

Theories of Local Economic Development

Linking Theory to Practice

Edited by

James E. Rowe

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Linking Theory to Practice

Edited by
JAMES E. ROWE
University of Auckland, New Zealand



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To my parents
Lester J. and Dorothy R. Rowe

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Foreword

It's been 15 years since *Theories of Economic Development: Perspectives from Across the Disciplines* was published in 1993, and in that time span the world and the economic development profession have experienced tremendous change. Globalisation has presented a myriad of opportunities as well as obstacles to communities throughout the world, and as economic developers strive to improve the local and regional economies in which we operate, we are being forced to swiftly reinvent ourselves, keeping pace with the social, economic, and technological transformations that are altering our local business landscapes.

In the wake of globalisation and more than halfway through the first decade of the 21st century, the economic development profession has hit a critical juncture. With new rules and expectations, economic developers impulsively endeavour to become experts on issues of technology and entrepreneurship, developing local strategies to retain and expand business already in the region, rather than focusing on attracting new firms. All at once, our local businesses needed to become competitive in the global market, and we are courageously stepping ahead, dealing with the circumstances set before us, often without a clear route in place; however, in today's volatile economic environment, drawing from the old stockpiles of experience has not always fit.

The economic developer has been facing a quandary whereby the old methods may not be working, but new schemes have yet to be cohesively established. And while academics may eloquently explain how to achieve a certain result, the fact is that we are finding ourselves with a huge gap between economic development theory and practice, which is challenging our discipline as much as the market forces.

We have anxiously awaited the advent of a theoretic framework outlining the economic development practice and remedies on how to solve practical issues of this century, and now we have it. James Rowe's *Theories of Local Economic Development: Linking Theory to Practice* has filled the chasm. The book updates theories beyond concepts and defines the economic development profession, examining issues that economic development professionals around the world encounter day to day, proposing a link between theory and practice and ultimately offering a way forward.

With over 30 years in the economic development field, with experiences ranging from the US to Asia to New Zealand, James Rowe is in an exceptional position to edit this book, which includes insight from economic development icons such as Edward J. Blakely, Michael I. Luger and Roger Stough, to name a few. I applaud his efforts to bring this book to fruition at such a crucial time and consider it to be a

valuable reference to economic developers worldwide. For all who struggle daily to make a positive impact on our localities and improve the wealth and quality of life in our communities, this is the book we have been waiting for. I wish all the best to James and thank him for this timely piece of work.

Jeffrey A. Finkle, President and CEO
International Economic Development Council

Preface

The need for this book became apparent during my research into alternative frameworks for understanding local economic development (Rowe, 2008). My research quickly led to Bingham and Mier's (1993) *Theories of Local Economic Development: Perspectives from Across the Disciplines*. This seminal publication was the first serious attempt to assemble a "practical framework for using theory in local economic development" (Bingham and Mier, 1993, p. xvi). This book is an update on their research and reflects my lifetime of working as an economic development practitioner.

I was first introduced to local and regional economic development when I accepted a position as an economic planner in Marion, Virginia, US in 1975. Despite being armed with a strong background in geography and a new master's degree in urban and regional planning from the University of Tennessee, I soon discovered that my knowledge and understanding of economic development was fundamentally lacking. In order to address my limited academic training in economic development, I joined and became an active member of the American Industrial Development Council. This body has since merged with the Council for Urban Economic Development to form the International Economic Development Council (IEDC).¹ I also completed the Basic Industrial Development Course (BIDC) at the University of North Carolina in 1976 and the Industrial Development Institute (IDI) at the University of Oklahoma in 1979. At the time, I thought that an understanding of basic economic geography and general planning principles were enough to conquer the discipline (and in that time period, it apparently was). From Virginia, I managed to gradually move up to management positions in various local government and regional economic development promotion organisations in five different countries.

During this odyssey of personal development I have become increasingly aware that I and other economic developer practitioners operate without a core theoretical frame of reference. On reflection, I was fortunate to be able to attend BIDC in Chapel Hill, North Carolina under the leadership of the late Barry Moriarty. Moriarty, being a good economic geographer, included several sessions on location theory in the programme. In contrast, the Oklahoma programme was a hands-on training course on how to be a practitioner. The key text for the course was Howard Bessire's (1970), *The Practice of Industrial Development*. Bessire's book and the

1 The Economic Development Association of New Zealand (EDANZ) has recently established a College of Practitioners and a professional certification programme that is recognised by the IEDC.

three-year programme were devoid of theory. Three decades later, when designing my research proposal for my thesis, I soon came to the conclusion that I have been operating for my entire career without a sound theoretical understanding of the discipline. This book is an attempt to fill the theoretical vacuum that constitutes the practice of local economic development.

Book Layout and Content

The book is divided into four parts. The first part introduces the book and the reasons why the discipline lacks a coherent theoretical framework for understanding the practice of local economic development. It continues by arguing for the necessity of linking theory to practice. It should be noted that the terms local and regional are often used interchangeably throughout the book.

