

INSTITUTE OF GEOGRAPHY AND SPATIAL ORGANIZATION
POLISH ACADEMY OF SCIENCES

CONFERENCE PAPERS 12

RESTRUCTURING AND SPATIAL STRATEGY

Papers prepared for the International Workshop
Warsaw — Radziejowice, Poland, 21—23 May 1987

Edited by
MARIA CIECHOCIŃSKA



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WARSZAWA

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LIST OF PARTICIPANTS

BELGIUM

Mrs Catherine Bourtembourg
International Institute of Administrative Sciences, Brussels

BURUNDI

Professor Pascal Rutake
Institut Universitaire d'Etudes du Développement, Genève

CZECHOSLOVAKIA

Dr Alžbeta Ivaničková
Vysoká škola ekonomická, Vyskumný ústav národohospodársky,
Bratislava

Professor Koloman Ivanička
University of Bratislava, Bratislava

Associate Professor Viera Vlčková
Vysoká škola ekonomická, Bratislava

FRANCE

Professor Gérard Marcou
CRAPS, Université de Lille II, Villeneuve d'Ascq

Professor Michel Langrand
CRAPS, Université de Lille II, Villeneuve d'Ascq

GERMAN DEMOCRATIC REPUBLIC

Associate Professor Berthold Fège
Hochschule für Ökonomie "Bruno Leuschner"
Wissenschaftsbereich Territorialökonomie, Berlin

HUNGARY

Dr Éva Perger

Geographical Research Institute, Hungarian Academy of
Sciences, Budapest

INDIA

Associate Professor R.B. Singh

Dept of Geography, The Delhi School of Economics Campus,
University of Delhi, Delhi

ITALY

Dr Anna Trono

Università degli Studi di Lecce, Dipartimento Scienze
Storiche e Sociali, Lecce

POLAND

Associate Professor Eugeniusz Biderman

Institute of Geography, Adam Mickiewicz University, Poznań

Profesor Maria Ciechocińska

Institute of Geography and Spatial Organization, Polish
Academy of Sciences, Warsaw

Dr Marek Dutkowski

Dept of Economic Geography, Gdańsk University, Gdynia

Dr Zdzisław Gorzelak

Academy of Political Sciences, Warsaw

Dr Andrzej Góralski

Masovian Research Centre, Żyrardów

Dr Alina Gryciuk

Masovian Research Centre, Warsaw

Dr Krystian Heffner

Silesian Institute, Opole

Associate Professor Andrzej T. Jankowski

Dept of Earth Sciences

Silesian University, Sosnowiec

Dr Andrzej Kassenberg
State Planning Commission, Warsaw

Professor Jerzy Kostrowicki
Institute of Geography and Spatial Organization, Polish
Academy of Sciences, Warsaw

Mr Zbigniew Kulczyński
Central School of Planning and Statistics, Warsaw

Associate Professor Wiesław Maik
Institute of Geography, Adam Mickiewicz University, Poznań

Dr Barbara Manikowska
Institute of Geography, Adam Mickiewicz University, Poznań

Dr Roman Matykowski
Institute of Geography, Adam Mickiewicz University, Poznań

Mr Andrzej Radzko
Institute of Geography and Spatial Organization, Polish
Academy of Sciences, Warsaw

Professor Antoni Rogucki
Academy of Political Sciences, Warsaw

Dr Ryszard Różga
Dept of Economics, Warsaw University, Warsaw

Dr Alicja Szajnowska-Wysocka
Dept of Earth Sciences, Silesian University, Sosnowiec

Dr Andrzej Stawarz
Masovian Research Centre, Warsaw

Dr Tadeusz Stryjakiewicz
Institute of Geography, Adam Mickiewicz University, Poznań

Associate Professor Jan Szczepkowski
Institute of Geography, Nicolaus Copernicus University,
Toruń

Dr Jacek Szlachta
Central Planning Office and Central School of Planning and
Statistics, Warsaw

Dr Teresa Topczewska
Institute of Physical Planning and Municipal Economy, Warsaw

Associate Professor Zbigniew Zajda
Central School of Planning and Statistics, Warsaw

Professor Eugeniusz Zdrojewski
Academy of Pedagogics, Słupsk

UNION OF SOVIET SOCIALIST REPUBLICS

Dr Alexander Novoselov
The USSR Academy of Sciences, Siberian Branch, Novosibirsk

Dr Alexander Savchenko
Institute of Geography, The USSR Academy of Sciences, Moscow

Professor Robert Shnipper
The USSR Academy of Sciences, Siberian Branch, Novosibirsk

Dr Igor G. Ushkalov
Institute of Economics of the World Socialist System,
The USSR Academy of Sciences, Moscow

UNITED KINGDOM

Professor Robert J. Bennett
London School of Economics, London

Dr John Hall
Queen Mary College, University of London, London

Dr Judith Pallot
School of Geography, University of Oxford, Oxford

Dr David A. Pinder
Dept of Geography, Southampton University, Southampton

Mr John M.A. Sellgren,
London School of Economics, London

INTERNATIONAL WORKSHOP ON
"PLANNING FOR ECONOMIC GROWTH AND ECONOMIC REGENERATION:
THE ROLE OF NATIONAL SPATIAL STRATEGY"

May 21-23, 1987, Warsaw - Radziejowice, Poland

Initiative and organisation

The International Workshop described herein took place at the joint initiative of the IGU Study Group on Geography and Public Administration; the Institut International des Sciences Administratives (IIAS) Study Group on "La coordination des décisions en matière d'aménagement du territoire" (Regional Planning and Local Government) and the Institute of Geography and Spatial Organization of the Polish Academy of Sciences. In all, over sixty participants attended from three continents (Africa, Asia and Europe) and twelve countries (Belgium, Burundi, Czechoslovakia, East Germany, France, Great Britain, Hungary, India, Italy, Poland, the Soviet Union and Yugoslavia).

