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REGIONALISM à la EUROPE

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Moves toward regionalization in Europe have often been a response to demands for a decentralization of political power. This has been especially true since 1945 in the highly centralized power structures of England, France, and Italy. A different situation prevailed in the Federal Republic of Germany, where a structure of relatively strong Länder or states was created after 1945. As a result there has been comparatively little demand for a regional policy on political grounds in post-war Western Germany.

The Belgian situation has no close parallel in contemporary Europe. Here the pressure for regionalization is linguistic and cultural although the precipitating forces are economic. The old cultural hegemony of the French-speaking industrial areas of the South and East is in decline. Industrial growth and population increases have been concentrated in the Flemish-speaking areas of the North and West. The only comparable situation in Western Europe exists between the Republic of Ireland and North Ireland, where any attempted development of regional policies is overshadowed by religious differences.

Although lacking the intensity of feelings generated by linguistic, cultural and religious differences in Belgium or Ireland, the linguistic issue figures prominently in moves toward regionalization in Wales and Scotland in the UK, in the Brittany peninsula of Western France, in Bavaria, and in the Northeast of Italy.

In these ways, the regionalization issue in Europe involves questions of religion, language and cultural traditions that are quite unlike the situation prevailing in the United States. In spite of these differences, the United States can draw valuable lessons from Western

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European experience. The discussion that follows will attempt to summarize this experience with particular reference to Great Britain, France, and Italy.

Regionalization and regional planning in these three countries has been strongly influenced by the existence of inequalities in regional development and levels of living. Demands for regional decentralization originated in a desire to achieve a better geographic distribution of industry, jobs, and services. The early focus was thus on lagging regions: the hill-farms and decaying industrial regions of England, Wales, and Scotland; the Italian hill-towns and the lagging south of Italy; and the largely rural areas of the central highlands, Southwest and Brittany peninsula in France.

More recently, the focus of regional development planning has broadened to include all regions of the countries, and especially the heavily congested urban-industrial areas centering on London, Paris, Marseilles, Milan and Rome. Regional development has thus come to include all regions, and not just poor or rural ones.

In this process, big differences in emphasis have emerged. Regional development in Italy is still concentrated heavily on overpopulated, low-income rural regions. This is also largely the case in the South and West of France.

Quite a different focus is developing in the Northeast of France and in neighboring areas in the South and East of Belgium, and in Great Britain. There the most depressed areas are not agricultural but industrial. Only 2.7 per cent of the labor force is in agriculture in Great Britain, and only 4.9 per cent in Belgium. In France it is 14 per cent, in Italy 20 per cent, and in Ireland 25 per cent.

Western Europe thus has two types of regional problems, growing out of decaying agricultural regions on the one hand and decaying industrial regions on the other.

This dual nature of Western European regional problems was disguised by the early debates that led to the establishment of the European Common Market. From the end of World War II to the early 1960's the big political barrier to economic integration and a common

market was the existence of many small farms and low-income farm families. This dominated price policy, and is responsible for the preclusive role that agricultural policy played in the early days of the Common Market debates.

A shift away from this focus on low-income agricultural regions was dramatized by the entry of the United Kingdom into the Common Market on Jan. 1, 1973. This brought into the Common Market a country whose lagging regions were industrial, not rural. The event brought to the surface the fact that other European countries also had lagging industrial areas, and strengthened their voices in the Common Market.

Depressions and crises have done much to generate the awareness of regional differences. Nothing defines a region so emphatically as an abnormally low level of income or high level of unemployment. This was especially true in Britain, and emerges clearly from the hierarchy of regional areas receiving special treatment, including:

1.) Development Areas: Scotland, Wales, North of England, S.W. England
2.) Special Development Areas: Newcastle, Cardiff, Glasgow and Clydeside, etc.
3.) Intermediate Areas: Midlands, Leeds-Manchester
4.) Derelict Land Clearance Areas: Nottingham and vicinity.

Taken together, these are known as the Assisted Areas.

Planning for regional development in Great Britain is accomplished at three levels, national, regional, and local. The structure of planning agencies at the regional level involves 8 economic planning regions. In each region there are:

1. Economic Planning Councils

   These typically involve some 30 members, appointed by the Secretary of State for the Environment and including representatives of industry, labor, local government, universities, etc. Their functions are advisory only.

