional level from a passive space subjected to corporate allocative decision-making into a laboratory where regional institutions enhance trust and co-operation (Cooke & Morgan 1998).

The *participatory socio-economic ecology of development*, found in the Scandinavian countries, can be regarded as a special form of the associative ecology model. The co-ordination of these small national economies is characterized by relatively long-term relations between institutions and firms as well as between firms themselves. These economies display both a flexible response to the changes in the economic environment after the post-1973 slumps and a high level of economic integration. Pro-active national policies enhancing innovation and production clusters are co-ordinated with development coalitions at the regional level (Mariussen 2002). This type of economy tends to develop strong local labour markets with relatively little geographical mobility and scope for radical renewal. In sum, the associative socio-economic ecology of de-

velopment favours combinative knowledge creation and incremental innovation, but appears to be weak in supporting radical innovation and flexibly reorganizing businesses and organizational competences across sectors.

The developmental state ecology

The developmental state ecology is the East Asian variant type of the broader state-centred socio-economic ecology of development, which can be found in France (see Cooke & Morgan 1998). The most archetypal features of this ecology can be found in the cases of Japan and Korea. In order to close the industrial and technological gap with the West, both Japan and South Korea followed the route of the developmental or plan-rational state, rather than market-rational or plan-ideological state, characterised by a strong, authoritarian, central government which deliberately and strategically supported large enterprises and industrial competitiveness (Jun 1992, Henderson 1993, Castells 1996, Nonaka & Reinmüller 1998). Economic policy in these two countries successfully followed the sequence of import, import-substitution and export orientation. Over the years, the economic policy emphasis gradually shifted from trade policy, to industrial policy and more recently still, to technology policy. While there are many similarities between the Japanese and Korean socio-economic ecologies of development with regard to the role of the state in the coordination of economic activities, in Japan, it is more a case of 'state-guided' coordination, whereas Korea represents the archetype of the centralised 'state-organised system'. There is also a time lag in the developmental paths of the two countries, with Japan leading and South Korea following (Hobday 1995).

Both countries lack natural resources and are consequently strongly committed to education and to the development of human resources. The education system is highly unitary and academic performance is the key to economic success. Unlike the associative ecology model, the public vocational system here is weak, but this is compensated for by an effective firm-based training system, which places significant emphasis on practical skills and on-the-job learning. Moreover, these societies place a high value on the practical skills of engineers, partly for historical reasons: industrial development was based on imported technology and hence engineers played a crucial role in international technology transfer, and in translating theoretical knowledge into concrete operational details for production workers (Morikawa 1991). These are important factors significantly contributing to the strong organisational capacity of these countries to absorb external technology, and to their ability to create knowledge through synthesis and combination. Labour markets in this

type of economy are typically dominated by large enterprises characterised by long-term stable employment. The long-term relations between employers and employees encourage company investment in worker training and the development of flexible specialisation. The types of skills developed tend to be firm specific however, thus creating inflexibility in external labour markets. The corporate governance of the developmental ecology is characterised by a high level of state-controlled ownership co-ordination combined with a low level of alliance co-ordination (Whitley 2000). The state strongly controls the capital market; banks are mostly state-owned and provide biased financial support for targeted large enterprises. Due to stronger state involvement in banks, South Korea's large conglomerates (*chaebol*) are more strongly controlled by the state than in the case of Japan's dominating business groups (*keiretsu*). In addition, *chaebol* tend to be characterised by strong vertical integration processes and a centralised, hierarchical and kinship-based organisation, whereas the *keiretsu* are less vertically integrated, centralised and hierarchical and have stronger networks with suppliers. In Japan, industrial districts are more important to endogenous knowledge creation and learning than in South Korea (Nonaka & Reinmöller 1998). This difference between South Korea and Japan concerning the kind and intensity of inter-firm relationships might indirectly be related to differences in trust levels in both societies (low-trust, family-oriented in South Korea versus high-trust group-oriented in Japan), as proposed by Fukuyama (1995). In both countries, however, the corporate governance system discourages entrepreneurship and the development of leading-edge innovative industries. This is much more evident in the case of Korea because of tighter state control, the exclusive focus of targeted development policies on the large *chaebol* and the absence of network linkages between firms.

The innovation strategies of firms in developmental state economies have tended to focus on applied research and development projects to promote a cluster of continuous and incremental product innovations. Science-based industries are relatively weakly developed. This is due to the weak position of universities in the national research system and to the low level of public funding in basic research. Although the state does play an important role in helping firms to mobilise internal research and development resources, most research and development activities take place within private firms. The Japanese state funds far less research and development than any other major advanced economy. Moreover, formal linkages between university and industry in R&D collaboration remain underdeveloped, leading to a lack of academic spin-offs and technology-oriented start-ups (Kim 2000; Bass 1998; Lam 2003; Hane 1999).

New economy policy

The successful adaptation of these national ecologies (business systems) to the competitive demands of the global economy remains highly unlikely. Institutional economists focus on path dependencies, maintained through the mutual adaptation of institutions into systems, protected by interest groups who depend upon the maintenance of the status quo. Systems resist change. As such, the ability to theorize institutional or ecological transformation from this point of departure remains an unachieved goal of many researchers. In reality however this is so because, we do not yet have sufficiently plausible theories explaining how ecologies actually change.

Another problem here is the dominance of neo-classical economists in the debate who reject outright the new challenges posed. Moreover, they have a formidable array of defences available to them. If we look at the neo-classic success in playing the policy-making game we see that it is based upon several years of clustering between university institutes, ministries, and central economic institutions. Seen in this context, the attempts made by the EU, OECD, and several national and regional level authorities to develop policies of global competition, based on the knowledge economy/ learning region approach, thus far undoubtedly lacks sophistication. Unfortunately, the failure of 'learning regions' attempt to fill this void, documented by Staffan Larsson, is but one of several sorry stories in this regard.

Perhaps the saving grace here is that the external pressures seeking the adaptation of the European learning ecologies are becoming ever harder to ignore. In this context, three of the factors that seek to transform the terrain upon which national business systems currently evolve should be emphasized. One of the interesting aspects of EMU integration in Europe is that it removes from the national agenda the traditional option - via national financial policy - to maintain employment. Financial policies, under the EMU rubric however have now become the business of the federal level. This change has the potential to expose the national level within the EU federation to institutional pressures that can no longer be solved, for example, in the 'Swedish way', through allowing the value of the domestic currency to fall, in order to maintain an outdated industrial and institutional structure. The federal level, importantly, is not embedded in the national institutional context discussed in this paper. Accordingly, a layer of protection around national ecologies will perhaps be removed – and the logic of competition and of the survival of a wider European terrain may now begin to prevail.

The nature of Europe's economic ecology is now changing with pressure for institutional adaptation consequently on the increase. Given the right external pressure, one option may well turn out to be to address questions of national business systems and innovation, and transform these systems in such a way that increases competitiveness in a much more radical way than for instance Staffan Larsson suggests are currently ongoing.

In reviewing the spatial economic changes of the last ten years, there are factors that really stand out: first, the fast and sustained growth in certain Asian countries, among them China, and second, the ability of these economies to capture large shares of new economic sectors, such as ICT. As such, one of the major problems of the, by now, maturing ICT sector in countries such as Sweden and Finland is not the aborted transition to 3G, but rather the movement of major parts of the ICT cluster, among them electronic manufacturing, to China and other Asian countries. This reflects, not just their competitive advantage in terms of costs, but also, importantly, the ability of these rapidly developing economies to catch up in terms of institutional solutions and skills in the labour market. The need for better theories explaining these deep ecological transformations is thus all the more urgent.

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Chapter 4

Creating learning regions

Experiences from a policy initiative in Sweden

Staffan Larsson

Abstract

The Regional Growth Agreements were introduced as a new regional policy initiative. In February 2000, one 3-year programme document from each of the 21 Swedish counties was submitted to the government. Inspired by the European Structural Funds, the Agreements had been developed in broad partnerships. The aim of this chapter is to address the question of policy making and specifically, whether it is possible to design development programmes aimed at creating and developing learning regions. Following a literature review on localised learning, the Agreements are analysed with regard to the theoretical findings. The process thus far appears to have been moderately successful, however work will continue for another four years.

Introduction

In 1998, the Swedish government proposed, and parliament subsequently adopted a new regional industry policy entitled 'The Regional Growth Agreements'. The aim was to mobilise regions in order to solve the country's financial problems and to create employment both regionally and nationally. Even though it was not explicitly stated, the ideological and theoretical starting point of this policy was the belief in the localized nature of economic growth. In the Bill (Prop 1997/98:62) governing the process, it was explicitly stated that every region has a growth potential that is unique to that specific region. It was this unique potential that the new policy would try to nurture. The Bill also spoke of 'learning processes' based on co-operation within the framework of local/regional partnerships.

The aim of this chapter is thus to address the question of policy making and in particular, whether it is possible to design development programmes aimed at creating and developing learning regions. This is done primarily by examining the development of a recent Swedish policy

initiative, 'The Regional Growth Agreements'. But in doing so the chapter also highlights two basic research questions. Firstly, the usability of economic theory is questioned. Can recent findings in economic theory be effectively used in the design and implementation of development programmes? While the second issue put forward in the chapter concerns the implications for action frameworks. Are the action frameworks for changing and developing localised learning structures specified in economic theories concerned with learning and innovation?

The Regional Growth Agreements are introduced below, followed by a brief literature review on localised learning. Finally, the Regional Growth Agreements are assessed with regard to the theoretical findings.

The aim of the Regional Growth Agreements

Since the 1970s the Swedish economy has become progressively weaker. At a regional level this has led to a process of increasing polarization as some regions have enjoyed substantial growth while others have suffered from economic recession and declining populations. It has therefore become evident to many that the resources put to use to balance regional development have not led to the desired goals. Despite state-funded growth initiatives (e.g. investments in research, education, infrastructure, etc.) the results thus far have been mediocre at best.

The Regional Growth Agreements were intended to lead to a process of adjustment where the focus, in part, was new. It was also said to provide for a learning process for individual participants, as well as for one between the different sectors and levels in Sweden. By applying a regional perspective it was assumed that the interaction between and within different sectors of the economy would prove to be more suited to the demands of enterprise, therefore leading to a greater potential for growth than could be achieved under purely centralised, state-inspired initiatives. Added to this, the establishment of the Growth Agreements was expected to create further synergies by co-ordinating – the considerable resources already utilised at local and regional levels. This was believed to be particularly important in Sweden, where a far-reaching decentralisation of influence and resources to the local level had already taken place.

In its instructions, the government stressed to the concerned parties the importance of concentrating energy on identifying areas exhibiting the best and most fruitful growth possibilities. Thus, the point was to motivate the most suitable strategic and operative resources in order to take advantage of growth potential. This should be better effected by mobilising mutual resources, thus creating greater multiplier effects than those gained from individual action. Focussing upon what creates the greatest

growth possibilities brings the concept of regional/sectoral collaboration to the fore, as well as leading to national decisions concerning the regional distribution of resources. Thus a 'national regional growth policy for the whole country' was created.

Finally, the instructions given by the government stressed that no new resources were to be allocated to regional development – instead a more effective utilisation of the prevailing level of regional growth funding was desired. Therefore, a strong element of the decision-making process would have to involve a reappraisal of the current use of funding allocated to regional development. It was this regionally defined funding that the Swedish state wanted to put to better use.

Inspired by the European structural funds, the planning process used in 'The Regional Growth Agreements' was based on the partnership model. This meant that national as well as regional actors prepared to participate could form regional partnerships. The government did not state any limits to the number of partnerships. Neither was a formal responsibility for the process pointed out, even though the County Administrations (länsstyrelser) were responsible for putting together different initiatives to form a coherent whole. The first Regional Growth Agreements, finalised in February 2000, were implemented 2000-2003.

Localised learning – some general characteristics

Before plunging into the specific question of this new regional initiative in Sweden, we will look briefly at the literature discussing localised learning processes. This is done in order to make it possible to evaluate the Swedish initiative in relation to our theoretical framework, and to assess whether the chosen strategy is likely to lead to the creation of dynamic regions based on localised learning. In this brief section the space available dictates that only a few general characteristics can be highlighted, thus omitting a large proportion of the literature.

No clear-cut definition of the localised learning concept exists. Its main usage is, however, to explain space-specific learning processes that evolve as a consequence of market-led processes (internationalisation, competition, etc.), biological constraints (e.g. the time- space constraint), social regulation (culture, norms, values, etc.) and physical as well as non-physical investments. The main argument put forward in the literature is that competition today, to some extent paradoxically, has become dependent on the qualitative characteristic of different immobile, basically socially related, resources. This is explained by a deepening competition where innovation and knowledge creation, instead of effectiveness and physical assets/resources, are the main engines for economic growth.

The global competitive race has thus become a race between regionally distinctive knowledge systems.

The changing structure of competitiveness has inspired much research and lately also some attempts to draw policy conclusions from the research. Some general conclusions characterising the focus at hand can be taken from an article written by Phil Cooke (1998). Cooke's arguments about the spatial aspect of economic development can be summarised in the following sentences:

- Regions are the natural arenas for creating competitiveness in a globalised economy.
- Informal institutions such as norms and conventions play an important part in the creation of localised capabilities.
- Both informal networks as well as formal organisations are important for the creation and upholding of trust (e.g. decreasing transaction costs).
- Geographical proximity and agglomeration economies are important for the transfer of knowledge and organisational learning.

The first lesson to be learned from the literature is that learning is endemic to the creation of competitiveness. These learning processes are not primarily about formal education; instead, they are created in the symbiotic relation between formal and informal learning structures, i.e. when formal skills are matched by use of knowledge, primarily in market lead processes. This means that education as such is not enough to create localised learning, which is often ascribed to the relational aspect of localised dynamics.

Furthermore, these learning skills cannot be copied, since the reason for competitiveness is that such localised learning creates endogenous capacities (e.g. if they could be copied they would not constitute a competitive advantage). Nor can they be planned through a top-down approach (Lorenzen 1999: 7) or built on non-existent regional resources. An important prerequisite, then, is the existence of a strong local/regional commitment (Maskell et al. 1998: 185). It is this commitment that guarantees the localised nature of learning. The conclusion is also that localised learning policies should be tailored (Lorenzen 1999: 10).

Learning policies are also constrained from another point of view: they should conform to market processes and not try to work against them (Lorenzen 1999: 7, Maskell et al. 1998: 189, Glasmeier 1999). This means that policies must be constantly challenged and questioned and, in

instances of structural change, be changed altogether. The possibility of constructing long-lasting policies is then limited, and instead learning (including getting rid of obsolete ways of thinking) needs to be applied both in the construction of policies and in their application.

The inter-relational aspect of learning processes, not least explained by the heterogeneity of markets and of learning processes, means that learning policies should enhance networks between firms and between firms and others (Maskell et al. 1998). This should also be done on a non-local base, since learning networks with actors (firms, universities, etc.) outside the region are almost as important, especially if the region has limited internal resources (Larsson & Malmberg 1999). As such, an inflow of knowledge from external sources is and will most certainly always be important for localised competitive processes.

Who creates or supports localised learning?

Before moving onto evaluating the Swedish policy initiative one further question, which will fundamentally affect the way we view the initiative needs to be examined. The policy conclusions drawn from the literature have as yet only been of a general kind, leaving discussion of the political action framework largely untouched. It also currently remains difficult to draw this kind of conclusions (that effect and change local learning structures) from the theories presented. A brief glance at the literature dealing with regional systems and learning gives us little advice as to whose responsibility it is to govern, develop and build localised capabilities. Some authors even question the benefit of strategic action. Nilsson's (1998) main conclusion is that the logic behind regional development based on dynamic learning seems to be haphazard. Moreover, there is evidence that both proactive policy strategies as well as more laissez-faire strategies can lead to economic success.

One lesson that can however be learned from the previous policy discussion is that policies should differ depending on their individual regional context, which should also mean that the political action framework most probably has to differ between regions and nations. Bearing this in mind, the purpose of the remaining parts of this section is to look briefly into the different action frameworks that the literature seems to imply.

The notion of institutions is in the literature used both in a formal (e.g. organisations) and informal (e.g. behaviour) sense, implying that it is the interplay between these institutional structures that provides possibilities for learning and the creation of localised competitive advantages. The literature focussing on national innovation systems (Lundvall ed. 1992, Nelson ed. 1993) and industrial clusters (Porter 1990) seems to

emphasise formal institutions providing education and research. It is these rather formal institutions that provide the economy with learning capabilities, even though interim relations are stressed as important. The action framework provided by this literature is, to a large extent, established and controlled by the state and formal organisations. Even the creation of culture and conventions is seen as dominated by the public sector, basically through investments made in education, research, culture and even the legal systems.

This rather high-tech and large-firm route to explaining learning structures however has a counterpart stressing more day-to-day based learning regimes. The literature dealing with industrial districts, innovative *milieux* and low-tech production systems thus seems to provide different explanations. Here learning structures are seen as more complex and rooted in everyday life situations, even though the focus is on business development. One basic difference here is that even though formal institutions are seen as important, the literature does not restrict learning to these institutions alone. Instead learning is seen as incremental in all sectors of the economy, even in fairly traditional industries and regions (Maskell et al. 1998: 29). It is the interaction process going on in the local arena that makes learning and, ultimately, the creation of long-term competitiveness possible. Even the development of conventions, norms and values must be seen as a process governed by interaction in the local *milieu* (Maskell et al. 1998: 185).

The question of what kind of policy implications it is possible to draw from this kind of literature is often a complex one. Local cultures and associated behavioural codes are quite difficult to influence. They are inherited through generations of investments – physical as well as knowledge-oriented investments – causing distinct patterns of institutional frameworks and codes of behaviour. The possibility of influencing and building these kinds of local capabilities is however rather limited. From a learning perspective ‘public intervention can only have a marginal influence on the development if there are no local agents to carry out a dynamic, change-oriented development’ (Maskell et al. 1998: 192).

Other research attempts focussing on civic entrepreneurship share the notion of a self-help approach. Developing localised capabilities built on unique assets is in most cases the result of processes initiated by a handful of people. Even such success stories as Silicon Valley can be traced back to the decisions and work of a few people (Henton et al. 1997). The conclusion being that the public sector is not the natural actor capable of creating development. Instead, change and development is the result of the efforts of individuals, especially individuals with social ca-

pabilities – credibility, status, powers of persuasion etc – which make them suitable to introduce change and collective goal setting (Henton et al. 1997, Leadbeater & Goss 1998). As concluded by this kind of literature, the action framework is limited to individuals and not to the public sector.

To sum up, the main conclusion to be drawn from the literature is that very little can be said about the action frameworks existing in different regions and localised learning structures. Most localised learning structures show some similarities when it comes to the basic logic of the learning system – spatially integrated value systems (culture, etc.), the existence of business related networks, skilled labour, etc. But the individual action framework differs depending on the spatial endowment.

Evaluating the Swedish Growth Agreements

In this section the Swedish Growth Agreements will be evaluated in the context of a learning perspective. The main question to be dealt with here is whether the Swedish initiative has been based on the kind of learning structures emphasised in the literature?

Before discussing the new policy initiative and the effects that have been achieved thus far, we will clarify a few principals governing the planning and decision-making process behind the Regional Growth Agreements.

The decision-making process behind the Regional Growth Agreements

On February the 15th 2000, twenty-one Regional Growth Agreements were submitted to the Swedish government: One from each county. The Agreements were signed by the Swedish government, but were not formal contracts in a juridicial sense, but rather ‘gentlemen’s agreements’ based on voluntary compliance. This meant that there were no formal compliance measures available to make actors behave in accordance with the agreements concluded in the contract. The government though, used its formal control over the state apparatus and urged, through letters regulating state affairs, these actors to participate in the construction of regional strategies for Swedish regions.

Most of the money was already in the hands of institutions operating in the regions. The County Labour Boards (länsarbetsnämnder) were crucial players here, as were the County Councils (landsting) who handled most of the regional development programmes paid for by the government. Partnerships formed around the Regional Growth Agreements

were thus to a large extent based on co-operation between actors operating in the local and regional environment.

The policy implications discussed earlier of course do no justice to the complex literature of localised learning. Though they do hopefully provide a background against which this Swedish policy initiative can be evaluated. If the purpose with this policy is to enhance local competitiveness, then it should conform to the following principles:

- Promote local mobilisation, and primarily be achieved by 'bottom-up' strategies.
- Regional strategies should be built around the use of resources unique to the region – especially knowledge, skills and technical 'know-how'.
- The strategies chosen should promote learning;
- The development programmes should promote innovative activities in and between firms.

In the following, we will analyse how the implementation of the Agreements matched up to these preset principles.

Local mobilisation

One of the main ambitions behind the Regional Growth Agreements was to stimulate the mobilisation process at the regional level. The initiative was governed by the belief that people and organisations operating in the local/regional *milieu* have better opportunities to formulate strategies promoting economic growth than do the national authorities. The 'bottom-up' process was thus believed to improve learning skills both locally and nationally.

Although not being the first of its kind (see e.g. länsprogrammen in the 1970s and Landshövdingeuppdraget 1996-1998), the amount of work behind the Regional Growth Agreements makes them the largest-ever mobilisation of local and regional participants aimed at fostering efficient regional economic policies. Between 5 and 10 thousand people were involved in discussing and planning regional competitive strategies. More than a thousand different action plans have been put forward, all building on needs identified at the local level.

In many ways the Regional Growth Agreements have started mobilisation processes that have promoted new thinking by inviting people and actors previously excluded from the regional dialogue process to participate. In most cases the partnerships initially used a very open model of communication. The creation of strategies for regional economic development has in most cases not excluded anyone interested in participating.

From the start, the process was presented as neither dictated nor owned by specific actors. In order to organise the discussions and negotiations, most partnerships used a multi-layer organisational structure, where discussion and working groups at the bottom (the local level), reported the results of and other considerations concerning the partnership to the regional level. The groups involved in discussions showed great diversity, although priority was given to representatives of the private business sector. This has created a platform that could be used to identify new activities and programmes.

In the directives guiding the Agreements, functionally defined regions were seen as important. More often than not the notion of 'functional regions' in Sweden refers to the labour market and to commuting patterns (though there is no administrative organisation). The fact that this was never acted upon by the partnerships must be ascribed to the fact that the organisations in control of public funding are traditionally organised around administrative boundaries such as County Labour Boards, County Councils and municipalities. This severely hindered the creation of functionally defined learning strategies important in the promotion of local competitiveness.

According to the annual follow-ups to the Regional Growth Agreements presented by the Swedish Ministry of Industry, the municipalities have gradually become more active, although co-operation between the local and regional levels, as well as that between regional and national actors still needs to be improved. (Näringsdepartementet 2002 and 2003).

Unique resources

The main purpose of the Growth Agreements was to implement a planning model that would be guided by regional competitive advantages. The notion of regional specialisation was at the centre of the policy initiative. In the Bill it was stated that every region had unique development possibilities. The initiative was to ensure that these unique assets would be exploited and used for promoting economic growth.

The ambitions expressed in the Swedish initiative very clearly reflect statements made in the literature. The idea of unique resources as the driving force behind local as well as national economic growth is one of the strongest arguments used in the localised learning literature. Increasing competition and the need to innovate and develop capabilities, which cannot be copied – tacit knowledge – have put regions in focus for economic analyses (Maskell & Malmberg 1999).

The initial period of the Regional Growth Agreements 2000-2003 has resulted in numerous and varied ideas. Many of the regional discus-

sions have thus emphasised issues peculiar to a specific region ('unique' clusters), for instance in the areas of education and research. In other cases it is however more difficult to make significant judgements as some suggestions are more general in nature. One common characteristic here is that a cluster is a politically accepted concept but that little theoretical knowledge lies behind the use of the concept. A number of different initiatives have thus been grouped under the heading of 'cluster policies'. One reason for the rather eclectic use of the concept is that the regional analyses guiding the programme process have been rather vague and unclear, while only a few regions have extended their analyses beyond their regional borders. Moreover, some of the critical issues facing the regions, such as the impact of large corporations and specialised centres of competence in neighbouring areas, have not received as much attention as they deserve.

Looking more closely at the measures identified in the programmes clearly shows that regional specialisation has not been achieved. According to the annual follow-ups presented by the Swedish Ministry of Industry, four themes dominated: Industry & entrepreneurship, competence/skills enhancement, attractive living environment & local development, and information technology & infrastructure. On average, between 80 and 95% of the total budget for 2000-2002 was spent on such measures in the counties (Näringsdepartementet 2001, 2002 and 2003).

Even though regional specialisation and the focus on unique assets and resources has not been achieved as intended, the Regional Growth Agreements have however set in motion a discussion on cluster policies. This is most clearly shown in the fact that in the autumn of 2002 the government, as a result of the great interest shown by the regions in developing clusters, launched a programme for promoting clusters and innovation systems in the regions. This will hopefully improve the regions' capacity to develop clusters, and in so doing lead to more focused programmes in the new period 2004-2007 (The Regional Growth Programmes).

Learning

The partnerships created have however achieved one of the most important aims of the Regional Growth Agreements, namely the mobilisation of forces at a regional level, while also setting in motion a communication process creating greater possibilities for learning. Unfortunately, this has not been translated into programmes where these locally inspired initiatives have been incorporated.

One basic problem with the partnership model used by the government is that even though the process is not 'owned' by any specific actor – in order to promote broad discussions and nurture new ideas – the

funding defined as regionally specific is mostly owned by well established and often publicly financed actors. As a result, instead of promoting change, discussion at the local level has in most cases been incorporated into programmes and ideas already in operation. Rules governing sector policies as well as the lack of competition – regional funding cannot be shifted between sectors – have moreover further weakened incentives for change. On the whole, one can thus question the notion that state-financed actors will commit themselves to processes of ridding themselves of obsolete ways of thinking, without being put under pressure or political guidance.

The notion of a proactive learning policy implies that regional resources are focussed on specific goals. The cost of learning makes focusing on specific goals important. The logic of economic development further illustrates that progress is nurtured by uniqueness, which gives additional weight to the conclusion that strategies promoting economic growth should be guided towards specific objectives. Developing specific goals based on regionally competitive advantages also demands co-ordination between sectors; as such co-ordination is needed to obtain consensus and coherence. To some extent the existence of co-ordination between sectors can be taken as evidence of existing local cultures and conventions. At the very least, the existence of unanimity should facilitate co-ordination and co-operation.

The Ministry of Industry's annual reports state that the Regional Growth Agreements have implied an active and conscious learning and an interest in issues related to growth. (Näringsdepartementet 2002). The work continues within the new 'Regional Growth Programmes' 2004-2007, implying e.g. a sharper focus and a better anchorage at the local level. Furthermore, the Ministry encourages the sustainable development perspective (economic, social and ecological), noting that it should be stressed more and regarded as a driving force. (Näringsdepartementet 2003).

Innovative business activities

The services identified as important in improving the competitiveness of the regional economy were in most cases of a general nature. As such, general rather than specific services have already been provided. Such services include information desks, 'one-stop shops', entrepreneurial support, etc., while specialised services, often deemed necessary in localised learning systems (Lorenzon 1999), have in most cases been lacking.

That few suggestions concern structural changes in the prevailing subsidy systems is also indicative of the fact that the necessary alterations in priorities have not yet taken place. For instance, none of the regions

has explicitly raised the question of the rationalisation of the subsidy system.

One of the reasons for beginning the regional growth process was the understanding that the development structures surrounding Swedish firms and regions had become too fragmented. A situation had arisen where the structures were no longer believed to be cost-effective and competing goals had severely hindered economic development. The use of a 'bottom-up' process and the restrictions put on state authorities participating in the planning process it was believed would lead to a restructuring of the institutional framework surrounding firms and regions.

The quality of the implementation of the Agreement varies between counties. To many counties, the programme is an important tool for co-ordination and collaboration between actors and sectors. The cluster perspective here seems to be the most important method for collaboration between public actors and actors within the business sector. It is however important to keep striving for the greater involvement of SME's in this process (Näringsdepartementet 2002 and 2003).

Conclusions

To conclude, the Regional Growth Agreements represented the attempt to put in place a new, decentralised, approach to stimulating regional development through learning processes, identifying possibilities and increasing effectiveness. Localised learning was said to be the key to competitiveness: policy is only part of this as formal and informal networks between firms are important to innovation and experimentation. Academic learning is important, but tacit, whereas informal and cultural forms of learning are at least as important. Mobilisation is essential, but it cannot be directed 'top-down' as it depends on local initiatives. The Agreements process thus far appears to have been moderately successful – having mobilised many and made regional profiles (but not found elements unique to their regions), while having focused strategies only to a limited degree. Learning, of course, takes time and the process has only been ongoing for a brief period of time. Nevertheless, based on the experiences hitherto, work is now proceeding through the implementation of the new 'Regional Growth Programmes' 2004-2007.

Suggested reading

Innovative clusters in Sweden. Practical lessons from regional cluster-building, NUTEK, 2001.

Innovation and learning for competitiveness and regional growth (ed. P. Maskell) Nordregio R2001:4.

Regional development in the Nordic Countries 2002, Hanell T., Aalbu, H., Neubauer, J.) Nordregio R 2002:2.

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Chapter 5

Sustainable development

Ethics, politics and practice

Tuija Hilding-Rydevik

Abstract

The starting point for this contribution is that sustainable development both as a concept and as a goal now has become part of the lexicon of international, national, and regional as well as local politics. Moreover, the business community is now also taking it on board. The contribution also highlights that Sustainable development can be interpreted as a new ethic acknowledging the societal importance of long-term, intergenerational responsibilities and also as the need to understand potential conflicts and ‘win-win’ possibilities as regards economic and social development and their relation to environmental impacts, resources and services. However, the integration of sustainable development into politics, business and planning does challenge old patterns of thought, action, organisation, technical solutions, etc. A number of approaches and tools are currently being developed to aid the integration process. Though to begin with we must give sustainable development a context specific interpretation in order to make it operational.

Introduction

‘Concerns about the environment and development are not new. More recently, the ongoing global dialogue has formed around the strategies needed to address the inter-related challenges of building healthy societies, economies, and environments. This dialogue has its roots in the gradual merging of the environmental movement and the post- World War II international development community. Over the past fifty-five years, optimism about the creation of a modern technological utopia has been replaced by a more realistic understanding of the forces contributing to the world's problems. Many people consider 1962 as the seminal year in which people began to understand how closely linked the environment and development truly are.’

(International Institute for Sustainable Development 1997)

The concept of sustainable development was defined and popularised through the work of the World Commission on Environment and Development (known as the Brundtland Commission) and their report *Our Common Future*, published in 1987. However, an understanding of the emerging environmentally negative side effects of economic and technological development was already evident in the book 'Silent Spring' written by Rachel Carson in 1962. A number of international and national efforts – in environmental research, politics, the activities of NGO's etc – have since 1962, together with a number of environmental incidents, provided the basis for the emergence of the political concept of Sustainable Development. The term 'sustainable development' was used for the first time in the World Conservation Strategy: Living resources for Sustainable Development in 1980 (IUCN).

In 1992 the United Nations Conference on Environment and Development held in Rio de Janeiro, Brazil (also called the 'Earth Summit') established sustainable development as a common goal for human development for the roughly 160 countries that attended the meeting that was to be manifested in the action programme, Agenda 21. Since 1992 sustainable development has attained widespread acceptance and has thus become a goal in international, national, regional and local politics. It is now also gaining acceptance in the business community.

The roots to the concept of sustainable development can be found in the emerging environmental consciousness of the 1960s and in the identification of the link between economic development and environmental degradation and pollution. Today however, the concept of sustainable development has broadened its perspective to include three dimensions – *social, economic and ecological*. Moreover, the fact that sustainable development should and does include these three dimensions seems to be a unanimously accepted. There are however numerous interpretations of this concept. Most do refer to the Brundtland report definition of sustainable development as their basis:

'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs.'