The subject matter proved attractive and at the same time challenging to geographers from East-Central Europe, who predominated among the participants (Czechoslovakia - 3, East Germany - 1, Hungary - 1, the Soviet Union - 4, in addition to 39 Poles). They suggested the need for vast changes of the system in East-Central European countries and gave arguments to show why this was necessary. The papers and the course of discussions foreran by far the spectacular developments of the Autumn tide of the nations in Eastern Europe in 1989. With regard to the Western Europe, the key subjects were restructuring, privatisation and local self-government in the light of the experience of the 1970s.

Due to various external developments, this volume is appearing so late and is much thinner than originally planned.

Much earlier, a report about the Workshop was presented by Robert J. Bennett, Professor with the LSE and President of the IGU Study Group on Geography and Public Administration, in the *IGU Bulletin*,¹ and in Polish by professor Maria Ciechocińska in *Czasopismo Geograficzne* (The Geographical Journal),² Dr Marek Dutkowski in *Przegląd Geograficzny* (Polish Geographical Review)³ and Dr Zbigniew Kulczyński in *Nauka Polska* (Polish Science).⁴ Reports on the workshop also appeared in the local press.⁵

Eleven of the thirty papers presented at the seminar were published by IISA in Brussels in 1988 under the title "L'aménagement du territoire et les pouvoirs locaux et régionaux face aux mutations économiques" (Regional Planning and Local Government Confronted with Economic Change), edited by Professor at the University of Lille II - France, Gérard Marcou, President of the said working group.⁶

¹ R.J. Bennett, Study Group on Public Administration Workshop, *IGU Bulletin XXXVII*, 1987, 1-2, p.37.

² M. Ciechocińska, Sprawozdanie z międzynarodowego sympozjum "Rola strategii przestrzennego zagospodarowania kraju w planowaniu wzrostu gospodarczego i restrukturyzacji gospodarki", *Czasopismo Geograficzne LIX*, 1988, 4, pp.458-61.

³ M. Dutkowski, Międzynarodowe sympozjum pn. "Rola strategii przestrzennego zagospodarowania kraju w planowaniu wzrostu gospodarczego i restrukturyzacji gospodarki", Warszawa - Radziejowice, 21-23 V 1987, *Przegląd Geograficzny LX*, 1988, 3, pp. 451-54.

⁴ Z. Kulczyński, Rola strategii przestrzennego zagospodarowania kraju w planowaniu wzrostu gospodarczego i restrukturyzacji gospodarki, Warszawa - Radziejowice, 21-23 V 1987, *Nauka Polska* 1988, 6, pp. 147-50.

⁵ A. Stawarz, Naukowcy odwiedzili Zyrardów, *Zycie Zyrardowa, XXXVII*, 23, 1987, pp. 1-2 (June 4).

⁶ G. Marcou (ed.), *L'aménagement du territoire et les pouvoirs locaux et régionaux face aux mutations économiques*, Institut International des Sciences Administratives, Bruxelles 1988.

Forerunning as it did political changes, the workshop constituted a conceptual and theoretical buildup to the use of other paradigms and different formulation of research questions by the geographers from East-Central Europe, who perceived the need for opening toward the global challenges of the last decade of the 20th century and for focusing on economic efficiency alongside with problems of the natural environment. They were aware of the need to remove the domination of ideology in economics to obtain better economic results, a higher standard of living and a lower degree of environmental pollution. It should be emphasised that many of the papers presented by Western geographers were not easy to comprehend as they dealt with mechanisms and socio-economic realities unknown in centrally planned economies. However, the need for change was beyond dispute. There was only the open question about the ways of doing it. How should the aims be operationalised? How should the means of action be instrumentalised? Answers to similar questions relating to market economy countries were provided by British, Belgian and French papers.

An analysis of the regional determinants of restructuring in Poland demonstrated the scale of problems involved in its future implementation. It should be emphasised that the list of fears and dangers formulated during the Workshop was incomplete. Nevertheless, the intellectual speculations opened up new areas of study and bore fruit in the form of the book, edited by Professor R.J. Bennett, "Territory and Administration in Europe", which appeared in May 1989.⁷

Paper sessions

The official opening took place at the seat of the State Planning Commission (that was abolished on Dec. 31, 1989) in Warsaw. The welcome addresses were given by the President of the IGU Polish National Committee, Professor Jerzy Kostro-

⁷ R.J. Bennett, (ed.), *Territory and Administration in Europe*, Pinter Publishers, London-New York 1989.

wicki, and a host of the State Planning Commission Dr Józef Zajchowski, as well as by R.J. Bennett on behalf of the IGU Study Group and G. Marcou the IISA. The session 1 focused on "National spatial strategies of different nations within Eastern European countries". Papers presented were chiefly concerned with Poland and the Polish studies in regional planning carried out by the staff of the host. Professor Maria Ciechocińska and Dr Jacek Szlachta delivered paper on problems of restructuring of Poland's economy in the context of spatial development of the country; Professor Antoni Rogucki (Warsaw) tackled the national strategy and economic growth in the regional context: a case of Poland; Professor Robert Shnipper (Novosibirsk, Soviet Union) discussed the strategy of territorial development in the USSR.

