Competition of Places: What it means to Regional Development Policy

RENÁTA JEŽKOVÁ
Bratislava University of Law
Faculty of Economy and Business
Tematínska 10, 851 05 Bratislava
Slovak Republic
renata.jezkova@uninova.sk

Abstract

The term "competitiveness" is far from straightforward and has been used in many different ways and contexts. The extension of the competitiveness concept to the regional level is recent, but is having a major influence on the direction of policy, i.e. the basis for sustainable growth in modern economies. The realization that places compete for investment has expanded in recent years to encompass competition among places for the attention of migrants, tourists and media glow as well as investment. The most competitive places have been multidimensional in their attractions and have made the transition to the knowledge-based economy. The latest priority is being on attracting mobile workers and mobile investment. Creative workers are the core of the knowledge economy and of its geographies such as "intelligent places" and "learning regions". Lists or league tables of "the best places" for business, to live, retire and visit are key features of economies and societies whose factors of success are highly mobile. Competition in a geographical context and enterpreneurial responses are unlikely to go away, reinforced by an industry comprised of consultancies, the trade press, formal education and other means of learning. Consequently, policy-makers need to grasp the nature of place competition and the critical roles of knowledge and of networks in the strategies of the most competitive places.

Key words: Competition, Competitiveness, Regional Development, Places, Policy

1 Introduction

Since the mid-1970s, a higher degree of competition among countries has been evident. Shifting fortunes and the rise of Japan prompted widespread reappraisal of relative national ability, particularly in high-technology industries, including a series of over 30 sector-specific studies by the International Trade Administration, US Department of Commerce. Since 1990, the perception is widespread that Europe, Japan (including other Asian countries such as China) and the USA are competing in the global marketplace [1], [2], [3], [4].

Despite the common use of the term „competitiveness“, countries do not compete with each other the way corporations do. In this case CAMAGNI [5] makes two important conclusions. First, regions unlike nations more or less can go out of business, becoming so depleted by outmigration that they are at a long-run competitive advantage. Regions and localities do compete for investment, as the chosen location of workers and as the destination of tourists - all of which will be made in some places and not in others. According to LEVER and TUROK [6, p.792], „cities and other places compete with one another in many different forms – some direct head-to-head competition for particular projects or events; others more indirect, subtle and incremental in nature“. Second, the basis for competitiveness at the regional scale is one of absolute, rathewr than comparative, advantages. Camagni also focuses on non-price competitiveness and draws on the work of COOKE and MORGAN [7] and of PORTER [8], [9] to explain the absolute advantages of human capital and infrastructure, which can be measured to some extent, and intangible advantages such as social and relational capital, cooperation, collective learning and untraded interdependencies, which almost certainly cannot be measured.
Competition among places involves more than marketing; it involves the enhacement or improvement in the attributes that make it possible to attract and keep investment and migrants – that is, to become „sticky places“ [10].

2 Competitiveness and international ranking

Whether or not nations can or do compete, their competitiveness can be measured.Two competing groups provide annual ranking of national economies based on measures of competitiveness. The first, the WORLD ECONOMIC FORUM´s [11] Global Competitiveness Programme, since 1979 has published annual competitivenes reports covering the major esonomies of the world, now 80 countries. The WEF hypes its Global Competitiveness Report (GSR) as the most authoritative and comprehensive assessment of the comparative strengths and weaknesses of national economies around the world [11, p.1]. Specific dimensions of competitiveness are also the focus of some other separate reports. All of the WEF reports now centre on country ranking or „league tables“ on two dimensions of competitiveness: growth competitiveness, or prospects for the next 5-8 years, and microeconomic competitivenes, which refers to a country´s effective use of its current stock of resources, based on the four elements of PORTER´s [8] „diamond“ framework. Growth competitiveness includes three component indices: (1) technology, (2) public institutions and (3) macroeconomic environment, and the indices themselves have subindices.
The WEF has a competitor in the productin of annual competitiveness rankings. Since 1989, the International Institute for Management Development has produced a direct competitor to the GCR, the World Competitiveness Yearbook (WCY). Both annual reports include „hard data“ and data from surveys of executives. The WCY analyses a large number (314) of different criteria, grouped into four „competitiveness factors“: economic performance, government efficiency, business efficiency and infrastructure [12]. The 2003 edition for the first time includes regional economies – e.g. Bavaria (Germany), California (USA), Catalonia (Spain) – separately from their national economies. Both the GCR and the WCY have added items related to technology and infrastructure in recent years. Analyses of the high-technology competitiveness of countries suggest that inputs and outputs can be tracked over the long term, with predictive power [9].
However, a concept of systemic competitiveness [13] suggests that sustained industrial competitiveness rests not only on firms´ capabilities (the micro-level) on a stable economic framework (the macro-level), but also on the meso level (specialised institutions and targeted policies) and the meta-level (governance structures that facilitate problem-solving between state and societal actors). Some aspects of institutions are found in both the GCR and the