(WCED 1987:43)

Thus far significant emphasis – in politics, practice and research – has been placed on the environmental dimension of sustainable develop-

ment. The social dimension is thus only now coming to the fore as an important part of sustainable development. Looking at the development of the concept, we can see that it has emerged from our understanding of important relationships between societal development and the state of the environment, in the sense that our understanding of development today has side effects in the form of environmental pollution, degradation and depletion. There has hitherto been a tendency to depart from this understanding thus in effect 'disarming' sustainable development by introducing in its place the concepts of 'economic sustainability', 'ecological sustainability' and 'social sustainability.' Then suddenly we are back to business as usual i.e. the sector and non-systems thinking. This way of interpreting sustainable development provides us with the opportunity to label almost any issue as relating to sustainable development. There is then a tendency, when using sustainable development, to include too much in the concept. As such, if it can be potentially related to everything then it becomes nothing. It does have the ability to serve as a sharp political and analytical instrument, if used in the 'Brundtland spirit' but if this is to be so, it desperately needs to be given a context specific interpretation.

The aim of this contribution is to outline the sustainable development concept in broad terms in addition to highlighting some of the development directions it has taken as a discourse in different contexts. The paper will also introduce sustainable development indicators and sustainable development assessment as tools to promote sustainable development. Progress as regards sustainable development implementation in two further arenas, namely, the business community and in respect of regional development, are also presented. The challenge of making sustainable development part of our every day professional practice is also raised towards the end of this contribution, while the final section ties all of these issues together.

The new ethics of sustainable development

The aim of this section is to highlight the different basic environmental ethics underlying the interpretations of sustainable development. This understanding is important from two points of view – firstly since the environmental dimension and the concerns it raises provide the fundamental basis for the concept of sustainable development, and secondly, because we do not reflect often enough upon the basic assumptions that underpin our environmental standpoints and decisions. As such, reflecting upon professional 'taken for granted' perspectives is an important condition for changing them. The need for change and learning to take

place in relation to sustainable development is touched upon later in this contribution.

The basic question in environmental ethics (which is a relatively recent branch of ethics research in general) concerns the issue of how we as humans relate to the natural environment (Stenmark 2003)¹. Environmental ethics studies the morality of what is right and wrong in the relationship between humans and nature. In 'human ethics' the object of study is the systematic and critical study of how we humans relate to each other. Since human inter-relational acts have impacts on the environment there is of course an overlap between these two forms of ethics. There are today a number of theories of environmental ethics that do have impacts on the formulation of politics relating to the environment and thus also on sustainable development. In this section the following ethics identified by Stenmark (2003) will be described:

- Traditional anthropocentrism
- Intergenerational anthropocentrism (weak and strong)
- Non- anthropocentric ethics:
 - bio-centrism (weak and strong)
 - eco-centrism (weak and strong)

Stenmark (2003) claims that sustainable development represents a genuinely new ethics – intergenerational anthropocentrism – seen from a western perspective. Never before have our human moral duties been seen to encompass both the now-living generation *and also* the five, ten or even fifteen generations to come. Traditional anthropocentrism implies that we have only a moral obligation to the current generation. Anthropocentrism, in any form, sees the needs of human beings as the starting point as opposed to bio- and eco-centrism (which will be described later) and that humans have a greater value than other living beings. It also assumes that only humans have an intrinsic value i.e. it is only towards humans that we can act right or wrong. This in turn implies that nature and the environment are only viewed as a resource, an asset that we, as humans, have the right to exploit for our own purposes.

In addition to the question of intergenerational obligations, sustainable development is also based on a worldview that acknowledges that a finite amount of natural resources exist, and that some of them may be depleted in a near future; that ecosystems do have a limited capacity to

¹ This whole section is based on Stenmark, M (2003) where nothing else is indicated. Citations used here are translated from the originals by the author.

absorb waste products and that we in several areas have already used up this capacity and thus that we should use natural resources more efficiently and with a long-term perspective in mind. These standpoints together with the intergenerational perspective differ radically from the worldview that was important for the early development of science and industrialism and the prevailing traditional ethics of anthropocentrism. To summarize, in general terms, the aim of sustainable development is the well being of humans and humankind today and for the generations to come.

In addition to anthropocentric ethics, we also have environmental ethics, where our moral obligations towards nature are emphasized – this is a non-anthropocentric ethic. This ethic claims that nature has a value of its own, an intrinsic value, and thus the stated aim of this approach is to preserve nature for its own sake not for ours. The solution to environmental problems lies not in a more efficient and long-term use of natural resources but in paying nature more respect. Several researchers have observed a shift in values from an anthropocentric to a non-anthropocentric view within society as a whole. There are however different standpoints as regards just what exactly we have moral obligations towards, or to what should be respected depending on whether you represent for example a bio-centric or eco-centric view.

Bio-centrism emphasizes the individual animal and posits that we have moral obligations towards other living creatures, not only to humans. Eco-centrism emphasizes that, in addition to our obligations to other humans, we have moral obligations towards ecological entities such as ecosystems and species. The stronger formulation of both bio- and eco-centrism ascribe other living creatures, species or ecosystems an equal or even higher moral position than they do to humans. The weaker formulations give humans a higher moral position compared to other living organisms. Stenmark (2003) questions whether bio-centrism encompasses the goals of sustainable development since this can be interpreted as humans having the responsibility of ensuring that we use nature in a manner that does not wrongfully threaten the well being of species other than humans. The eco-centric view aims at a human use of nature that does not violate the integrity or well being of societies of organisms (ecosystems, species) besides the well being of humans.

The environmental ethic adopted necessarily of course has a significant bearing on the solutions and action programmes subsequently proposed. Lets take an example, namely, the case of preserving endangered species. A bio-centric policy could be formulated as: preserve in the first instance those endangered species where single members have a

moral position (i.e. animals than can experience suffering). An eco-centric preservation policy could be: preserve those endangered species that contribute to the survival and well being of ecosystems. An anthropocentric species preservation policy could be formulated thus: we should initially preserve endangered species that may serve as a resource for current and future human generations i.e. those species that have a high instrumental value (Stenmark 2003).

Action programmes tackling, for example, the global population increase, biodiversity or agriculture do not only rely upon environmental ethics but also rely heavily on human ethics. And in many instances, there is often to be found a mix of the above environmental ethical categorizations.

The politics of sustainable development

With the publication of the Brundtland report and subsequently also the decisions of the Rio conference proceedings, the issue of sustainable development was widely endorsed as a political goal in international, national and local politics (through for example Agenda 21 work). The depth of its 'penetration' into certain fields has however been anything but uniform. Indeed, one of the more recent areas to see the introduction of sustainable development as a goal is that of regional development. Thus we should note that though the political goal of sustainable development is now well established, the road to ensuring that sustainable development is accurately related into every day practice in both the public and private realms as yet remains some way off.

The European Union (EU) sustainable development strategy was adopted in Gothenburg in 2001. The EU context for implementing sustainable development is the Lisbon strategy, which adopted in 2000, is a 10-year strategy that aims to bring about economic, social and environmental renewal in the EU (Lisbon Strategy²). Notwithstanding this however, by as early as 1993, it was argued that environmental protection should be integrated into all other EU policy areas, while in the Amsterdam treaty in 1997, the goal of promoting the harmonic, balanced and sustainable development of business was adopted. In Gothenburg 2001 four priority areas for EU sustainable development work were established (EU commission 2003):

- *Climate change*: Reduction of green-house gases (Kyoto goal) and progress towards the goal of having 22% of the electricity used deliverable from renewable energy sources by 2010.

² All home page addresses are to be found in the references section.

- *Sustainable Transports*: A conceptual break should be made with regard to the link between transport growth and GDP-growth through e.g. moving away from the use of road transport to other modes of transport, actions against increasing traffic volumes and traffic congestion, noise and pollution and investments in environmentally friendly transportation modes.
- *Public health*: The union is expected to react to the concerns of citizens for food security and quality, as well as to the use of chemicals, and issues related to the outbreak of diseases and the increasing resistance of micro-organisms to antibiotics.
- *Natural resources*: The connection between economic growth, the consumption of natural resources and the generation of waste must change.

The progress of the Lisbon strategy as regards sustainable development is published yearly in the Lisbon strategy report from the EU commission on the Lisbon strategy homepage.

The sustainable development strategy of the Nordic council of Ministers ‘Sustainable development – a new direction for the Nordic community’ (*Baeredygtig udvikling – en ny kurs för Norden*) was adopted in 2000. The Nordic sustainable development strategy is the result of the sustainable development declaration made in 1998 by all five Nordic prime ministers and the political leaders of the self-governing areas. It includes goals for 20 years ahead, and actions to be taken during the period 2001-2004. The sustainable development strategy includes goals and actions in the areas of:

- | | |
|--|---|
| – climate change | – energy |
| – genetic resources | – transport |
| – environmental and cultural landscape resources | – agriculture |
| – the ecosystems of the ocean | – fisheries |
| – biodiversity | – forestry |
| – chemicals | – greening the market |
| – food security | – research and development in favour of adjusting society and its functions towards sustainable development |

The sustainable development strategy is also complemented by a separate action strategy concerning spatial planning as an instrument for sustainable development.

All of the Nordic countries produced national sustainable development strategies in preparation for the UN World Summit on sustainable development held in Johannesburg, in 2002. An overview of these strategies (Bjarnadóttir and Bradley, 2003) concludes that the main focus in all of these strategies is on ecological sustainability, though social issues and in particular the relationship between the two are also seen as important. The Danish strategy puts relatively more emphasis on social sustainability for example through measures to decrease housing segregation, increased access to recreational amenities and good building quality safeguards and architecture. The Finnish and Icelandic sustainable development strategies, followed by the Norwegian one, seem on the other hand to focus mainly on environmental such as biodiversity, decreasing emission levels and the better use of local and renewable energy resources. The Swedish strategy resembles the Danish one as social issues, e.g. access for people with disabilities and issues relating to children and youths, receive relatively more space.

Today we also find sustainable development strategies at the regional level, which will be described in more detail below. At the local level, Agenda 21, an action strategy adopted at the Rio conference in 1992, has been implemented in a vast number of municipalities as part of their sustainable development work. Sweden and Denmark in particular have a high percentage of implementation in terms of municipalities, while Finland, Norway, Great Britain and the Netherlands all have a medium level of implementation (Lafferty 2002). The local Agenda 21 work outlined in chapter 28 of the UN action plan Agenda 21 is a relatively short chapter simply asking local authorities to initiate a dialogue with, and then mobilise the local population over the issue of sustainable development. Four concrete targets for this work have been outlined, for example by 1996 all municipalities should, achieve a local consensus on Local Agenda 21 and develop planning processes that secure the participation of women and youths (Lafferty 2002).

Sustainable development and business

The international business community has now also adopted sustainable development, both in terms of the creation of networks to promote the issue in general, and in respect of its desire to make a profitable business out of 'sustainability'. The reasons behind the interest in sustainable development probably relate to a mix of ideas in relation to responsible corporate citizenship and business opportunities in relation to sustainable

development (i.e. ‘the greening of the market’). Examples of international and business related organisations that have adopted sustainable development as goals are the World Business Council for Sustainable Development (WBCSD), the Organisation for Economic Co-operation and Development (OECD) and the global World Trade Organisation (WTO). WBCSD is a coalition of 170 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. Their aim is to provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility.

The OECD Global Forum on Sustainable Development involves a policy dialogue among a network of members and non-members on ‘best practices’ for integrating economic, social and environmental policies. They also arrange conferences in the field on a regular basis. The WTO states in its development that further liberalization of international trade, both in goods and services, has a key role to play in advancing economic policy objectives in Member countries and that free trade *per se* is perceived as an important contribution to sustainable development. This was also one of the conclusions from the UN Conference on Environment and Development (the ‘Earth Summit’) in 2002 (i.e. that an open, non-discriminatory trading system is a prerequisite for effective action to protect the environment and to generate sustainable development). This is based on the perspective that countries, particularly developing countries, are dependent on trade as the main source of continued growth and prosperity. The WTO is also conducting development work in order to be able to make Sustainability Assessments of the WTO rounds (Kirkpatrick et al 1999).

Organisations and business networks devoted to changing *how* the world does business – focussing on shaping a more just and sustainable world through business – also exist, i.e. the Social Venture Network. Environmental concerns have of course created a market for environmentally friendly technology and companies in this field also engage in the social implications of business in order to promote sustainable development, one such example of this being the risk venture company, *Planet Capital*. The EU promotes and initiates through BASIS (Business Awareness on Sustainable Innovation Strategies) (Mediterranea 2001) the development develop and test of a new methodology based on innovation tools and practices to support small and medium size companies in the formulation of business strategies enhancing management orientation towards sustainable growth.

Regions and sustainable development

The regions are traditionally expected to contribute to economic growth through the promotion of different activities and projects. They are now also expected to implement the broad political goals of sustainable development. In many European countries regional politics and administration are now undergoing a significant period of change, particularly in regard to regional development and growth programming. The catalyst for such changes it is often argued lies in, among other things, 'The new regionalism' (a label used i.e. by Lovering 1999) (regions being the locus for endogenous economic development in their own right), new regional development theories, 'greening of the market', regulations with regard to the EU structural funds, the 'partnership' mode of working and the recent focus on 'sustainable growth'. This regional arena is one of growing importance with regard to the wider implementation of sustainable development. Regional growth and development programming is a new field for the implementation of the political goals, national as well as EU, of sustainable development. The political goals to promote sustainable development in the context of regional development are explicitly expressed for example in Sweden with regard to the regional policy area (Prop. 2001/02:4) and in the new regional development legislation in Finland that came into force in January 2003, as well as being found in the EU political rhetoric for example expressed in the Council regulations laying down general provisions for the EU Structural Funds (for example article 1 and 16 in EC/1260/1999).

There are obvious reasons why sustainable development has become part of the regional development agenda. In the regional development arena important policy measures are taken that are in direct conflict with both the environmental and social dimensions of sustainable development. For example, the regional measure to create 'region enlargement' – i.e. through increased transport and infrastructure measures to make larger parts of a regional working market available for a specific set of regional citizens – is in direct conflict with diminishing green house gas emissions if it increases transport work from vehicles with emissions with negative impacts on the climate. (Unless, of course, non-emitting modes of transport are used.) In the EU context the European Parliament and the Court of Auditors noted that potentially environmentally harmful projects were being financed and that no systematic environmental appraisal procedures existed to counter this (CEC 1995 in Valve 1999). The evaluation of the contribution of the EU Structural Funds shows that the main trade-offs in regional development identified are those between increases in manufactured capital with an associated decline in natural

capital and increases in manufactured and human capital with an associated decline in social capital (EU Commission 2002). It is thus largely in relation to natural and social capital that trends indicate a decline in capital. This is due to regional policies mainly focussing investments in manufactured and human capital as major drivers for regional development. The negative environmental effects occur mainly as a result of new infrastructural investments (op.cit). This evaluation also shows that social welfare increases with increases in manufactured capital even if this is associated with a decline in natural capital.

Sustainable development is interpreted, in the assessment of the structural funds (EU commission 2002) with the EU and the Brundtland definition as a basis, though the three-pillared sustainable development concept is turned into a four capitals idea of sustainable development, for the sake of the assessment:

1. *Manufactured (or man made) capital*, broadly synonymous with economic infrastructure.
2. *Natural (or environmental) capital*, covering all forms of ecosystems and natural resources that provide services for social welfare.
3. *Human capital*, relating to the stock of human productivity potential of individual people based on their health, motivation, talents and skills.
4. *Social capital*, relating to the stocks of social trust, norms and formal and informal networks that people can draw upon to access resources, solve common problems and create social cohesion.

National efforts to promote sustainable development in regional programming are quite different in the Nordic countries. In the current Danish governmental regional policy, sustainability is not mentioned at all. In the National Planning Report though, sustainability dimensions are included (Bjarnadóttir and Bradley 2003). In Finland the new law on Regional Development states that the goal of regional policy is: ‘...to create regional competitiveness based on knowledge and sustainable development in order to facilitate economic growth, development of the business sector and improved employment’ (Regional Development Act 602/2002). In the current Icelandic regional development plan sustainability is emphasised and it is stated that ‘the objectives of sustainable development are to combine economic, social and environmental goals. In the current Norwegian government bill on regional policy (Kommunal- og regionaldepartementet 2001), it is stated that ‘the main goal is to secure a regional development, which in a sustainable way employs all

parts of the country'. In Sweden, since 1999, the government has, put an emphasis on promoting sustainable development in the so called Regional Growth Programmes which constitute the basis for the government's decisions with regard to its economic input to the regions.

An interesting example of the regional implementation of sustainable development can be found in the Swedish region of Västra Götaland. This region has adopted sustainable development as its explicit value base for the whole of its regional development work (Naturvårdsverket 2003). Indeed, over a number of years, broad partnership dialogues and development projects have been conducted in order to operationalise the broad Brundtland sustainable development concept in the context of the region. Their approach is that sustainable development needs to be adapted to the economic, social and environmental issues that are important in the specific region. They have also recognized that in order for sustainable development to become a fruitful and operational regional value base, sustainable development targets need to be carefully chosen. The approach chosen by the Swedish government in its sustainable development strategy they argue in Västra Götaland simply encompasses too many issues to be effective. The challenge from the Västra Götaland perspective is to make a choice and delimit the most important sustainable development issues and then to forcefully target these. The 10 goals adopted by Västra Götaland for a sustainable future include for example: to become the leading region in Europe in environment friendly and low resource use technology, to be a good example in integration and gender equality, to continue to be the leading tourist region in Sweden, to be one of the leading IT-regions in Europe and to have sustainable growth. Sustainable growth is seen as a means to reaching sustainable development, and is said to 'give more resources without wearing out people and the environment or risking the future of the economy' (my translation from Västra Götaland 2003). The concrete results thus far are the development of a mutual sustainable development value base including a mutual understanding of the direction for action. In addition, tools for analysing problems and measuring progress, such as sustainable development indicators, have also been developed and successfully used. In terms of changes as regards economic growth and enhanced environmental and social conditions, it is still too early to judge the outcome of these efforts.

There seems thus far only to be a handful of regions, across the five Nordic countries that have been working actively with sustainable development in their regional development work. Environmental work though is more pronounced and sustainable development is thus viewed as an emerging issue in the regional context.

In Europe, sustainable regional development has, in addition to the EU structural funds context, been theoretically and practically developed through a number of conferences and seminars (Gabriel and Narodslawsky 1998, Häkkinen 1999, Larrue 2002, Lafferty and Narodslawsky 2003)) and at least three networks have been established: ENSURE – the European Network for Sustainable Urban and Regional Development Research; REGIONET – Strategies for Regional Sustainable Development: An Integrated Approach beyond Best Practice – which is an EU thematic network project aiming at the support of sustainable development in regions across Europe, while in addition, the European Regional Network on Sustainable Development has also recently emerged. This is a network of 16 regions whose main goal is to bring regions together to identify best practice in promoting sustainable development and to help inform the future of the structural funds after 2006. The work focuses on three core themes: 1) spatial planning and policy, 2) governance and 3) indicators and monitoring. The work is centred on five topics, which are: Post-industrial regeneration; Rural depopulation/demographics; Sustainable tourism and natural heritage; Sustainable production and consumption and the Low carbon economy.

Tools for sustainable development

In the effort to make sustainable development operational in different contexts a number of tools used to measure and assess sustainable development have been and are being developed, such as sustainable development Indicators, sustainability assessments, ecological footprints etc. In this context, indicators and sustainability assessments will be touched upon and in the contribution from Karin Bradley the ecological footprint concept is described.

About sustainable development indicators

A sustainability indicator is an indicator that measures progress toward the sustainable use and management of environmental resources with regard to economic, social, institutional and environmental issues. Attempts to promote sustainable development through the use of indicators are numerous though there is no universal set of indicators that can be used in any given context. Sustainable development indicators have been developed both for the sustainable development concept in general and for specific sector purposes – agriculture, transport, fisheries etc. Indicators for company sustainability have also been developed. Numerous approaches, both quantitative and qualitative, have been used to develop such indicators. Sustainable development indicators encompassing lists of over 100 factors also exist, as do approaches where the end result is an

aggregated single numerical value for sustainability, on a company or country basis. There are indicators where economic, ecological and social dimensions are placed in parallel lists, while efforts have also been made to combine the dimensions and thus to better integrate sustainable development indicators. The aggregation of indicators into one single sustainable development value can be done either numerically (using for example money as the value basis) or it can be done with the benefit of diagrams, something that has been done with regard to eco-efficiency in the pharmaceutical industry.

Traditional indicators of economic, social and environmental progress measure, for example, how a region has changed with regard to stockholder profits, unemployment rates, economic growth rates, the percentage of the population below the poverty line, or rates of homelessness, crime rates, asthma rates, volunteer working, political involvement, air pollution, the level of toxins in fish, and water quality, for example. These rates or indices only show changes in one part of the community however and thus do not show the numerous links between the community's economy, society and environment. These traditional indicators mirror the sectoral and piecemeal approach and organisation of society. Piecemeal solutions tend to focus on short-term benefits without monitoring long-term effects. For example, Gross Domestic Product (GDP) measures the amount of money being spent, the higher the GDP the better the overall economic well-being is assumed to be. However, because GDP reflects only the amount of economic activity and not its effect on a community's social and environmental health, GDP can go up when overall community health is going down. This piecemeal and short-term approach needs to be overcome by the efforts to create sustainable development indicators.

A number of international organisations such as the UN (Commission on Sustainable Development – ISD), the OECD, and the FAO have developed their own sets of sustainable development indicators. In addition, regions working with sustainable development issues have also developed sets of sustainable development indicators that have been adapted to their special regional context, though such measures usually have the Brundtland sustainable development definition as their basis.

Example: Index of sustainable economic welfare

One example of an aggregated sustainability indicator is the index of Sustainable Economic Welfare (ISEW). In order to better attain just what economic progress entails, the ISEW subtracts from the Gross Domestic Product figure a correction for the harmful consequences of economic activity while correcting the GDP figure for significant activities such as unpaid domestic labour, based on the average domestic pay rate. As such, the ISEW for instance accounts for air pollution by estimating the cost of damage (per ton) of five key air pollutants. It accounts for the depletion of resources by estimating the cost of replacing a barrel of oil equivalent with the same amount of energy from a renewable source. It estimates the cost of climate change due to greenhouse gas emissions per ton of emissions. The cost of ozone depletion is also calculated per ton of the ozone depleting substance produced. Additionally, adjustments are made to reflect concern over unequal income distribution. Some health and educational expenses are considered not to contribute to broader welfare goals.

As with indicators such as GDP, ISEW bundles together in one index a tremendous amount of information, though the key difference here is that the information takes into account the links between the environment, the economy and society.

A number of approaches to assessing sustainable development in different planning and programming contexts have also been developed. The aim here is to assess the level of sustainable development in order to use this knowledge as a basis for developing the plan, programme or policy in a more sustainable direction. One example of these efforts is the sustainability impact assessment of the proposed WTO (World Trade Organisation) negotiations. The WTO ministerial conference in 2001 made a firm commitment to the objective of sustainable development through the Doha declaration (Kirkpatrick 2003). With the aim of helping to ensure that these goals are put into practice the European Commission has embarked upon a programme of Sustainability Impact Assessment (SIA) of the potential outcomes of the negotiations. The aim is to provide 'objective information' regarding the effects on sustainable development of the trade measures being proposed. There will be a selection of trade measures to assess and both short- and long term effects will be focussed. For the purpose of the sustainability assessment of the trade negotiations nine 'sustainability indicators' and two process indicators were used:

- Economic: real income; fixed capital formation; employment
- Social: poverty; health and education; equity
- Environmental: biodiversity; environmental quality; natural resource stocks
- Process: sustainable development principles; sustainable development strategies

Another example of the assessment of sustainable development is the UK Government initiative to set out proposals to improve the Regional Planning Guidance (RPG) process and content 1999. A key proposal here was that RPG should be subject to a *sustainability appraisal (SA)* as an integral part of the preparation process. The technique is a development of environmental appraisal, involving the systematic appraisal of the economic, environmental and social impacts of proposals and options (EIA Newsletter). Many different approaches to regional sustainability appraisal can thus today be found in the UK.

What should be changed?

As described in this contribution there is overwhelming support – in political circles in particular but also now in the business community – for sustainable development. A number of efforts are being taken – in practice and in research terms to make this concept and political goal operational. Where then are these discussions with regard to sustainable development heading, and where do we go from here? What challenges still lie ahead?

The first challenge concerns the question of what needs to be changed in order to reach sustainable development. The answer to this question is an implication of the different perceptions of the societal mechanisms causing the non-sustainable development and which should be changed into sustainable development. Two poles concerning the changes envisaged can be identified (Falkheden 2000). The first looks upon environmental problems as societal problems. Sustainable development is attained, it is assumed, within the realms of the existing lines of thought and institutional arrangements. The approach that assumes that economic growth and environmental management can be made compatible through the integration of ecological considerations into established ways of thinking and acting is called ecological modernisation (Hajer 1995). The other pole assumes that environmental problems are the results of profound cultural problems that can only be changed through more radical changes to our economic systems and to the production of technical solutions. It is assumed that changes in our perceptions of reality and in our perception of our relation to nature (Falkheden 2000) are

needed. This line of thought questions some of the main elements of *the western paradigm of development* (concept from Hettne 1983 in Falkheden 2000).

One of the more profound lines of thought concerns economic growth and development and how this relates to sustainable development. In recent years economists have tackled this issue somewhat differently. The different lines of thought used – environmental economics and ecological economics – also illustrate the two poles described above. Environmental economics builds on mainstream neo-classical theory and generally views GNP-growth and sustainable development as compatible. But this compatibility crucially depends upon the kind of production and consumption that is promoted or allowed. Growth is perceived as a prerequisite for prosperity but it is also acknowledged that growth often has negative environmental impacts. In order for GNP-growth to be sustainable, accurate pricing is needed. There also seems to be an agreement among environmental economists that there is no reason to believe that environmental policies will affect long-term economic growth (Goldin and Winters 1995 in Friman 2002). Ecological economics represents the critique of the existing economic line of thought. Its supporters claim that it is not enough to take environmental ‘externalities’ into consideration and otherwise continue on as usual. If cost internalisation were implemented fully, the visibility of environmental problems would increase and the incentives to diminish them would also increase (my interpretation of Friman’s text). However strong forces i.e. powerful producer- and consumer interests are at work with the aim of maximizing profits and keeping prices low. Thus, the process of economic growth is in itself creating vested interests in opposition to the internalisation of environmental costs (Booth 1998 in Friman 2002).

The environmental ‘Kuznets Curve’ has been used by some environmental economists to prove the relationship between a decrease in environmental stress and high-income levels. The inverted *U* curve implies that environmental stress is initially an impact of growth. At a certain income level, however, the curve turns downwards and thus the environmental stress gradually decreases. This is interpreted as holding out the possibility that countries could conceivably grow out of their environmental problems. Both environmental and ecological economists have however together stated that caution should be applied in drawing conclusions from the findings behind the Kuznets Curve (Arrow et al 1995 in Friman 2002):

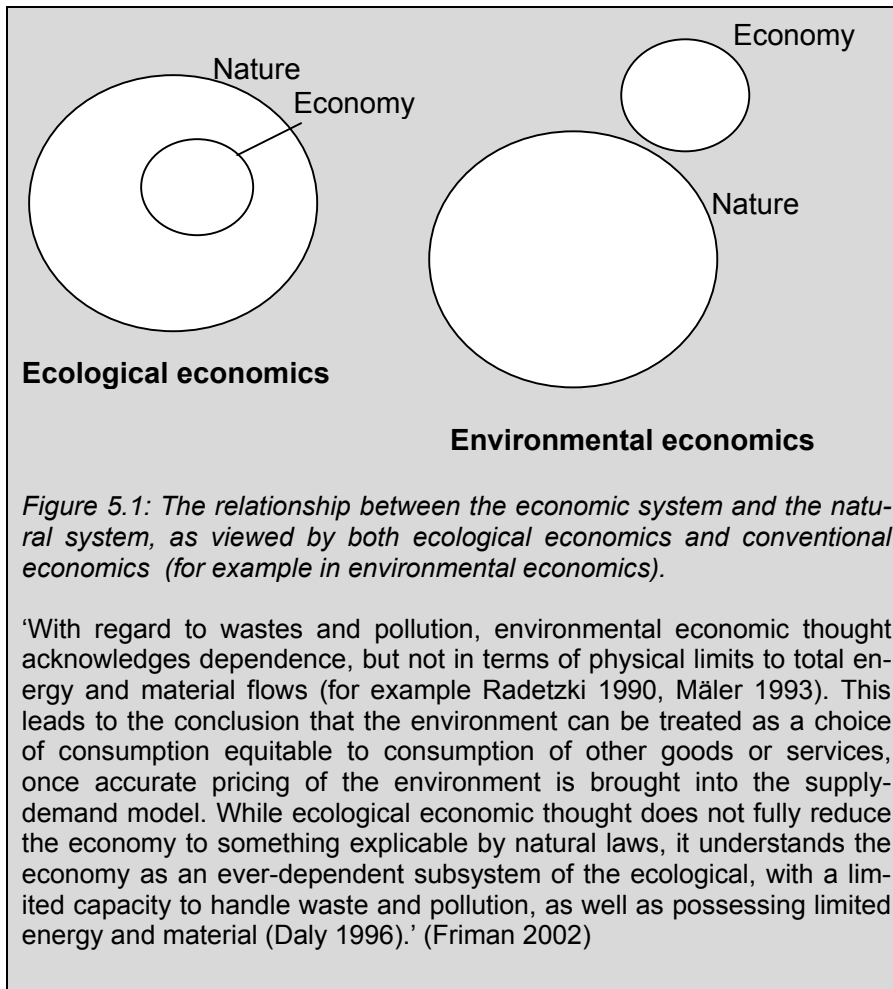
‘While they do indicate that economic growth may be associated with improvements in some environmental indicators, they imply neither that

economic growth is sufficient to induce environmental improvement in general, nor that the environmental effects of growth may be ignored, nor indeed, that the Earth's resource base is capable of supporting indefinite economic growth. In fact, if this base were to be irreversibly degraded, economic activity itself could be at risk.'

One of Friman's conclusions describing and discussing different lines of economic thought in relation to sustainable development is thus that there is an agreement on the fact that the 'environmental effects of growth must not be ignored' independent of the chosen economic line of thought referred to above.

Recently the concept of sustainable growth has entered the sustainable development arena. There are however different views among economists as to whether this concept is an oxymoron or not. Friman thus concludes that the interpretation of sustainable growth whether it is as a prospect, or as an oxymoron, will depend upon two things: the conception of the relationship between the economic system and nature, and whether or not the concepts of growth and development are given distinct definitions. If the economic system is viewed as a subsystem of nature, and if growth is defined as a quantitative change in the physical dimensions of the economic system, while development is defined as a qualitative change, the concept of sustainable growth becomes inherently contradictory. If, on the other hand, development and growth are seen as concepts that cover the same phenomenon (but refer to different contexts) and the economic system is not viewed as a subsystem but as a free-floating system in relation to the natural system, then sustainable growth becomes a necessary and prosperous concept (if sustainable development is taken seriously) (Friman 2002) (see Figure 1).

Friman also notes that in conventional economic language 'growth' is used in relation to high-income nations, with the term 'development' being used in connection to low-income nations. Friman points out however that surprisingly few of the economists who discuss sustainable development actually define the concepts of growth and development.



Learning to manage sustainable development in practice

As has been indicated above, support for sustainable development in policy terms and in politics more generally is overwhelming with a number of tools designed to help operationalise the concept now being developed. The basic question however is whether such efforts have led to changes in every day professional thinking, acting, organisation, decision-making etc, or is it simply ‘business as usual’? And what role do tools like indicators and sustainability assessments actually have in changing everyday professional practice?