An intensive programme of papers covered the three days with 30 paper presentations⁸. They covered the following

⁸ The Editor apologizes to those authors whose papers have not been included in the volume edited by G. Marcou (1988) and in our volume, namely: István Berrényi (Major issues of transformation in agrarian space in Hungary, some conclusion for planning), Eugeniusz Biderman and Wiesław Maik (Nuclear power engineering as a factor of region restructuring), Andrej Gulić (The role of social aspects in national planning process), Krystian Heffner (Administration impact on towns hierarchy: the case of the Opole region, Poland), Yoshiei Ito (The policy for industrial location in Japan after the Second World War), Andrzej T. Jankowski (Impact of ecological degradation on the Upper Silesia region restructuring), Andrzej Kassenberg (Environmental pollutions as a condition of changing industrial structure in Poland), Michel Langrand (Nouvelles orientations de la politique française d'aménagement du territoire), Antoni Rogucki (National spatial strategy and economic growth in the regional context: a case of Poland), Ryszard Rózga (Controversy on the Polish space structure), R.B. Singh (Regional planning for sustainable and equitable development: the Indian experiences), Janusz Słodczyk (The migration outflow in the western regions of Poland in the light of the intermediate opportunities theory), Teresa Topczewska (Development issues of the urban agglomerations in Poland), Igor G. Uskalov (Scientific and technological progress and improvement management of spatial national economic structures - from European CMEA member-countries' experience), V.V. Vaicera (Strategies of settlement management in the USSR: recent, past and future).

sessions: "Planning for economic regeneration" - convener R.J. Bennett; "Cross national comparison of main issues of spatial policy" - convener G. Marcou; "The adaptation of spatial strategies for new economic context" - convener M. Ciechocińska; "Spatial planning and industrial reorganization: The role of central and local administration" - convener J. Szlachta; "National strategies of spatial development" - convener A. Rogucki; "The role of decentralized authorities" - convener Z. Zajda; and the last but not least "Plenary discussion on the achievements and outlines of the main topics for the future research activity within the IGU and the IISA Study Groups".

Field trip

The International Workshop was held at the House of Creative Work and Rest at the Radziejowice Palace owned by the Ministry of Culture and Arts situated in a nice landscape of the 18th century Poland in a distant of 50 km south-west from Warsaw. On May 22 was scheduled a half day field trip to Zyrardów, a model of the 19th century industrial town, a capital of the Polish linen cloth production. The field trip included a visit to: The Linen Textile Works, The Textile Research and Development Centre, The Zyrardów Technical Cloth Plant called after Marcin Kasprzak, a guided town tour around an old industrial settlement, and a meeting with the local administrative authorities, a mayor of Zyrardów, and local town planners. Dr Andrzej Stawarz (a head) and Dr Alina Gryciuk (The Masovian Research Centre, the Zyrardów Branch), Dr Andrzej Góralski (President of the Zyrardów Friends Association) and others were responsible for the scientific programme and organization of the study tour. Such a schedule and a further visit allowed the opportunity of seeing spatial strategy in local practice in the textile plants and city administration of the planned company town of Zyrardów.

Conclusion

... "The meeting - I quote R.J. Bennett (1987, p.7) - provided an excellent and timely opportunity to appraise state planning and territorial organisation which is undergoing radical rethinking in both western and socialist countries. In the west this is often associated with "rethinking" the welfare state and releasing greater resources for economic development at both local and national levels. In socialist countries a fascinating set of developments are occurring in a search for new interpretations of the territorial dimensions of administration, the definition of economic administrative restructuring, new methods of strengthening local "self-government", and the introduction of efficiency into local administration particularly through revised investment strategies. The meeting brought together the views not only of different countries and economic systems, but also different disciplinary perspectives with a large attendance of lawyers, economists and administrators as well as geographers. ... The success and excitement of the meeting owed much to the interaction across these broad fields of expertise and served to widen significantly the perception of geographers".

The Seminar was accomplished with the IGU financial support through its Secretary General and Treasurer, Professor Leszek A. Kosiński and the support of the sister body of the IISA which co-sponsored the International Workshop in Warsaw - Radziejowice, and the Institute of Geography and Spatial Organization of the Polish Academy of Sciences. To all of these organizations this volume owes a major debt.

Maria Ciechocińska

IGU Commission on Geography and
Public Administration, Committee
member

Warsaw, 1st December, 1990

ECONOMIC RESTRUCTURING, URBAN ADMINISTRATION
AND STATE RESOURCES ALLOCATION

Robert J. Bennett

London School of Economics, London, UK

1. Introduction*

This paper is concerned with the phenomenon of economic change and how it interacts with public administration, public finance and spatial (defined as regional and local) policy concerns. This inevitably involves touching on the form of the State as a whole as well as para-state and non-state sectors. Economic restructuring is the phenomenon of economic change chosen to focus this discussion, but the definition of restructuring is shown to be problematic. In particular there are contrasts as well as similarities in the usage of the term between western and socialist economies. The second section of this paper outlines the conceptual problems associated with the phenomenon of restructuring. This is then followed by a brief discussion of the ways in which the phenomena of change interact with the administrative and financial frameworks of the space economy. Finally, an extended discussion is given to the problems of territorial policy response which are now emerging. It should be emphasised that "restructuring" is discussed from the per-

* This paper is an amended version of the paper presented at the IGU Study Group in "Geography and Public Administration" meeting at Warsaw - Radziejowice, 1987.

spective of western economies and frequently uses Britain or the USA as the particular examples for discussion.

