



LOCAL GOVERNMENT  
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## Economic Development in Regions: a Global Perspective

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## Introduction

I have been asked to speak in the place of Professor Ed Blakely, one of the founders of the field of local economic development planning and a mentor and friend from work together in the USA and Australia.

I grew up in a local government family in Queensland, where my father was City Engineer in Bundaberg, Mackay and Toowoomba, so it is a special pleasure to be here. In those days engineers were the town planners too, setting out the infrastructure for regional development. The Coordinator-General was king, the envy of the other States. In some ways Queensland still is. But if Melbourne was once a good town to shoot a film about the end of the world, Townsville right now might be a good place to have a conference about the roller-coaster of regional economic development.<sup>1</sup> Speaking of Melbourne – someone told me not to mention the word ‘crocodile’ or ‘victory’ or ‘basketball’ in Townsville. So I haven’t.

Anyway, it’s time to take a fresh look at the field of regional economic development.

First, crises make us rethink. It isn’t true that the Chinese word for crisis, *weiji*, has the character for ‘opportunity’ in it – *ji* is more like ‘critical turning point’ – and we are definitely at one of those. All of us might see opportunities in our regions but it is a struggle to turn them into sustainable jobs and investment, and it will be harder in the future unless we have a good think about this turning point. The global financial crisis is restructuring industries around us; we’re seeing the full force of its creative destruction and not many of the buds of the new economy yet<sup>2</sup>. It would be futile to think our regional economic plans and programs can stay the same, such as we have them at all<sup>3</sup>. At least it’s good to see the House of Representatives

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<sup>1</sup> See John Black, 2009, ‘Beautiful one day, recessional the next’, *Financial Review* 24 Feb: 63.

Townsville’s unemployment rate doubled Dec 08 – Jan 09, ‘through the combination of the international fall in mineral prices and tourism, floods and dengue fever and now the collapse of Storm Financial...’

<sup>2</sup> Joseph A Schumpeter, 1975, *Capitalism, Socialism and Democracy*, New York: Harper.

<sup>3</sup> There are some good regional economic development plans about e.g. Sunshine Coast. See <http://www.noosa.qld.gov.au/AboutNoosa/documents/Sunshine%20Coast%20Regional%20Economic%20Development%20Strategy.pdf>

Standing Committee has launched an inquiry into the impact of the global financial crisis on regional Australia<sup>4</sup>.

Secondly, in any case, institutions of local governance are changing in big ways, not just from the local government reforms in Queensland<sup>5</sup>, all but done and dusted, nor as part of the Rudd government's new federalism and regional policies, still playing out<sup>6</sup>, but as part of a sea-change in regional governance around the world, towards more variety and autonomy and climbing onto the higher (if sometimes more esoteric) ground of serious economic policy.

Thirdly, and obviously, the world on which our economy depends – the 'natural economy' as Charles Darwin this year's 200 year birthday guest called it – is loudly telling us to think more about what sustainable regions might look like from now on and act soon, as it storms and floods your front yard and burns our back yard.

And out there in the international neighbourhood, for which Queensland is very much a front door, there is a world on the move, unprecedented population movements in flight from poverty and loss of livelihood, commanding new channels of financial flows, environmental refugees, people looking for economic opportunity.

Some of these movements are extraordinary and were not predicted – for example we are watching a big blockage of the tidal flow of urban workers from China's coastal cities, millions went back to their villages for new year and cannot return as there are no jobs in the coastal cities. Are their home regions resilient enough to absorb them again? Sometimes for poor people the old subsistence economy can be a regional buffer when new cash economies aren't. Or look at Eastern Europe now – regional economies in free fall and unravelling the banks of Austria and Italy.

I should like to have a look at what the practice of regional economic development planning is becoming in this emerging world, and what if anything that means for local government in

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<sup>4</sup> See <http://www.aph.gov.au/House/committee/itrdlg/financialcrisis/index.htm>

<sup>5</sup> See <http://www.localgovernment.qld.gov.au/LocalGovernment/StructuralReform.aspx>

<sup>6</sup> e.g. see <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/017.htm&pageID=&min=wms&Year=&DocType=0>

Queensland. You may see that some of the ideas are not really new at all, and that the roots of regional economic development planning lie in the regional crises of the past. We will look at a few of the parts, we won't be able to remap the field. Perhaps that's what Ed Blakely might have done.

Let's have a look at what I see emerging in each of these areas:

- Concepts of the region
- Strategies and tools for regional economic development
- Regional institutions including local government.
- Conclusions for regional economic development practice.

I know that you will say what you think through this conference, and I hope that together we can leave these few days with a sense of new directions and some new ideas – maybe even some hope and vigour.