Research on how to make environmental issues an integral part of decision-making and acting has traditionally been perceived as a question of providing different kinds of decision-makers and agents with adequate knowledge (better environmental knowledge basis will lead to more environmentally friendly decisions, or at least provide better possibilities to do so). The focus has therefore been placed on developing and providing effective tools for this very reason. In the environmental tools context too little attention has been paid to the fact that knowledge, as opposed to information, is brought about through learning processes. 'Knowing what' is also different from 'knowing how' (Ryle 1949). This means that reading about a set of organised statements of facts or ideas, as for instance in reports or governmental declarations, makes the reader 'informed'. In order to develop ones knowledge about a subject further processes have to take place. Really 'knowing what' requires an assimilation of new knowledge, while 'knowing how' requires still more creative processes. 'Knowing how' is related to skill and skill is a prerequisite for ones use of tools. By this, we mean that the effectiveness of tools is dependent not only on the design of the tool but is also heavily dependent on the skills of the users. This is not often taken into consideration. This can be compared to the quality of a handicraft that is dependent on both the quality of the tool *and* the skills of the carpenter. And as for the skills of the carpenter, they evolve out of training and experience starting with some basic knowledge and tools.

Efforts thus far to tackle existing and conceivable environmental impacts have led to progress in some problem areas seen from a European (European environment agency 2003) point of view. On the other hand there are fields of activity of great significance for the development of the environmental situation that are very resistant to change, (often due to simple inertia) in favour of environmental concerns and sustainable development. Moreover, social issues thus far have not been given much attention in the sustainable development politics and policy context when compared to environmental issues. This inertia can be assumed to emanate from conditions and attitudes at the micro level, that is, at the level of every day practical work (Asplund et al 2001, 2004). Since the capacity building for sustainable development at the every day professional practice level is a neglected field for sustainable development efforts then sustainable development tools (indicators, sustainability assessment etc), sustainable development policies etc are often simply not effective enough.

There is no single sustainable development profession today. Sustainable development is expected to develop in every day professional

practice – in regions, municipalities, companies etc – through the interaction between sector professionals. Theories of how professions develop and empirical studies from, for example, municipalities (Asplund och Hilding-Rydevik 2002) and regions show that there is significant inertia in respect of change as regards sustainable development. Every profession has its own professional perspective that prevails in each specific sector. This has an impact on the construction of routines, procedures, rules etc and may not be adequate in a situation where new perspectives are needed. The experience of regions working with sustainable development also shows that the exercise of going from a traditional, ‘this-is-how-we-usually-do-it’ perspective to a new sustainable development mode of thinking, acting and organising is really a time consuming exercise (Naturvårdsverket 2003). In order for this every day professional practice to change in favour of sustainable development a significant effort is therefore needed as regards ‘capacity building’ at the micro level.

In lieu of conclusions...

The introduction of the political concept of sustainable development has given us a new ethics that can be used for guidance as regards development. Interpretations of the implications of sustainable development range from adjustments in the realm of mainstream thinking and acting to radical interpretations concerning for example the value of other species. The rhetorical support for the concept in politics and policy internationally, in the EU, in European nations, in regions, in municipalities and in some companies is seemingly overwhelming. In every day professional practice however the capacity building and institutionalisation of sustainable development is still in its infancy. The traditional narrow ‘sector thinking’ in organising research, statistics, public administration, professional education etc is challenged by the implications of sustainable development as there is now some agreement as to the definition of the concept in the sense that sustainable development is about the linkage between the three dimensions and the intergenerational equity perspective. We are still in the process of giving this concept substance and through this, the process as a whole is now entering the next phase. We are going from merely talking about what sustainable development *should* and *could* be to a situation where we are actually getting experiences of how it *can* be defined in different context, how different tools work and outlining the experiences of changing different organisations to manage sustainable development. These experiences deliver important lessons and thus help us to further mould the contents of politics and practice for sustainable development. As with the concept of democracy, the concept of

sustainable development has to be initially constructed and then constantly developed and reconstructed.

Seen from an implementation point of view we now have the international, national and often regional and local sustainable development politics and policies in place. Moreover, there now exists a wealth of accumulated ideas as regards what sustainable development can be, while there are also practical experiences to learnt from, for example, the sustainable city, the region, the municipality, the company, etc, while different tools have been developed to aid in the implementation process. Implementation now needs to use the existing policies, the practical implementation experiences and the experiences of using different tools thus far in relation to sustainable development. This is the easy part. The real challenge is however to turn these experiences into something that is useful for ones region, municipality, town etc. There is no blueprint 'out there' that can be applied in any context. The key to useful implementation is therefore the willingness to implement sustainable development, the use of existing knowledge and experiences, a thorough knowledge of ones own regional, municipal etc context and ... defining ones own path to sustainable development. To make sustainable development a cutting edge tool and not a burden is thus the challenge that faces us all.

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- Sustainable Regions network – home page:
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- World Business Council for Sustainable Development – home page:
<http://www.wbcsd.ch>
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Chapter 6

Environmental justice – new fuel to the debate on planning for sustainable development

Karin Bradley

Abstract

This chapter takes its starting point from a Nordic study on planning for sustainable development, arguing that the debate in this area has settled around a uniform picture of the sustainable society, and that this is therefore something that needs to be critically examined. The mainstream way of planning for sustainability does not adequately address the issue of dependency or relationships with development in distant locations. In this chapter it is argued that an environmental justice perspective could add new depth to the debate on planning for sustainable development. This is done through highlighting just how different social groups, mainly based on income, ethnicity or gender, are exposed to, generate and interpret environmental qualities and risks. In the Nordic debate on planning for sustainable development such social justice and power-related aspects have in general not been studied or taken into account. This chapter is thus a call for research in this field, particularly as the populations of the Nordic countries are becoming increasingly heterogeneous.

Introduction

The concept of sustainable development has become one of the catchphrases of the last decade, and is thus frequently used by planners as well as politicians and corporate leaders. The notion of sustainable development is in many ways a radical concept envisioning cross-sectoral integration, planning in the context of an extended time horizon (three or more generations) for an improved global environment, solidarity and justice (Lafferty & Eckerberg, 1998). However, the planning carried out in the Nordic countries under the sustainability headline over the last decade appears to be rather uniform, both in terms of the static picture of the sustainable society and the process designed to take us there. Moreover, widespread use of the concept of sustainability has inevitably seen its meaning become increasingly watered down.

The notion of sustainable development is said to embrace social, environmental and economic aspects, from a local to the global level. One may thus be misled into thinking that the concept is therefore 'complete', that all essential dimensions and issues have been included. However, in this chapter it will be argued that the debate on planning for sustainable development needs to be revitalised and that an environmental justice perspective can add new depth and fuel to the debate on planning for the good society, whether we call it sustainable or otherwise.

The image of the sustainable city

In the project 'New Bearings for the Nordic Countries – Planning and Sustainable Development' a considerable number of Nordic national reports, government bills, policy documents, research reports etc on the topic of planning and sustainable development have been studied (Bjarnadóttir & Bradley, 2003). The study shows that the notion of sustainable development has had a significant influence on planning practice in the Nordic countries. In sum we can see that the use of the concept of sustainable development has implied a rise in the importance of the ecological aspects of planning, for example in relation to transportation, heating and eco-cycling. Moreover, changes in the planning process, primarily efforts aiming at increasing public participation, 'bottom-up' approaches and cross-sectoral cooperation, seem to have emerged as a result of the debate that preceded the Brundtland report and the Agenda 21 process. However, the study also shows that the picture of the sustainable society appears to be quite uniform across the Nordic countries. It is an image of a city:

It is a compact city with an efficient public transportation system, biking and walking lanes. All groups, children, the elderly and the handicapped, can get around easily, do their errands and feel comfortable. The different functions of the city – working places, service, housing, and recreational areas – are mixed. The retail sector is small scale, varied, located in central areas and well connected to the public transportation system. There are high quality and accessible green areas in the city. The local cultural heritage is well maintained. The new buildings are characterised by high-quality architecture; they are energy-efficient and constructed with environmentally friendly materials. The economic base of the city is service oriented and the former harbour or industrial areas have been transformed into areas with new seaside dwellings, work places and services, with good public transportation connections. The local 'harbour' cultural environment is still kept alive, adding flavour to the area. The city has a clear boundary to the hinterland, which is characterised by large unbroken green areas and land for cultivation.

As a whole, the city is competitive on the regional, national and even the international market, using its local characteristics and having developed its own competitive niche within industry, education or culture. In addition, the city is part of a network of cities, which are inter-linked by high-speed railways, thus forming a larger functional and poly-centric region.

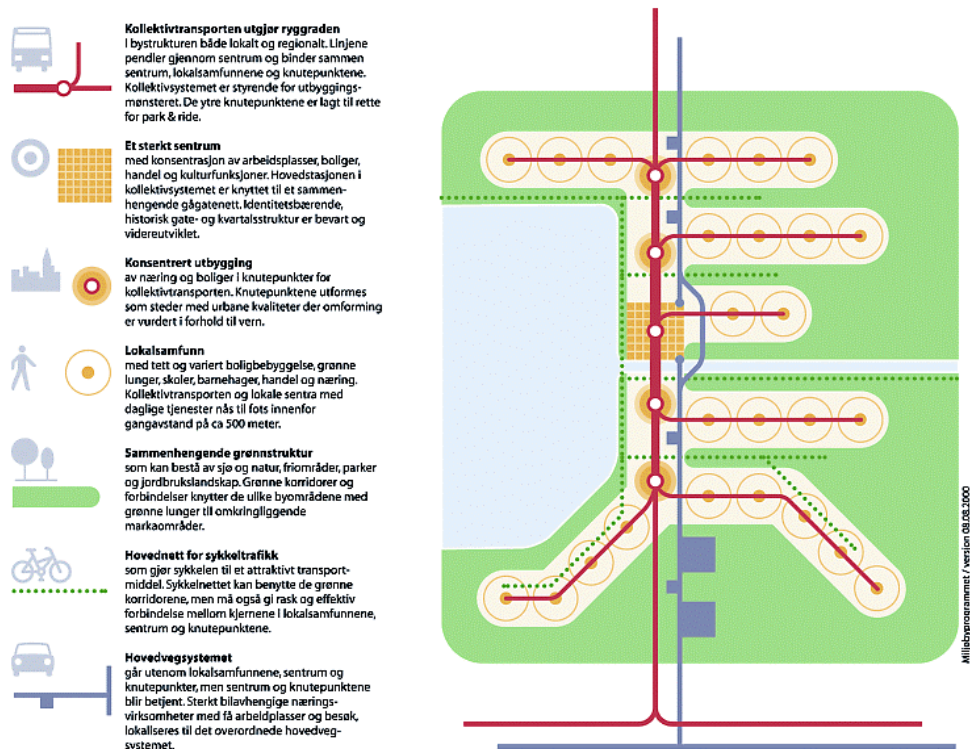


Figure 6.1: Principles for sustainable urban development. MD, St. meld. nr 23.

Similarly, as regards the planning process, there exists something of a 'blue print', which is thought to promote the sustainable city. It is a 'bottom-up' planning process encouraging wide public participation, local democracy and public-private partnerships.

There are of course explanations as to why interpretations of the sustainable society become uniform, and one could also argue that there are certain positive aspects to such unanimity, for example in relation to penetrating power. Nevertheless, unanimity remains problematic. The

picture of the sustainable city described above contains an underlying critique of the package solutions of the post-war era, however there is a risk that such 'sustainable planning' itself becomes standardised and dogmatic in the same way as previous planning models, albeit with integrative and polycentric approaches. It is also worth noting that the sustainable society is almost always pictured as a (compact) city, which could be considered rather odd, as the Nordic countries are largely rural.

'Sustainable development' in one place – effects in other places?

The study 'New Bearings for the Nordic Countries – Planning and Sustainable Development' shows that the planning efforts aimed at sustainable development have primarily been focused on improving local or regional welfare. It is often said that the 'new economy' and the post-industrial society create possibilities for environmentally friendly businesses, societies and life styles. However, the 'old economy' with polluting and noisy industries that require hard physical labour, has not simply disappeared; a considerable part of it has moved. At the same time, the levels of material consumption, waste and emissions of carbon dioxide in the Nordic countries have increased over the last decade.³ So in this respect Nordic life styles seem not as yet to have become 'post-material.'

Consequently, if we are to promote sustainable development, including its global solidarity and justice aspects, we need to widen the scope of analysis. The impacts on other regions can be negative – as when environmental and social stress is exported – or positive for example in terms of less air or water pollution for neighbouring areas. When planning for, or assessing, the sustainability of a development in one city, municipality or region, it is important therefore to take into account the issues of development in and impacts on, other linked regions. This is of course a very complex task, if not impossible. For example, the commonly used 'sustainability indicators', which generally only monitor the development of the governed region, would thus need to be supplemented with sets of indicators, or at least estimations, monitoring the development of other areas that are interwoven in the development of the governed region – it could be the neighbouring municipality or a region on

³ In the Nordic countries the carbon dioxide emissions have in average increased by 13 percent between the years 1990 and 1997. This can be compared with the OECD average increase of 9,5 percent. Nordic Council of Ministers, 2000. Levels of private material consumption and household waste have also increased between the years 1995 and 1999. For figures see Nordic Council of Ministers, 2003.

the other side of the globe. One example of a tool used to highlight this local-global linkage is that of the ecological footprint (Wackernagel and Rees, 1996). This is a measure of the consumption of renewable natural resources by a person, region, country or the whole world. The ecological footprint of a population is the total area of land or sea required to produce all the food, wood, fibre etc needed for its energy consumption and infrastructure. As an example, the average Nordic citizen has a footprint of 7,7 hectares, which can be compared with the average African or Asian footprint of less than 1,4 hectares. In order for every person on the globe to be able to live like the citizens of the Nordic countries, we would thus need four planets to sustain our lifestyles.⁴



Figure 6.2: The growth of the North American ecological footprint 1900-1995.
Source: Wackernagel & Rees. 1996.

The last decade of economic globalisation, for instance manifested in the augmented transport of people and goods, implies an increased need for bringing in such global-local inter-linkage perspectives. However, such perspectives appear to be quite absent in the Nordic planning

⁴ See Redefining Progress, where you can calculate your own ecological footprint or the footprint of a municipality:
<http://www.redefiningprogress.org/programs/sustainabilityindicators/ef/>

and sustainability debate. One reason for this may be that in the commonly used Brundtland-definition (1987) and the sustainability interpretations following Agenda 21 (1992) such dimensions are not emphasised, perhaps because these definitions were made prior to the onset of the economic globalisation of the 1990s and the considerable societal changes that followed.

To sum up, the societal changes of the previous decade, and the fact that sustainable development has now become such an embraced concept, as well as the fact that it has now been used as a guiding principle in planning and development work for several years, suggests that it is time to look for new perspectives and new ways of working. One way of adding depth to the somewhat de-politicised sustainability debate is the use of an environmental justice perspective. In what follows, such a notion is introduced, accompanied by use of a social constructionist perspective.

Environmental justice

In the US and more recently also in the UK, the concept and discourse of 'environmental justice' has been placed in a central role in the academic and political debate. The background to this development can be found in a number of studies showing that certain social groups bear a disproportionate burden of environmental problems, for example in relation to waste incineration, industry, heavy transport etc. Two studies receiving broad attention in this regard were 'Toxic Wastes and Race in the United States' from 1987, which documented racial discrimination in the placement of hazardous waste facilities across the nation, and a study for 'The National Law Journal' in 1992 (Bullard, 2000). The latter study described how the US Environmental Protection Agency enforced environmental protection laws much more strictly in white communities than in communities of colour, with penalties for infraction of environmental laws being 500 percent higher in white communities. Moreover, the government responds more rapidly and utilises better cleanup technologies in white communities (ibid). In 1994, the Clinton Administration issued an 'Executive Order on Environmental Justice' requiring federal agencies to assess the impact of their environmental activities on low-income communities and communities of colour. In 2003, several British ministers stated that environmental justice should be a central theme in the policies and priorities to come (Mitchell & Dorling, 2003). This can for example be understood in the light of a recent study in the UK that showed that those communities that are most affected by air pollution tend to be among the poorest in the country (ibid). In addition it is noted that these communities generally emit the least pollution.

The urban sociologist Robert Bullard has described the environmental justice movement as follows:

‘Environmental philosophy and decision making has often failed to address the justice question of who gets help and who does not; who can afford help and who cannot;... why industry poisons some communities and not others; why some contaminated communities get cleaned up but other do not; and why some communities are protected and others are not protected....The grassroots environmental justice movement...seeks to strip away the ideological blinders that overlook racism and class exploitation in environmental decision making.’ (p. 206, Bullard, 1993)

The environmental justice discourse differs from the traditional environmental perspective as well as the sustainability discourse in a number of ways:

1. Within the environmental justice discourse the focus is on the *distribution* and *production* of environmental risks over different social groups, primarily based on income, ethnicity and gender. In the sustainability debate it is common to distinguish between people in the North and people in the South and sometimes the socio-ecological imbalance between them. However, it is not common to link ethnicity, class or gender perspectives to environmental issues within a nation or region, or to highlight how such groups produce, and are affected by, environmental risks (Bjarnadóttir & Bradley, 2003).
2. In the sustainability discourse, the focus is generally on the effects of the lifestyle of our generation on that of future generations, which could be called a quest for ‘inter-generational equity’. Within the environmental justice discourse the focus is primarily on the equity within the current generation, i.e. intra-generational equity (Haughton, 1997).
3. Compared to the traditional environmental discourse, which is predominantly concerned with the natural environment, i.e. forests, lakes, threatened species etc, the environmental justice discourse is concerned with the environments of people, which often tend to be urban environments (Harvey, 1996).
4. The traditional environmental perspective, in which the sustainability discourse also has its roots, is generally based on traditional quantifiable natural science knowledge. Within the environmental justice discourse this type of ‘objective’ expert knowledge is being questioned and more room for experience-based and local knowledge is being advocated (Di Chiro, 1998).

5. The first generation of environmental politics was characterised by ‘end-of-pipe’ solutions, not coming to terms with the deeper structures that actually caused the problems. In later years, policies and planning efforts were directed towards internalising external environmental costs, i.e. seeing to it that the ones causing environmental damage paid for it, and that they subsequently factored such costs into their initial cost calculations (for example the ‘polluter pays principle’, tradable emission rights, road pricing etc). The aim of this process of the internalisation of external environmental costs is the overall minimisation of ecological problems. The environmental justice discourse builds upon the same idea, but the rationale is twofold; to accomplish the equitable distribution and production of environmental risks, while in addition ensuring the overall survival of the planet.

Environmental qualities and risks as social constructions

In the reports and policy documents studied for ‘New Bearings for the Nordic Countries – Planning and Sustainable Development’, the overall aim is to create or safeguard good environments and minimise environmental problems. However, questions concerning what a good environment is, or how an environmental risk is defined, are very rarely addressed. The formulations generally seem to presuppose that we all know and agree on these matters and furthermore that we can measure the ‘good’ or ‘bad’ environment and present it in the form of indicators. This is for example manifested in the unanimous image of the sustainable society described previously, as if all preferred compact urbanity. Questions concerning who defines the good environment and what parameters and presumptions are used when environmental risks are defined, are crucial, but for some reason neglected.

Undoubtedly it is not particularly controversial to state that what constitutes a good environment varies between social groups, individuals, places and times, primarily because of the aesthetic dimension. An urban environment with a lot of noise, neon lights, graffiti and ‘decaying’ concrete high rise buildings makes some people feel insecure and uneasy, while it makes other feel safe, happy and alive. The same goes for a wild forest, parks, etc. However, saying that environmental risks such as acidification, eutrophication, ozone depletion, or the loss of biodiversity, are also social constructions is to go one step further. Hannigan (1995) among others views such environmental risks as being constructed by individuals and groups, with the help of scientific methods, media, politics, campaigns etc. However, this perspective is not used in order to depreciate environmental risks or to make them appear fictitious. The aim

of this perspective is rather to increase the understanding of how, and by what groups, environmental risks are created, defined, negotiated and contested. In this way, a justice perspective would thus not only deal with addressing the production and distribution of environmental risks and qualities among different societal groups, but also highlight the different understandings of environmental issues, and study which environmental claims become dominant or subordinate, and the reasons for this order.

The need for socially, culturally and politically reflexive perspectives on planning for sustainable development

In the material from the Nordic countries studied for the report 'New Bearings for the Nordic Countries – Planning and Sustainable Development', the issue of the distribution and production of environmental qualities and risks over different social groups within each country or region remained un-addressed. Swedish researchers such as Eckerberg (1998), Anshelm and Hedrén (1998) point to similar experiences. They state that Swedish environmental research and policymaking 'are still mainly characterised by an apparent absence of socially, culturally and politically reflexive perspectives'. Contemporary theories on ethnicity, gender and post-colonial structures are fruitfully used in general planning matters, but thus far, very rarely in the planning geared to sustainable development.

Environmental justice is not only a research topic, but also a perspective useful to practitioners. It could for example be of use in decisions on the location of facilities relating to 'locally undesirable land uses' (such as waste incinerators, dump sites, refineries etc), in road pricing or when constructing or renewing green areas or other types of infrastructure. Using an environmental justice perspective would demand the inclusion of assessments on how infrastructure projects, such as those mentioned above, affect different social groups, thus opening up multiple ways of understanding and defining environmental risks and qualities.

To conclude, the Nordic countries are in several respects each becoming increasingly diversified societies, populated by different ethnic, cultural and socio-economic groups. At the same time, there is a tendency for homogenisation to occur in the debate on planning for sustainability as was outlined above. Thus, it is relevant to highlight how different social groups, based on ethnicity, class and gender, *generate*, are *exposed to* and *interpret* environmental qualities and risks. Such perspectives could add new fuel to, and thus help progress, both practice and research on planning for sustainable development.

Suggested further reading

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Chapter 7

Regional development trends

Tomas Hanell

At the turn of the 21st century regional socio-economic development in the Nordic countries is characterised by two somewhat opposing trends. On the one hand, differences *between* countries are in general – albeit with a few exceptions – decreasing. The same trend is equally evident on the European scale. On the other hand, differences *within* countries are, on the contrary, increasing. This is a trend common to most European countries.

The reasons for this are complex and any clear-cut causal relationships are naturally hard if not impossible to establish. In a wider sense, ‘globalisation’ and issues such as increasing exposure to international competition, the slimming down of governmental functions or publicly owned or controlled activities, a skewed demographic balance or the geographic mismatch between jobs and labour are likely to be among the main promoters of this phenomenon.

Although no unequivocal patterns are discernible, the ‘winners and losers’ in this game share a number of common characteristics. Metropolitan areas and other – in Nordic terms – larger cities as well as smaller and medium-sized manufacturing cities acting on the international/global arena, seem to be the ones that have harvested the largest benefits during this period. Areas facing the largest challenges are typically those in the extreme periphery, rural areas or mono-industrial cities with a significant dependence on a limited number of industries, or with an over dependence on the public sector.

Thus the regional polarisation in Norden in the latter part of the 1990s and into the first years of the 21st century has two main dimensions, namely the traditional north-south axis as well as an added core-periphery one. The following chapters try to highlight some of these trends.

Economic polarisation

During the 1990s, economic development has on the whole been very strong in the Nordic countries. Indeed, in general it has been better than the corresponding average growth for e.g. the 15 EU member states as a group.

During the ten-year period from 1993 to 2003 Finnish real GDP growth was 43%, the corresponding increase in Iceland and Norway being 38% and 37% respectively. Growth in Sweden and Denmark has been somewhat more moderate, albeit still e.g. above the average level for the 15 EU member states. In comparison with the EU Member States, economic growth in the period 1993-2003 in the Nordic countries shows that Finland was surpassed only by Ireland and Luxembourg, where GDP increased by a staggering 115% and 49% respectively.

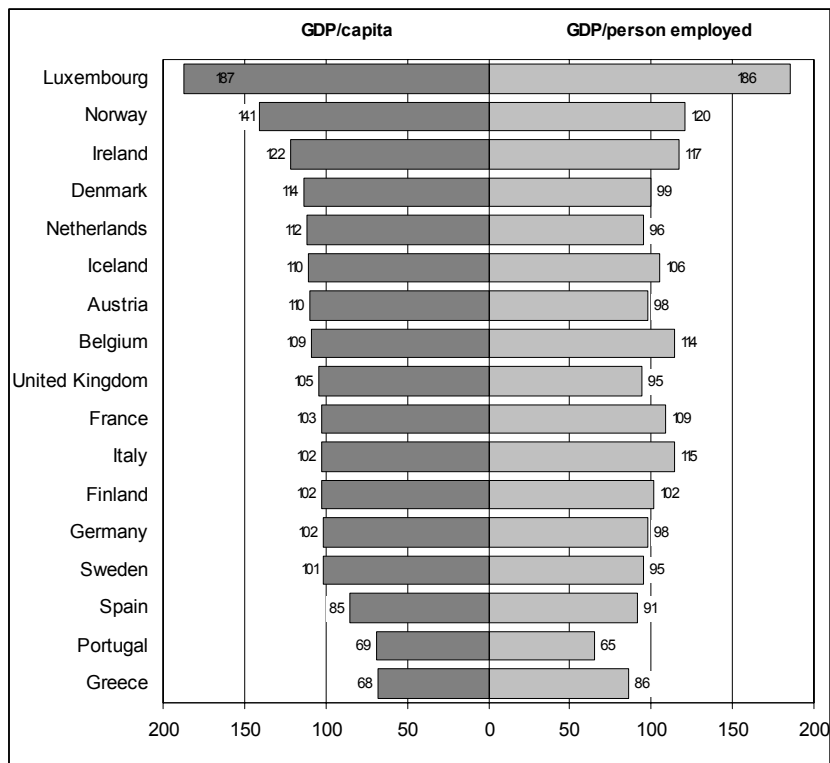


Figure 7.1: Gross Domestic Product per capita and per person employed 2003 in Purchasing Power Standards, index EU-15=100

Preliminary estimates. Source: Eurostat

The Nordic countries can thus in this respect be divided into two quite separate leagues, where Norway, Denmark and Iceland together with Luxembourg, the Netherlands and Ireland occupy the position as the six most prosperous economies in the EEA (Figure 7.1). The 'other' Nordic bloc is then constituted by Finland and Sweden, both sited just barely above the EU average.

However, when comparing GDP per employed person instead of per capita, the same countries no longer dominate the upper reaches of the list. In 2003 GDP in PPS per person employed in Norway is estimated to be some 20% above the EU15 average. The corresponding figure for Iceland is 6% above, with Finland lying 2% above and Denmark 1% below. Swedish productivity per person employed – being 5% below the EU average in 2001 – is in this respect the lowest among the Nordic countries.

On a regional level in the Nordic countries the polarisation between the capital regions on the one hand and the more peripheral ones on the other becomes evident, and particularly so in Finland and Norway. Of all 74 Nordic regions (with Iceland as one region only), the capital regions top the Nordic list. Oslo (and Akershus) lay an estimated 89% above the EU15 average, followed by Greater Copenhagen (45% above), Uusimaa (42%) and Stockholm (34%). If equivalent regional indicators were available, Greater Reykjavík would most certainly also be included here. The corresponding number for Iceland as a whole this year is 19% above the EU average.

Although true comparison between Nordic and EU regions is not feasible due to differing geographical delimitations of regions, from a European perspective only London, Brussels, Luxembourg and Hamburg surpass Oslo. Greater Copenhagen also ranks among the top EU regions and, apart from the above regions, is exceeded only by Paris (Île-de-France), Oberbayern, Vienna, Darmstadt and Utrecht.

Regional variations substantial

Again, Finland shows the largest regional variations. Uusimaa apart, Åland is the sixth most prosperous Nordic region with a GDP/capita exceeding the EU average by 30%. The only other Finnish region lying (1%) above the EU average is Varsinais-Suomi (the region surrounding Turku). On the other hand Kainuu, Etelä-Savo, Etelä-Pohjanmaa and Pohjois-Karjala are currently the only Nordic regions that have a GDP/capita less than 75% of the EU 15 average. However, even these would not be below the 75% threshold rule for Objective 1 eligibility if GDP per capita were calculated for an additional ten new member states (EU25).

In Norway, apart from Oslo (and Akershus), twelve regions (Rogaland, Hordaland, Sogn og Fjordane, Møre og Romsdal, Vest-Agder, Buskerud, Sør-Trøndelag, Troms, Telemark, Nordland and Vestfold) exceed the EU average. On the other hand Hedmark and Oppland lie some 4% below the EU average.

In Denmark the only three regions to lie below the EU average are Storstrøm, Vestsjælland and Bornholm, the first two being industrial regions with substantial structural difficulties and Bornholm being a region where primary production even today to a certain extent still plays an important role. At the other end of the scale we see the highly industrialised regions of Ringkøbing, Ribe, Sønderjylland and Viborg.

Sweden has the smallest regional variations of all the Nordic countries. Apart from Stockholm, four Swedish regions have a GDP per capita above the EU average, namely Kronoberg, Jönköping, Västernorrland and Norrbotten. The former two are dedicated small-scale industrial regions, whereas the latter two are dominated by process industries (energy production, mining, forestry). In this respect the least 'prosperous' Swedish regions include Södermanland, Uppsala and Halland, all of which lay slightly more than a tenth below the EU average.

However, ...

Apart from pure inaccuracies in estimating the GDP, there are however at least two factors which should be taken into account before attaching too much importance to the figures above. Firstly, commuting has a substantial effect on (statistically measured) regional economic per capita performance. Thus, regions where considerable sections of the work force commute to another region (such as the above-mentioned three in Sweden, Itä-Uusimaa in Finland or the regions around Oslo in Norway) are most likely understated in GDP per capita terms. Measured in GDP per employed resident population, the effects of commuting become visible. For example, in Sweden between 1996 and 1999, the high position of Stockholm decreases by approximately 14-17 percentage points when commuters are removed from the equation. Correspondingly Uppsala, Södermanland and Halland increase their relative standing by 10-13 percentage points when GDP is measured per employed resident population instead of per capita. Another factor concerning Uppsala in particular, but also other regions with large universities, is that the large numbers of students tend to lower GDP per capita figures.

Secondly, out-migration of the population affects per capita estimations creating 'growth' where there is none. This holds true particularly for the peripheries of Finland, Norway and Sweden, where out-migration levels have been extremely high in the latter part of the 1990s.

For example, between 1994 and 1999, GDP per capita in Kainuu in Finland increased by 7.3%, whereas absolute growth in GDP was only 2.3%. In Kainuu's case a hypothetical increase of GDP per capita by 5% during the period is attributed solely to a decreasing population. Similar artificial growth, albeit not quite as large, is also evident in e.g. Lappi and Etelä-Savo.

Capitals breaking loose

Nonetheless, the trend in regional economic performance in the Nordic countries – as well as in the rest of Europe – is one of increasing spatial polarisation between a few selected growth centres and vast areas of the traditional periphery. Figure 7.2 highlights this trend by comparing how much each region's share of total Nordic GDP has changed during the five-year period 1995 to 2000. Again, the figures are adjusted for purchasing power allowing us to make accurate comparisons between countries. The Norwegian figures are Nordregio estimations and exclude GDP generated from oil and gas activities on the Norwegian continental shelf. Data for the Faroe Islands and Greenland stem from 1994 and 1999 and are Nordregio estimates.

On country level, Norway has over the period managed to increase its relative share by more than one percentage unit (from 17.9% in 1995 to 19.2% in 2000), while Finland's relative share of Nordic GDP increased by nearly as much (from 19.8 to 20.6). Sweden again lost close to two percentage units during the period (from 36.1 to 34.3) whereas the situation in the rest of Norden has been more stable.

On the regional level, these changes are more profound, especially when one bears in mind the short time interval. Out of all 74 Nordic regions, 29 managed to increase their relative standing, while the remaining 45 regions did not. Uusimaa in Finland, Oslo and Akershus (jointly) in Norway and Stockholm in Sweden had the highest increases.

All in all – among those 29 regions exhibiting a relative gain – 15 were Norwegian regions, eight were Finnish and four were Danish. In Denmark the largest relative shift has occurred in the dynamic County of Vejle ('The Triangular Area' of Vejle-Kolding-Fredericia). Apart from Stockholm County, all remaining 20 Swedish regions witnessed a relative decrease in their economic performance during the period.