Part 2 describes and defines the discipline through the eyes of Mark M. Miller, Ed Blakely and Andrew Beer from a regional and a local perspective. Most people would agree that the discipline is diverse, practitioners come from a variety of backgrounds and the field comprises many different activities. Miller's chapter provides a good introduction to the discipline by relating his experiences and views of the field as an academic and a practitioner. As his title suggests and this book will substantiate, despite 80 years of searching, no definitive all encompassing theory of local or regional economic development has emerged. Miller's reference to Ed Blakely's role as Director of Recovery for the City of New Orleans is especially pertinent because it illustrates where economic development theory is hitting the coalface of practice. In the Chapter 3, Blakely builds upon his interim role in New Orleans by defining the practice of local economic development from an historical perspective by focusing on the development of a strategic model for inner city economic development policy. In essence, Blakely argues for a locally based and controlled process that enables everyone to benefit from economic development. The final chapter in the section describes the theory and practice of developing locally. Andrew Beer's chapter is especially valuable because it examines the contributions of Michael Porter and Richard Florida and relates their theories to three case studies. Porter's and Florida's research on competitive advantage and creative cities have probably been the most significant new theoretical contribution to the discipline in the last 15 years. These three chapters together provide an excellent introduction to the discipline and sets the stage for an examination of the key theoretical concepts that underpins the practice of local economic development.

The numerous theories that are applicable to the profession are presented in Part 3. These nine chapters examine the traditional theories derived from across the complimentary disciplines of geography, economics, planning and regional science. The first five chapters can be classified as location and space theories. It is essential that every practitioner understands the forces of globalisation, the concepts of competitive advantage and the basics of location and cluster theories.

One also has to be able to apply research methodologies in order to assess their respective areas before drafting an economic development strategy. An understanding of globalisation and the fundamentals of competitive advantage are necessary for theorising local economic development because they directly influence corporate location decisions. A local economic development practitioner needs to grasp these essential concepts in order to influence, develop and adopt a strategy that is specifically designed for his or her local area. In Chapter 5, Richard Le Heron investigates the tensions between economic processes and institutional arrangements created by globalisation. He also traces the theory underpinning globalisation from Keynesian and the neoclassical political economic thought to Dicken's, Swyngedouw's and Amin's research on the capitalist crises and restructuring processes. Le Heron concludes by introducing the movement towards and the need for a poststructuralist interpretation of the globalisation process.

In my opinion; the most important task of an economic development practitioner is to enhance the competitive advantages of his or her area (Rowe, 2005, p. 1). In Chapter 6, Michael Luger introduces the fundamental concept of competitive advantage and explains why it is so important to the discipline. In a similar vein, since economic development is primarily concerned with the location of economic activity, an understanding of the fundamentals of location theory is as pertinent today as it was when I was entering the profession in the mid-1970s. In Chapter 7, Philip McCann presents a concise overview of the historical development of location theory by investigating the three major streams of research and how they interrelate. The first stream of location theory was developed out of the *regional science and urban economics* tradition, the second stream emerged out of a fusion of traditional *economic geography* and the *business and management* theory, and the third stream developed out of *trade theory*. This leads into the next chapter on the theory behind clusters. Perry expands McCann's introduction of agglomeration theories in order to explain the popularity of clusters and why they are not the panacea many commentators claim. In Chapter 9, Bob Stimson and Roger Stough investigate the theoretical shift from exogenous to endogenous factors. The two regional scientists go on to present a new model for conceptualising regional economic development and conclude by proposing a potential new paradigm for endogenous regional development planning.

The next four chapters include elements of labour, capital, political and social theories. In Chapter 10, Paul Dalziel and his colleagues investigate the importance of a research university to a community. It is generally agreed that creating a culture of entrepreneurship is a fundamental prerequisite for successful local economic development. Because it is such an important concept, I selected the most appropriate research on the topic and chose to include it as the only previously published research in this book. Luke Pittaway's chapter on the contending theories of entrepreneurship offers an excellent introduction to the numerous theories and philosophies of this growing subdiscipline. In Chapter 12, Harvey Goldstein discusses the interface between the theory of technology-based

economic development and the practice. In Chapter 13, John Blair and Michael Carroll provide an overview of social capital and why it is important to local economic development. Their research supports Ed Blakely's earlier discussions in Chapter 3 of social capital and how to maximise its potential.

Part 4, the concluding section, will examine the importance of metaphors and introduce a poststructuralist alternative theoretical framework for understanding the practice of local economic development. Michael Gunder, one of the world's leading planning theorists, introduces poststructuralist theorising in Chapter 14 by examining the economic perspectives of a city or region created through globalisation. New insights can be garnered by comparing Gunder's discussion of Porter and Florida's theoretical contributions from a Lacanian perspective compared to Andrew Beer's in Chapter 4. In Chapter 15, I expand Bingham and Mier's commentary on metaphors and present the case for employing poststructural methodologies for developing new insights into the discipline.