2. Economic Restructuring

The term "restructuring" now has enormously wide usage. However we will restrict use here to two fields: the changing economic environment, and the interrelated shift in policy culture. Each of these can be briefly outlined in turn as a basis for understanding their impacts on state administration and policy response.

Economic change has been focused in western countries on what many have termed a new 'industrial revolution'. The leading edge of this has been the introduction of the micro-processor which has allowed an acceleration of the speed of transmission of information, and in particular has reduced its costs. However the effect is very pervasive: it impacts on almost all sectors of economic activity and has equally significant effects on State and non-State services; it has changed the mechanics of production and is leading to the replacement of 'Fordist' mass-production by highly decentralised and flexible production systems; and it has underpinned a massive expansion in both consumer and producer services, many interlinked with the globalisation of capital markets. The changes in sectoral impact and production methods have major influence on the labour market and on the political power of different interest groups. But in particular these changes have tended to undermine the 'comparatist' mode of State action as interest group mediation to emphasise instead a much more "individualist" or "consumerist" structure of society. This has been further emphasised by a rapid rate of economic growth in western economies since 1980/1981 which has resulted in massive job creation, as well as pressures for major adjustments in older industrial sectors. The outcome has often been one of enhanced regional imbalance, and particularly of concentration of social problems in central cities.

The second aspect of restructuring is a shift in the dominant political or *policy culture* section within which the context is found for political leaders, interest groups, administrative and municipal employees, on the one hand, and individuals and families, on the other hand. A good example of the discussion of the changes which have occurred in the USA is the study by Clark and Ferguson (1983). They argue that the 'New Deal Democrats' that instituted the War on Poverty programmes in the mid-1960s have been replaced by what they term "New Fiscal Populists". In the earlier period the politicians depended heavily on organised groups of unions, civil rights and ethnic organisations but overlooked the 'silent majority' of individual citizens, particularly the middle class. As a consequence "New Fiscal Populists" have been able to draw on the interests of individuals as taxpayers and consumers which have emphasised market forces as instruments of policy rather than organised groups: and they have argued that services can be maintained only by shifting the burden of support from taxes to charges and quasi-fee systems of public finance, improving efficiency of delivery, contracting out service provision, and replacing public by private services. The result has been pressure to diminish tax burdens on people and businesses, reduce the level of intergovernmental support borne on federal and state tax bases, and seek to maintain public services by market-like forces.

In Britain a new policy culture has been represented by the emergence of a 'fiscal conservatism' in central-local relations. Bureaucracies are increasingly seen as budget-maximisers which have crippled market power. The need then is to induce 'market discipline' into government: at central level and local level. Within this view local government can offer market opportunities by encouraging migration to better mixes of taxes and/or services in accord with preferences. In its more extreme forms (e.g. Scruton, 1980) the emergence of greater fiscal imbalances is seen as inevitable, and even desirable. However within the emergence of a new policy culture political adjustment will be difficult. For example, inner cities in Britain have become 'political ghettos' where it is not easy for voters, let alone municipi-

pal employees and managers, to accept that work practices and social structures no longer fit into the dominant economic climate. We turn to the administrative and policy adjustments required in the next sections.

3. Economic Restructuring and Administrative Systems

The systems of administration and policy developed for cities and regions within the State vary greatly between countries. The discussion of these issues in much of the western academic literature tends to be dominated by the experience of the older industrial cities of the northern USA, particularly of New York City. This is an important case, but a more general analysis demonstrates that each national system of cities is strongly contrasted, and even within countries major differences also arise. These contrasts depend upon the way in which the powers of central and local government are divided within the state. They also depend upon the division between state and non-state activities in different constitutional situations. The mechanics of these changes cannot be understood apart from detailed study of the administrative and constitutional frameworks of central-local relations in each country. Most particularly, however, it is argued that administrative and constitutional questions themselves cannot be understood apart from the prevailing policy culture which determines how problems are perceived and responded to.

Within this context the administrative and constitutional framework of economic change and restructuring is discussed below with an emphasis on the impact on public resources and State services in western economies. As outlined above most developed western economies have shown profound changes in the nature and number of jobs, composition of households, the role and power of intermediaries (such as corporations), and the economic demand for goods and services.

Within urban local government and regional areas economic restructuring tends to lead to strong contrasts in fiscal burdens which reinforce the original pattern of economic and

social change. As a consequence a series of important spatial policy questions arise. Of these the most important are:

(i) the appropriate assignment of responsibilities for services and their expenditure between central and local government (e.g. should education be a central or local financial responsibility?).

(ii) the appropriate assignment of the costs of local services between central and local government (e.g. should local differences in council house costs be centrally or locally borne; cf. housing cost yardstick?); or should payment of teachers' salaries be a central or local responsibility (e.g. although locally administered they are a higher-level responsibility in Germany).

(iii) the appropriate assignment of taxes between central and local government (e.g. access to income tax by local as well as central government).

(iv) the assignment of responsibility for setting tax rates on local taxes (e.g. should these be locally autonomous, set uniformly by central government, or autonomous within limits as with British rate-capping?).