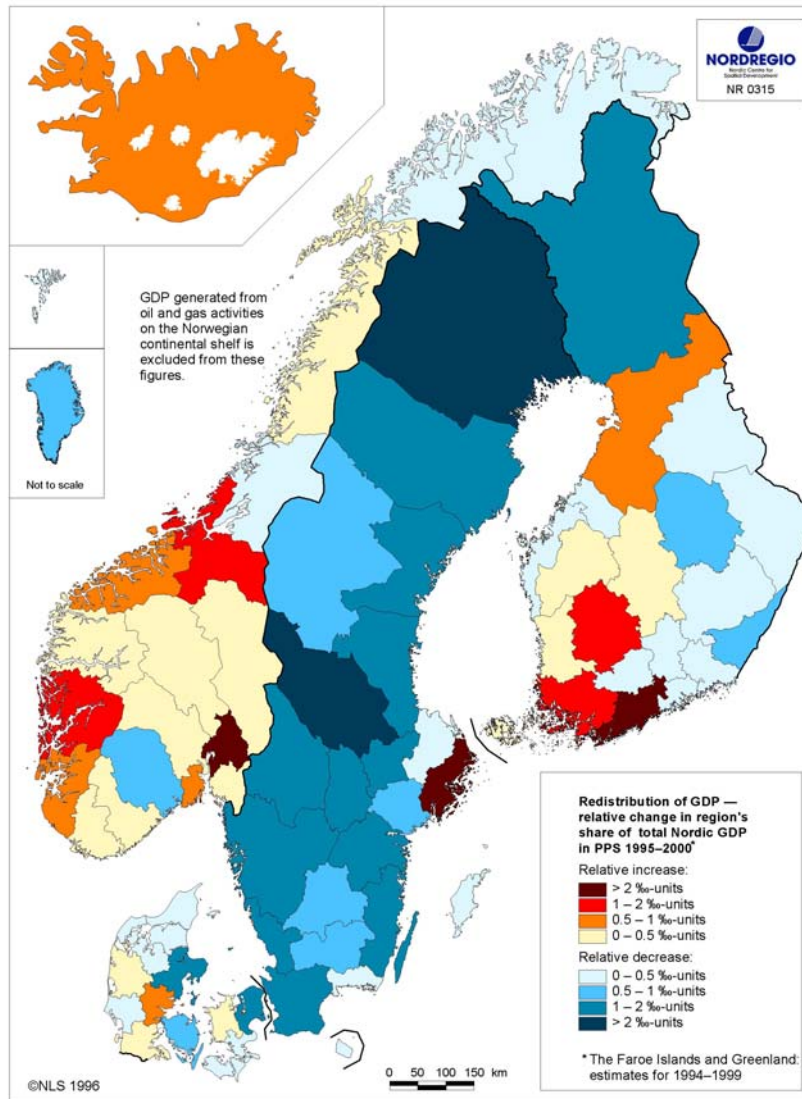


Figure 7.2: Relative change 1995-2000 in region's share of total Nordic GDP in PPS
 (Data source: Eurostat, Statistics Norway, Nordregio)

Thus the situation in the year 2000 was such that over half of all Nordic GDP was generated in the ten (in this respect) most powerful re-

gional economies and a third stemmed from the four largest capital regions alone.

Labour markets bound by national boundaries

Although unemployment in all Nordic countries has over the last four decades increased and decreased in line with normal economic cycles, structural unemployment for most Nordic countries is a relatively new phenomenon. In the aftermath of the first oil crisis, by around 1975 Denmark had become the first of the Nordic countries to experience the high unemployment rates that later refused to decline despite good economic growth. Today Finland and to a lesser extent Sweden could be characterised as being in a similar position, whereas nearly full employment prevails in the other Nordic countries.

Economic crisis in the early 1990s

In the three years between 1990 and 1993 well over a million Nordic jobs were lost, largely due to the economic crises in Finland and Sweden, where the decline was 455 000 and 595 000 jobs respectively. Employment in Denmark, which also reached its lowest ebb in 1993, declined by some 65 000 persons during the period 1990-93.

Since then, employment across the Nordic countries has increased substantially, with approximately 1.25 million new jobs created between 1993 and 2001. Again, and not surprisingly, Finland and Sweden have been the main beneficiaries, with 370 000 and 360 000 new jobs respectively. However, rapid economic growth between 1993 and 2001 has also seen 290 000 more jobs created in Norway, 200 000 in Denmark and 20 000 in Iceland.

All in all, employment in Iceland is 16% higher in 2001 than it was ten years earlier in 1991. The equivalent increase in Norway was 14%, in Denmark 6% and in Finland 4%. Employment in Sweden however still lags behind the 1991 level by 2%. For employment to attain similar heights as the all time high year of 1990, some 80 000 new jobs are still needed in Finland and as many as 235 000 in Sweden.

National vs. regional labour markets

As is also visible from Figure 7.3, despite their relative openness and the free Nordic movement of labour, the Nordic national labour markets are still to a significant degree, national entities. Thus regional employment and unemployment in the Nordic countries remains characterised first and foremost by variations between countries and only secondly by variations between regions within countries. In this respect regional polarisation

trends are strongest in Sweden and Iceland, though eastern and northern Finland is also lagging behind the largest urban centres.

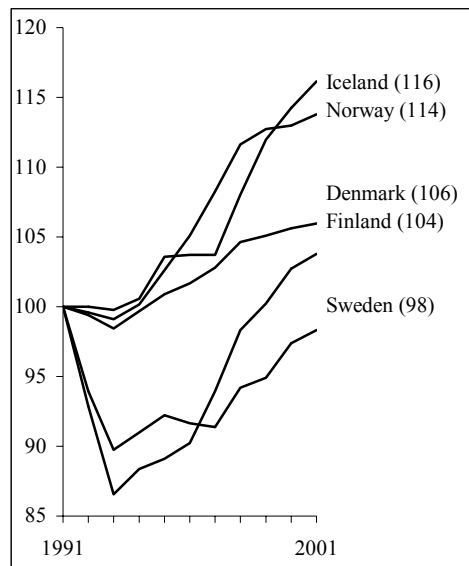


Figure 7.3: Change in employment 1991-2001, index 1991=100
Register data (Norway: LFS). Source: NSIs

The largest absolute employment increases between 1994 and 1999 have been in the capital areas, with the main motor behind employment growth being the expansion of the private service sector, with particular emphasis on business services. Other dynamic industries include ICT (all capitals) and pharmaceuticals (Copenhagen, Stockholm), although the ICT sector in particular has since suffered dramatically thus affecting in particular the Stockholm labour market.

All in all, between 1994 and 1999 employment increased by more than a tenth in 20 Nordic regions, of which 10 were Norwegian and 7 Finnish. The relative increases between 1994 and 1999 were greatest mainly in the capital or surrounding regions (such as Østfold and Vestfold near Oslo) or in other regions with larger second order urban centres. The latter includes regions such as Pohjois-Pohjanmaa (Oulu), Pirkanmaa (Tampere), Varsinais-Suomi (Turku) and Keski-Suomi (Jyväskylä) in Finland as well as Rogaland (Stavanger) and Hordaland (Bergen) in Norway. In Denmark the largest increases have been seen, apart from in Copenhagen and northern Sjælland, in Århus, Nordjylland (Aalborg) and

in the Danish 'Triangular Area' between Vejle, Fredericia and Kolding. In Sweden, with the exception of Stockholm, only Västra Götaland (Gothenburg) has had a more substantial employment increase over the period.

The Faroes (Føroyar-Færøerne) are however in a class of their own. If employment here is defined as labour force minus unemployed persons, the estimated increase between 1994 and 1999 amounts to more than a fifth. No comparable indicators are available for Greenland (Kalaallit Nunaat-Grønland).

Breaking loose from the large city hierarchy

Apart from the capitals, the overall dynamics of regional growth vary slightly from country to country. Interestingly, there are some regions, in Denmark in particular, that are now partially breaking loose from the rigid urban hierarchy that for two decades has been dominated by capital regions, and a more 'mosaic-like' pattern – albeit still in very scattered pockets – now seems to be emerging. In the Finnish case (e.g. Oulu, Tampere, Salo) the expansion of the ICT sector has been most dynamic. A similar pattern is visible in Norway (Bergen, Stavanger) with regard to offshore and related industries. In Denmark, Århus partially competes with Copenhagen within the business services or ICT sector, whereas a specialised manufacturing sector (e.g. foodstuff, textiles, furniture) in Jutland accounts for the major dynamics. In Sweden, Stockholm/Uppsala's and to a lesser extent, Gothenburg's position is dominant with regard to new job creation. On a smaller scale, areas such as Karlskrona/Ronneby in Blekinge have also managed well. Here too the ICT sector is the main motor of growth. FDI has been pouring in to such an extent that more than a third of the workforce across the region is now employed by foreign-owned enterprises (compared to the Swedish average of around a tenth).

Employment in the period 1994-99 decreased in ten Nordic regions. Of these, eight are Swedish, with the northernmost regions of Norrbotten, Jämtland and Västernorrland being worst hit. Bornholm in Denmark and Finnmark in Norway are the only regions in their respective countries where the number of jobs decreased.

Variations within regions are however significant. As a rule only a few selected municipalities within the more peripheral regions are responsible for the creation of new jobs in the entire region. For example in Norway, even though Finnmark was the only Norwegian county as a whole where employment decreased, employment decrease occurred in as many as 113 or one fourth of all Norwegian municipalities. More than half of these municipalities were located south of Trondheim.

In Finland employment decreased in 102 municipalities even though this did not happen in any of the regions as a whole. These were primarily small municipalities located mostly in northern and eastern Finland. In Denmark the regional pattern is not as polarised as in the other Nordic countries, but nonetheless employment decreased in 71 municipalities altogether. The worst hit Danish areas, apart from Bornholm, are also primarily island regions, i.e. Storstrøm County and the southern parts of the County of Fyn.

In several more peripheral Swedish regions much of the new job generation has, to a large extent, been created by an expanding public sector. Furthermore, during the latter part of the 1990s Sweden has been plagued by several closures or the relocation decisions of large employers. Typically these have been in small- to medium sized towns dominated by manufacturing industry. The employment effects of these closures have been considerable. Thus in Sweden the number of jobs was reduced in half of all municipalities of the country (144 of 289) in the five years between 1994 and 1999. The worst hit areas include all northernmost areas apart from a few scattered urban pockets on the coast (Umeå, Sundsvall) as well as manufacturing areas in the south, especially in Kalmar County. Employment also decreased substantially in Gotland.

The most problematic areas in Iceland and those with the largest decreases in employment are generally in northwestern Iceland, the Vestfjords and in the southern parts of the Eastfjords.

The persistence of unemployment

As a consequence of the significant reduction in employment in the early 1990s, followed by, at times, an extremely uneven distribution of new jobs, the unemployment landscape of the Nordic countries is now highly varied, but again by and large still confined within national boundaries.

Finland – bedevilled by persistently high unemployment – is the most problematic Nordic case. In April 2001 the average unemployment rate in Finland was 10.2%, compared to the corresponding EU15 average of 7.6%. Finland is thus the only Nordic country lying above the EU average, and of the EU countries only Greece, Italy and Spain have higher rates. Youth unemployment in northern Finland is also among the highest in the EU.

Regional variations are substantial, and of all the Nordic countries Finland has the largest regional polarisation in this respect. Among all of the Nordic regions, Finnish ones hold both the highest and the lowest positions. Whilst the unemployment rate in April 2001 in Åland was a meagre 1.5% it was 18.2% in Kainuu in northern Finland. Even if Åland – having the lowest unemployment rate of all EU NUTS 2 regions – were

to be excluded from the comparison, Finland would still have the widest strata of rates. This is a problem of such a magnitude that we can say that among the EU countries as a whole (excluding the overseas departments) the Finnish situation is rivalled only by the split between southern and northern Italy and by the partition between eastern and western Germany.

Compared to Finland, unemployment in the other Nordic countries is minuscule, with Sweden, in April 2001, having a rate of only 4.9%, Denmark and Norway respectively 3.7% and Iceland as little as 2.2%.

Despite the comparatively low level of unemployment seen in Sweden substantial regional variations do exist. These have however decreased successively since 1997. Norrbotten tops the Swedish list with an unemployment rate of 8.4%, which is three times as much as in Stockholm (2.8%), which is the lowest in the country. Norrbotten is also the only Swedish region where unemployment lies above the corresponding EU average.

In Denmark regional variations are not that pronounced, the variation having increased and decreased slightly during the latter part of the 1990s. In April 2001 unemployment in Bornholm was at 6.9%, which was the highest of all Danish counties. Greater Copenhagen and Ringkøbing on the other hand had only 3.0 and 2.9% respectively. Other regions with, in Danish terms, high unemployment included Nordjylland (5.3%), Storstrøm (5.0%) and Fyn (4.5%). Viewed from the municipal level however the strata widens, though not as much as it does in Sweden.

As in Denmark, in Norway regional variations are not particularly noteworthy, although Finnmark, with an unemployment rate of 6.6%, constitutes an exception here. In the counties of Sogn og Fjordane, Oppland and Buskerud, unemployment rates are all below 3%. At the municipal level however the gaps become larger, but only one municipality – located in Finnmark (Guovdageaidnu-Kautokeino) – exceeds 10%. In 69 Norwegian municipalities the unemployment rate was above 5%.

As opposed to the five years previously, in the year 2000, unemployment in Greater Reykjavík dropped below the country average and has since stabilised at 1.8%. Unemployment in the rest of the country is on the rise – albeit a very shallow one – lying at 2.8% in 2001.

Unemployment in the Faroes has – since the severe economic crisis which culminated in 1993/94 when the rate peaked at more than 20% – been decreasing steadily. In April 2000 there were some 1 200 persons either registered as available unemployed persons in the general insurance system or receiving allowances from the social security system. This renders an estimated unemployment rate of 5% compared to 7% only a year before. However, the work force of the Faroese fish processing in-

dustry, which has its own special insurance scheme, providing supplementary compensation, is not included in these figures.

Exact levels of unemployment in Greenland are relatively hard to measure due to the fact that a part of the population still live within a traditional subsistence economy and thus retain only a loose connection to the formal labour market. Calculations from Statistics Greenland for the first quarter of 2001 estimate the number of unemployed as 2 200 persons, or 8.8% of all Greenland-born persons between 15-59 years of age living in urban settlements. Compared to the corresponding figure for 2000 this is a substantial increase. In 2001 the highest rates (>25%) were recorded in Qasigiannguit (Christianshåb) on the west coast and the northernmost settlement of Qaanaaq (Thule), whereas the capital Nuuk (Godthåb) had the lowest rates (4.5%).

Demographic polarisation

It has long been observed that migration tends to decrease during times of recession and correspondingly to increase in strength during economic upswings. The Nordic countries are no exception to this. During the severe economic recession of the early 1990s that hit Finland and Sweden in particular, domestic migration slowed dramatically. As the economies slowly recovered towards the middle of the decade migration also increased in intensity. By the end of the 1990s however this migratory pressure had reached a level not witnessed in nearly three decades. In Finland net levels equalled those of the early 1970s. Moreover, in Norway domestic inter-municipal mobility in 2000 was at its highest level since 1977, and net migration levels for some regions were on a par with those of the late 1970s and early 1980s. Even in Denmark, where the situation has remained more stable throughout the 1990s, out-migration from some regions has increased in the last two or three years.

This general situation is further aggravated by low fertility rates. This holds true particularly for Sweden, where natural population change (the excess of births over deaths) has been negative since 1997, but also for several other regions in Denmark and Finland. The worst hit regions, between 1995-2000, in this respect are Jämtland, Västernorrland, Gävleborg, Kalmar, Värmland and Dalarna in Sweden, and Bornholm and Storstrøm in Denmark. Iceland together with Greenland and Faroes has, on average, high reproduction rates, as does Norway, although here significant regional variations do exist.

The effects of ongoing globalisation have moreover further added to the momentum on population concentration. Capital or metropolitan areas in the Nordic countries have – apart from traditionally playing the role of gateway to the national economy – primarily acted within the

framework of their national urban systems. This has at least to some extent guaranteed a moderately balanced development pattern between the larger cities of the Nordic countries and their respective country hinterlands. In the 1990s this fragile balance was challenged by ongoing technological and economic development as well as by regional and international integration. The accumulated effect of such changes is transforming the regional urban system. The ever increasing importance of the 'knowledge-based' economy, the concentration of R&D, increased competition between cities and countries, have all played their part in precipitating the unusually large polarisation of population and economic activity towards the larger centres.

Capitals in the lead

The capital and adjacent regions accounted for the largest absolute increases in population in the latter half of the 1990s. During the five year period 1995-2000 the population of Stockholm county increased by 97 000 persons. The corresponding increase was also substantial in Uusimaa (80 000 persons), Greater Copenhagen (55 000) as well as in Oslo and Akershus counties jointly (52 000). The population of Reykjavík and its surroundings also increased by nearly 17 000 persons during the same period. In relative terms Greater Reykjavík's increase was by far the largest of all the Nordic regions, approaching nearly 2% on an annual basis. In fact, compared with the entire EU, between 1995 and 1999, Greater Reykjavík saw the second fastest population growth rate of all EU NUTS 2 regions, preceded only by (the atypical) growth experienced by Flevoland in the Netherlands. Moreover, all other Nordic capitals, with the exception of Copenhagen, were among the top ten fastest growing regions in the EU.

In Reykjavík, Oslo and Helsinki regions, natural increase accounted for nearly half of the overall population change, whereas migration was the major reason for the population increases in Stockholm and Copenhagen.

This rapid growth in population has been accompanied by an equally fast – or faster – increase in the Nordic capital region's share of their respective countries' economic activity, such as employment or Gross Domestic Product. Growth within the private service sector has been particularly dynamic. For instance between 1995 and 1999 in the Uusimaa (Helsinki) region, employment within the banking and insurance sector increased by ten percentage points faster than it did on average across Finland. Moreover, employment within the construction, transport and storage, retail trade and the hotel and restaurant sectors increased by significantly more than in the rest of the country. Similarly,

Greater Copenhagen increased its share of Danish employment within the banking and finance sector by close to three percentage points in just five years (1995-2000). Employment in the hotel and restaurant sector as well as within the postal and telecommunications industry also increased by more than a fifth during the same period, that is to say, by nearly ten percentage points faster than the average across Denmark. Similar data from Oslo and Stockholm corroborate such trends.

At the municipal level such population changes lead to urban sprawl throughout the capital regions, and many municipalities located at a reasonable commuting distance from the cities have, as a rule, grown faster than the central parts of the cities themselves.

This is perhaps most clearly illustrated around Oslo, where high housing prices have driven the in-migration structure further and further from the city centre along the main transport arteries towards Akershus and Buskerud counties, as well as southwards on both shores of the Oslo fjord into Østfold and Vestfold counties. A similar radial new in-migration pattern is also evident around other Nordic capitals.

The pattern is different in Copenhagen, however, where several municipalities west of the city centre are losing population due to migration. The reasons for this are mainly demographic. The residential areas of these municipalities emerged rapidly in the 1970s and are inhabited by families now having children between 15 and 20 years of age. These out-migrate for education to Copenhagen and do not return because their parental generation is still occupying the housing stock. A similar demographic bulge exists to the north of Copenhagen, though it is not as visible as that in the west, as the construction of the building stock took place over much a longer period.

History repeated?

A significant difference between the early and the late 1990s is that many regional centres that once managed to act as barriers to regional population loss are now no longer able to stem the tide. Thus cities, such as Rovaniemi in Finland or Östersund in Sweden, which during the early 1990s had a positive migration balance, have themselves – by the end of the decade – now began to experience a negative one.

Nevertheless, however fast the growth rates in the capital and other large city regions may be, in relative terms the corresponding losses in the periphery are even greater – and seemingly increasing at an alarming rate. On average during the period 1990-94, a third of all Nordic regions (25 out of a total of 75) had a negative net migration rate. During the period 1995-2000 this number increased to 41, or well over half of all Nor-

dic regions. Of these, 16 were in Sweden, 14 in Finland, 6 in Norway and 3 in Denmark.

North-south flows

The worsening net migration rates evident towards the end of the decade can mainly be attributed to the increasing north-south migration flows (in Finland, Norway, and Sweden). Although the return flows have also risen, they have not done so to a similar degree. For instance in Pohjois-Savo in Finland, annual domestic out-migration increased from 8 000 persons in 1993 to 12 300 in 1999, while domestic in-migration only increased from 7 700 to 10 900 during the same period, thus considerably increasing the net loss. A similar pattern is also evident in other more peripheral Finnish, Norwegian and Swedish regions.

At the municipal level there is a strong correlation between out-migration and the size of the population of the municipality, as indeed there is between out-migration and peripheral location.

The summarised net loss of population due to migration for all out-migration municipalities in Finland, Norway and Sweden amounts to more than a quarter of a million persons (252 000) during a short period of only six years (1995-2000). This figure is equivalent in size to the entire population of a large Nordic town, such as Malmö.

Using the municipal boundaries as a rough proxy for real physical space, the Finnish figures translate to more than nine tenths (90.3%) of Finnish territory constituting an out-migration area. The corresponding rate for Iceland is also over 90%, for Sweden 85%, for Norway 72%, but for Denmark only a third (31%). The fine-tuning of this approach to include figures for natural population growth (i.e. in how much of the nation's territory is population declining) lowers the overall figures for Denmark, Finland and Norway, but raises them – due to low birth rates – for Sweden. Thus the areas in which population has declined in absolute terms covers some 88% of the Finnish and Swedish territories respectively, some 67% of that of Norway, but only one quarter of Denmark.

Norden among the worst hit in the EU

For comparison, measured in NUTS 2 units, population declined between 1995 and 1999 in slightly over one third (37%) of the European Union's territory excluding Finland and Sweden. Even with a significant margin of error due to the limited comparability between the spatial units analysed, the difference between the northernmost Nordic countries and the rest of the EU is nonetheless substantial. Comparable larger concentrations of population loss in the EU can be found only in the New German Länder, such as Halle, Dessau or Thüringen, which themselves have been

subject to serious structural problems. Alentejo in Portugal, Asturias in northern Spain, the island region of Voreio Aigaio in Greece and Merseyside in the UK are the only other EU regions where population loss in relative terms comes even close to the worst hit Nordic regions.

For most Nordic regions the darkest years of migration loss in the 1990s occurred between 1996 and 1999. This negative trend had by 2000 been amended if not wholly curbed, but whether such developments can be seen to be bucking the trend or whether they prove to be merely a momentary fluctuation remains to be seen, although globally declining economic growth rates from the autumn of 2001 onwards do suggest the former.

During the period 1995-2000, Finnmark in northernmost Norway lost on average more than 1.2% of its population every year due to out-migration, making it, in this respect, the hardest hit of all Nordic regions. Correspondingly also Kainuu and Lappi in Finland lost more than 1% of their population annually. Compared with this, Sweden's worst out-migration region, namely Norrbotten, had an annual migration loss of 'only' 0.6% and was therefore some way behind the other example regions. Taken as a group, the more rural areas of Iceland lost nearly 1.2% of their population due to migration. Although there are some small regional exceptions, even the second city Akureyri and surrounding municipalities have however lost considerably during the period in question.

Other regions suffering from significant population drainage caused by migration include Keski-Pohjanmaa, Etelä-Pohjanmaa, Pohjois-Karjala and Etelä-Savo in Finland, Nordland and Troms in Norway as well as Västernorrland, Jämtland and Dalarna in Sweden. Greenland also belongs to this category although the exceptionally high birth rates – with a natural population change at around 1 % annually – compensates for the emigration and renders the overall balance positive. A considerable part of the emigrants are people not born in Greenland (mostly Danes). The largest absolute population increases have been in the capital and largest city, Nuuk.

Compared to the experience of the near catastrophic levels of emigration during the severe economic crisis in 1989-94 – when the Faroe Islands lost more than 15 percent of its population due to migration – the situation is now much more positive. The negative trend had already been reversed by 1996, and the migration balance today brings some 300-400 persons per year more to the group of islands. The capital Tórshavn has gained most, whereas the southerly islands of Sandoy and Suðuroy are still losing population.

Åland stands out among the self-governing areas as having a sustained positive migration balance throughout the decade, although variations between different parts of the region are significant. The municipality of Lemland has seen the highest relative gain, whereas the migration balance has been negative e.g. for the capital Mariehamn for most of the 1990s.

Unfavourable age structures

Such selective demographic drainage adds further pressure to the already unfavourable age structure of many peripheral communities. By the end of the year 2000, 15.8% of the total Nordic population was aged 65 years or over. Although this is only slightly above the EU average of 15.6% (in 1998) – mainly due to the Swedish figures which show that it has the most elderly population of all in the Nordic countries, regional polarisation is significant and primarily to the disadvantage of the periphery. All in all, 43 (out of 75) Nordic regions lay above the present EU average. 19 of these regions are Swedish, 15 Finnish, 6 Danish and 3 Norwegian. Thus approximately two out of every three Nordic municipalities – mostly located in Finland, Norway and Sweden – are above the EU average. In 54 Nordic municipalities as many as one in four citizens is 65 years of age or over. Most metropolitan or other large city regions in the Nordic area have very young populations. Both these factors are highly visible with regard to natural population increase rates, particularly so in Sweden, where the excess of births over deaths was on average during the period 1995-2000 positive in only four regions, namely Stockholm, Uppsala, Halland and Västra Götaland (Gothenburg).

The share of the elderly as such is not the main problem however, but rather it is the ‘dependency ratio’, i.e. the proportion of population economically active in relation to all other groups of citizens in a society, which includes e.g. children and schoolchildren, students, pensioners, persons in military service or on maternity leave, etc. Iceland and Norway have in European terms exceptionally young populations. The average young age dependency ratio in Iceland is nearly 35%, and also well over 30% in Norway. In contrast, the corresponding rate in Finland is merely 26.6%, with Sweden and Denmark having slightly higher rates. All Nordic countries have higher rates than the 25.0% EU average, though.

On the other hand, old age dependency ratios show in many cases an inverse picture. These rates are highest in Sweden (26.5%), the only Nordic country lying above the EU average of 24.6%. Thus in Sweden there are, on average, only 3.8 persons in working age per person aged 65 years or over. In Iceland – again the other Nordic extreme – there are on average nearly two additional persons (5.6) in working age per person

aged 65 years or over. Denmark, Norway and Finland fall in between these two.

In search of remedies

All in all, this demographic drainage will put a significant support burden on the regions most affected, which apart from the overall greying of society also have to deal with the additional burden of 'double aging', meaning that not only is the share of elderly rising constantly, but also that the elderly live longer, thus creating a demand for a service structure that in many respects does not currently exist.

Sweden is from this demographic point of view in the most precarious position as a large share of those supported are already of pensionable age. This is most definitely so in the northern and inland parts of the country. Relatively high immigration rates however somewhat counterbalance the situation. In Norway, Iceland and the Faroe Islands the overall dependency ratio is also quite high, but stems mainly from very young populations. The situation in Denmark and Finland is for the time being the most balanced of the Nordic countries. Though we should note that in the coming 15-20 years the large Finnish 'baby boom' generation will come into pensionable age.

In spite of the fact that the overall Nordic population is aging, substantial shares of youngsters in most countries imply that the total dependency ratio will not increase significantly in the short run, as a shift from many young to many old dependents will, in the short term, counteract an overall dependency increase. In the long run of course, this is not feasible.

Remedies for decreasing the gap include increasing the actual retirement age, better utilisation of the large pool of those currently unemployed, or of those persons in different labour markets, creating possibilities for integrating latent unemployment into the labour market, full time employment of the partially employed, speeding up the education process, and so on. In many respects these measures are extremely difficult to realise and international immigration is foreseen as one of the most likely alternatives to the forthcoming labour shortage. This debate is currently ongoing in all of the Nordic countries. In order to maintain the current demographic balance, immigration would however have to be of such a magnitude that it seems unlikely that this would be politically feasible, at least not under present conditions.

Previously the Nordic countries have solved their labour surplus and deficit problems – arising from different economic cycles – by exporting and importing labour among themselves, though the Swedish and Finnish workers in e.g. the Norwegian health care and construction sec-

tors in the mid-1990s perhaps constitute the last of their kind. Thus immigration would, by definition, have to be from further away. This is made even more problematic by the fact that the potential pool of surplus labour in the near vicinity of the Nordic countries (e.g. Russia, the Baltic States, Poland) is increasingly no longer there, as these countries are themselves now faced with problems similar to the Nordic countries in this regard.

General note on statistical material used in this article

The statistical material used in this volume stems primarily from the National or regional Statistical Institutes of each of the five Nordic countries and the three autonomous territories. These are: Danmarks Statistik (Statistics Denmark), Hagstova Føroya (Statistics Faroe Islands), Kalaallit Nunaanni Naatsorsueqqissaartarfik (Statistics Greenland), Tilastokeskus (Statistics Finland), Hagstofa Íslands (Statistics Iceland), Statistisk Sentralbyrå (Statistics Norway) and Statistiska Centralbyrån (Statistics Sweden). Material from Eurostat (the Statistical Office of the European Communities) has also been widely used.

As the number of national/regional data sources is very large, and as much of the information has been made available in electronic format only, and usually on several different occasions spanning the latter half of the 1990s, we have chosen not to mention the source for each data item separately.

Chapter 8

A diagnosis of transitional labour markets

Lars Olof Persson

Abstract

The performance of the labour market in any country reflects the efficiency of both national institutions and local employment systems. Different local systems both enable and restrict individuals' mobility between gainful employment and other – desired or undesired – productive, non-productive or reproductive activities. In this chapter, labour market performance is evaluated as the rate of transition from and to different employment statuses, namely:

- Employment
- Studies
- Parental leave
- Unemployment
- Long term sick leave
- 'Time-out' (i.e. none of the other statuses)
- Retirement

The explorative statistical analysis based on individual longitudinal data also reveals relatively large variations in these rates between local labour markets of a similar size – in population numbers –, structure and function. This leads to the conclusion that local employment systems diverge in kind and function with regard to their ability to facilitate successful transitions to the desired statuses. This, in turn leads to suggestions for an extension of local employment policy to more coordinated efforts within several policy sectors, including education, social policy, transport, and economic and labour market policy.

Challenges to employment policy

More than fifty years ago, Lord Beveridge defined full employment to mean that, 'unemployment is reduced to short intervals of standing by'. In these halcyon days of social engineering, he also set a limit for a well functioning labour market such that no more than 3 percent of the labour force should be allowed to be unemployed at any one time. Ever since,

the policy goal of full employment has been adopted by most European countries and is also now expressed at the EU level. However, it is evident that most of the industrialized countries remain no nearer to reaching this goal than they have ever been. In spite of the emerging labour shortages in some sectors, at various times in the last fifty years rising levels of unemployment have led to persistent long-term unemployment. Moreover, it is now well documented that the longer the individual concerned is excluded from gainful employment, the higher the risk that they will eventually be excluded from social and economic life, leading to an overall decline in social cohesion at the national level.

Now and then, some countries have been able to reduce unemployment, but at the same time have experienced increasing income gaps and increasing numbers of working poor. In a country such as Sweden, which has long promoted an active labour market policy stressing full employment, the number of people on 'long term sickness' leave, often leading to early retirement, has increased dramatically over the last ten years. Measures designed to cope with such obvious signs of a dysfunctional labour market remain however to be fully developed.

It is evident that neither traditional labour market policy nor social policy alone can cope efficiently with these dysfunctions. It is also becoming more obvious that the traditional concept of employment is challenged by new ways of achieving social integration through participation in the labour market without excluding productive activities in other spheres of social life.

Multiple dimensions of labour mobility

The concept of the Transitional labour market (TLM) was launched in the mid 1990s. Transitional labour markets are defined as legitimate, negotiated and politically supported sets of mobility options for the individual. These transitions can take place in different time scales, day, week, month and year, but also under different phases of the life cycle. In his book on, 'The Dynamics of full Employment' (Schmid et al. 2002), stated that it is becoming ever more important to adequately address the individuals' increasingly frequent shifts of status from/to employment and education, disability and sickness, retirement, household work, unemployment, if we are to have a successful employment policy.