2. Economic Planning Boards

   These are made up of senior regional officials of the Government Departments involved in planning. They are salaried professional civil servants.

These regional planning councils and boards are the middle level in a three-level structure for regional development planning. Above them is the national government, which sets national goals and strategies. Below them are the local authorities, especially the county and county borough councils, which actually carry out most of the planning work. The middle or regional level is thus advisory only. There are only two levels of executive authority; the national government, and the local authorities.

Regional development planning in Great Britain has also been significantly influenced by the special planning of "New Towns". As developed at the end of World War II, the new towns were designed to relieve population congestion, and take the "overspill" of urban expansion, especially from London.

After the development of some 28 new towns (23 in England and Wales, 5 in Scotland), it is now clear that they serve several functions besides relieving population congestion. Perhaps their most important function has been to focus industrial growth plans in areas that might have been unable to attract industry without a new town to dramatize planning.

One clear lesson from the British history of regional development planning is that it is not enough to encourage development in the Assisted Areas. In British experience, it has also been necessary to discourage development in prosperous but congested areas. This has been done sine 1945 by the requirement that every industrialist wanting to locate a new industry or expand an old one above a certain size must first get an "Industrial Development Certificate" (IDC). These are not required in the Development Areas, but are examined closely before being granted in congested areas. The industrialist must prove conclusively that he cannot locate in one of the Assisted Areas, before an IDC is issued.

It is instructive to pause at this point and draw a parallel between Western Europe and Minnesota. We too have a two-fold problem of lagging agricultural regions, and distressed industrial regions.

As in Europe, the clearest definition of regional differences is in terms of income levels and unemployment rates. We have experienced

competitive over-bidding by units of government in offering subsidies to attract new industries. We have paralleled the British experience, in that it has been relatively more difficult to get people to move out of lagging industrial regions than to get them to leave lagging agricultural regions. This may be a reflection of the greater ability of labor and industry in an industrial society to secure subsidies and market advantages enabling outmoded industry to survive longer than outmoded agriculture.

In a broad sense, the following tools or measures have been used in Great Britain to promote regional development:

I. Credit policy:

1. Subsidized interest rates
2. Soft loans
3. Deferred payment on principal

II. Grants for infrastructure:

1. Education
2. Health
3. Welfare
4. Retraining
5. Early retirement
6. Roads and transport
7. Environmental protection
8. Land and water development

III. Investment and industrial incentives

1. Regional development grants (20% or 22% of the cost of plant, machinery and buildings is available in the form of an outright grant in development areas, for example)
2. Selective financial assistance through loans
3. Regional employment premiums of £1.50 per week for each man employed in a manufacturing establishment.
4. Government factories for rent or sale.
5. Training assistance for on-the-job training.

6. Rehousing grants to encourage labor mobility.

The British and continental experiences also point up clearly that in practice, regional policy may mean two things:

1.) The development of special, differentiated policies for geographic regions

2.) The decentralization to a regional level of administration of national policies applying to all regions but previously administered from the center or national government. It may also refer to the grouping at a regional level of policies and programs previously administered at a local level. In short, a change in the geographic scale at which general governmental policies are carried out.

In addition to this distinction a recent survey of regional policies by the OECD adds the following broad distinction among problem areas in terms of areas that are:[1/]

1) Underdeveloped

2) Undeveloped

3) Reconversion areas

Still another distinction is that between "problem"regions and "solution" regions, i.e. regions in which the development potential exceeds the take-off threshold and measures have a chance to generate self-sustaining development.

A special problem of France is created by the concentration of wealth and employment in the Paris region.

	Percent of Total (Mid-1960's)	
	Population	Area
Paris region	19	2
West of France	37	56

The OECD study stresses a special problem in the Southwest of France

1/ The Regional Factor in Economic Development, Policies in Fifteen Industrialized Countries, OECD, Paris, 1970.

where industrialization began to decline before it had reached its full potential.

The broad regional policy objective in France is to stimulate potential development rather than simply to assist backward or deteriorating areas.