## **Changing concepts of regions**

The region as a unit of political cohesion and economic policy has a long history, in Australia and elsewhere. We can think of these movements as *regionalism*, and the word conjures up cultural variety, dynamism, self-reliance and pushback against the nation state. But in my mind in Australia lately the word *region* itself is in danger of being put out to pasture with its 'rural' and 'remote' neighbours: marginal program beneficiaries of a metropolitan main game, even when showered with hurried largesse from the new regional development programs.

Economies work in regional dimensions that don't have urban/non-urban boundaries, and unless we reclaim the scope of our regions to embrace all kinds of settlements in areas, the whole economy including the metropolitan, regional economic development will be more about redistribution than about building the basis of wealth of our country. In any case we can expect to see local government directly or through regional organisations getting much more into economic development and including, I am sure, job creation. This conference is evidence of that.

Those from Queensland, with its continuing commitment to decentralisation, would appreciate that regional does not just mean non-urban: the state where the capital city has never established its primacy and never will, but also a State where the regional boom and bust cycle is now turning down with a vengeance<sup>7</sup>.

### ***Regionalism renewed***

The creation of new local government boundaries seems to some the obliteration of history, and I do recall Victoria's case where the breaking of old Labor Party municipal heartlands was an aim of the State government. In Queensland there is the capacity for newly formed local authorities to recommend renaming after a year, and modernisation of boundaries and functions surely was overdue.

The history of regional movements in Australia, whether new state movements like we see on occasion in north Queensland, or independence movements like WA, reminds us of different regional customs and culture, not as marked, perhaps, as in India or Europe, but diverse all the same. How true it is that one size should not fit all; that the focus that regional economic development takes institutionally, financially or otherwise, should be able to vary a lot.

### ***Big regions***

More and more, the geographic units of the world's economy are best understood as productive regions rather than nation-states, especially the big multi-jurisdiction regions like the Pearl River Delta, Kansai, and Cascadia.

If you haven't heard of the last one, it is an interesting example of regional development action across international boundaries – Seattle, Portland, Vancouver etc – their regional economy a big cluster of some of the most advanced economies of the world, hosting big global companies, ports, airports, universities and research clusters but paying a lot of attention to regional sustainability not as a fallback but as the next big thing, climate prosperity and

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<sup>7</sup> e.g. minerals, energy, tourism, financial services, flood disaster, on-again off-again infrastructure investment, service misfits etc.

appropriate technologies. I remember a dystopian novel set in this region as a secessionist state: *Ecotopia* it was called<sup>8</sup>.

I'm on an advisory board for RVu, a third-sector observatory for metro Vancouver, the keeper of the conscience of the government regional planners, and they get their ideas from, and in turn contribute, to like urban and regional observatories in the developing world.

You may think that big scale is not the scale we should be looking at, just as we should keep away from loose international meanings of 'regional' as in 'regional security agreements.' But in some cases we do need big agglomerations to keep pools of talent and business dynamism alive. The north Queensland tourism industry might be an example, a cluster of linked regional assets and ventures in north Queensland might well be something to discuss<sup>9</sup>.

### ***Splintered regions***

It is getting harder to define our regions because the long thin networks of trade, finance, information, migration, travel, remittances etc don't behave themselves on tidy regional maps, they have become more global though some say a recession is a pause, or a retreat from globalisation of the economy.

Already regions in Queensland are international – Cairns seems to be a PNG hub, the State health system is preparing for the effects of a typhoid epidemic in Daru just 12 km offshore from the border. In ways that expats like me now don't fully understand, Queensland is a Pacific State.

Regions are not so easily recognisable entities as the urban areas with which they overlap, except where they are provinces in their own right, and so the networks of sub-State exchange arrangements – e.g. UNGCCP, BPCN, Metropolis – are less obvious than all the sister-state

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<sup>8</sup> Callenbach, Ernest. 1975. *Ecotopia*. Berkeley, CA: Banyan Tree Books.

<sup>9</sup> For a discussion of clusters see Porter, Michael E. 1998. 'Clusters and the new economics of competition' Harvard Business Review Nov-Dec, and Porter, Michael E. 2000. 'Location, competition, and economic development: local clusters in a global economy' *Economic Development Quarterly* Feb, 14: 15-34

agreements and the promotional state offices competing with each other offshore. Through the tangled organisational undergrowth of regions, there are opportunities for one region to learn from another in the same way as cities do.

### ***Bioregions vs networked regions***

Real regional economies are disarticulated, broken up, not tidily nested in provincial or national jurisdictions. Online communities know no regional boundaries (though on-line organising can be a powerful force in regional movements). There are voices that say urban fragmentation can be good for us, that small systems and unconnected networks are more resilient to economic, social and environmental shocks than big integrated systems<sup>10</sup>. Think urban slum villages or package sewerage plants or corporate compounds with global reach.