(v) the appropriate size and distribution of central-local transfers by grants and other support (specific versus general grants; scale of transfers; distribution criteria).

(vi) the appropriate assignment of responsibility for loan and debt finance.

(vii) the appropriate size and organisation of local authorities themselves; the consolidation and reorganisation question.

(viii) the extent of local responsibility for social and economic growth-related programmes of local economic development.

Different mixes of responsibilities in each of these categories give rise to very different outcomes: for local government; for regions; for people; for businesses; and for the State as a whole.

The resources of a locality, in the general sense, are composed of the earnings of business as net worth, distributions to shareholders as dividends, and payment to economic factors (such as wages and rents). This total resource base makes up the gross product or economic base of a city, in the same way as GNP is defined for a country as a whole. Thus city resources depend ultimately on the level of local economic development. Resource allocation within and between businesses, and between labour, owners of capital and other economic factors is a question for market dynamics relating supply and demand through price which reflects the relative scarcity of, or degree of control over, each economic factor which can be exerted. Resource questions, in this sense (in western economies) are therefore ones of how markets operate, whether they are efficient, and the extent to which the outcomes are socially and economically desirable. This has not been the focus for most debates about local government resources, but it should be the starting point since, in western economies, it is on the market allocation process that other resource issues depend.

Most analyses of the resources in local government administration start from a pre-defined position of a specified tax or other financial sources. This leads to analysis of how market resources can be tapped by a suitable tax which allows public services to be provided for purposes which the market will not directly cater for. Such purposes are ones of market failure (situations in which exclusion and joint collective attributes are required) which gives rise to the economic case for public goods and services; and where there is a major social need. These purposes are often dealt with by public service provision, but there is a wide range of other means of providing for both social goods and for overcoming market failure. Alternatives to public provision is a field of major innovation in OECD countries at present and major examples are regulation of private sector contractors

(e.g. through 'contracting out' in refuse collection and transport, or control of standards in private education), co-operatives, associations and not-for-profit organisations (such as housing associations), voluntary services (as in old people's services), and mixed patterns of public-private partnerships (as in children's care and old people's care) (see e.g. OECD, 1987). For these various forms of service provision resources are not defined solely as tax resources, but also embrace the ability to raise charges and voluntary contributions, the ability to regulate markets, and the level of manpower and management expertise that can be commanded. It is important to bear this rather broader definition of resources in mind since it is in this area where most innovation is going to be required in the future.

For the purpose of funding public services the resource base means the revenue base of central and local government. Here again definitions are complex since the revenue base depends on the precise revenue source discussed, the precise way in which the law defines that tax base and the structure of the economy from which the revenues derive. This relationship is described on the left hand side of Fig. 1 which derives from the discussion by Smith (1980) and Bennett (1980). The economic base of an area provides a specified resource base only after defining a particular revenue source. The final level of available resources also depends upon the ability of a locality to vary its tax rate or revenue take from the sources available to it.

The revenue base also cannot be looked at independently of the 'need' for social or other spending. Need is a measure of demand for resources. It derives from the socio-economic structure of the population of a locality, as well as the needs of businesses themselves (for infrastructure, utilities, security services, etc.). Socio-economic composition is largely an outcome of the structure of the labour market which is in turn mainly derived from the economic base. Thus not only resources but also needs depend crucially on the market economy and the level of local economic development. For a given local population a wide variety of 'client groups' exist which relate to the 'needs' for par-