One major objective is to reduce the rate of growth in the Paris region. Another is to increase industrial employment in the West, and modernize its agriculture.

A third is to promote "off-setting" or "balancing" cities (métropoles d'équilibre) to counter-balance Paris. Eight cities have been designated, around the country.

The fourth objective is to redevelop the Eastern parts of the country where industry is older, and where the impact of wars has been greater.

France provides a good illustration of the twin problems of reducing the dominance of the metropolitan area through decentralization policies while at the same time an effort is being made to group local units of administration into more viable primary units. Regional policy thus means both decentralization and consolidation.

The principal tool for the implementation of relocation policy is the allocation of public investment, rather than through grants or credits to the private sector. Growing stress is placed on the tertiary or service sectors. Policies in France are designed to retain the population of working age (prevent out migration) by providing the necessary complement of jobs in service sector activities. The provision of industrial jobs, in short, is not enough.

To do this there are location bonuses or premiums of from 5 to 20% of the investment needed to establish tertiary or service sector enterprises that will provide permanent employment for at least 100 people (50 for design and research services), outside the Paris region and in designated regional centers.

One problem of regional policy can be illustrated by a comparison of attitudes toward regional specialization. In Italy since 1966 a major effort has been made to develop an integrated industrial complex based on a huge new steel center in the South, at Taranto. In France, government investment policy has consciously guided the concentration of the aeronautical industry around Toulouse, in the Southwest. More recently, a massive industrial concentration has been initiated at Fos-sur-Mer near Marseilles, focused heavily on petroleum and steel.

These examples of regional specialization involve areas that were undeveloped industrially, or with relatively little industry. A major goal has been to promote a scale of development that would generate external economies through the planned integration of inter-industry relations. By-products of one industry could become the primary inputs of other industries. Research and educational institutions could serve a variety of employers. And perhaps most important, the costs of the infrastructure of utilities, transport, and social and civic services could be spread over many industries. This has been quite different from older examples of regional specialization focused on one or at most a few industries, and deficient in the attention paid to education and the infrastructure.

In contrast, and due to its longer history of industrialization, the United Kingdom has had too much infrastructure, of the wrong kind, in some of its areas now receiving regional development attention.

It is instructive to note that both of these problem situations can be found in Minnesota. In some parts of the state the task is to create a new infrastructure that can serve integrated industrial complexes. In other areas, e.g. the Iron Range, an outmoded infrastructure may have retarded labor mobility and the attraction of a better mix of industrial investments.

The participation of central governments in European regional development policies has been large, and often direct. The location of public investments has usually been the first tool to be used to promote development. Roads, schools, universities, military installations, ports, and government-owned industrial plants are prominent examples.

In the European setting, this is a more important tool than has been the case in the United States. Most of the steel industry is nationalized in the United Kingdom, and is heavily influenced by governmental policy in France and Italy. Posts, telephone, telegraph and railways are nationalized, and school systems are creatures of central governments. This places a major part of regional investment potential under the direct authority of the national capitols.

A second major type of direct guidance involves outright grants and subsidized credit. Reference has been made above to the grants given in the United Kingdom to industries locating in development areas. In France, an industrial grant system set up in 1964 provided for an elaborate structure of outright grants to new industries, ranging from 6 to 25 percent of the cost of establishment, depending on the region, and the degree of reconversion involved.

More recently, a flat rate of 25 percent has been set for grants to promote the establishment of new industries, and 20 per cent for the expansion of existing ones, in the regional capitols, in mining and steel areas, and in frontier regions. Outside these areas, the rates are 15 percent for new establishments and 12 percent for expansion, in the intermediate development areas. In the rest of the country outside of Paris the rate is a flat 12 percent of the investment outlay.

These systems of development grants have caused concern in the European Economic Community (the Common Market). As economic integration progresses, national governments are prone to engage in the type of competitive bidding for industries that we have seen in the United States between towns and cities. Who can give the biggest subsidy becomes a determinant of industrial location, often in defiance of economic logic or long term growth prospects.

This fear led the EEC to an agreement in 1971 on a limit to investment incentives of 20 per cent of the cash value (after tax) of any given investment. This 20 per cent maximum was designed to achieve two goals:

1.) Stop national governments from competitive over-bidding in trying to attract investments from international companies.