However, on the whole, when it comes to defining regions, sustainability suggests we go the other way, essentially towards discrete catchments, as in total catchment management. Before we defined Australian government regions for the Whitlam government one or two years ago, we requested CSIRO to undertake the country's first biophysical regionalisation (if 'undertaking' is the right word to use for defining regional boundaries). The regions dramatically contrasted with those defined on the basis of socio-economic factors and telephone traffic, and as you know the story ended by the government accepting the pre-existing State regional boundaries anyway. The serious point here is that we have to try to steer regional development towards patterns that make sustainable regions biophysically, and relate in extremely fragmented forms to the world economy.

Local and regional agencies are dealing more around provincial governments rather than through them. One has only to look at the resurgence of direct Commonwealth grants to local government in Australia.<sup>11</sup> And as local authorities deal with financing development in more

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<sup>10</sup> e.g. Graham S and Marvin S, 2001: *Splintering Urbanism: Networked Infrastructures, Technological Mobilities and the Urban Condition*, London: Routledge.

<sup>11</sup> For the last financial year Commonwealth financial assistance grants to local government through the States were set to increase 4.3 percent, and specific purpose payments direct to local government 17.2 percent. See <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/014.htm&pageID=&min=wms&Year=&DocType=014/3/08>.

sophisticated ways, with private provision or public-private partnerships – their international exposure has grown mightily. One has only to think of Cairns, with successful private airport and dependence linked cities to the north.

We don't need to believe that the day of the nation state is over to see the massively greater roles played by non-state actors (companies, NGOs, social movements) in global governance. It is reasonable to expect somewhat 'denationalised' regions will also take part – e.g. in voluntary organisations contributing experts to emergency and development roles overseas. Sister cities and sister states are common forms of partnerships (typically government to government) but we may see transnational networks of regional organisations as see NGOs.

An example from the Western District of Victoria comes to mind, one that Paul Collits here is very familiar. Some years ago the region's leaders saw the economy was falling off the sheep's back and that the way to the future was through partnerships and familiarity with international business. Where could they meet young leaders from overseas? By bringing large numbers of international students for a time in the region with landcare projects, artists in residence, etc. The RICE program ('RMIT international community exchange') really took off in the region and with return visits overseas, with benefits through the whole community (if difficult to measure economically).

### ***Regions without borders***

The key factor or success in many regional economies is one of agglomeration, mutually-reinforcing linkages driving growth. These linkages are more than the supply chains of producing and distributing goods and services through networks of connections between establishments and through the input - output structure of the economy. Whether what we have been calling the global assembly line will now slow or reverse, or be reversed in the interests of sustainable self-reliance and protectionist practices, is too hard to day.

But never underestimate, in regions, the economic force of concentrations of particular know-how, pools of skilled labour, or groups of innovative companies distributed around universities and other knowledge-based institutions. By the way universities are not necessarily good for regional development: unless they are 'permeable' and engaged with business and the

community, and vice versa, the enclave mini-economy they make can drain resources and regional morale<sup>12</sup>. Typically the benefits of agglomeration and the formation of clusters is seen as an 'urban' phenomenon – the 'buzz' that comes from intense face-to-face contacts, the exchange of tacit, non-routine information, the movement of entrepreneurs and technologies from one firm to another. But the benefits of such concentrations can just as easily come from specialised mining skills retained in a region (rather than building up every boom and dispersing every bust) or the transfer of agricultural knowledge big enough to make a difference. There are many good examples of strong non-urban clusters and well-formulated methods to generate them<sup>13</sup>. But I politely reiterate: regions should not be defined as non-metropolitan places.

### ***The old regions***

Thinking of how cultures define some regions, it would be interesting to see indigenous peoples have accommodated themselves to the environment, and to each other, across Australia and in particular Queensland. Such regions may or may not be recognised by land claims, and the boundaries of formal councils were certainly part of the reorganisation. We may have something to learn from these regional distributions.

### ***Sustainable regions***

In the Queensland local government review one of the drivers of the Commission and of regional policy elsewhere now is to configure boundaries and develop processes and structures that represent the ecology of the region now or its sustainable economy in the future. I am reminded of this by the example of the Commonwealth regions, for which we commissioned from the CSIRO what is as far as I know Australia's first biophysical regionalisation of the country. But these regions, river catchments mainly, bore little relation to the socio-economic regionalisation that Monash University undertook, or nor, at the end of the task, the adoption

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<sup>12</sup> Organisation of Economic Cooperation and Development. 2001. *Cities and Regions in the New Learning Economy*, Paris: OECD

<sup>13</sup> Center for Regional Development, Purdue University, Indiana Business Research Center, Kelley School of Business, Indiana University Strategic Development Group, Inc. 2007. *Unlocking Rural Competitiveness: The Role of Regional Clusters*. Indiana: Purdue University.

by the Commonwealth, in the interests of diplomacy in the quasi-constitutional Commonwealth-State warfare of the early 1970s, of the prior boundaries of the States anyway. Knowledge of the best frameworks for regional economic development is not sufficient to bring them into being.