WCY, but the micro, macro, meso, meta levels of the systemic competitiveness approach envisions institutions as more than merely variables in a large empirical analysis.

The low road of regional competition

The WCY is the first of the global rankings to examine several regional economies, despite the presence among the GCR team of Porter, who has recognized regional clusters as the heart of national competitiveness since 1990. The European Commission also assessed regional competitiveness at the same time, identifying several factors as most important to regional economies: proximity to markets, the communication system, financial institutions and product life-cycle stage [14]. This list goes a step beyond traditional, cost-based factors that lead to low-road, race-to-the-bottom, policies.

As for the United States, competition on the basis of low wages, docile labour and low taxes, which perpetuate an inability to upgrade to an economic base of higher skill and higher wages, had been common for this country , especially for its south part, since the 1930s [15]. Competition among regions of the low-road variety, unfortunately, has not died out, especially among regions desperate to land scarce mobile investment such as auto assembly plants.

„Smokestack chasing“ was thought to have died out, replaced by third- and fourth-wave „enterpreneurial“ policies in cities and regions [16]. Supply-side policies to attract business were supplemented by demand-side policies aimed at the rentation of existing business and, to a lesser degree, by policies to support the creation of new firms and the expansion of existing business [17]. However, it is clear that low-road competition still exists [18].

Local economic development practitioners continue to focus on traditional location factors such as land, labour, capital, infrastructure and location. Only after those are softer intangible factors considered: institutional capacity, business culture, community identity and image, and quality of life. Knowledge and technology lie in between, but behind traditional factors.

Particularly striking are the similarities in the images projected by cities as they compete for business investment, shoppers, tourists and new residents. Places not only can be sold, but also the „place product“ can be branded, launched and repositioned for the appropriate demographic segments. Worse is the fact that the economics of urban redevelopment projects are so flawed that cities face the possibility of being caught in a vicious cycle of having to provide larger subsidies to finance projects that deliver even fewer public benefits. So why do places compete if the benefits are so few and uncertain? Because „all places are in trouble, but some are more in trouble than others“ [19, p.3].

The speculative or enterpreneurial qualities of urban investments derive from inability to predict exactly which package will succeed in luring mobile production, financial and consumption flows. The inability to predict outcomes has led JESSOP and SUM [20, p.2290] to suggest five possible types of innovative urban forms and functions:

1. Introduction of new types of urban place or space for producing, servicing, working, consuming, living, etc. (e.g. technopoles, intelligent cities, cross-border cities, multicultural cities).
2. New methods of space or place production to create location-specific advantages for producing goods/services.
3. Opening new markets, including modifying the spatial division of consumption through enhancing the quality of life for residents, visitors (e.g. culture, entertainment).
4. Finding new sources of supply to enhance competitive advantages, such as new sources of immigration, new soures of funding from the central state, attracting inward investment or reskilling the workforce.

5. Refiguring or redefining the urban hierarchy and/or altering the place of a given city within it, such as world or global city position, regional gateways, cross-border regions and virtual regions.