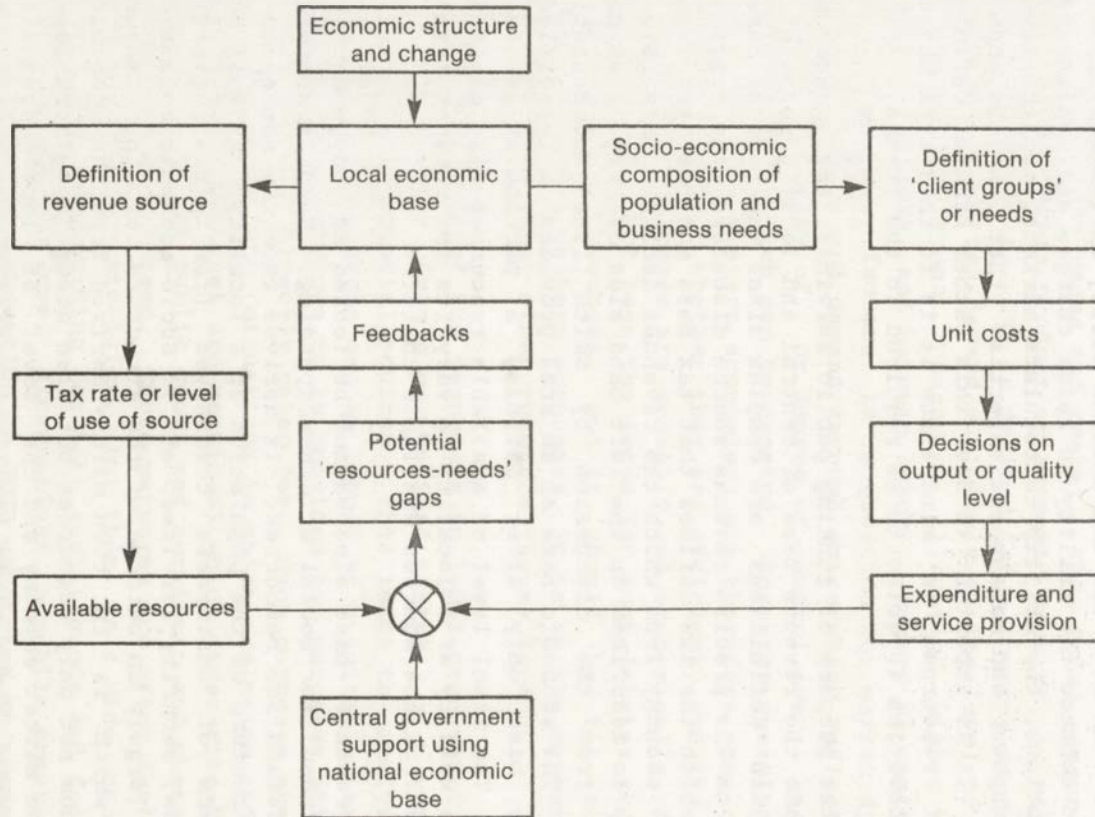


Fig.1. Local resource base in relation to a local economy, its revenues, and its socio-economic composition.

ticular services. Some of these depend on demographic characteristics, e.g. old people's services, education needs of children, etc. Some services depend on socio-economic composition, e.g. income support; others depend on the environment, e.g. roads. The costs per unit of providing each service vary considerably between areas mainly due to the size and density of settlements, climatic effects on the costs of maintaining roads and buildings, and labour and resource costs. The interaction of unit costs with client 'needs', and with variations in local authority decisions on how they wish to provide a service, leads to a final set of expenditure decisions, depicted on the right-hand side of Fig.1.

Comparison of local revenues and expenditures leads to the overall local authority budget. Any difference between revenues and expenditures is a potential resources - needs surplus or gap. In the long term there is usually a legal requirement for budgets to balance so that resources - needs gaps usually result in needs unfulfilled because of insufficient financial resources. However, it is also possible for substantial deficits to be run, or for bankruptcies to occur and this gives rise to the concept of 'fiscal crisis' which we confront in detail below.

Clearly the extent of such 'crises' or 'gaps' depends upon the extent to which central government becomes involved in supporting local resources, as shown in Fig.1. If 'gaps' do exist, however, they are likely to lead to strong feedback effects on the economic base. Even if fiscal 'gaps' as such do not arise, any differences in public services in terms of their level, cost or quality can be expected also to have feedback effects. The most important form of such feedback is migration of population or businesses to other areas with higher quality services at the same tax cost, or to areas with the same quality of services at a lower tax cost, or to areas with a mixture of the two. This market-like response is sometimes termed '*fiscal migration*'. Migration is the most extreme response. More general feedbacks affect businesses or people that do not move: they will suffer unequal service levels, and/or unequal tax costs. For people the effect is public service *welfare*

inequalities which often reinforce, rather than diminish, existing social differences. For businesses the effect is a variation in returns to different combinations of factor inputs and changed profitability between localities, so-called '*distortions*'. We now confront the effects of economic change on this administrative and response structure. We take first the case of the older metropolitan areas of the North-East USA since these have become almost a 'paradigmatic case' of the effects of economic change.

In the North-East USA economic restructuring has had the geographical consequences of relative and absolute decline in both the population and level of economic activity of core cities. The most rapid rates of economic growth, in contrast, have been experienced in suburbs and smaller towns: a phenomenon toward decentralisation, counterurbanisation (Berry, 1976), or desurbanisation. These patterns are now being offset in some areas by processes such as 'reurbanisation' and 'gentrification', e.g. Boston. However the dominant effect of decline still grips many areas. For some commentators, as we have seen, this has been associated with the emergence of a so-called 'post-industrial' society and a shift in employment structure as well as demographic structure within metropolitan labour markets (see e.g. Bell, 1974; Gershuny and Miles, 1978). As a consequence of the loss of population and economic activity the financial base of US cities has been characterised by recurring financial crises, but this is confined to the older the larger metropolitan areas (see e.g. Sternlieb and Hughes, 1978; Clark and Ferguson, 1983). This has also attracted Marxian explanations (see e.g. O'Connor, 1973; Harvey, 1973; Hill, 1977). The administrative organisation of these older industrial cities of the USA is highly fragmented, uncoordinated, and strongly competitive between localities. Most local governments, whether city, county, township or special purpose, have autonomous taxing powers, and make independent expenditure decisions. They may also use charges and fees. Whilst almost all these governments use property taxes and fees, many use sales tax and a small number of large central cities use income tax. In most states, local government has autonomy in definition (assessment) of the tax base. This is

an important source of inequality and is a major contrast to most other countries, particularly the UK and Europe. As a result taxing systems differ greatly between cities and between states. In most states, the constitution is permissive of city financial decisions. Generally at least one half of local actions can be developed within a context of freedom to act. This is in marked contrast to Britain where local authorities cannot act unless empowered to do so (the doctrine of *ultra vires*). The result is a system in which strong positive feedback can develop which can lead to marked imbalances and continued divergence in fiscal burdens and benefits between areas. This is often particularly focussed between central cities and suburbs, but also there are frequently marked imbalances between rich and poor suburbs as well as between metropolitan and rural areas. In the 1960s and especially the early 1970s these imbalances in the US urban system were considerably reduced by numerous federal grant programmes. The most important were Revenue Sharing, Community Development Block Grant (CDBG), Countercyclical Revenue Sharing and the Comprehensive Employment and Training Act (CETA). These had the dual effects of giving aid to fiscally stressed areas, and creating leverage on the State government also to act. Through the period from the Second World War until the middle 1970s, therefore, a steady increase in the level of state and federal resources progressively diminished the problems of fiscal stress and imbalance within the USA urban system. Since about 1977, however, federal aid has considerably been reduced and the states have been relied upon to a greater extent to support intergovernmental programmes. Inequalities have, as a result, considerably increased.