## **Strategies for regional economic development**

### ***Jobs and human capital***

### ***Leadership development***

### ***Investment in regional economic development planning***

### ***Learning regions and regions that learn***

Knowledge economy regions, seeing assets (esp. social capital) creative industries, not necessarily high tech, not necessarily Florida's creatives, Storper's buzz.

Much has been made of 'learning regions' in this regard. This can mean a number of things –for example regions that build social capital through widespread lifelong learning opportunities though learning centres for citizens – but here I mean regional institutions that consciously learn from one another, such as the Seattle Trade Development Agency. Tim Campbell has reviewed what makes successful urban regions for economic development, and it boils down to assembling a consistent regional leadership group over time that articulates and projects a vision, assembles resources sufficient to see implementation and may be backed up by an institutional base. Well-known examples include Bilbao. When you think about it, the institutionalised knowledge he is describing is not very different from the distributed know-how in a successful regional cluster. The research strategy at JCU is a good example of strategic choice of providing knowledge-based activities that currently and in the future provide a basis for the regional development for north Queensland.

## ***Climate prosperity***

### ***Towards resilience***

Resilience looks untidy. I have mentioned that tidy regional economies may not be the best ones. In city planning, the comprehensive idealist consensus of planning – compact urban form, denser new development, metro-wide systems, concentrated nodes – is to my mind in retreat, and the notion that resilient cities – capable of withstanding climate change, severe weather events, social breakdown, people movements etc – are perhaps fragmented, disarticulated, non-contiguous. Perhaps the same is true for regions: resilience in regional form, economic structure and even infrastructure provision may look untidy, incomplete, characterised by redundancy, experimentation, unevenness.

### ***Bottlenecks and tipping points***

Sometimes there are patterns of economic development that seem to be integrated but lack an element, and investment in that ‘missing bit’ repays itself many times over. Other times in supply chains or patterns of linkages there are bottlenecks. It need not be an element of infrastructure – though coal shipment in central Queensland did catch us short for a while – but part of the soft infrastructure for social capital. The planners of Melbourne’s Digital Design Precinct could not understand why, with what they thought was every element of design development strongly represented in Melbourne, the design industry was not reaching its potential. The missing bit was that top design-intensive international product buyers were tending to go to Sydney not Melbourne. So Victoria took action to change that only to find that Singapore too had aggressively moved into the business of grand design expos.

So far, I am suggesting it is important to understand the input-output structure of a regional economy, the interlocking supply and sales chains that tie different sectors to together, or do not, as the case may be. But the strategy needn’t be to invest in making it more integrated, tidier, but to identify those interventions where the most effective return to the regional economy as a whole can be made. It might be missing type of institution, such as training college, or a critical piece of infrastructure, or a flaw in the region’s brand identity.

It also follows that ‘balanced growth,’ sought by so many regional plans, should not be an aim in itself. In a world of disarticulated space-economies, it is unattainable. And it may well be inefficient: as Hirschman famously showed, a sequence of unbalanced steps, where each step creates an imbalanced demand for the next one, may well create stronger economic growth<sup>14</sup>. The real bottlenecks are entrepreneurs, not to be spread thinly across the region but concentrated where investment is most effective. Of course there are social limits to this – local authorities and regional planners should not deprive communities of essential services just to set up forward or backward demand linkages.

## **Changing institutions**

### ***Regional institutions***

Those of you in Queensland, as elsewhere, are trying to find the best institutional arrangement to foster regional development. There isn’t one best structure, but when it works we can all see it working - formal enough to aggregate interests, represent the region and manage finances, informal enough to encompass leadership from all sectors – public, private and civil society – and flexible enough to adapt to that leadership and the changing challenges it might face. Easy to say, hard to do. As our colleague Andrew Beer has shown, there is a wide variety of regional organisations in Australia, some fossilised relics of earlier policy epochs.

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<sup>14</sup> Hirschman Albert. O. 1958. *The Strategy of Economic Development*, New Haven: Yale University Press.

***Business***

***Community and non-governmental***

***Federal and State government***

***Local government in regional development***

***International dimensions***

***Local government***

**Conclusion**

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