While not a completely new phenomenon, place marketing has taken a larger importance as media outlets proliferate. Places see a need to advertise their attractions to target markets, such as visitors, residents, workers, business and industry. For each of these, a marketing programme can include creation of a positive image, developing attractions, improving local infrastructure and quality of life.

Beyond media attention and infrastructural improvements that can be touted to the media, part of urban competition is the compilation and distribution of information and data about a place. Internet websites are now the standard mode of such information, typically providing links to complete reports and documents that a decade ago would have been difficult if not impossible to find and distributed in very limited quantities. To compete, all places – large and small – must make the effort to prepare reports and other material to put on their websites; this is a relatively larger burden for small places. Some relation exists between country wealth and the size of city websides among 20 large cities, but there is no clear relation between city size and the structure or content of the website [21].

Tourism is an ill-defined sector that has risen in importance as both business tourism and leisure tourism have expanded greatly, sparking policies and building „urban entertainment amenities“ explicitly to attract visitors. Tremendous competition also has emerged for „hall-mark events“, such as blockbuster touring art exhibitions and periodic sporting events such as the Olympic Games and the Football World Cup. Such efforts, even if not successful, dirct media attention toward new symbols – of the „cultural capital“ in a post-modern city (Sydney, Australia) [22].

European cities are structurally unique, and the accumulation of cultural capital such as distinctive architecture is itself a tourist attraction.

The high road of regional competition: knowledge policies

Despite attempts by cities to be creative, innovative and intelligent, innovative regions are not found everywhere. Large cities in Europe´s core region [23] have much – but not all – of Europe´s innovative activity, Europe´s regions have originated in different ways: via top-down regionalization (as France) or bottom-up regionalism (as in Belgium and Spain). The top-down creations are less able to muster the assemblage of features common to „accomplished regional economies“; aglomeration economies, institutional learning, associative governance, proximity capital and interactive innovation [24].

It is easier, however, to create science parks and technopoles as symbols of local innovativeness than it is to create communication and technology transfer [25]. It seems to be as difficult, if not impossible, for regional leaders truly to „get it“ with regard to innovation as it is for them to understand the appeal of diversity [26]. LEITNER and SHEPPARD [27] fear that places that cannot attain hifh-road competitiveness automatically and instinctively tend to shift to low-road, low-wage strategy. In small communities, which often cannot afford the costly, highly visible projects of large cities „soft“ cultural and social variables matter most for regional development: institutions, leadership, culture, community.

3 Conclusion

All places must content with being ranked by external bodies (governmental, media or research organizations). Because the criteria used in each ranking are different, no place is

objectively „best“ or first in each league table. When ranking with annual updates, on the other hand, ranking inevitably show change rather than stability over time.
As research has proliferated on regional and local innovation systems and other territorial innovation models, serial replication of the high road policies that lead to learning regions and knowledge economies is recommended but hardly anticipated [24].A large number of the necessary ingredients cannot simply be imposed from the top down, but grow out of the region or community, and this can take a long time.
What does competition mean for policy? Competition has pushed local and regional policy toward the easy solution: homogenization of the „place product“ because the market is the same – globalized – set of investors, tourists, consumers.
To some degree, learning and external (even global) scanning are what „intelligent“ cities and regions are doing, addding to the list of tasks needed to keep up. Continual monitoring and periodic benchmarking of what „the competition“ is doing are demanded.
The challenge from competition can provide many opportunities for fruitless packaging and marketing of places as products.

Acknowledgements

The paper was partially supported by a grant from the Project of the Ministry for Regional Development of the Czech Republic No WD-19-07-1 Competitiveness of small towns in the Czech Republic.

References

[1] DE WOOT, P. (1990). High Technology Europe: Strategic Issues for Global Competitiveness. Basil Blackwell, Oxford.

[2] HART, J.A. (1992). Rival Capitalists: International Competitiveness in the United States, Japan, and Western Europe. Cornell University Press, Ithaca.

[3] JACQUEMIN, A. – PENCH, L.R. (1997). Europe Competing in the Global Economy. Edward Elgar, Cheltenham.