For the case of Britain there is a much simpler and more uniform system of local government in which grants have an even more dominant, and volatile, influence than in the USA. In Britain the aggregate tax base of local authorities is their rateable value, a tax on property. In the absence of revaluation, change in rateable values can be only modest, reflecting new or reassessed properties. Hence income can be increased at local level only by raising tax rates. Comparing developments in the tax base, tax rates and 'need' to

spend Bennett and Krebs (1988) have been able to link these phenomena to economic changes. The strongest rates of growth in need are in rural areas and the outer city regions of smaller cities. This is a strong confirmation of the 'counterurbanisation' trend identified by Berry, or Hall and Hay (1980) In contrast inner city areas, particularly in inner London and the other large metropolitan areas, have experienced considerable declines in level of need on a standardised basis of definition. This decline in need is mainly the result of population loss, although the needy population has become a higher proportion of the diminishing central city residents. In contrast tax base growth has been highest in rural and outer city areas so that some balancing of need and resource changes has occurred. This is in strong contrast to the USA.

Hence the development of resources within US and British local governments shows strong differences which derive from the different constitutional, administrative and taxation structures. Of course public resource differences are only part of the wider question of total resource allocation between wages, capital and other factors; and arguably public resource allocation can only have secondary effects on local welfare compared to the primary developments occurring in the market economy. But insofar that public resources allocation encourages greater welfare inequality, as well as possible positive feedbacks which stimulate rather than ameliorate social problems, there are serious grounds for policy concern; and here, as summarised in Bennett (1986, 1987), there are some close parallels between the USA and Britain.

The most deprived areas of US cities represent a uniquely unattractive nexus of poor housing, education and other public services, high relative local tax rates, high crime rates, racial tensions and high unemployment. The unsurprising result is extensive migration of both people and businesses to suburbs, outer metropolitan areas, and indeed also regional shift away from decaying older industrial cities as a whole to newer locations in the south and west of the USA. Detailed analysis of the migration of people demonstrates that the *primary* explanation of these developments lies in

the crime rate, deprivation and environmental conditions of the inner cities. But important secondary factors are the higher city tax rates and lower quality of public services, particularly the quality of the school system. This migration is also strongly intercorrelated with racial factors which have allowed the term 'white flight' to be used to characterise a large component of these moves. For businesses, again, we see a pattern in which primary causes of relocation are external to public resource allocation, but in which city 'fiscal climate', particularly relating to educational and other services valued highly by managerial decision makers, is a significant secondary determinant of location. Recognition of the effect of fiscal factors represents a turnaround from the traditional wisdom of industrial studies in which local fiscal factors were found unimportant. Similar factors affecting the migration of people and industry, particularly urban - rural shift are recognised in Britain.

This pattern of primary and secondary causes is becoming increasingly recognised as defining an emergent 'underclass': a vicious circle of positive feedback in which the social filtering of those able to migrate leaves behind an increasingly deprived population with progressively higher and higher dependence on public services and welfare support. It is argued that poor housing, low educational attainment, high youth unemployment and public service problems (in policing, recruiting school teachers, quality of public transport, etc.) each contribute to further social filtering which generate further dependency, and so on in an immiserising vicious circle until only an 'underclass' of the most deprived are left behind. The whole process is contextualised within changes occasioned by economic restructuring of the economy which makes the dependent groups less and less able to participate because of inappropriate training or labour skills. The public resource implications are an increasing local needs - resources gap since higher and higher burdens for public service support have to be borne on a diminishing resource base.

Although at its most extreme in the US, these problems can be readily seen in many British cities. For example in large parts of Inner London the demand for unskilled and semi-skilled jobs, which might have formerly employed some of these groups, has rapidly fallen: jobs in construction alone reduced by 126 000 in 1982-1986. Unemployment is therefore high, particularly among young people: the Inner London average in 1986 was 21%, but it was 34% for men aged 20-24 with highs of 46% in Hackney and 44% in Lambeth; and with Afro-Caribbean unemployment at nearly twice this rate. Educational skills are low, and truancy is high (on average 35% of 15-year olds on an average day). Despite much higher-spending than average by the Inner London Education Authority more than half of the new labour market entrants in greater London have no 'O' level or equivalent CSE passes; this means that over 50 000 new potential employees per year in the metropolis have no recognised attainment skills. There are major problems of homelessness: over 5000 families per night are accommodated in bed and breakfast accommodation in Greater London and there is a Council house waiting list of 150 000 in Inner London. There are major problems for the dependent and low paid to enter the private housing market because of rising costs, council house provision presently does not keep up with replacement of unfit dwellings, and its stock is deteriorating because of poor maintenance. In 1984 nearly 1/2 million Greater London dwellings were unfit or in need of renovation and the Inner London average spending need was at least £ 4000 per dwelling. The public resource implications of these problems in housing, general environment and education are therefore huge. London presents an extreme problem because of its size: in 1981 it contained 15 of the 30 most deprived local authorities in England and Wales. The remainder were also mainly central cities in Manchester, Liverpool and Birmingham, but also included South Wales, Nottingham, Leicester and Slough.