The first hypothesis put forth is that the functioning of the labour market, as well as an understanding of its dysfunctional characteristics can only be understood in a systemic framework. Employment systems are defined as the set of policies and institutions influencing interaction between the production systems and the labour market systems. The out-

come of this interaction therefore determines the quality and quantity of employment.

A second hypothesis is that transitional labour markets are beginning to emerge across Europe. TLMs are used as both a theoretical and as a policy-oriented concept. They are based on observations that the border between the labour market and other social systems – the educational system, the private household economy, etc. – are becoming increasingly blurred. The important policy recommendation here is that these boundaries should become more open to transitions between formal employment and productive non-market activities. Thus the opening up of these boundaries should reduce the permanent insider/outsider problem that is so typical of modern labour markets.

In transitional labour market theory, employment has thus attained a new meaning. Traditionally, employment was defined as the act of employing someone, the state of being employed, or as a person's regular occupation. (In Lord Beveridge's world of the 1940s, the meaning of employment was even more circumscribed to encompass only the male breadwinners' full time occupation based on a longstanding contract with the same employer.) In the emerging transitional labour market, employment is now however a temporary state or merely the current manifestation of long term employability. The prototype for this new employment concept is the network labour market, with flexible entries and exits contingent on opportunities and individual expertise, with continuous and flexible paths of accumulating work experience.

Thus, transitional labour markets are arenas for new forms of self-employment, where social integration is developed through the individuals' relation to others. In this form, social integration takes place through productive social interaction not only within the field of paid work, but also in family work, cultural activities and voluntary work. Here transition does not only mean movements between employment statuses, but also stands for flexible employment careers, including stages for preparation, encounter, adjustment, stabilization and renewed preparation for a new job or a new task.

This novel way of analysing labour market performance makes it rather apparent that simple, one-dimensional measures to achieve 'full employment' such as minimum wages or negative income taxes cannot be expected to suffice.

National institutions meeting local social systems

At the national level the labour market, or rather the employment system, is framed by sets of institutional preconditions, which when taken together influence production and employment in the country (Schmid et al

2002). These institutions are certainly not limited to those historically set the framework of labour market and industrial policy. Rather, they encompass a spectrum from working life legislation and the taxation system to education and social policy.

The dynamics and the complexity of the national labour market, however, could not be understood without analysing local and regional preconditions. Social systems at the local level enable; reinforce and restrict these multidimensional matching processes. This results in less well, or better, performing labour markets.

Interactions between the

- formal labour market
- local education system and continuing education and/or vocational training systems
- formal and informal social service systems
- households' preferences in terms of life career expectations

are reflected in the permanently ongoing transition and adjustment processes. Transitions reflect individuals' mobility between gainful employment and other desired or undesired productive, non-productive or reproductive activities.

The frequency of these transitions reflects the fact that different individual careers are possible, and that they are also differently chosen, in different places and regions.

Measuring rates of transition

Considering the dynamic characteristics of TLMs, we suggest that the functioning of the labour market could be evaluated by measuring the rates of transition to and from formal employment. In practice, labour market performance could be measured as rates – in various time scales – of transition from and to different employment statuses, e.g. formal employment, studies, unemployment, sick leave, retirement and 'time-out' (i.e. none of the other statuses). Employment systems that perform well are characterized by the fact that the individuals' freedom of choice is large: options are available at different points in time to seek and find a desirable position in the labour market, as well as in the social sphere. In larger urban systems, the market-led options are likely to function more efficiently than in small, fragmented and less diversified places. In the latter regions more policy intervention is thus needed to cope with market failures and to achieve cohesion. In all localities, national and supra-national policies have to be coordinated with relevant local strategies. Irrespective of the size of the labour market, non-market led adjustments

are frequent, although they may differ in kind. For instance, in small places with dense social networks, informal and voluntary work can play an important role in the functioning of the entire employment system.

Creating well functioning local labour markets

The formal Swedish objective for regional development is to establish well functioning local labour markets across the country. (Rprop 2001/2002:4) According to the Government bill, labour areas should be attractive enough for people and firms to take advantage of and to exploit the inherent potential and the vitality that is embedded in any region. This formulation calls for the development and definition of indicators, in particular with regard to which direction a region should develop in order to function better.

We suggest that the rates of activation to employment year $t+1$ from different statuses year t be developed as indicators of labour market performance. In this what follows we will explore some of these indicators as instruments for the evaluation and comparative analysis of processes, which over time characterize sustainable labour markets.

Dimensions of differing performance

In this analysis of labour market performance, we observe transitions between the following employment statuses from year 1 to year $t+1$ (cf Figure 8.1).

- Employed
- Time-out/Unpaid work
- Retired
- Studies
- Unemployed
- Sick leave

It is important to realize that the primary driving force behind the dynamics of the labour market – measured as activation rates – are vacancies, here defined as annual rates of exits from formal employment status. Typically, in most Swedish regions these amount to some 7 to 8 percent of the total labour market per year. In local labour markets (LLMs) under severe strain, up to 15 percent of the economically active labour force per year exits this formal employment status. On average, less than half of these vacancies are caused by retirement. The rest are – as a national average, from which there are numerous deviations at the local level – created by temporary exits to unemployment, to sick leave and to periods of continuing training.

In order to fill these vacancies labour is recruited primarily from students leaving school, from the universities and from the ranks of the unemployed. In recessionary periods, activation of those currently unemployed forms the majority of new entrants, while the contrary prevails in boom periods. As demand increases, pools of labour are recruited directly from schools and universities. In addition, labour mobility is created by inter-industry change. This – important – dimension of labour mobility is, however, not considered in this calculation of activation rates.

The transitional labour market

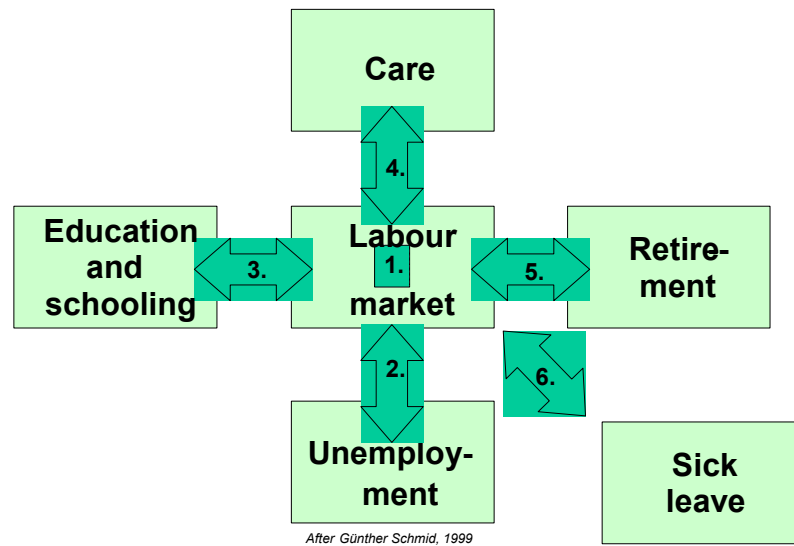
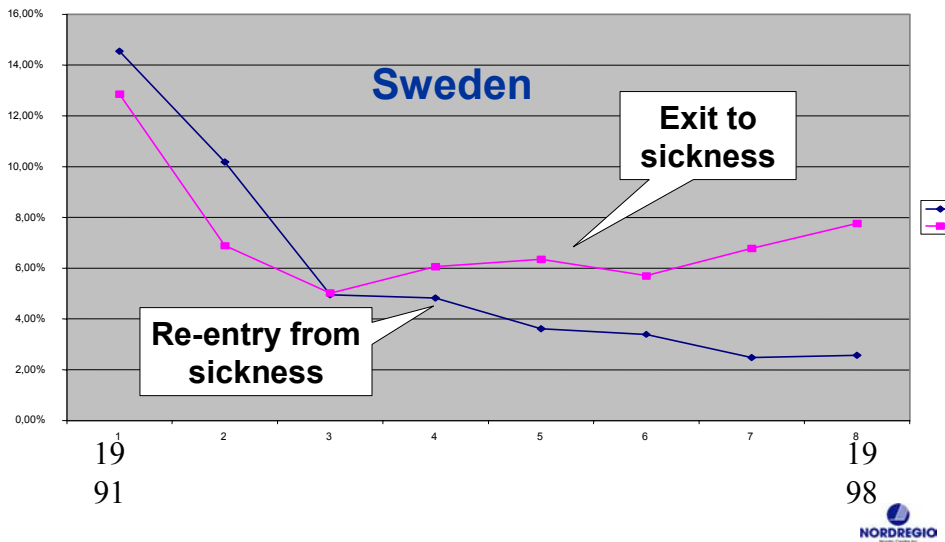


Figure 8.1: Flows between statuses in the Transitional Labour Market (TLM)

Indicators of dysfunctional labour markets

The 1990s showed an increasing gap between exits to and entries from sickness leave across Sweden. During the first years of the 1990s some 13-15 percent of the labour force both left and returned from long term sickness, hence there was a positive balance but at a high level of turnover. After 1993, the rates of sick leave increased continuously while reactivation continued to decrease. This led to a net gap of some 5 percent, which still remains today.

There is actually very little known of the background to this problem of the decreasing level of reactivation from sick absence in the Swedish labour market. Our interpretation is that the entire employment *Figure*



8.2: Transitional processes to and from Sick leave. Proportion of total recruitment to employment status year $t+1$ from sick leave year t , and proportion of total exits year $t + 1$ to sick leave year t . Labour with secondary school education. 1991-98.

System has to be analysed in order to get a better understanding, and that both national regulation and local practices and preconditions have to be considered.

Transition processes at labour market extremes

The range of the transitional labour market, measured in annual (1998/99) exit and entry rates, can be illustrated by two extreme labour markets.

- In the small rural labour market of *Pajala*, total employment decreased by more than 4 percent between 1998 and 1999 (Figure 8.3, top bar). Exit to unemployment amounted to more than 6 percent of the total labour stock, while that to sickness amounted to almost 4 percent. Gross recruitment was also dominated by those previously unemployed. With more than 13 percent of the labour force exiting each year, Pajala can be considered to be a hyperactive labour market under severe stress and thus one demanding of intensive attention from labour market policy.
- The *national Swedish labour market* increased by 1 percent during this particular year, while exits were actually domi-

nated by sickness leave – 3 percent of the total employment stock. Recruitments were dominated by new entries from the education sector, amounting to 4 percent as compared to the total employment this year (Figure 8.3, 5th bar from top).

- *Gnosjö* LLM, known for its well performing economy based on numerous SMEs specializing in manufacturing industry, had a net employment increase of almost 2 percent during this year (Figure 8.4, top bar). Exits were, as in the other regions, dominated by sick leave, with exits to unemployment staying at a low level. Likewise, in respect of the national labour market, a little more than half of all recruitment came directly from the education system.

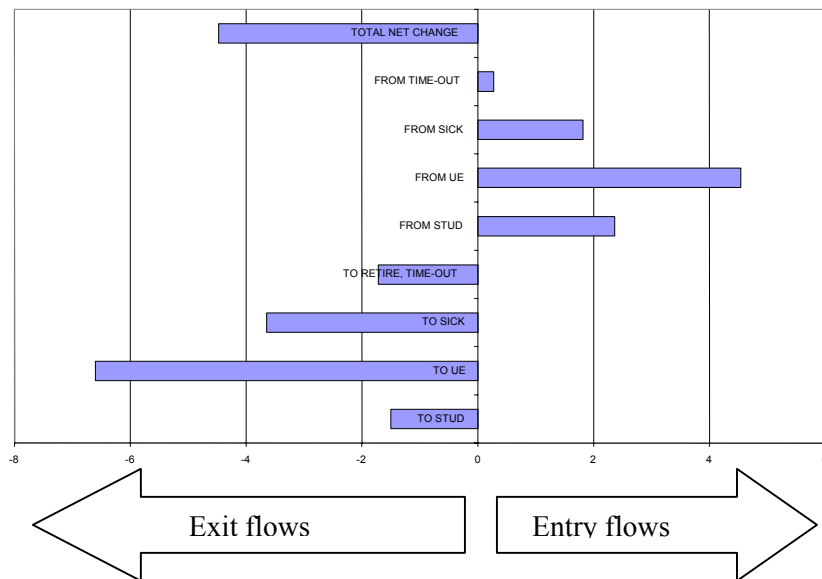


Figure 8.3: Annual flows to and from employment. Flows in percent of total economically active labour force in the region. Pajala LLM 1998-99.

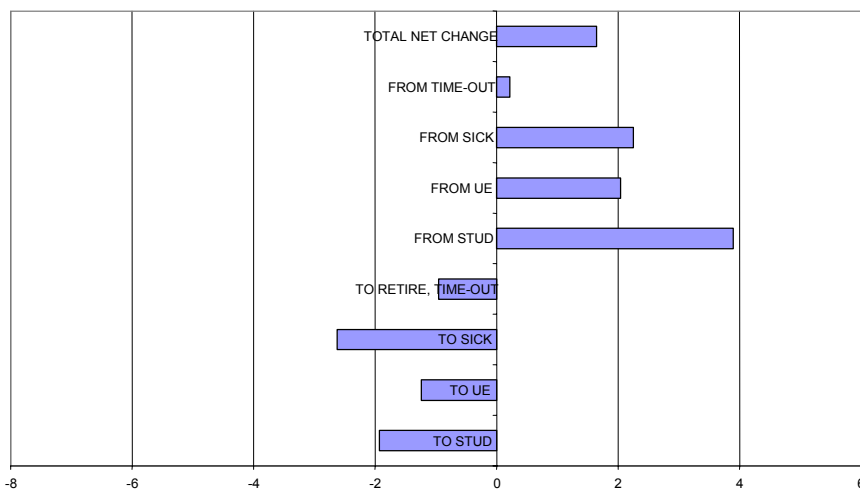


Figure 8.4: Flows to and from employment. Gnosjö LLM 1998-99.

Variable performance among LLMs forming the national labour market: A graphical representation

For the particular year studied, i.e. from 1998 to 1999, the total employment change varied considerably between LLMs: from -5 percent per year to +4 percent (Figure 8.5) and with large differences in net flows to/from different statuses. This is illustrated by the diagram that seeks to summarise the variation of dynamics between all LLMs in the Swedish labour market. LLMs are ranked according to total employment change. Each mode of activation to employment to/from studies, unemployment, sickness leave and time-out is represented by its net contribution in percent units to total employment.

- Net recruitment to jobs directly from school varied from 0.5 to 3.5 percent of the total employment stock, and thus has a clear co-variation with total employment change in the LLM.
- Net flows of unemployment to job varies from -2 percent to +2 percent, also partly depending on the rate of growth of the total labour market.
- Net reactivation from sickness leave to job varies within one percent unit between LLMs, and is negative in all cases. There are few signs of co-variation between the total growth of employment and the reactivation rate.

- Small signs of such co-variation are found in the case of reactivation rates from time-out. This could be interpreted as a somewhat higher propensity to return to formal employment from time-out in places with an expanding formal labour market.
- The overall picture, however, is that activation rates from most employment statuses only reflect to a limited extent the development of total employment in the individual LLM.

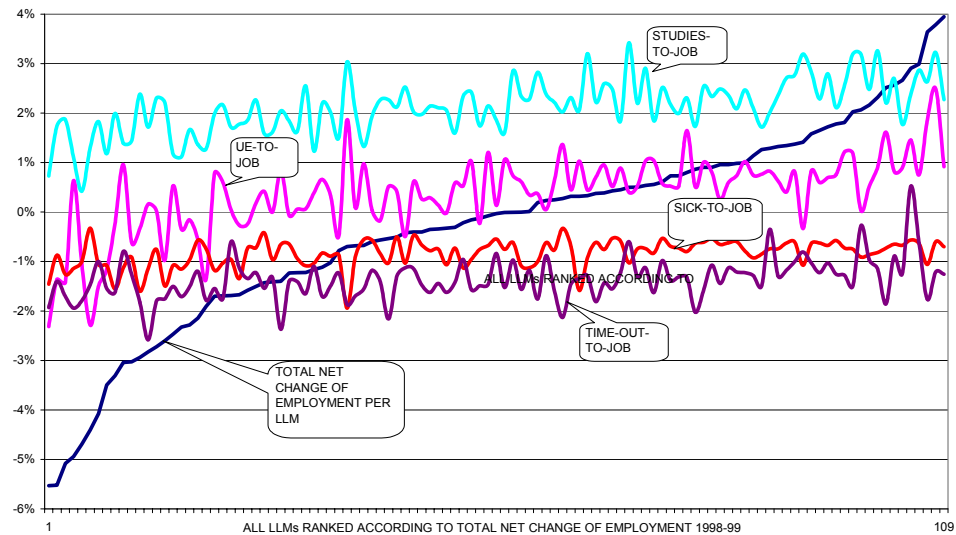


Figure 8.5: Variable performance among all LLMs forming the national labour market in Sweden: A graphic representation. Net flows from studies, unemployment, sick leave and time-out at each of the Swedish LLMs, ranked according to total growth of employment 1998-99.

Net activation from sickness leave varies most between regions that are both small and lagging

In the next phase of the analysis, we will search for a method to benchmark the performance of LLMs of a similar size and structure. As an illustration, the net activation rate 1998-99 from sickness leave is shown for 9 categories of LLMs in Sweden. All show a negative net contribution to the total labour market change. The LLM classes are ranked from the largest (Metro) to the smallest (Small). In addition, each of the size groups are pair-wise divided into leading and lagging LLMs within each class.

Hence, the nine regional categories represented by ‘pearl strings’ of LLMs are (from left):

1. Three Metro regions (Stockholm, Gothenburg, Malmö)
2. Leading Regional Centres
3. Lagging Regional Centres
4. Leading Large LLMs
5. Lagging Large LLMs
6. Leading Medium Size LLMs
7. Lagging Medium Size LLMs
8. Leading Small LLMs
9. Lagging Small LLMs

An initial visual analysis shows that:

- The largest variation is to be found within the group of the smallest regions (from -0.3 percent to -1.6 percent).
- Smallest variation is to be found between the 3 metro regions (all -0.6 percent) and the leading regional centres (RC) ranging between -0.6 and -0.8 percent).
- There is a tendency for larger variations to occur among the lagging than in the leading LLMs within each category.

We interpret these results such that

- Even *within* relatively homogenous regional categories, there are often large differences in the way dysfunctions – such as in this case high negative net returns from sick leave – are reflected. This indicates, in turn, that policy measures or programmes to cope with such dysfunctions have to be adjusted to local circumstances.
- There is a significant risk particularly in small, less differentiated and lagging regional economies, that reactivation from sick leave will not come up to the national average.

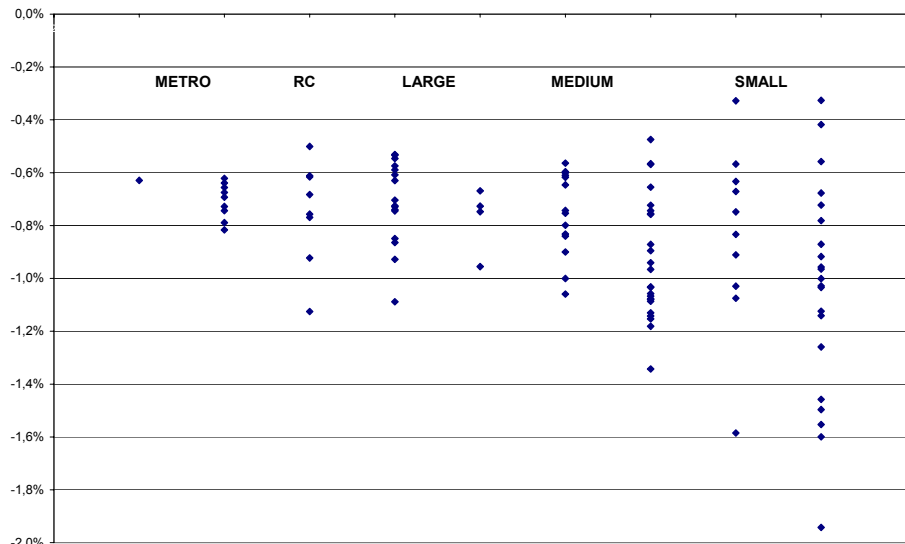


Figure 8.6: Net contribution through reactivation from sick leave to total employment change in Sweden's LLMs, grouped into 9 categories from Metropolitan to Small, for 1998-99. For each of the categories; Regional centres, Large, Medium and Small LLM,s the left row represents leading LLMs, and the right row those that are lagging.

Small LLMs depend on recruitment from unemployment more than large ones

Thus far, we have limited the empirical analysis to one single year of labour market performance. In the next phase, we extend the analysis to a longer period in order to explore whether or not the patterns are stable. In this empirical exercise, we look at another indicator of well functioning labour markets, namely the ability of unemployed persons to compete successfully for vacant jobs. In the diagram (Figure 8.6), each LLM is plotted against its size in total employment (number of persons) and the proportion (percent) of total recruitment year $t+1$ which is filled with persons coming from status unemployed year t . Two years are chosen to reflect differing labour market performance in a boom and a downswing period.

- We find that there is a persistent negative co-variation between the size of the LLM and the share of total recruitment in any one year, which is created by persons who were registered as unemployed in the previous year. The relatively low unemployment rates in LLMs with more than 100 000 persons

in total employment contribute to the fact that unemployed persons rarely contribute to more than one third of total recruitment in any given year in these large LLMs.

- This patterns persists over time, although the dependence on recruitment from the ranks of the unemployed varies considerably at the national level over the business cycle – from some 10 percent in a boom year such as 1991, to as much as 30-40 percent, and in a few cases more than 60 percent in a downswing period as 1994, notwithstanding the fact that the variation between LLMs of the same size remains strong.

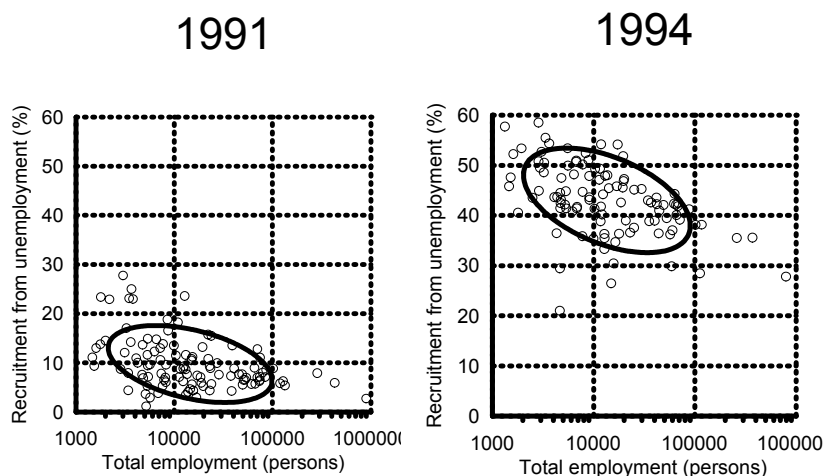


Figure 8.7: Percentage of total local recruitment from unemployment each year 1991 and 1994, at each of the Swedish LLMs, according to size (total employment).

Note: Each dot represents one local labour market. Ellipses contain 2/3 of the entire population of LLMs. Of all cases, 2 were excluded by making graph range less than data range.

Increasing dependence on migratory labour

The dependence on migrating labour for recruitment is generally greater in small LLMs than in larger ones. As we can see from figure 8.7, all but two of the Swedish LLMs have become more dependent on in-migration in order to fill vacancies between the beginning and the end years of the 1990s. Altogether, a total of eight 8 of the 100+ LLMs now depend on migrants to replace some 30 % or more of available vacancies. By the

end of the 1990s, there were emerging a number of extremely dependent LLMs, which needed between 35-40 percent of their vacancies filled through migrant labour.

These findings suggest that the competition between regions in Sweden to attract migrants will undoubtedly increase. This is largely a reflection of the increasing dependency ratio (ratio of non labour force/labour force). This has several implications, such as:

- Pressure to develop policy measures to mobilize more local labour reserves, i.e. activating local pools of unemployed or other temporarily non-economically active labour.
- Increasing need to implement strategies to make localities more attractive as housing regions.

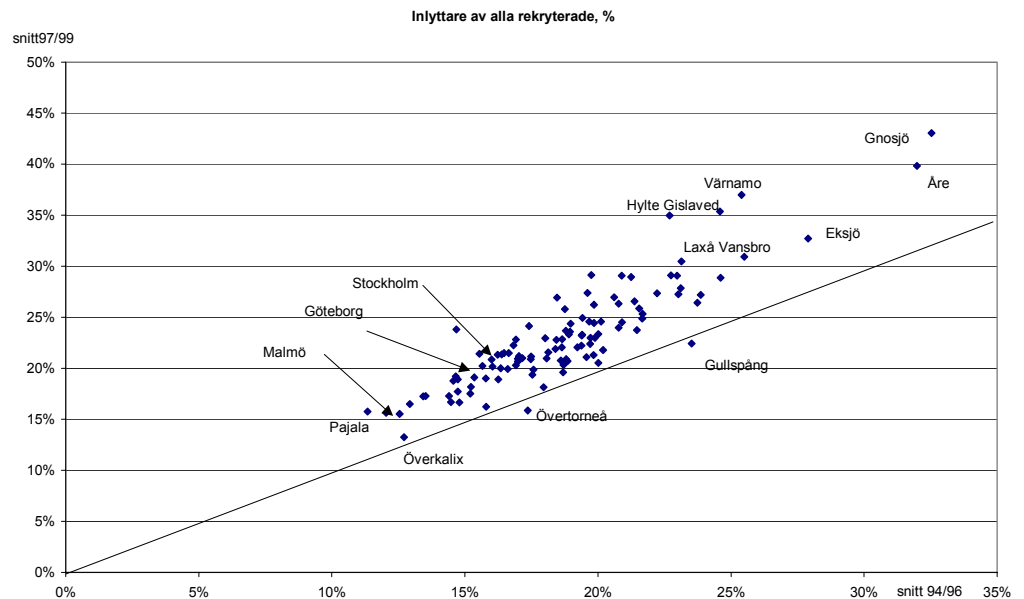


Figure 8.8: In-migrants as a percentage of all recruitment to employment, 1994-96 and 1997-99 in Sweden's 111 LLMs.

Emerging trends in transitional labour markets – policy implications

In reviewing labour market policy evaluation reports one often becomes pessimistic about the effectiveness of conventional measures. Indeed, a number of these measures are not even directed towards mobility at all,

but instead to exclusionary transitions, such as early retirement or maintenance transition not designed to enhance employability.

There is little doubt that the concept of the TLM provides a richer and more realistic model for a proactive and cooperative employment policy. A basic recommendation put forward here is that modern labour market policy should be activating rather than active in order to prevent workers being trapped in publicly subsidised secondary labour markets.

Notwithstanding this however we should not forget that the majority of workers remain in the traditional employment situation, i.e. permanent, dependent and full time employment. However, increasingly different forms of contracts – stipulating specified targets, training costs, flexible work organizations – are now becoming more common in employment relations.

One possible recommendation then is that closer links should be established between social policy and labour market policy. In particular, the risk to the individual undergoing a transition stage should be minimized. Quality criteria for good transitions should include freedom of choice through empowerment, effectiveness through a combination of cooperation and competition, and improved efficiency through decentralization.

In this chapter, we have suggested tools for the evaluation of the performance of local and transitional labour markets. This is a field that we consider should be prioritised in both regional research and in spatial planning. Guidance from theoretical considerations and interregional comparative research is needed for improved coordination of labour market policy, social policy and economic development at the local and regional level.

Our analysis, based on individual longitudinal data also reveals relatively large variations in transition rates between local labour markets of a similar size, structure and function. One obvious conclusion here then is that local employment systems diverge, both in kind and in function in respect of their ability to facilitate successful transitions to the statuses desired by the individuals. This, in turn leads to suggestions for an extension of local employment policy to encompass more coordinated efforts within several policy sectors, namely, education, social policy, transport, and economic and labour market policy.

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Chapter 9

New geography, new perspectives

Hallgeir Aalbu

Abstract

Socio-economic analyses are in many ways relative, as perspectives do change when scales are altered. This becomes obvious when we move the level of analysis from the national to the international. It also raises new questions for policy, and as a consequence, the field of regional policy has had to redefine its modus operandi. Moreover, the enlargement of the EU/EEA challenges both the understanding of regional development policy and the way it is implemented. In this chapter, these points are further elaborated firstly through an overview of some of the new dimensions within regional development policies and secondly through two examples of new issues that have emerged at the European level.

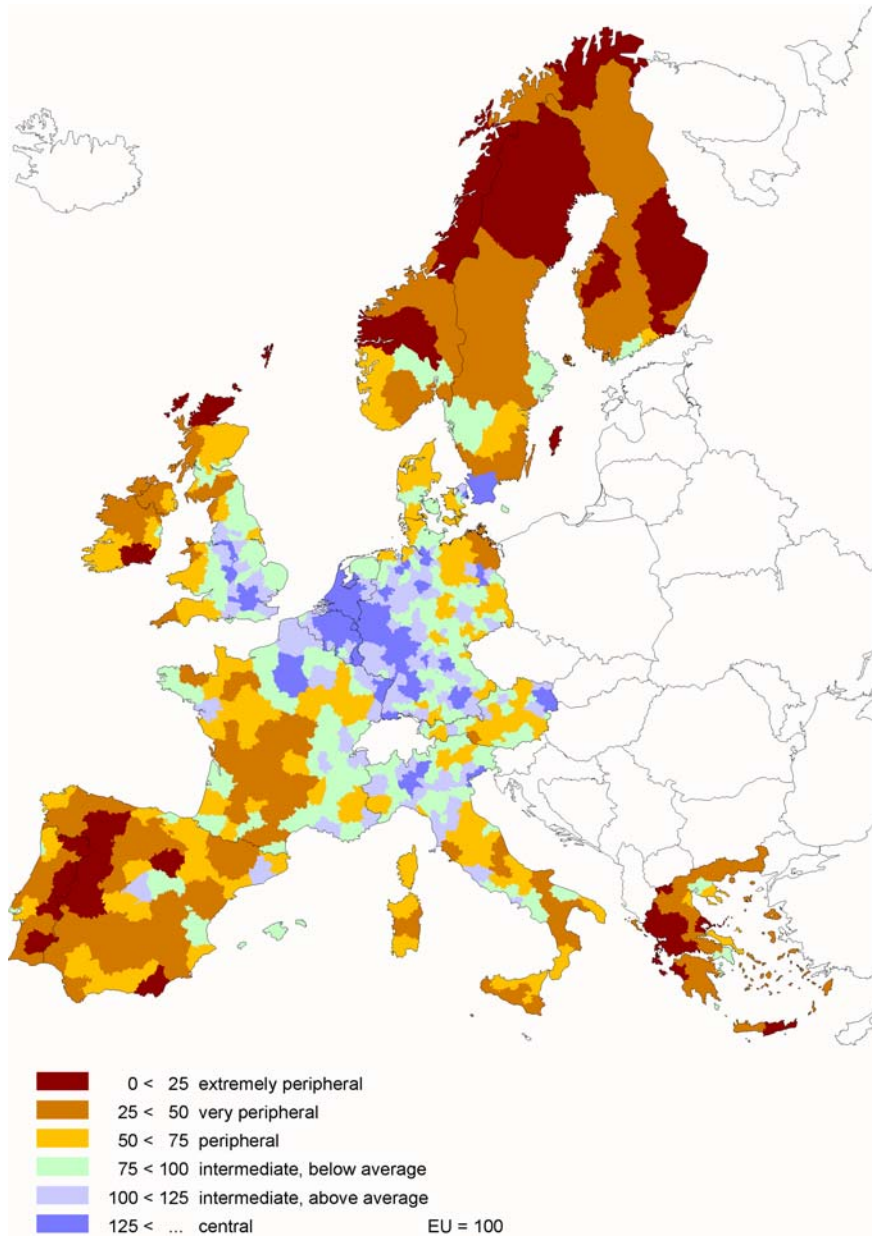
The changing geographical ‘lens’

As the old adage goes, ‘where you stand on an issue is often dependent upon where you sit.’ In the current context, this notion of proximity can usefully function as a means to better understand the evolving nature of perspective realities with regard to the ongoing challenges presented by regional policy. In essence, it works as a useful reminder of the essential ‘relativity’ of socio-economic analysis: perspectives do change when scales are altered.