[4] STOPFORD, J. – STRANGE, S. (1991). Rival States, Rival Firms. Cambridge University Press, Cambridge.

[5] CAMAGNI, R. (2002b) On the concept of territorial competitiveness: sound or misleading?, Urban Studies 39, 2395-2411.

[6] LEVER, W.F. – TUROK, I. (1999). Competitive cities: introdution to the review, Urban Studies 36, 791 – 793

[7] COOKE, P. – MORGAN, K. (1998). The Associational Economy. Oxford University Press, Oxford.

[8] PORTER, M.E. (1990) The Competitive Advantage of Nations. Free Press, New York.

[9] PORTER, M.E. (2001). Regions and the new economies of competition, In: SCOTT, A.J. (Ed.) Global City-regions, pp. 139-157. Oxford University Press, Oxford.

[10] MARKUSEN, A. (1996). Sticky places in slippery space: a typology of industrial districts, Economic Geography 72, 293-313.

[11] WORLD ECONOMIC FORUM (2003). Global Competitiveness Report 2002-2003 (available at: http://www.weforum.org/site/homepublic.nsf/Content/ Global+Competitiveness+Programme%5CReports%5Cglobal+Competitiveness+Report+2002-2003).

[12] INTERNATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT. (2002). World Competitiveness Yearbook 2002. IMD, Lausanne (available at: http://www02.imd.ch/wcy/).

[13] BRADFORD, C. I. (1994). The new paradigm of systematic competitiveness: why it matters, what it means and implications for policy, In: BRADFORD, C.I. (Ed.). The new Paradigm of Systemic Competitiveness: TowardMore Integrated Policies in Latin America, pp. 41-65. Organization for Economic Co-operation and Development, Paris.

[14] NAM, C.W. – NERB, G. – RUSS, H. (1990). An Empirical Assessment of Factors Shaping Regional Competitiveness in Problem Regions. Main Report. Commission of the European Communities, Luxembourg.

[15] COBB, J.C. (1993). The selling of the South: The Southern Crusade for Industrial Development, 1936-1990, 2nd Edn. University of Illinois Press, Urbana.

[16] CLARKE, S.E. – GAILE, G.L. (1998). The Work of Cities. University of Minnesota Press, Minneapolis.

[17] EISLINGER, P.K. (1998). The Rise of the Enterpreneurial State: State and Local Economic Development Policy in the United States, University of Wisconsin Press, Madison.

[18] LEVINE, M.V. (1995). Globalization and wage polarization in U.S. and Canadian cities: does public policy make a difference?, In: GAPPERT, G. – KRESL, P.K. (Eds.) North American Cities and the Global Economy, pp. 89-111. Sage, Thousands Oaks.

[19] KOTLER et al. (1993). Marketing Places: Attracting Investment, Industry, and Tourism to Cities, States, and Nations. Free Press, New York.

[20] JESSOP, B. – SUM, N.L. (2000). An enterpreneurial city in action: Hong Kong´s emerging strategies in and for (inter)urban competition, Urban Studies 37, 2287-2313.

[21] URBAN, F. (2002). Small town, big webside? Cities and their representation on the Internet, Cities 19, 49-59.

[22] WAITT, G. (1999). Playing games with Sydney: marketing Sydney for the 2000 Olympics, Urban Studies 36, 1055-1077.

[23] NIJKAMP, P. (1993). Towards a network of regions: the united states of Europe, European Planning Studies 1, 149-168.

[24] COOKE, P. (2002). Knowledge Economies: Clusters, Learning and Cooperative Advantage. Routledge, London.

[25] KOMNINOS, P. (2002). Intelligent Cities: Innovation, Knowledge Systems and Digital Spaces. E & FN Spon, London.

[26] FLORIDA, R. (2002). The Rise of the Creative Class, and How Itś Transforming Work, Leisure, Community and Everyday Life. Basic Books, New York.

[27] LEITNER, H. – GARNER, M. (1998). The limits of local initiatives: a reassessment of urban enterpreneurialism for urban development, Urban Geography 14, 57-77.