In Chapter 16, I also introduce Deleuzian philosophy as an economic development concept. Gilles Deleuze (1925–1995) was one of the most influential philosophers of his time (Badiou, 2000, p. 97). Michel Foucault once remarked that the 21st century may become known as Deleuzian (Buchanan, 1999b, p. 1). Foucault was predicting that Deleuze's work would steadily grow in significance across a variety of fields and his work is especially noted in trans-or interdisciplinary work where theoretical innovation is often regarded as an end itself (Tormey, 2005, p. 415). Deleuze (with Guattari, 1994, p. 28), when discussing his place among the great philosophers, once stated that "is it to repeat what they said or to do what they did, that is, create concepts for problems that necessarily change?" and most commentators would agree that economic development is constantly changing. Since Deleuzian ideas, concepts and the terminologies are difficult to understand, I have also included an appendix of key terms. Finally in the concluding chapter, I offer a pathway towards developing an alternative theoretical framework for understanding the practice of local economic development.

This book has been written for the purpose of reviewing the changes that have occurred since Bingham and Mier's collaborative effort 15 years ago as it relates to a rapidly changing discipline. In the opening pages of the introduction, I assert that the discipline lacks theory. As can be seen by the table of contents, there are many theories that relate to and impacts on local economic development, but none that explicitly provides a framework for understanding the complex relationships that comprise this interdisciplinary field of endeavour. The purpose of this book is to fill that gap.

This book is designed for academics and practitioners seeking to understand the theory that informs the practice of local and regional economic development. It is intended for anyone involved in economic development and those seeking a realistic and understandable introduction to the theory that underpins the practice. The book is intended as the main text for a course in economic development theory and as a reader for courses in economic and community development, urban and regional planning, resource management or regional economics. It should be

of interest to those concerned with the application of theory to practice and the development of alternative theoretical frameworks.

James E. Rowe
Manukau, New Zealand, 2008

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Contents

<i>List of Figures</i>	vii
<i>List of Tables</i>	ix
<i>Notes on Contributors</i>	xi
<i>Foreword – Jeffrey A. Finkle</i>	xiii
<i>Preface</i>	xv
<i>Acknowledgements</i>	xxi

PART 1: INTRODUCTION

1	The Importance of Theory: Linking Theory to Practice <i>James E. Rowe</i>	3
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PART 2: DEFINING THE DISCIPLINE

2	Theory and Practice in Economic Development: Eighty Entangled Years in Search of Panacea <i>Mark Miller</i>	31
3	The Evolution of American (Spatial) Local and Regional Economic Development Policy and Planning <i>Edward J. Blakely</i>	39
4	The Theory and Practice of Developing Locally <i>Andrew Beer</i>	63

PART 3: THEORETICAL CONCEPTS

5	‘Globalisation’ and ‘Local Economic Development’ in a Globalising World: Critical Reflections on the Theory-Practice Relation <i>Richard Le Heron</i>	93
6	Configuring to be Globally Competitive <i>Michael I. Luger</i>	113
7	Location Theory <i>Philip McCann</i>	127

8	The Theory Behind Business Clusters <i>Martin Perry</i>	145
9	Regional Economic Development Methods and Analysis: Linking Theory to Practice <i>Robert Stimson and Roger R. Stough</i>	169
10	The Role of Universities in Theories of Regional Development <i>Paul Dalziel, Caroline Saunders and William Kaye-Blake</i>	193
11	Philosophies in Entrepreneurship: A Focus on Economic Theories <i>Luke Pittaway</i>	213
12	Theory and Practice of Technology-based Economic Development <i>Harvey A. Goldstein</i>	237
13	Social Capital in Local Economic Development <i>John P. Blair and Michael Carroll</i>	265
PART 4: THEORETICAL FRAMEWORKS		
14	Imperatives of Enjoyment: Economic Development under Globalisation <i>Michael Gunder</i>	285
15	Moving the Discipline Beyond Metaphors <i>James E. Rowe</i>	301
16	Towards an Alternative Theoretical Framework for Understanding Local Economic Development <i>James E. Rowe</i>	329
	<i>Appendix I</i>	355
	<i>Appendix II</i>	363
	<i>Appendix III</i>	365
	<i>Index</i>	367

List of Figures

2.1	The relationship between theory and practice	34
3.1	Urban restructive model	45
3.2	Apartheid race-space model	46
3.3	The underclass pathology model	48
3.4	Urban competitive market	51
3.5	Global city competitive market model	56
9.1	Changing focus for economic development policy and planning strategy	172
9.2	A new model framework for the regional economic development process	183
9.3	The steps involved in implementing the new framework for regional economic development planning strategy	189
11.1	Four paradigms of social scientific research	214
11.2	The dichotomous nature of the Burrell and Morgan continua	219
16.1	A tangle of rhizomes	335
16.2	Tree structure of knowledge	336