We are used to discussing regional development in a national context and increasingly also in a European context. Indeed, the notion of what constitutes ‘high’ or ‘low’ indicator scores differs depending on the particular territory under analysis. We are of course all familiar with our own countries and thus we intrinsically know what to expect when comparing socio-economic statistics across regions or counties. We are also generally familiar with statistics for the EU 15 and analyses of, for example, GDP per capita at the NUTS 3 level. With the enlargement of the EU/EEA in 2004 however, the scale has once again altered. There are 126,000 municipalities in the new Europe of the twenty-five (EU 25). To describe and understand the socio-economic challenges in this new geographical context thus poses a significant new challenge to both the research and policy communities.

An illustration of this can be made with reference to the issue of ‘average accessibility’ for regions in Europe, perceived through both national and supranational geographical lenses. Average potential accessibility is here understood as the ability of people to travel to a six-hour meeting and return home on the same day (i.e. without the need for an overnight stay). The degree of accessibility is here measured as the number of people you can potentially reach on a one-day trip. The figure 9.1a shows the level of accessibility for EU15+Norway as a whole, while figure 9.1b shows the accessibility for each country separately. When index 100 is the average potential accessibility for regions throughout the EU 15+Norway, all Nordic areas, with the exception of the Copenhagen region (including Scania in Sweden) score less than 100 – with many scoring as little as 25 (Nordregio WP 2002:9). Thus, in a European context, the county of Scania is considered to be more accessible than Stockholm, the capital. When we change the scale however and focus nationally on Sweden alone this relationship is inverted. As one would naturally expect, capital regions predominate in this context and Stockholm reasserts its leadership position, thus neatly illustrating the fact that when we change geographical scales, the relative position of regions in Sweden as well as in other countries change also.

With this framework point in mind, this chapter will discuss a set of three interlinked issues, namely; the challenges posed by EU/EEA enlargement relating specifically to the shape of the EU budget from 2007; the ongoing ‘internationalisation’ of regional policy; and the emergence of a number of ‘new issues’ for regional policy at the European level, such as those relating to urban structures/polycentricity and to regions suffering from permanent geographical handicaps.



*Figure 9.1a: Potential accessibility in a European context.
(Source: Spiekermann and Neubauer 2002)*

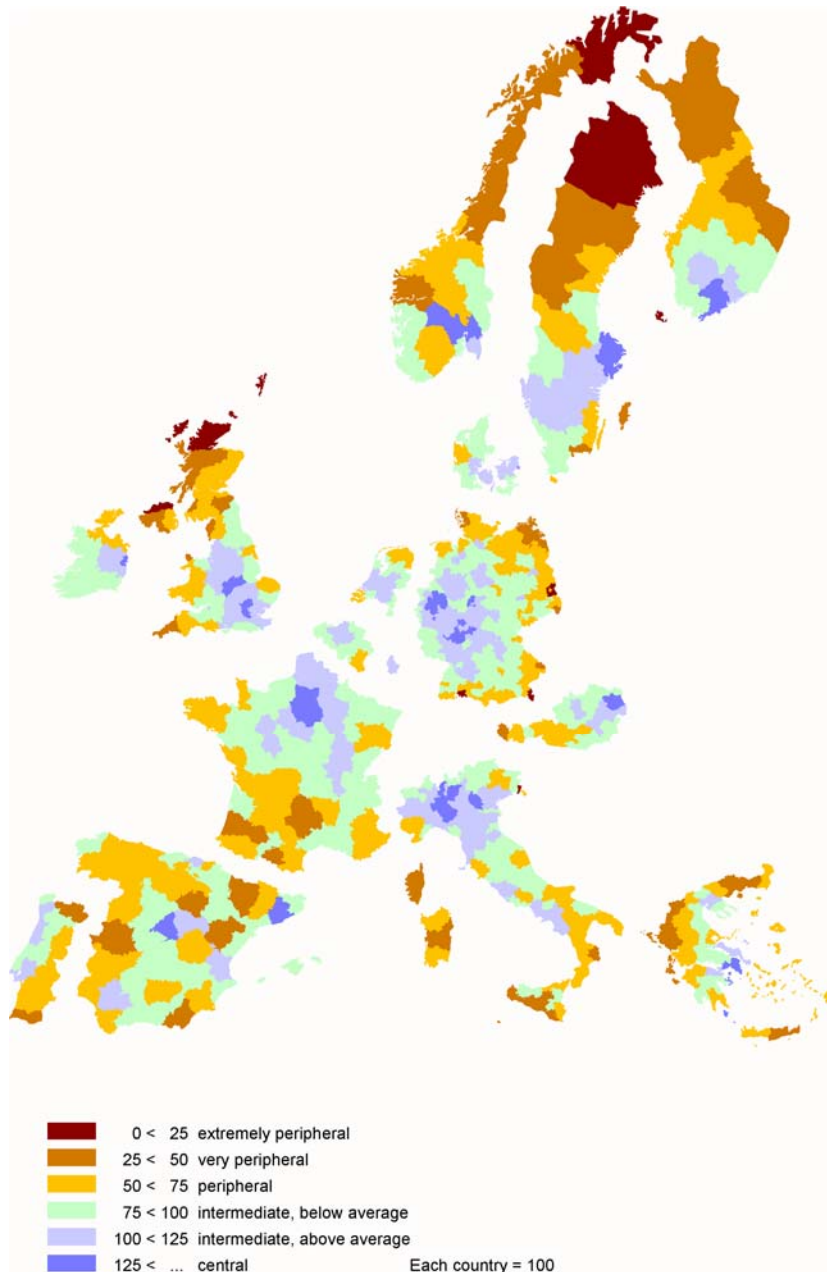
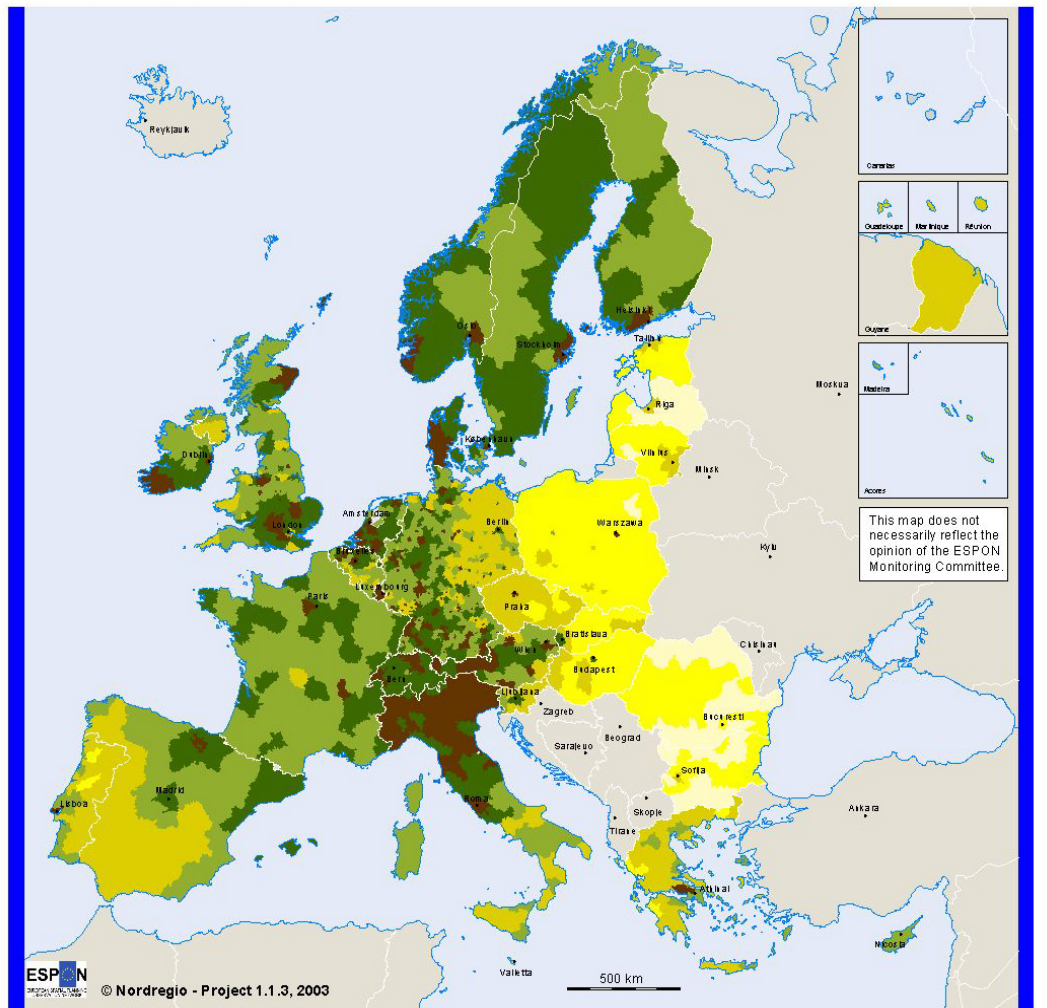


Figure 9.1b: Potential accessibility in a national context.
 (Source: Spiekermann and Neubauer 2002)

Facing up to the challenge of enlargement

Population decline is a significant problem for both the Nordic countries and the new accession countries of Eastern Europe. The reasons for such a decline include low birth rates, migration from the countryside to urban centres and, in Eastern Europe, emigration to the former 'West' as well as in the first years after 1991 to the 'East' as significant numbers of Soviet military and administrative personnel and their families 'returned' to Russia. Another major dividing line here is the level of economic prosperity, often measured as GDP (Gross Domestic Product) per capita measured in PPS (Purchasing Power Standards). Figure 9.2 illustrates the challenges facing the prospective new member states. Indeed much of Eastern Europe has a GDP significantly below the average for the EU 15, especially in the easternmost regions where many are below 40% and some as low as 20% of the EU 15 average. The challenge then is to help these new accession regions in Eastern Europe 'catch-up' in GDP per capita terms by helping them to grow faster than the member states in the west. It is expected that these issues will be addressed within the context of the EU's regional development policy, and as such, this entails an appreciation of issues such as state aid rules, European Programme funding and transnational and cross-border co-operation. It is to such issues that we now turn.

GDP per capita in PPS, 2000



GDP per capita in PPS, 2000

Geographical Base: Eurostat GISCO

EU 15 = 22 577

Origin of data: Eurostat - Regio
Source: ESPON Database

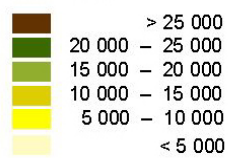


Figure 9.2: GDP per capita (PPS) for regions in 'EU 27+2'. (EU 27+2= the 25 EU member states, the accession countries of Bulgaria and Romania, plus Norway and Switzerland.) (Source: ESPON project 1.1.2, 3rd Interim Report).

The internationalisation of regional development policy

It is generally understood that for a market to function efficiently within a given territory, an attempt should be made to alleviate any significant socio-economic differences that may exist between the territory's constituent parts. This is one of the traditional explanations for the development of regional policy at the national level, and it also explains the EU's drive to further develop the concepts of territorial cohesion for regions at the transnational level and economic cohesion for all EU member states. The focus is on the development of greater territorial cohesion at the regional level with a view to helping the EU's poorest regions 'catch-up' with the average level of economic development across the Union, thus enabling them to both benefit more from, and better contribute to, the economic life of the Union.

Traditionally, regional policy was a purely domestic concern, as the various nation-states of Europe defined their own interests in this field by setting discrete tax and aid regimes within the context of national 'cohesion' strategies. As such, regional development policy was of little direct interest to 'outsiders'. During the 1980s this approach was gradually eroded in the EU 12 by the increasing prominence of EU regional policy and perhaps even more so by the drive to 'complete' the internal market, already outlined in the Treaty of Rome.

Thus it is within this context that we must see the increasing *internationalisation of regional development policy* throughout the 1990s, where a number of contiguous developments in both domestic and international politics made regional policy into a field where national interests had to be negotiated and policy measures had to be notified internationally. The most significant factor in this process for the Nordic area was undoubtedly the accession of Sweden and Finland to the EU in 1995. Accession saw significant changes to regional development policy in both Sweden and Finland, with three issues being of particular importance.

Firstly, with regard to *state aid rules*, EU Competition policy set distinct limits on the ability of national governments to regulate their own regional development policy regimes, in effect requiring the notification of all national policy measures in this area. These competition rules, with their general ban on state aid to businesses, do however admit exceptions on aid to businesses located in certain regions. Therefore, all EU and EEA countries subsequently defined their national support zones where state aid is legal, following a set of agreed upon EU rules and regulations.

As we can see from figure 9.3, the question of geographical scale again emerges. The *national support zones* cover large parts of the territories of all the Nordic countries, while the share of the population living

in those areas is much smaller and differs significantly between the countries. Finland and Iceland both have 40% of their populations' included, while Norway has 25%, Denmark 18% and Sweden 16%, with the latter two having the lowest percentages in Europe. The map also displays the ceilings for investment aid to businesses, and we again notice the variations between the countries, where the highest aid ceilings are applied in the interior of Northern Sweden and in the Danish regions of Storstrøm and Bornholm.

However, the degrees to which these maximum ceilings are utilised also differ, with Sweden being the country that most frequently utilises the opportunity to give state aid (Hanell, Aalbu and Neubauer, 2002).

Secondly, EU regional policies are applied in all Member States, with significant impacts for all Nordic EU countries both in terms of funding and with regard to policy content and management. Eligible *Objective 1+2 areas* in the Nordic countries for the years 2000-2006 are shown in figure 9.4. EU contributions to regional development activities are included in state budgets and provide a third of the regional policy budget in Sweden and one half in both Denmark and Finland. Equally important is the administrative 'culture' of *European programming*, where multi-annual programmes are now implemented co-operatively by a large number of stakeholders across the public and private sectors. Key words here are *programming, partnership, monitoring* and *evaluation*, which taken together give us a new 'modus operandi' for regional policy. EU membership has added significantly to the regional policy budgets in all three countries, and has also changed actual policy implementation quite substantially – in my mind for the better.

And thirdly, we can point to the increased volume of cross-border and trans-national co-operation. Regions are now encouraged to become 'international' players through the development of trans-national relationships with like-minded partners or by applying for new funding streams from Brussels. We should not forget that there is already a 30-year tradition of cross-border co-operation in the Nordic countries with support from the Nordic Council of Ministers. However, the EU Interreg programmes allocates some 20 times more funding for such activities and also makes it more systematic through the demand for programming.

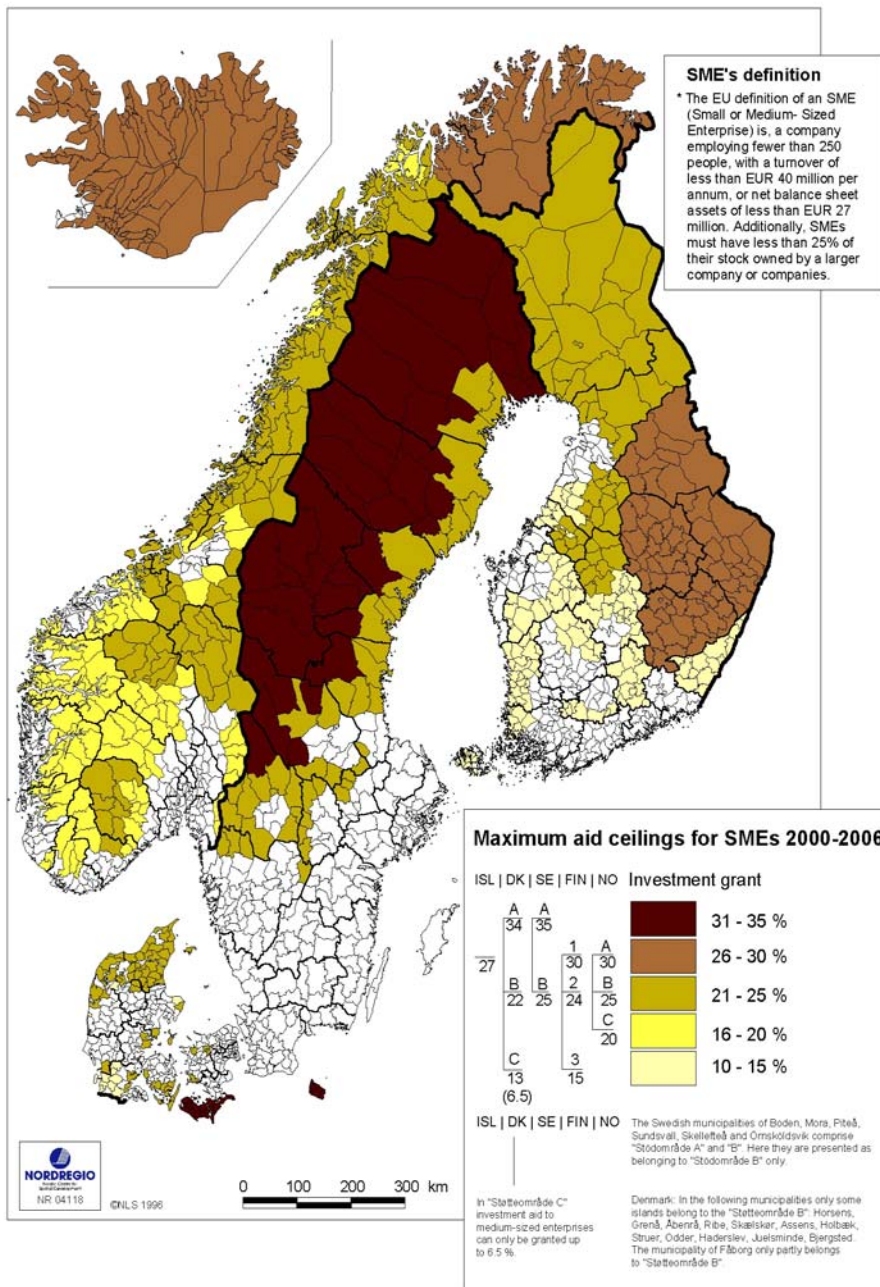


Figure 9.3: National regional policy support zones and maximum aid ceilings for the Nordic countries 2000-2006. (Source: Hanell, Aalbu, Neubauer, 2002)

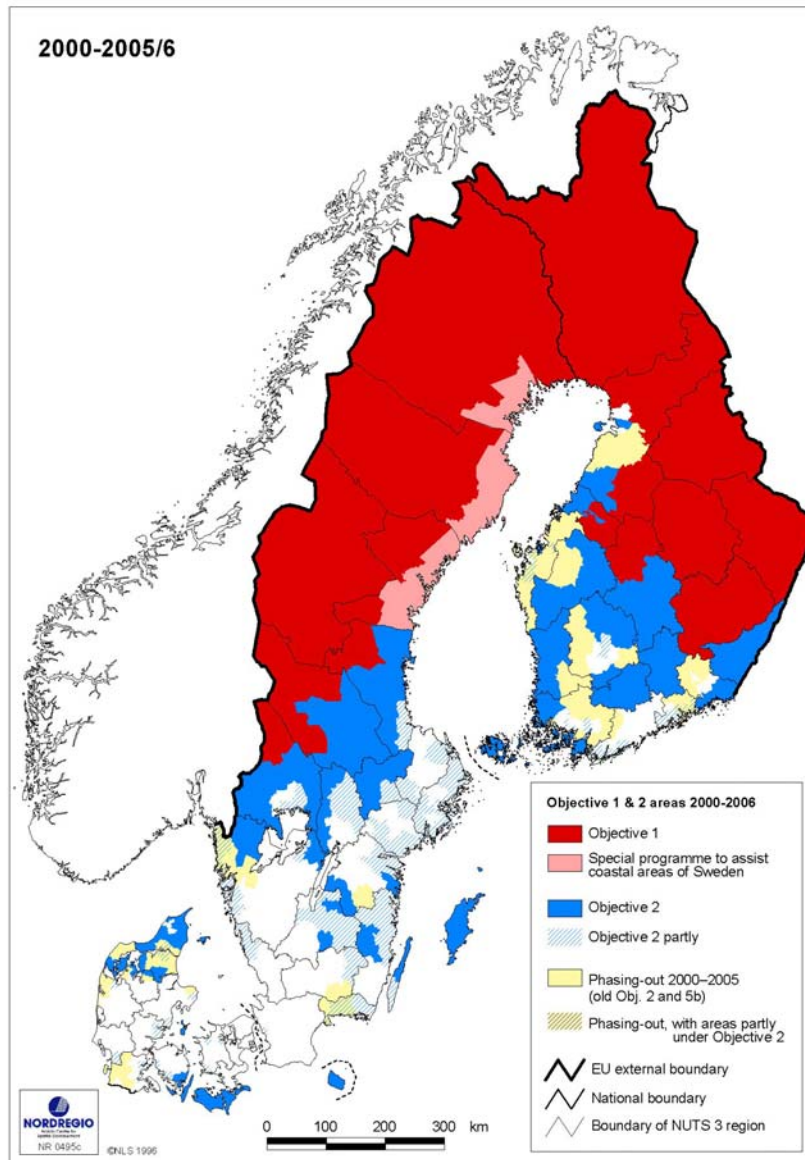


Figure 9.4: The EU's regional policy in the Nordic countries; Objective 1 and Objective 2 programmes 2000-2006. (Source: Hanell, Aalbu and Neubauer, 2002.)

All regions in the Nordic area participate in at least one such programme, while some regions can take part in as many as five or six programmes. These programmes have added a new dimension to regional policy. Almost all Nordic regions now have staff allocated to the management of international co-operation. Regions have organised themselves internationally in organisations such as the CPMR (Conference of Peripheral Maritime Regions), Euromontana (for mountain regions) or Eurisles (for island regions), many of them now have representation in Brussels and some also in other locations abroad.

The need to forge strong cross-border ties with other regions, to adhere to competition rules set in Brussels and to implement policies within the programming and partnership framework all combine to fundamentally change the nature of regional level administrative work. A new culture for monitoring and evaluation has been established and the opportunities for learning have significantly increased. Most regions now have offices for international contacts. Moreover, this is something that would have been so unthinkable only a few years ago, that the ministries of foreign affairs did not even register it as an issue, never mind see it as a threat. Indeed the current situation as regards the Nordic regions is something that would be completely unrecognisable to those working in the field only ten years ago.

What is obvious, of course, is that the maps discussed above will more than likely change significantly after 2006, when new state aid maps and EU programmes are to be implemented for the enlarged EU/EEA for the next programming period 2007-2013. As we have seen, much of the territory of the new Eastern European entrants is in need of fiscal support to ensure 'cohesion'. Normal budgetary limits necessarily entail a reduction of the financial contributions through the EU budget to the present 15 member states. Furthermore, the fact that the Commission has stipulated that even after enlargement it wants to maintain the notion that less than 50% of the EU's population will live within zones where state aid motivated by regional policy can be given, will reduce the size of these zones in the more prosperous parts of EU/EEA. This will however pose the Nordic countries the challenge of further concentrating their national regional policy efforts.

Economic integration and territorial cohesion

As we have already noted, the economic driving force of European integration – the completion of the internal market – is in essence about economic growth through increased competitiveness. Indeed, the EU's own Lisbon goal, set in 2000, trumpets the desire for Europe to be the world's most competitive area in terms of research, innovation and integration.

Though such a strategy may seem unrealistic, it is nevertheless a process that is being taken very seriously. However, it is generally accepted that integration invariably leads to concentration in economic and therefore also in territorial terms. As we encourage increased ‘cohesion’ across Europe at the national level, ever-greater disparities emerge within countries as capital regions and other large cities grow markedly while rural areas lose out, thus threatening the regional balance. This situation naturally gives rise to the need for a workable strategy of territorial cohesion, as it is generally understood that while integration often leads to concentration, such concentration does not of itself ‘complete the loop’ by automatically leading to further integration. Much thought and discussion has been undertaken with a view to ‘squaring this circle’, and it is to a consideration of the concept of polycentrism that we now turn.

Polycentrism as a bridging concept between growth and balance

Polycentrism was one of the major policy options in the European Spatial Development Perspective (CEC, 1999) and is also highlighted in the 3rd Cohesion Report (CEC, 2004).

A good starting point for understanding the concept of *polycentrism* is to see it as:

‘a spatial organisation of cities characterised by the functional division of labour, economic and institutional integration, and political cooperation, which then promotes a new urban structure that can better distribute growth across the system, not only to capital or urban centres, but also to the other cities both within individual countries and across Europe’ (ESPON project 1.1.1, 3rd interim report, 2003).

Polycentrism has two dimensions, the first relating to *morphology* (i.e. to the location of cities and the degree of proximity between them) and the second to the relations or flows *between* these cities. In essence, then polycentrism is a bridging concept between the notions of *growth* and *balance*, and as such, it describes the territorial dimension of cohesion policy. We will look at the concept of polycentrism within the context of work undertaken by Nordregio within the ESPON programme. (ESPON is the *European Spatial Planning Observation Network*, an Interreg programme implemented co-operatively between all of the EU member states, the European Commission, Norway and Switzerland)

To be able to discuss polycentricity as a policy option for the simultaneous promotion of growth *and* balance at the European level, the starting point must be to describe the urban structure. The first major issue is to identify the urban morphology itself, and to describe the functional specialisation of each urban node in a comparative way across

Europe. As there is no common European definition of what constitutes 'a city', other methods were used to map the key indicators of functional specialisation. The concept used is that of the Functional Urban Area. In total, we have identified 1,595 functional urban areas on the basis of various national definitions (such as travel-to-work areas or similar approximations), or in countries without suitable definitions, on the basis of judgments from national experts.

The urban structure in the ESPON space of the EU27+2 is illustrated in figure 9.5. We find a dense urban structure from the Midlands in the UK all the way through central Western Europe down to southern Italy, and also further east through the Czech Republic and Poland down to Hungary. We can also notice the existence of significant peripheral areas in the north of Europe as well as on the northwestern extremities of the Atlantic coastal states and in the interior of the Iberian peninsula.

Based on the specialisation accorded by use of these functional urban areas, figure 9.5 shows a hierarchy of urban areas in three categories. The strongest ones, containing functional specialisations of European significance are called MEGAs (Metropolitan European Growth Areas). This typology outlines the 'European tissue' thus essentially reflecting the division of labour between European cities, and as such it constitutes the starting point for the discussion of policy on this issue more generally.

Again the basic point to keep in mind here is that polycentrism is used as a way of dealing with the problem of the over-concentration of people, production, and services in the European core, as such an over-concentration runs counter to the desire for 'cohesion'. Polycentrism then essentially leads to policy options at three levels. At the level of polycentric structures within large urban regions, infrastructural investment and better strategic co-operation is required. Relating to the need for more balanced national urban systems, a strengthening of the division of labour and a strengthening of the second tier of cities is required.

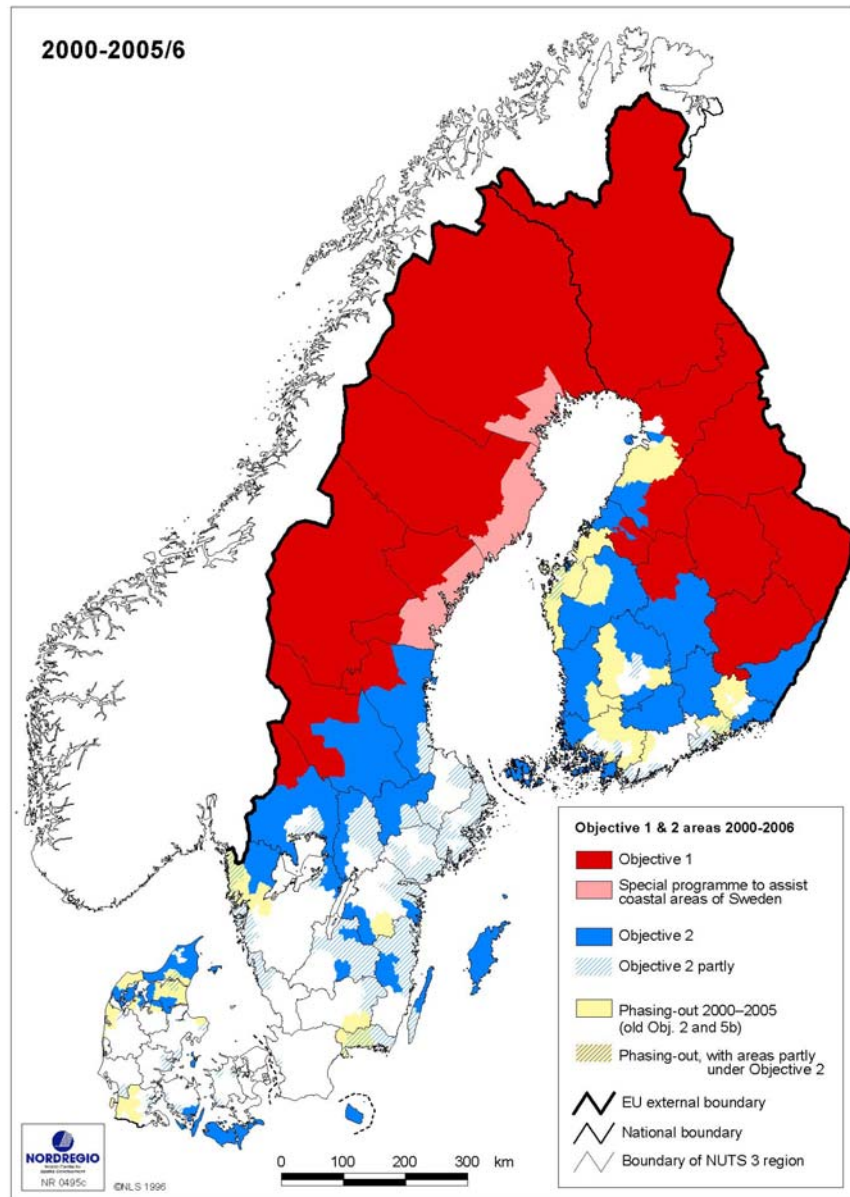


Figure 9.5: Functional Urban Areas in EU27+2 (Source: Nordregio 2003a)

While with regard to the issue of competitiveness and territorial cohesion in Europe as a whole, there is a need to identify and strengthen potential new global integration zones, which can then be used to supplement the functions of *the Pentagon* (the population concentration between London, Paris, Milan, Berlin and Hamburg) – Europe’s core region.

Regions with permanent geographical handicaps

When the geographical context changes, new issues arise. Another example of this is the concept of *permanent geographical handicaps*. In the 2nd Cohesion Report (CEC, 2001) regions suffering from such *handicaps* became the potential subjects of specifically tailored regional policies at the EU level for the first time. Permanent geographical handicaps are seen here to include areas with ‘non-solvable’ problems, i.e. problems relating to physical geography rather than to socio-economic issues, but nevertheless hampering economic development and making the regions need specific policy measures to stimulate growth.

Such areas are deemed to include mountains, islands and the sparsely populated parts of the Nordic countries. Some European countries already have specific policies for such regions, though most do not. Given the increasing level of international co-operation between regions, a call for such policy interventions at the EU level has now emerged.

As lead partner for a European consortium, Nordregio was chosen to undertake a study for *DG Regio* on one of these topics, namely, mountainous regions. The project was tasked with providing a geographical delimitation of mountain areas, a socio-economic database at the NUTS 5 level (municipalities), an analysis of regional development in mountain regions, and an analysis of national and European level mountain policies.

The answer to the question ‘what is a mountain?’ would at first glance appear to be self-evident, yet it is very far from being so, as even the basic raw data on mountain delimitation collected on a national basis is compromised by national assumptions making it unusable when aggregated to the European level. In essence, what is considered to be a ‘mountainous’ area in Bulgaria would not be seen as such in Switzerland. Moreover, if for example the Bulgarian definition of what constitutes a mountain were to be applied across Europe, then almost all of Europe would qualify for this status. A different approach was therefore needed.