2.) Reduce the competitive advantage of rich regions by limiting the investment incentives they can offer.[2/]

Unless some limitation on grants and subsidies is enforced, there is great danger that regional policies designed to aid lagging regions will result in rich regions growing richer and poor regions remaining poor.

The EEC has been slow in developing a regional policy, reflecting the great differences in national policies among member countries. Within the administrative structure of the EEC, the concept of a region varies, and depends upon the agency involved. Three agencies of the EEC are focused on regional considerations:

1.) The European Investment Bank, which behaves like a bank, and has confined itself to "sound loans".

2.) The FEOGA, or European Guidance and Guaranty Fund, which receives applications from national governments, and has not had enough qualifying applications to exhaust its budget of 285 million Units of Account ("Gold dollars").

3.) The European Social Fund, organized in 1972 and just getting under way.

The Social Fund is focused primarily on rural areas, which will be defined according to the following criteria:

1.) A higher than average proportion of agricultural employment

2.) A lower than average proportion of industrial employment

3.) A lower than average per capita income

As presently planned, the Social Fund will budget 1500 Units of Account per farmer in the regions selected according to the criteria above. But there is as yet no agreement on how this money will be spent. Among the possibilities, two have been the focus of most discussion:

1.) Give it to the individuals, to be used exclusively for job training

2.) Give it to industrialists as a subsidy per job created, to encourage the creation of more industrial jobs in the region.

2/ "A European Regional Policy", The Economist, June 3, 1972, p. 71.

From this brief survey we can note some common themes that unite discussions of regional development in Western Europe and the United States:

1.) A preoccupation with industrialization as a solution to regional problems. This involves several misconceptions. It downgrades service jobs, which are often professional and well paid. It also downgrades agriculture, and ignores the fact that value added per man-year in agriculture is frequently above that in industry.

2.) A tendency to focus on lagging rural areas, at the outer margins of cultivation, to the neglect of depressed rural areas in or near major industrializing regions.

There are also major differences between Western Europe and the United States in the fundamental assumptions on which plans for regional development are based. In the United States, there is still a presumption in favor of moving people to jobs. In Europe, there is a greater willingness to incur the expense required to move jobs to people. These differences are closely related to housing policy, and to the "mobility preference" of different peoples. Rent controls, subsidized housing, and very high land prices have combined in some European countries to reduce the possibilities of adjustment through labor force mobility.

What are some of the lessons for Minnesota from the European experience in planning to promote regional development?

After the second world war and throughout the 1950's, it was assumed that if you invested enough in the infrastructure -- in schools, roads, ports, industrial estates, health services -- you would achieve industrialization. The businessmen would follow.

Italian experience in the South, French experience in the West, and British experience in the North and in Scotland all confirm the same lesson: Investment in infrastructure alone is not enough. The great need is for coordination, and for planning to achieve reenforcement of complementary investments. The investment in education may be disastrous if there is no parallel investment in the creation of new jobs. New hospitals and clinics will stand idle if there are no trained staffs willing to work in rural and depressed areas. New roads can take people

out of a region as easily as they bring new industries in.

Another lesson concerns the importance of a critical mass of resources and leadership. Regions can be under-age, or the proper age. They can be too small, or the right size. Nothing will destroy a regionalization effort quicker than to place responsibilities on a region that are too much for its strength and too soon for its stage of maturity.

A more fundamental lesson from the European experience is that economic growth is no longer accepted as the single relevant criterion of regional development. The content of growth is now more important than the rate of growth. There is a sharply defined conflict between measurable growth and non-quantifiable development.

It is also increasingly clear that you cannot make the regions richer by making the central cities poorer. Making London, Paris, or Rome poorer does little or nothing to boost the regions. Decentralizing the powers of the central city is no longer an adequate regional goal.

And finally, there needs to be constant communication between the central government and the regions. The populations of the regions must be involved in the development of regional plans, and not just in carrying them out. But if this consultation is simply to "sell" the plan in a public relations sense, then the reaction may be disastrous for the successful implementation of regional policies.