The approach used instead was that of attempting to construct a mountain map that is relevant to *socio-economic* analysis. Two issues are important here. Firstly, we have to take into consideration areas with rough terrain, i.e. a difficult topography leading to extra costs for trans-

port and limited possibilities for large-scale economic operations. Such areas can be found in high as well as low altitudes. Secondly, mountain regions are characterised by low temperatures and snow in wintertime, restricting opportunities for agriculture and adding costs to the construction and maintenance of communications infrastructure. Such regions are found in high altitudes in southern Europe, while the altitude at which they are found decreases as we get further north. A socio-economic mountain map therefore has to include high altitude areas as well as areas with a particularly difficult topography as well as areas with cold winters at any altitude.

Our mountain delineation suggests that 41% of the European territory can be considered to be ‘mountainous’, with this area containing some 21% of the European population and 27% of European municipalities. We have also used various environmental and socio-economic data to characterise the mountainous areas comparatively across Europe. Figure 9.6 shows an example, where different criteria are used to construct a typology for social and economic capital. Mountain *massifs* are here classified on the basis of population development, population density and access to markets. Regions with a positive score on all criteria are located in the Alps, Germany and England, while Greece, Bulgaria and Romania.

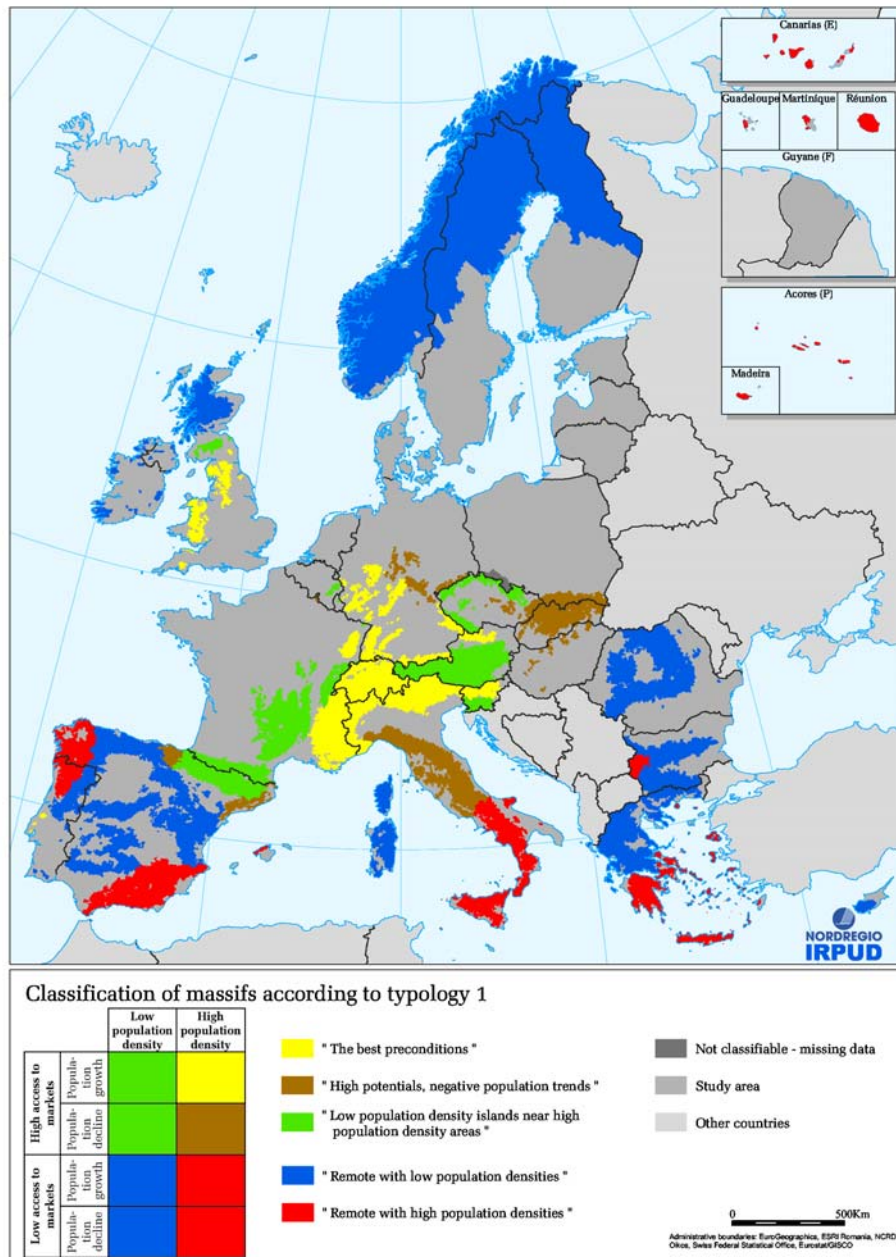


Figure 9.6: Typology for social and economic capital. (Source: Nordregio 2004)

Conclusions

The mountain study is an attempt to identify mountainous regions and to analyse their socio-economic development at a low geographical level across the EU 27+2, and is an example of a 'top-down' exercise where common definitions are applied to all regions independent of the local circumstances. The study on polycentrism also paints a broad European picture – this time of the urban system – though in this case the identification of urban areas had to build upon national definitions. Both studies illustrate topics that emerge particularly at the European level, topics that are addressed within the context of regional policy in only a very limited number of countries.

New issues emerge at the European level, and at the same time regional policy itself has also changed due to European integration. Both the content of the policy and its implementation instruments have changed. Moreover, this will continue to be the case in the future. After the most recent EU/EEA enlargement, and with two additional countries probably joining in a few years from now, aid maps and aid levels will have to be recalculated.

The new political geography affords us new perceptions of the development challenges. This particular insight is perhaps something that will increasingly come to be seen as vital in the way that we seek to understand the new geography for both policy makers and researchers alike in the regional development policy field.

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Chapter 10

Future directions in European spatial policy

Kai Böhme

Abstract

The dividing line between spatial policies, regional policies and spatial planning is rather blurry at the European level. This contribution will deal mainly with European spatial planning. In order to emphasize that spatial planning is a process of policy-making which is tightly interlinked with socio-economic development, the term ‘spatial policy’ has been chosen for the title and is thus used throughout.

In the first chapter we will discuss the idea and the emergence of European spatial planning as the clearest approach to spatial policy. In the second chapter we will leave the European policy level and look at the local and regional levels, and in particular at how they are stimulated into taking on the ideas of European spatial policies. However, it is not only the regional and local levels that are important when it comes to the implementation of European spatial planning, other European sector policies should also be considered in this regard. How the spatial planning and policy sectors attempt to bring other EU policy sectors into line will be discussed in the following chapter. Last but not least we will take a brief look at where this journey might lead.

European spatial planning

European spatial planning covers at least two different concepts. Ever since the first official draft of the European Spatial Development Perspective (ESDP) was presented in 1997, European spatial planning has mainly been connected with the idea of planning for Europe, i.e. strategies and policies for the development of the European territory. At the same time, European spatial planning also describes the variety and diversity of national spatial planning systems and concepts within Europe, i.e. planning in Europe. This is of particular interest as planning for Europe draws on existing planning traditions in Europe and relies on the reactions of the various Member States and their regions. Thus planning *for* Europe is conditioned by planning *in* Europe.

Planning for Europe

Spatial planning for Europe, or European spatial policy, is a fairly recent phenomenon. At the same time, planning for Europe, i.e. for a specific future vision or perspective of Europe, is not an especially new development. In the context of the European Community, the earliest attempts were made in this regard before the establishment of the European Coal and Steel Community (1951).

[O]ne could argue that spatial planning has always been present in Europe. Indeed, the planned geopolitical unification, as outlined in the Treaty of Rome, was supported by extensive, far-reaching interventions and a specific spatial planning. This planning was implicit, fragmented, uncoordinated and dispersed in many sectoral policies. The technocratic discourse was/is predominant. (Albrecht 1998)

This present form of spatial planning actually refers to the growth of a set of rather uncoordinated spatial policies and does not really correspond to the approach to spatial planning currently discussed in Europe. Since the 1960s the Council of Europe has stood as the principal international forum for the promotion of European regional planning theory. In many respects, it is the discussions carried out at the pan-European level under the auspices of the CEMAT (the European Conference of Ministers responsible for regional planning) that have paved the way for a genuine spatial development policy debate at the EU level⁵, culminating in the adoption of the European Spatial Development Perspective (ESDP).

Integral to this process have been the numerous attempts to conceptualise the European space. The first example was the well-known image produced by Keeble in the late seventies, which visualises the so-called 'Centre and periphery' development paradigm. Keeble's map represented the level of economic integration of each country, calculated simply in terms of geographic distance to other countries and relative trade. In planners' circles the so-called Blue Banana, presented by DATAR, is perhaps more famous.

The territorial polarisation tendencies reflected by the rather descriptive policy images focusing on the centre-periphery dimension of Europe are increasingly seen as factors hampering economic development. A view opposed by Kunzmann and Wegener (1991) who in their reaction to the Blue Banana developed the image of Europe as a Bunch of Grapes advocating a diversified and decentralised view of the EU.

⁵ The 1984 landmark European Regional/Spatial planning Charter was adopted at the 6th CEMAT in Torremolinos, Spain.

More recent spatial policy aims, not least those expressed in the ESDP, attempt to deploy a counterweight to traditional core-periphery-thinking, while aiming to potentially open up the entire European territory to increasing economic development. This is illustrated in spatial policy ideas such as ‘balanced spatial development’ or ‘polycentric urban systems’.

The new policy paradigms predominantly involve a strong cross-sectoral or integrative dimension. Moreover, it is also underlined that spatial or territorial policy has strong links with a number of other policies, in particular those traditionally linked to physical planning. In this respect, the analysis and knowledge of developments in spatially relevant European policies, in particular regional, environmental and transport policies, as well as in agricultural policy, are at the core of an emerging spatial development policy at the EU level.

Thus, current spatial planning for Europe, as expressed in the ESDP, aims at reconciling the objectives of development, balance and protection. While development alone would actually stimulate an increase in regional disparities, a policy aimed exclusively at balance would lead to the weakening of the economically stronger regions and, simultaneously, to an increase in the dependency of less favoured regions. An overemphasis on the protection or preservation of spatial structures on the other hand brings with it the risk of stagnation, as it could slow down modernisation trends. (CEC 1999)

Following this line of thinking the ESDP arrives at three overall policy aims for spatial development in Europe:

- Maintain a balanced and polycentric city system, promote global economic integration zones outside the core of Europe, and promote rural-urban partnership.
- Safeguard parity of access to infrastructure and knowledge.
- Achieve sustainable development by means of prudent management and protection of nature and of cultural heritage.

Given the thrust of recent policy debates, it would seem that the aim of polycentric development is popular at the European level. The concept of polycentric spatial development can be described as a ‘bridging concept’ as it merges two not always congruent policy aims encompassed in the ESDP, namely, those of ‘economic growth’ and ‘balanced development’. Thus this concept bridges the gap between the two archetypes of the European spatial conceptualisation, namely the Blue Banana and the European Bunch of Grapes (Waterhout 2002).

It has, however, to be borne in mind, that the ESDP is the result of more than ten years of work. Over this period, the representatives of the ministries responsible for spatial planning in the EU Member States have met over and over again to discuss the very idea of European spatial planning and have attempted to reach an agreement on what its aims (see above) are. Faludi and Waterhout (2002) give a comprehensive picture of this process in which the European Commission mainly played the role of secretariat. The role of the Commission can be explained by the fact that there is no European competence (i.e. legal power, right, or authority to hear and determine a cause considered either in general or with reference to a particular matter) in the field of spatial planning. This is also the reason for the non-binding character of the ESDP and the lack of any formal instruments or funding opportunities attached to it.

Thus the application of ESDP is solely dependent on its persuasive power, and to a certain degree on the Interreg Community Initiative, which takes on a number of ESDP aspects. Despite this weak status, the ESDP can already be seen to have influenced policy-making in various EU Member States, as well as having a significant influence at the European level – a fact that can be partly explained by the phenomenon of discursive European Integration (Böhme 2002 and 2003).

Involving regional actors in the European debate

The debate on European spatial planning discussed above centres around national and European actors, regardless of whether we focus on planning for Europe or planning in Europe.

Each level can issue spatial policies, with regard to implementation and application however, as well as for issues relating to more concrete planning, other actors need to be taken on board. Obviously, the local and regional level offers an important platform for turning policy concepts such as polycentric development, rural urban partnership, accessibility etc. into 'physical' reality.

With regard to planning for Europe and in particular to the main policy document, the ESDP, it must be borne in mind that neither formal instruments nor funds are attached to it. The only instrument directly related to the ESDP is the Community Initiative Interreg. In 1996, during the course of the ESDP process, strand IIC was added to the Community Initiative Interreg, in order to promote trans-national co-operation in the field of spatial planning. As a result seven trans-national co-operation areas, each covering a wide range of countries and regions, were set up. When preparing the operational programmes for these areas the Member States and regional and local authorities presented a joint strategy relating to the areas in question.

Interreg IIC was the forerunner to the current Interreg IIIB for the programming period 2000-2006 (now covering 11 trans-national co-operation areas). In the large co-operation areas, trans-national co-operation in spatial development projects sharing a common organisational, administrative and financial structure was attempted for the first time under Interreg IIC.

The ESDP document is *the* point of reference for Interreg IIIB programmes and projects. Nevertheless, ESDP goals and objectives are subject to a great variety of interpretations, something that is easily illustrated by comparing a number of projects addressing aspects such as ‘balanced and polycentric urban system’ or ‘prudent management and protection of our natural and cultural heritage.’

The core focus of Interreg IIIB is on transnational spatial development strategies, co-operation among cities and between rural and urban areas, the development of efficient and sustainable transport and communications systems, the promotion of the environment and good management of natural resources, particularly water resources, the promotion and good management of our cultural heritage, small-scale infrastructure (roads & motorways excluded), maritime and insular co-operation and the maintenance of links with the EU’s outermost regions.

As only small-scale infrastructure projects can be funded under Interreg IIIB, the main emphasis is on conducting studies, exchanging experience, organising seminars etc. Thus Interreg offers a platform for discussing and developing innovative approaches to integrated spatial development at a trans-national level. Given the multitude of national and regional varieties and differences faced in trans-national planning, the most important task of Interreg projects is probably the creation of a common language, and of development scenarios and perspectives regarding spatial planning and development.

Thus, one may argue that discussion of European spatial policies has identified bottlenecks at the European level, i.e. in a ‘top-down’ manner, and through Interreg the implementation of such policies have raised awareness of these bottlenecks at the local and regional level, encouraging the local and regional level to approach the bottlenecks in a bottom-up manner. A more nuanced interpretation here would perhaps be that through Interreg, the local and regional level has been invited to participate in the European spatial planning policy discourse, by applying and contesting the policy aims developed at the European level.

In any case, what has been achieved through Interreg is that the policy concepts and aims discussed in European spatial policies have now been disseminated throughout Europe. Considering that, terms such as

‘spatial planning’ or ‘polycentricity’ were rarely used even in the mid-1990s, and when they were, often erroneously, this simply underlines the persuasive power of an almost hegemonic European spatial planning discourse. Indeed, today every spatial planner or policy-maker who wants to be up-to-date uses these terms.

The dissemination of this new European spatial planning language also led to a stepwise definition of the main concepts and aims. When these were first put forward at the European level they were rather opaque. In essence their very vagueness helped actors from across Europe’s various planning and policy backgrounds to easily agree upon them. Indeed, it is often argued that the ESDP and its aims are not entirely consistent, such that it could even be questioned as to whether it could actually serve as a ‘European planning ideology’, or as the ‘bible’ as Rusca (1998) puts it. However, following Hajer (1989) there is no need for the underlying ideology to be consistent. Linking a few issues together can be enough to give people a picture of what the hegemonic project is about. The discourse glues this project together by means of text and by communicating the meaning through symbols, practices and routines. Moreover, Hajer underlines that this construction should not be understood as a necessarily coherent ideology. The main emphasis is on the construction of a discourse that appeals to all of the people that need to be integrated.

By permeating daily planning language across Europe however something else happened. The concept began as a compote of rather blurry and vague ideas, but through being actively and vigorously debated across local and regional levels it increasingly gained in stature. Obviously the various interpretations that developed in an attempt to concretise these concepts differ substantially. Nevertheless, the broad nature of the debate facilitated the concretisation of European spatial policy concepts related to the relative context of their application. Seeing how differently the policy aims were applied in various contexts and at various geographical levels, it became obvious that any policy aim can contradict itself depending on the interpretation. Taking the aim of polycentric development, the current debate illustrates that polycentrism can be discussed at various geographical levels. This implies that strengthening sustainability, global competitiveness and cohesion through a polycentric development model of the European territorial structure can be discussed on at least three geographical levels:

- *Polycentrism at the global / European level*
The aim here is to go from the pentagon as the only important global zone within the enlarged EU towards several centres of

global importance, partly through strategic alliances between metropolitan urban regions/major cities, thus supporting a more balanced territorial structure at the European level. A popular example here is that of the Øresund region, where co-operation between the Danish capital and the neighbouring Swedish region may produce the potential for these areas to become more than just national players in their respective countries.

- *Polycentrism at the trans-national / national level*
The aim is to go from a situation where major cities dominate to one where there is a more balanced tissue of cities, where economic performance and services are improved through the creation of clusters and networks of neighbouring cities. A popular example of this process at work is that of the Danish Trekant Region, where three medium-sized cities form a network which has been designated as single national centre designed to contribute to the building of a counterbalance to the dominant capital region.
- *Polycentrism at the regional / local level*
The aim here is to move from one or few dominant regional centres to many small and medium sized centres with each providing regional services. Strategic alliances between cities in areas where critical mass is problematic are fundamentally important here.

Thus, we may want to conclude the discussion on the involvement of the local and regional level in the European spatial planning debate by saying that the European hegemonic discourse, with Interreg as an incentive, contributed to the Europe-wide dissemination of its results, and to the local and regional actors across Europe breathing life into the rather abstract and blurry European concepts used before the process of dissemination took place.

Encouraging other EU policy sectors to think ‘spatially’

Spatial planning and spatial policy making in particular is an all-embracing task. Having discussed aspects of the involvement of the regional and local level in this task, we will now focus on other sector policies at the European level.

Almost every European policy and funding activity contributes in varying degrees to the shaping of the European territory, as invariably it results in spatial consequences.

In this context the idea of a Territorial Impact Assessment (TIA) emerged in relation to the ESDP. The concept of TIA has generated a significant level of interest at the European level since it was first introduced in the context of the ESDP. The ESDP did not however define exactly what was meant by TIA, instead restricting itself to suggesting that it may be useful in the context of large infrastructure projects and in the development of integrated strategies for the management of environmentally sensitive areas.

In a number of EU Member States, and particularly in Austria and Germany, TIA is a well-established tool in spatial planning. At the European level however it is a rather novel concept. However, current references to TIA at the national level illustrate that approaches and techniques vary considerably. Furthermore, TIA is largely used in the context of assessing the impact of plans and large-scale projects (traffic infrastructure, power plants etc.).

What we are thus currently witnessing at the European level is that the debate on TIA is departing from the simple assessment of spatial impacts of large-scale project to that of the assessment of European sector policies. Whereas the ESDP document still proposed the TIA as an instrument for the spatial assessment of large infrastructure projects, the focus changed in the months after the adoption of the ESDP. Six months after its adoption at an unofficial meeting of EU ministers responsible for spatial planning in Tampere, a paper was tabled that proposed the use of TIA as tool for assessing the impact of spatial development against spatial policy objectives or prospects for an area. From there, debate focused on the issue of actually asking for a methodology for the territorial impact assessment of European sector policies.

Under the framework of the Interreg IIIC programme 'European Spatial Planning Observation Network' (ESPON) a number of European sector policies for the first time underwent a Territorial Impact Assessment. Seven European research teams assessed the territorial impacts of European transport policy and trans-European networks (TEN), European research and development policy (R&D), the Common Agricultural Policy (CAP), Structural Funds in Urban Areas, Pre-Accession aid in the candidate countries and of European Structural Funds. Indeed, this relates back to one of the initial ideas behind the elaboration of the ESDP. At the outset of European co-operation on spatial development policy, France wanted the policy document, which was later to become the ESDP, to become a strategy to underpin the delivery of the Structural Funds, and thus for a foundation for European spatial policies. It is said that France and the Netherlands intended to use the ESDP exercise to 'knock some

sense' into regional policy by basing it on the better appreciation of space and spatial relations (Faludi and Waterhout 2002).

The major challenges with regard to the assessment of spatial impacts however are that defined and measurable spatial policy aims are needed to assess effects against. Policy concepts such as polycentric development often appear rather blurry in this context. At the same time, the spatial dimension necessarily stipulates not only that standard socio-economic indicators are used, but also that a wider spectrum of economic, social, environmental and cultural effects is assessed, in addition to the governance dimension. This makes European wide impact assessments a challenge, especially when one considers the actual availability of comparable data. As has already been illustrated in the discussion on the policy concept of polycentric development, spatial concepts and effects can be seen and interpreted (differently) at various geographical levels. This also needs to be taken into account when analysing the spatial impacts of various policies. Finally, if such studies are to inform policy makers, suitable mechanisms need to be found to better facilitate this.

Whether the seven current seven pilot studies are able to answer these challenges and to come up with both useable results and a robust methodology will be seen when they deliver their final reports in autumn 2004 and summer 2005 respectively.

The pilot studies are carried out in close relation with DG Regio, which could pose an additional challenge regarding the suitability of the information provided by the relevant policy makers, as European transport policy, research and development policy, agricultural policy etc. lie with other Departments General. At the same time, this approach might be interpreted as DG Regio seeking to expose other European sector policies to more spatialised thinking. Thus not only broadening the dialogue vertically (Interreg etc.) but also horizontally. As regards the horizontal dissemination process, however, it seems there is still a long way to go before the spatial dimension could be able to 'knock some sense' into other European sector policies.

Where does this journey take us?

Summing up, although spatial planning is not the responsibility of the EU, the spatial planning aspects of EU and national policies nonetheless are of paramount importance because all political decisions are implemented in a given territory.

Debates similar to those now taking place at the European level can also be found at the national level. Taking a brief look at discussions at the national level, Pezzini (2003) underlines that in recent years, in most

OCED countries, a change of direction in territorial policies has been identified along three main axes:

- From spatial redistribution to regional competitiveness. The focus is now no longer on the reduction of disparities *per se*, but rather on the potential that regions can offer to enhance national growth
- From a sectoral approach to place-based policies that take a more cross-disciplinary approach to economic development
- From subsidies to indirect support for local economic environments that substitute direct payments with investment and other measures to improve the quality of the local environment.

At the European level, the Second Cohesion Report (CEC 2001) – in the wake of the ESDP – has coined the idea of territorial cohesion. Territorial cohesion is best understood as an umbrella concept and as an integrated part of the cohesion process, covering the territorial aspects of cohesion and the EU objectives of balanced and sustainable development.

As discussed at the outset, the current structure of the European territory is unbalanced, as illustrated in particular by the core-periphery (pentagon⁶) concept, and also by trans-national diversities, regional imbalances, large intra-regional disparities and the diversity of development potential throughout Europe. In addition, further geographical concentration is being driven by market forces, the investment in more important global services favours the pentagon and the larger metropolitan urban areas, capital cities are the most dynamic in many countries, (nowhere is this more evidenced than in the new Member States), regional centres are the dominant forces in many regions, local parameters favour access and the supply of relevant services, amenities in and around the city supporting the quality of life are gaining importance.

	EU 15	Of which pentagon	EU 27	Of which pentagon
Km ²	3,2 million	18%	4,3 million	14 %
Population	382 million	41%	490 million	32 %
GDP		49%		46,5 %

⁶ The pentagon is identified and defined in the ESDP document as the areas in the centre of the EU including the metropolises of London, Hamburg, Munich, Milan and Paris.

This forms the background to the development of the umbrella concept with regard to territorial cohesion that may help to give consistency to a broad range of policy interventions. This concept addresses the social and geographical dimension of territory, the potential, positional and integrational dimension of cohesion as well as the various geographical scales at which the concepts are to be applied.

- The aspect of potentials is close to the concept of endowment discussed in the first interim report of this project. It expresses the notion that territorial cohesion can only be achieved by entities that have sufficient resources to develop their own identity and to act as partners in a process that will bring added value. Thus the potential here includes the resources available in an area, as well as the constraints to which it is submitted.
- The aspect of position takes into consideration the fact that cohesion does not only rely on the individual situation of entities but also on their relative situation. This underlines the fact that position varies depending on the spatial context of that considered.
- The aspect of integration focuses on the effective relations that link an area to other areas of the territory under consideration, both in terms of material and non-material links. Integration allows the enhancement of the potential of a territory but may also promote disparities.

Summing up, it can be argued that territorial cohesion underlines the fact that the trans-national territorial dimension possesses a potentially large measure of 'added value' with regard to effective development policies. The broader territorial scale is considered necessary to explore regional potentials, strategies for trans-national areas ensure efficiency and synergies, strategic alliances between territorial entities (i.e. metropolitan urban regions), closer co-operation on themes such as transport, tourism, innovation potential etc, common marketing in global competition.

Relating to the Lisbon strategy it is argued that (in order to become competitive and dynamic) the territorial structure needs to encourage the ability to better explore such potentials and comparative advantages, and to avoid diseconomies due to (physical) overheating. The urban poles as places of potential, i.e. as engines for improving competitiveness and dynamism, take a central role in the policy debate. This underlines the fact

that the umbrella concept of territorial cohesion is spatialised by the idea of polycentric development.

Whether territorial cohesion will be the final outcome of more spatialised European policy-making remains to be seen. Thus far, what we have discussed here represents the current state of ‘the discovery’ of the spatial dimension in European policy-making; a discovery that is mainly being driven by a few officials in the various ministries responsible for spatial planning in the EU Member States and in DG Regio. Almost entirely relying on words and on the persuasive power of their discourse they have involved a wide range of national, regional and local actors in their attempts. Currently, they are trying to disseminate spatial thinking horizontally by carrying out territorial impact assessments of various EU sector policies. Should this attempt be successful, territorial cohesion may be said to have arrived on the European policy arena, and once there it is surely set to stay.

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Chapter 11

The future as Wild Card

A short introduction to a new concept

Karlheinz Steinmüller

Futures studies at the beginning of the 21st century

Futures studies (or foresight) have experienced a number of remarkable developments in the last two decades. They have departed from the planning optimism that characterized their earlier days and from far-reaching forecasts of the future. Thirty years ago, Herman Kahn sought to describe the coming two hundred years; by contrast, futures research today seeks to identify in quite pragmatic fashion feasible roads into a future that will be worth living. But futurologists have learned yet another lesson: There is always a chance that dramatic events change the whole image of the future, the way we think about it, the concepts we use and even the aims we try to achieve.

September 11, the collapse of the communist block and the first oil crisis are examples of such surprising and disrupting events. As discontinuities they lead to the failure of prognoses and, moreover, they even represent a challenge to scenario techniques.

Some remarks on methodological developments

Generally speaking, from the viewpoint of the methods applied, futures research experienced a development in the 1980s and 1990s that may be characterized as a move toward 'enhanced pragmatism'. Complex (but relatively rigid) formalisms such as analyses of interactions and certain other quantitative methods are used less frequently; sophisticated (and not so sophisticated) scenario techniques often now take their place. Brainstorming techniques and various participatory methods such as futures workshops have also experienced a tremendous growth in popularity (Burmeister *et al.* 200).

In some regards – especially in the field of methodology – technology assessment has evolved along lines similar to foresight. Some observers speak of a 'change in perspective' in recent years: technology assessment is no longer primarily an advisory instrument for the legislative and

executive branches with the purpose of limiting damage at the end of a technological development vector. Just as the major emphasis in foresight has shifted from forecasts to the design of desirable futures, technology assessment today concentrates efforts on shaping technology at an early stage in the genesis of a technology ('creative technology assessment'). Among other aspects, this implies getting new groups of operatives involved – businesses, associations and various interest groups within society ('stakeholders').

Pertinent developments are also to be seen in the philosophy of science. What has been overcome in particular is the traditional notion of the logical identity of explanation and prognosis, something that goes back to the beginnings of the philosophy of science. To put it simply: Even where a correct *post hoc* explanation can be supplied for a certain phenomenon, it does not automatically follow that *ex ante* prognoses can also be submitted. In the field of logic we have finally been able to also take into account the fundamental difference between past and future – the irreversibility of the past together with the open-endedness of the future.

Even recent advances in such distant disciplines as the historical sciences can be set in relationship to futures research. History is no longer considered to be a finished object that needs only to be uncovered, where in accordance with Ranke's dictum, historians simply jot it down 'as it really was'; instead, it is seen as a construct. The historian uses today's traces from the past and his or her own conceptual instruments to collate individual findings and form a picture of the past – not entirely dissimilar to the futures researcher who observes current trends and uses his conceptualisation instruments to construct a picture of the future. There are direct parallels to the new sub-discipline of counter-factual historical research which constructs pasts which never existed but which might have existed – in such a way scenario techniques applied not to the future but to the past. Thus, for example, the Nobel Prize winning historian Robert W. Fogel examined the course that economic development might have taken in the United States if the railway network had not been created in the last century. What effects would the absence of rail transportation have had on business and the economy?

Counter-factual questions of this type are resolved in a sort of scenario study. A historical scenario study such as this differs from a futurological study in that not the present, but rather some point in time in the past, is taken as the starting point and that the historian always has at hand a reference model, a standard scenario, in the form of the established actual history (Steinmüller, 1999).

Among the newly emergent theories of recent decades, those trumpeting self-organization and chaos have undoubtedly had the greatest impact on futures research. Indeed, it may on occasion even appear as though chaos and self-organization were undermining the actual foundations of futures studies. According to certain popular interpretations, neither forecasting nor planning is feasible: minute changes in the initial situation can lead to major changes in the final results such that the consequences can no longer be estimated. The fact is that chaos theory, properly applied, makes possible a more precise demarcation between areas in which prognoses are possible and those where they are not – in each case within the framework of the assumed model of reality.

Self-organization, as both a theoretical and a practical social concept, forces us to re-think futures planning once again. Practical futures research has for some time now indicated that planning in the conventional fashion – pursuing a fixed course once it has been laid down – is not feasible in our highly complex society. Incremental planning, which embraces step-by-step examination of goals and instruments and is always open to external influences and changes, thus continues to be a central concept in the shaping of futures.

These brief comments were intended to provide a framework for the discussion of ‘wild cards’ that will now follow.

Wild cards – ‘futurequakes’

In retrospect we can probably readily agree that major catastrophes such as the reactor accident at Chernobyl could be viewed in this sense as wild cards. Individual political events with grave consequences such as the terror attacks of September the 11th might also be considered to be wild cards. One could probably even see the collapse of the Soviet system as such a wild card; it was certainly a wild card for the prognosticators inside the Communist Block. Was the first oil crisis a wild card? Many would say so but we have learned that Shell was prepared for such an event. Consequently we must question whether this was truly a wild card.

Ten years ago, the Copenhagen Institute for Futures Studies (CIFS), BIPE Conseil (Issy-Les-Moulineaux) and the Institute for the Future (Menlo Park, California) suggested in a joint publication a definition for wild cards:

‘A wild card is a future development or event with a relatively low probability of occurrence but a likely high impact on the conduct of business’ (BIPE *et al.* 1992, p. v)

As a rule, neither the likelihood nor the impact potential will be known in advance; both will have to be assessed when identifying an event as a wild card. In regard to probability, a qualitative evaluation will, as a rule, be sufficient, determining that this is an event that is indeed improbable but not entirely impossible. In much the same way, a qualitative estimate of the impact is sufficient for the identification of wild cards: potentially wide-ranging impacts are expected. The actual evaluation of the consequences, for which a wide variety of methodological instruments (borrowed from technology assessment, for example) might be considered, does not take place during the identification or selection of the wild cards to be used in a scenario process, instead coming later, in the step known as ‘analysis of the disruptive event.’

At first glance a wild card is something surprising, perhaps even shocking, something which happens unexpectedly. Surprise is, however, a very subjective concept and therefore not suitable as a criterion. Nevertheless the question, ‘what might surprise you?’, is a good starting point for a wild card brainstorming session. The element of surprise disappears, however, during closer analysis.

In any case, characterizing an event or development as a wild card depends upon the overall framework of the study being undertaken: a new mathematical theory which would make cryptography obsolete would, for example, have an immense impact on the information and communications technologies sector; within the framework of a demographic study, however, it is irrelevant.

In a way, the definition propounded by the three institutes noted above actually plays down the real value of the notion of wild cards. Characterizing them by low probability and high impact misses a central point: The effect of a wild card is tremendous since it does not fit into our usual frame of reference as it undermines our concept of the ordinary normal way of things, making the concepts through which we regard the world appear doubtful.

Wild cards change our frame of reference, our mental map of the world. This can be demonstrated by the emergence of words with new meanings after a wild card has occurred: super-terrorism, climate protection, or – to take some older ones – aids, stagflation, and glocalisation. Therefore, wild cards do not only change reality but also, and perhaps even more deeply, they change our perception of reality and our concepts. As is often observed, they re-write the future, but they re-write the past also. We look with different eyes to past developments. Did they give rise to the wild card? What trends favoured such events? Which ‘weak signals’ already hinted at the wild card?

Take Chernobyl as an example. The Chernobyl disaster was not only one more reactor accident (of a yet unknown dimension), nothing like, say, the disaster of Harrisburgh (Three Miles Island). It was without any precedent for a second reason: it changed the way most people now think about the 'peaceful use of the atom'.

If the future is the space of our hopes and fears, our wishes and plans, or, more generally: our expectations, wild cards are shocks to this space. They are 'futurequakes' changing all of the landscape of the future.

Approaches to systemization

There are lots of quite different wild cards: A sudden baby boom in Europe or a new epidemic, a break-through in high-temperature superconductivity research or a shifting of the Gulf Stream, political upheavals of all kinds, wars, assassinations, an end to Moore's Law (the ever increasing performance of computers), gene-tech hazards, a radio-smog panic and many, many more. In his catalogue Petersen (1997) lists 78 wild cards. We describe 55 wild cards in our recent publication (Steinmüller 2003).

Different aspects may be used to systematize wild cards.

- **Topic:** The subject of the wild card, or the sector in which the wild card originates, or upon which it will have direct impact (e. g.: technological wild cards, political wild cards).
- **Impact:** Will the wild card have only minimal consequences within the framework of a given scenario or will it trigger an entirely new scenario? Such a differentiation between potent and less potent wild cards is possible only after completing the analysis of the consequences.
- **Plausibility:** All wild cards are by definition unlikely but some are highly improbable, some are less improbable and some are simply not very probable (depending upon our assessment). Another differentiation carries greater psychological weight: some wild cards are plausible; they fit – although perhaps only after a preliminary analysis – the worldview held by those who carry out the study. Other wild cards are not plausible; they go against intuition and common sense, without, however, being absolutely impossible. Seen from a methodological perspective, it might make sense to take even 'impossible' wild cards into account because the demarcation (often fuzzy at best) between the possible and the impossible is

based on the knowledge available at the moment and even on one's personal view of the world.

- Time scale: Here it would be necessary to differentiate between wild cards – which are sudden, unique events – and processes, *i.e.* improbable short-term, medium-term or longer-term developments.
- Causes: One may distinguish between wild cards, which occur without any preparation whatsoever – often in the form of accidents or catastrophes due to a chance coincidence of circumstances – and wild cards, which are the result of longer-term processes – typically creeping catastrophes.

Wild cards, creeping catastrophes and chaos theory

Discontinuities in trends or structures represent a prominent group of wild cards. Like some sudden events, accidents or catastrophes, such breaks in trends or structures may be traceable to processes that transpire unobserved for some period of time because they have not drawn public or scientific attention to themselves. These gradual, unnoticed processes are 'creeping catastrophes' in contrast to acute, catastrophic events (Böhret 1990).

The concept of 'creeping catastrophe' was obviously coined with a view toward ecological damage which slowly accumulates; it may, however, also be made to fit a general theory of management for complex systems. As such we can say that creeping catastrophes result from the interplay of numerous causes. As these causes are mostly unknown, since their causalities are complicated and interrelated, and their effects delayed, the instruments for evaluating the consequences (or those for 'risk assessment', too) are inadequate for dealing with such creeping catastrophes. Creeping catastrophes thus culminate in events that are apparently indeterminate, unpredictable and confusing and which represent a serious problem not only for futures researchers but also for decision-makers and the political system as a whole.

Wild cards very often evolve in just the same way. For a while, they gestate in a hidden, latent form. Then, suddenly, they become manifest. Therefore wild cards are characterized by the fact that they take decision-makers in government or business by surprise – either as the result of a creeping catastrophe or analogous to them – and thus provoke non-systematic, inadequate and inappropriate reactions which are primarily 'for show'. It is, of course, impossible to prepare for every conceivable wild card. But the discussion of wild cards in the course of decision-

making or consulting processes and including them in futures studies or game plans can reduce the element of surprise when a real wild card does occur and can in general increase flexibility in responding to such occurrences.

In some respects the concept of wild cards forms the qualitative counterpart to the concept of chaos in the theory of dynamic systems. Like chaos, wild cards place limits on both prognostication and planning. Like chaos, they are the result of the inherent complexity of the system being analysed and of its environment. Like the bifurcations in the chaos theory, they mark the beginning of new developments, diverging evolutionary paths. In addition, they may be interpreted as an expression of non-linear system behaviour.

One conclusion of chaos theory is that non-linearity can lead to counter-intuitive behaviour. A basic rule for futures studies is not to depend on that which is intuitively convincing, but rather to take counter-intuitive system behaviour into account. This is possible, however (at least in part), by augmenting the study with a wild card analysis. Even when formulating multiple scenarios, a complementary wild card analysis can be helpful in testing the stability of scenarios or their susceptibility to interference by external influences or internal disruptive factors which had been neglected or disregarded. In the theory of dynamic systems, tests such as these are known as sensitivity analysis. As opposed to dynamic systems, however, it is hardly possible to vary individual parameters just slightly in scenarios. Wild cards are a much coarser instrument – but an instrument that can be used in qualitative studies.

Wild cards taken from science fiction?

Wild cards can be found in a number of ways. The most obvious is to identify them with the usual creativity methods – workshops and brainstorming. Another means is through the use of surveys. But polling experts presume a very high degree of openness to unconventional thinking and this may not always be the case. A further possibility is to make use of historical analogies, to evaluate comparable situations, to ask which events or developments acted as wild cards at that time, and to construct analogies for the present situation. Finally, science fiction is available as a reservoir for wild cards. Due to the high density of ideas that this kind of fiction contains, it is advisable here to evaluate stories that are similar to the topic being dealt with in the study. Science fiction authors ultimately place great value on surprising their readers with new ideas, some of which might be suitable for consideration as wild cards. Since, however, only a very small portion of science fiction is really original in char-

acter and certain motifs are repeated *ad nauseam*, this approach may prove to be quite tedious in practice.

From a theoretical point of view, at least two parallels can be determined between wild cards and the role of innovation in science fiction. On the one hand, both concepts imply a deviation from the conventional world, or from the mainstream future. On the other hand, the ‘What if ...?’ principle which many authors use in their writing corresponds in part to an impact assessment.

Ideally, science fiction scenarios exhibit a number of advantages when compared with futurological scenarios. Science fiction scenarios are as a rule detailed, complex and holistic plans for the world that includes day-to-day living and everyday human needs and behaviour patterns along with emotional aspects. Finally, science fiction writers are not bound by questions of technical (or social) practicality and thus can be particularly vivid when depicting desires, goals and concerns in their scenarios. One could even argue that science fiction writers – because they take into account everyday human behaviour patterns and by way of example include at least speculatively the options for abusing any given technology – have a more correct (more complex!) view of people and technology than do some futurologists. Naturally the great majority of science fiction does not satisfy this ideal model. In spite of this, it may very well be worthwhile to examine science fiction for wild cards.

Practical aspects

In general, wild cards can fulfil several functions in a scenario development process:

- They can, as has already been mentioned, be used in order to estimate the susceptibility of a scenario to external disruptions.
- They can be used to compensate for potential weak points in the conceptual framework (mental map).
- They can help those who devise and use scenarios to recognize alternatives and to be open-minded in regard to unexpected developments.
- Ultimately, they can also be used to counteract certain widespread faults – such as a shortage of imaginative capacity, the predominance of wishful thinking or a fixation on catastrophic scenarios (‘hyper worst case thinking’).

What then are the criteria for selecting suitable wild cards? There is no all-embracing answer to this question, and one can indicate only a

few general rules based on experience. Moreover they are intended above all to obtain additional information through a wild card analysis.

Firstly, the wild card must be appropriate to the problem. A wild card need not necessarily stem from the central topical area of the study, but it should nonetheless be associated with it. Wild cards that would be entirely without consequences will not uncover any additional information. Secondly, a wild card should be as original as possible, should be something which has not already been taken into account in another form; its consequences should not be immediately apparent. Thirdly, one should also think about wild cards that (in accordance with conventional thinking) are at the far edge of that which is just barely possible.

A few fundamental rules can be formulated for dealing with wild cards, too:

- The analysis should not be limited to one or two wild cards. This would cause too much attention to be paid to a single direction; the plausibility or transparency of the study could also suffer.
- ‘Negative’ wild cards, those that presumably would not support the scenario constructed, but rather would undermine it, should be given priority consideration (as a test for the stability of the scenario). More incisive analysis may, however, demonstrate that ‘supportive’ wild cards can also have interesting counter-intuitive consequences.
- In addition to wild cards with a strong contextual reference to the topics stated in the scenario, it is also advisable to consider those that imply a change in the peripheral conditions, its environment.
- In order to avoid potential prejudices, it may be useful – especially when identifying wild cards – to incorporate outside expertise into the study, either through interviews or by way of a workshop.

Let me close with a brief, non-technical estimate of probability. In accordance with the definition, the probability of any single wild card occurring will be so small as to be negligible. But the number of wild cards rises rapidly as we look farther into the future. Therefore, the probability that no wild card will occur, *i.e.* the probability that the standard scenario will prevail, approaches zero. In the long run, our future will be shaped by wild cards.

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Wild cards and trends

Susan Brockett, Kai Böhme and Margareta Dahlström

In the last chapter, Karlheinz Steinmüller presented an interesting way to look at the future by thinking of how ‘wild cards’, or unexpected events, could change the way society develops. He makes the point that, although any given wild card is not that likely to occur, there is a high probability that *some* wild card will influence events. And since the effect of a wild card is inordinately large, such impacts are perhaps as important as general trends in the unfolding of events in our world. This book has addressed the important trends impacting development, with a particular focus on regional development.

In this chapter, we will look at the trends presented in this book and generate some feasible wild cards that could change the direction of developments in important and unforeseen ways. To do so, we must first look at how existing trends, albeit extended to an extreme degree, could play out in a scenario for the future. This is followed by the introduction of some wild cards that could ‘play into’ these trends, thus creating alternative futures. We conclude with a summary of trends that, we hope, will stimulate the readers’ speculation as to which are robust and which are more volatile.

The trend forecast: Scenario 2015

What will the world look like in about 10 years, extrapolating the development of the trends identified in this book? In what follows, we present one possible version of the future by extending these developments into the future in a fashion that is consistent with current directions. There are myriad ways to draw up this scenario, but we have concentrated on the elements that are of importance to spatial planning and regional development and that reflect the sections of this book. Let us present the introduction to a book, similar to this one, printed in 2015.

Globalisation and innovation

Today, in 2015, internationalisation has, to an ever-increasing degree, given way to true globalisation. Production now occurs more and more where there are competitive advantages. To a degree, these advantages involve access to very cheap unskilled labour, leading to the establishment of manufacturing in economic ‘free zones’, most of which are in third world countries. The relatively lower wage levels in the countries

that joined the EU after the turn of the century stemmed the flow of production out of Europe to some degree, but not significantly.

To an even greater degree, the new skills of the innovation and information economy are to be found among the highly educated but still relatively cheap academics in the emerging economies of India, China and other parts of Asia. These areas have become the new motors in the global economy. To begin with, they were the extended workforces for multinational companies with strong connections to the USA and Western Europe. But as economic activity was extended to the east, more and more influential officers in these companies came from outside the former home nations. Gradually, company culture became more truly global, and cultural connections to the West faded.

But innovation in Europe and the Nordic countries is not dead. The climate is far more competitive, but for the present, businesses in Europe are doing well. Not all economic activity is global, of course. Small and medium-sized companies still provide the backbone of national and regional economies. But of course, even they are now also part of the global network. The old concept of clusters located in physical proximity to another has given way to the concept of virtual clusters, where the connections have more to do with information than with physical products. There are many surprises, as it seems that all the old 'laws' about who and what should locate where have been repealed. (Mariussen, 2014). Competition, cooperation and symbiosis create new constellations of successful businesses that were previously either unforeseen or unimaginable.

The new geography of demography

The demographic trends so apparent in the 1990's decelerated slightly in the first few years of the new century as the catchment areas of labour markets expanded dramatically. First, the local labour markets grew, while the one-hour commuting distance has almost doubled since 2002. In many regions, this resulted in reduced out migration, as all jobs within the region came into the same functional market. At the same time, migration to the national centres was offset by migration to regional centres. (Persson 2011)

The severe problems faced by the peripheries are now a thing of the past. Not so much due to increased local economic activity, but simply because the shift is now complete. Across the turn of the century, peripheries in the Nordic countries lost most of their youthful, work-oriented labour force and were left with a dramatically ageing population. This caused a serious shortage of available labour, both to work in the remaining struggling businesses and to provide necessary care to the bur-

geoning population of elderly. The downward spiral was clear: there were few families with children, schools were closed, the remaining families with children left. Many regions gave clear ultimatums: if one wanted support services, one had to move to regional centres. No one in outlying rural areas can any longer expect public services.

Policies in these regions varied, rather than being a uniform expression of national goals. All had to more or less 'fend for themselves' and some fought an inspired battle to grow and stem the tide. Others opted to decline with grace and simply bide their time. Now, as the last of the lonely elderly die, and no young people opt to move in, the problem 'solves itself' and the population becomes stable once again, but at a much lower level. (Hanell, 2009 c)

For a while, many hoped that virtual commuting would alleviate the downturn, with economically active workers and their families opting to establish themselves in the periphery. In a way, this has happened, but not in the way that was hoped for. These areas are our new 'ghost towns' throughout parts of the year, as they are turning into 'vacation villages'. Open spaces, pristine nature, forests, mountains, seaside and fjords have all made these areas extremely popular for large numbers of Europeans from more congested areas. Just as the United States has had its 'snow-birds' migrating south each winter, Europe has increased its 'swallows'. Second homes that are in use in summer, and in mountain areas, in the skiing season, are now established in the housing stock that was vacated by the out migration. Limited year-round jobs are created for the locals who work with maintenance and security for these dwellings when they are not in use (Larsson, 2010). Extended use of these homes is possible since the new owners combine vacation time with telecommuting. The economic activity due to building and renovation did not benefit these areas, however, being conducted by building firms using teams of migrant workers recruited from other areas, especially the former east block countries.

This new trend of multiple homes has added somewhat to the cosmopolitan nature of the globalised world, but it was not as a result of movements to jobs. In fact, labour remains stubbornly un-globalised. It is the jobs that move to the labour force, not vice-versa. There is still only a minority of Euro-commuters and free agents that see the whole of Europe, or the world, as a potential workplace.

New regions

The shift from government to governance was very apparent in the first years of this century, as both regional and local public authorities were hard pressed to defend their existence. As it became more difficult to

point to either well-managed public services or to success in development strategies as their *raison d'être*, authorities tried forming partnerships with any and all comers to keep going. As we can see in retrospect, this created a complex and confusing network where decision-making became distributed among so many actors that voters began to further doubt the legitimacy of these same bodies.

This was the major contributing factor to the continual restructuring of the local and regional level that is still very evident today. In the hope of gaining economies of scale, municipalities and regional authorities are consolidating into ever-larger units. There seems to be a new effect, however, that is complicating the issue even more. The friction between national governments and regional bodies, caused by the increasing tendency for the nation states to be caught in a squeeze between the EU and their own regions is well documented (Lähteenmäki-Smith et al. 2012). This friction is being exacerbated as regions become larger and more powerful, just as the EU begins to gain more and more legitimacy among voters after the new constitution has come into effect. In fact, a new study documents that, in spite of their stated goals of efficiency and subsidiarity, several EU nations have sought to sabotage regions' attempts to become stronger and more effective (Dahlström & Lähteenmäki-Smith 2014).

Still seeking sustainability

Sustainable development is still an unattained goal. Rhetoric flourished in the later decades of the 20th century and the concept of 'sustainable' was expanded to include almost everything that was deemed good or desirable. As such, the term lost its value, becoming just another political 'buzz-word'. But as extremes in weather began to take their economic toll with droughts, floods and storms, it became apparent that one needed to give the term real meaning, and policies real teeth.

Thus, the international accords of recent years attempt to control greenhouse gases and overpopulation. There is debate, however, whether soaring oil prices or international environmental movements deserve credit for the progress made.

We still see the heritage of the multiple facets of sustainability established in the final years of the last century. In fact, the idea of 'socially sustainable' was adopted in the declining peripheries to describe the demographic composition and rates of change that would allow a community to survive and maintain itself. These multiple facets of sustainability are used in both pragmatic and opportunistic ways to influence both policy and practice (Hilding-Rydevik, 2008).

The ideas of the environmental justice movement have begun to catch on, but not as was previously expected: as a political, policy or moral movement. Instead, various pricing schemes that bring both environmental advantages and environmental disadvantages into the marketplace have now adopted the rhetoric of environmental justice. Although effective, there are still moral aspects, particularly relating to the issue of inter-generational justice, that are not adequately addressed. (Bradley, 2010)

Polycentricity wins

The enlargements of the EU from 2004 and 2007 have taken time to consolidate. There are still disparities between the ‘old members’ and the newer ones, but cohesion policies seem to be working well. The development of greater disparities *within* countries has begun to abate, due primarily to the implementation of polycentric policies at the national level, but not nearly to the degree anticipated. There is debate as to whether this is due to poor national policies for regional development, or whether it is an inevitable outcome of market pressures and the emptying of the peripheries. Experts question whether any policy could counter the steady hegemony of market solutions. (Aalbu, 2013)

One truly interesting development is the relative success of European spatial policies. The old ‘pentagon’ of Central and Western Europe has indeed given way to a polycentric situation, with several other constellations (in the east, around the Baltic) winning an ever-increasing share of economic activity. Spatial planning endeavours that cross national boundaries have become commonplace, and newer units have begun to emerge, such as bio-regions and functional urban areas, both of which do not acknowledge national boundaries. These newer regions are gaining in importance in both European policies and programmes. (Böhme, 2011)

Putting wild cards into play

Now that we have proposed one possible extension of current trends, we will introduce some wild cards that could result in very different situations occurring. For each wild card, we have tried to create an internally consistent new scenario.

Wild card 1 – a creeping catastrophe: Total terrorism. Fenced-in Europe with apartheid enclaves

The results of the hijacking of 9/11 in the USA, the ill-conceived wars in Afghanistan and Iraq, and the subsequent alienation of old allies results in a world where actions are totally dominated by the fear of terror attacks.

As the US has exacerbated the situation due to militant restrictions and continual conflicts abroad, European countries have had no choice but to themselves become more restrictive, in fact, almost totalitarian. In addition, extreme control of movement is deemed necessary to reduce the numbers of bombings. Since the US is 'going it alone', this essentially results in a move towards a 'fortress Europe' mentality backed up by the policies to enforce it. With the new 'integration' impulse comes new investment in improved train transportation links. These are designed to be fast and efficient, but more importantly, easily monitored and defended.

The success of militant Islamic terror action causes many other groups to follow their example. At first, terrorist targets were largely confined to national governments and their symbols, with the goal being to change national policies. But the failure of national governments to be effective in the 'war on terror' leads the true power base, international capital, to seek other solutions. And, as the power base shifts, the targets of terrorism shift as well, moving away from states and towards corporations. Cyber-terrorism takes a dramatic toll on many aspects of life. Hacking, viruses, worms, identity theft and virtual hijacking cause a breakdown in the Internet. Email, videoconferencing – all of the elements of virtual communication that linked people – become unreliable and expensive. This results in a return to reliance on physical mail, personal meetings and computer systems isolated from the rest of the world.

Both mobility and the new European lifestyle are centred on an urban existence in metropolitan nodes. Indeed, in the new Europe not countries but cities are the main drivers. Here, housing and commerce are flourishing in gated areas subjected to high security measures. Outside these, there is an evident decline as most investment goes to the protected areas while the others become less attractive due to fear of terrorism. People with skills and credentials have a mobility previously unimagined, moving among the metropolitan areas with ease and obtaining jobs with the new supranational businesses. For the multi-national corporations of the late 20th century have given way to truly supranational corporations, with no clear affiliation to any nation or region. Both the terrorists and their targets have lost their territorial dimension and exist both everywhere and nowhere simultaneously. The anti-terrorist forces are mercenaries paid for by metropolitan governments or by the companies who own or manage enclaves within urban areas, not national armies.

These new metropolitan megalopolises are *Pentagonia* (also called Blue Banania) the Central Europe Triangle (Warsaw, Poznan, Krakow, Saxony, Prague, Bratislava, Vienna, Budapest), and the Mediterranean node (Barcelona-Valencia). Networks of secondary urban nodes support

this basic network, including in many cases the former capitals of nation states. The importance of metropolitan areas is so great that there is serious discussion of whether to allow three of them independent EU membership. The cities in question are St. Petersburg, Istanbul and Casablanca.

The success of the urban mobiles in the new, restrictive and terror-fearing Europe is in contrast to the prevailing situation outside these cosseted urban areas. Young and active people live in the cities and are the decision makers, whereas the elderly are left behind in the country side and are very much dependent on subsidies from the urban citizens. Standards of living here have deteriorated and there is a sense of defeat and anger. The new terrorists utilise the malaise and disenchantment of the rural poor, as they find less opposition to their bases of operation here. Many of the rural 'have-nots' show scarcely disguised glee when urban targets suffer terrorist actions.

The urban areas have their 'have-nots' as well. These are the poorly educated and socially stigmatised, those who have not managed to find a niche as Euro-yuppies. Within the metropolitan nodes, there are economic zones that function almost as concentration camps – the new apartheid. Housing is poor, mobility from the zone into the rest of the urban area is severely restricted, and residence is dependent on having a job with a company. Public space has given way to private enclaves, whether privileged or controlled, and a desolate no-mans land beyond. This labour force has a bleak sort of mobility, as whole groups are more or less shipped from one metropolitan area to another as the companies they work for change the locus of their activities. And of course, it is from this disenfranchised mass that the new generations of terrorists are recruited. Their hate is for the company, the firm, not the nation.

Wild card 2 – chaotic behaviour: The collapse of the oil economy, and the renaissance of the local

Energy profligacy, including the sudden explosion of consumption by populous China, accelerates unbridled use of fossil fuel. Suddenly, oil field after oil field is depleted beyond usefulness. Skyrocketing costs for extraction of the remaining reserves lead to a severe oil shock and a world energy crisis. As a result, there is an almost total breakdown of the physical transportation of persons. The spectres of a desperate spiral into economic depression or still more wars to control scarce oil reserves are both avoided, however. Diminished quantities of fossil fuels are used mainly for the transportation of goods. Research on alternative energy sources is extensive, but the time lag between development and utilisation is just too long. The hydroelectric advantages of the mountainous north

become important once again, and the sunny south begins to rely almost exclusively on solar power.

The physical production of durable goods had already left Europe, and the focus of European production had been on service and knowledge based industries. Disputes over patents are heated, but even more heated are the disputes over intellectual property rights. But with burgeoning transportation costs, strategically chosen items are once again being produced closer to home. The first washing machine produced in Norway in 50 years leaves the production line.

In the meantime, one response to the sudden halt in physical movement is a universal turning to the Cyber World. The new mobility is cyber-mobility in a virtual world. But here, spatial boundaries do, in fact, disappear. New communities of belief, values and mores begin to emerge as citizens re-examine the assumptions that led to the collapse. There is a widespread questioning of the technologically oriented world-view, and a desire to return to a more genuine and sustainable mode of living.

This new immobility results in a reawakening of 'home-values' as even within regions physical commuting becomes prohibitive, and cyber-commuting becomes the norm. An unexpected result of this change in attitude is an enormous baby boom. Thus, predictions of an ageing and declining Europe are replaced with the fact of a younger population.

One would expect this baby boom to cause shortages, but instead, it results in the re-discovery of the local environment and a new Garden City movement. People establish more circular local economies, and small and medium sized cities become the growth poles, while the stagnating and densely built urban cores become dependent on local food producers. The rural-urban connection becomes very real and a source of political power. Most lanes on the motorways become little-used facilities for the transportation of needed goods from the hinterland, while the really intensely used lanes are those that are turned into bicycle lanes. Life slows down a bit as the car and bus give way to intercity transport with low energy units (foot & bike).

Wild card 3 – futurequakes: Epidemics, meltdown. Rural rules

SARS and AIDS gave us a glimpse of what might be in store, but a combination of mobility and dense population unleashes a pandemic that spreads rapidly and globally. And it is the densely populated, interconnected urban areas that are most strongly affected. The results are a new 'black death' with dramatic declines in population and subsequent failures of urban services and amenities. Mobility is severely restricted in the hope of preventing contagion until the disease finally runs its course. All who are able to do so try desperately to move out of cities.

Here they meet a rapidly changing rural population. They are the newly militant survivors of the pandemic, and their attitudes combine semi-Luddite with semi-religious components. Blame for the pandemic is placed on 'jumping genes', an interspecies transfer of genes that were separated from their original organism in laboratories. Then, once separated from a genome, they found their way into a relatively harmless pathogen: hence, the widespread fear and contempt for technology. This combines with a renewed spirituality spurred by the sudden recognition of the immanence of death and the desperate need for some sort of order in a chaotic world.

Sentiments against multinational capitalism, their greed being seen as the impetus to the pandemic, run rampant. But the loss of mobility due to contagion control has even greater impact on the flows of people, goods and services among countries.

On top of this, the climatic instabilities that were barely apparent in the early 2000's become ever more apparent. The collapse of the entire Ross Ice Shelf in Antarctica accelerated the rise of sea levels worldwide. This, combined with erratic monsoons and more frequent and more severe hurricanes, takes a huge toll on harbour cities. Crop production becomes more of a guessing game, as one can no longer be certain which varieties will be successful in any given locality.

These dramatic changes put the question of identity back on the agenda. There is an emergence of a new sort of tribal identity, where people identify strongly with chosen, known and restricted groups. Partly, we see a Balkanisation taking place, with very regionally or locally embedded tribes and partly we see the emergence of issue-tribes based on cyber-networks sharing basic values and beliefs. There is a widespread fragmentation of society and a search for new anchors and sources of mental security.

By far the strongest group coming out of this development is the new environmental movement. What was once an intellectual movement among the intelligentsia becomes the new religion. Reverence for the earth as our home, combined with the negation of materialism, results in various new religious movements (Gaiaism, Pantheism) radical changes in established religions (Christ the Good Shepherd, New Islam) and spreading of formerly limited religions (Jainism).

Rural areas enjoy an impressive renaissance. Living 'close to the earth, between the ground and God' is seen the best way to live. Rural areas maintained their social and political systems intact while urban areas descended into disaster. They are now the new elite, the power structure and the foundation of regional government. Through cyber-contacts,

they create a new system for governing that, for the most part, excludes the remaining population in urban and sub-urban areas. The ideals of direct democracy are put into action in local governance. Culture ‘takes to the ether’ in the form of interactive literature and music, where collaborators meet only in cyber-space, supplemented by very local productions by small groups. And so, the areas that were pronounced doomed by the expertise at the turn of the century become the areas that carry Europe into the new era.

Lost in space

This book is about the interactions between many components of spatial development. We have tried, in the fabulations connected with each of the wild cards, to explore possible assumptions about development in the future. In this process, we have uncovered our own implicit prejudices about the role of space and territory, in development.

What we see at the more general level is that the spatial dimension still matters, although it is often lost in the consideration of socio-economic developments. In fact, we have lost ‘space’ as a primary point of reference and at the same time, we are lost *in* space, as the trends on globalisation and peripherality illustrate.

This discussion shows that, regardless of which wild card is chosen, spatial organisation, as we know it today is changed. The direction of the change – whether towards greater spatial integration or increased spatial disparities – cannot be said. But still, the spatial implications of these overall societal, political and technological trends are far reaching.

Thus, we may need to rethink ‘space’. The idea of space is a socially constructed point of reference. It may receive new connotations, but it will not vanish. As long as we do not move into cyber space or achieve technological innovations – such as ‘beaming’ of living material – space will be the natural positioning element in our life, though loaded with socially constructed meanings or images.

The conceptualisation of space is becoming increasingly difficult due to the diversity of connotations of spaces as well as the growing awareness that any given place is part of various spaces and their spatial images at different geographical levels. Thus, as part of a city, a region, a landscape, a country, or a company territory, the same place is covered by several, often contradictory, spatial images. The importance of thinking in different spatial scales is particularly noticeable in the discussion of polycentricity

The above seems to be the common dominator in the narratives related in this book. However, we are aware of the fact that the integrative discussion in this chapter is shaped by the discourse and developments in

the first decade of the new millennium, seen through the ‘Nordregio-coloured’ spectacles of the authors. Would a set of wild cards that take as their point of departure something other than spatial trends be significantly different? If a team of ethnologists or political scientists or physicists wrote a section on wild cards, would they be blind to spatial factors, as we are blind to others?

- What about gender roles? For example, a real change in child-care patterns and attitudes towards women might lead to true equality in the labour market, or to a backlash. A fundamentalist resurgence, might lead to the reverse.
- What about work as a concept? Perhaps robotics and cybernetics could lead to all production being done by machines, with humans being freed to pursue cultural activities as their only occupations.
- What about ideologies and democracy as a political system? The history of representative democracy is not that long, and there are strong currents of theocracy at present. Totalitarianism and tribal oligarchies are common in much of the world. Perhaps the democratic experiment of Europe will only have a couple of centuries to exist.
- What about technology? Nano-engineering, unlimited cheap energy (anti-gravity, dilithium crystals), genetically engineered utopias and dystopias (end to ageing, Huxleyan designed people) – all of these could lead to a radically different set of wild cards. In fact, much of the technology that we take for granted today would have been viewed as ‘wild’ just 50 years ago.

With regard to the spatial dimension, we dare to suggest that these wild cards and their narratives may also become ‘lost in space’. Indeed, many future studies have failed to consider spatial implications.

The trends and wild cards presented in this book would doubtlessly affect spatial development, the meaning of space and images of spaces. One extreme might be the equalisation and harmonisation of spaces and a subsequent homogenisation of the spatial characteristics that distinguish one place from another. Alternatively, we might face increasing spatial disparities with ‘in-between’ spaces that are not socially acceptable and considered to be ‘beyond the pale’. The geography of the ‘spaces to be in’ is certainly influenced by legal and technical accessibility, i.e. the freedom to move, the modes of transportation, and the access to transportation.

Being increasingly lost in space raises questions such as: Which references do we have to space? How do we socially construct these references? How do overall development trends influence the construction of spatial images as well as actual spatial developments?

With these questions in mind, we conclude our speculations and invite our readers to contemplate their own. The point of wild cards is not to predict the future, but to gain a more complex understanding of how present trends might change. The next task is to design policies that make desired future developments more likely and robust, while decreasing the likelihood of undesired change. We would echo Antoine de Saint-Exupéry: 'As for the future, your task is not to foresee, but to enable it'.

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