4. Policy Responses

How can the required resources be marshalled to tackle the problems of economic change: is it simply a question of

pouring more public spending into deprived areas? It is at this point in the discussion that a sharp break is occurring in current thinking in many western countries, particularly Britain. It is being increasingly recognised that the resources required cannot easily be found to tackle the whole of this question, and that even if some resources are found, the most critical issue is one of the most appropriate application. This draws us to the growing question of management efficiency and effectiveness. It is here that there is an emerging common ground in some of the thinking between western and socialist economies.

In western economies, particularly Britain, it is being recognised that administrative and constitutional relations must be allowed to develop and adjust to new technological and social influences. At present two main influences are inducing a rethinking to modify existing assignment structures. First, there are changes to the needs and the technology society and the resultant demands on services provision which require adjustments to the powers available at each level of government. Second, there are demands to rethink the total pattern of public service provision and its finance: "to rethink the Welfare State". These two sets of changes call into question the fiscal structure of government and place pressures upon it to evolve to satisfy new demands and criteria.

Administrative structures tend to be relatively static, but the population and industry within a locality can change quite rapidly, and their demands for services (quantitatively and qualitatively), ability to pay and behaviour patterns change even more rapidly. The stimuli to such modifications are mainly changes in technology, especially in production neighbourhood housing arrangements rather than State action, to reinvigorate voluntary and church sector activity, or to link welfare benefits to work or community service (as in "workfare" schemes).

The original establishment of State welfare systems owed much to the supportive ideology of the times: one of 'new liberalism' or social insurance (see e.g. Freedon, 1978;

Weaver, 1982); it was not based on empirical investigation. Now alternative approaches to welfare provision are being reappraised. Some of the alternatives existed when State-welfare was being first implemented (e.g. voluntary and charity organisations - voluntarism (see e.g. Roof, 1972; Holtzman, 1963). Others have emerged from the so-called 'new right'. This asserts the individual as the fundamental object, not the collective. The collective of individual progress and benefits replace purely State-social ones. Policy objectives become ones of reducing the levels of publicly-provided services, or privatising and contracting them out; reducing tax burdens as a whole; transferring tax balance from direct to indirect sources where choice to consume is emphasised; and removing tax 'distortions' or leverage to different types of behaviour. Interestingly, however, the role of this changing ideology has differed considerably in the USA and Britain.

In the USA politically conservative periods (such as the 1880s, 1920s, and the present) have seen the role of local government (State and local) being emphasised. Liberal or pro-government periods have seen greater accountability to the federal government. This might be accounted for by the relative ease of political lobbying at the two levels in different ideological climates. In Britain, in contrast, although earlier conservative periods also in the late nineteenth century and 1920s and 1930s saw decentralisation emphasised, the new conservative period since the late 1970s has seen greater centralisation. The instruments used have been the setting of local tax and expenditure norms, privatisation and contracting out of services, and shifts to advocacy of charges and regressive taxes (e.g. poll tax). The contrast of the new conservative ideology to earlier periods in Britain can be explained by: (i) a dominance of a desire to control public expenditure as a whole with centralisation seen as the best way to limit local expenditure, (ii) a greater political polarisation of central and local government with many populous localities having pro-spending councils at a time of anti-spending central government.

In responding to these stimuli rethinking of local and regional administrative systems will be required. In the development of such solutions, local decentralisation is a key factor in ensuring that accountability, community preferences, and economic efficiency can flourish within the constraints of responding to social and State needs.

5. Conclusion

This paper has emphasised the influence of the changing economic environment on the culture of policy leading to rethinking of many aspects of State service provision and its finance. Within this *general* pattern of change have emerged specific territorial aspects with which the geography of public administration is concerned. Decentralisation, which has been a key aspect of the ensuing discussions, has as a result developed two meanings: one to territorial sub-units such as regional or local government; and a second to individuals in their relation to the State. The paper has emphasised the way in which territorial changes of the economics of location results in changes to the needs, resources and politics of different localities. This discussion has been mainly contexted to the USA and Britain where emerging 'fiscal crises' are argued to have the potential to emerge. The key aspect of administrative response in such situations has to be an adaptable rethinking of the manner of public service provision and its finance. In a situation in which there is a marked increase in the mobility of people and other economic factors, static administrative structures will inevitably give rise to short and long term constraints on output, efficiency and hence technology, transport, communications, factory construction, location, and building conventions. The earliest urban developments of railway settlements and tramway (street-car) suburbs have been replaced in western economies by a settlement structure atuned to the motor car. Peoples' residences have become separated from their workplaces, areas of shopping, schooling, cultural activities and recreation. Similarly, the location of industry has been freed from central city locations. Suburban, rural and small town industrial developments, out-of-town

shopping centres and hypermarkets, drive-in banks, and other commercial developments are growing and flourishing far from the central cities and have shifted away from the older industrial areas.

This process of suburbanisation and 'counterurbanisation' of residences and industry has led to changes in revenue bases and expenditure demand in different local administrative units and, where the new larger scale economic activity in these evolving metropolitan and megalopolitan areas has not been matched by either co-ordination or consolidation of the different jurisdictions, severe imbalances in welfare can result. Similarly, new desirable locations have emerged. Freeway intersections, the entrances to suburban beltways, the greater emphasis on trucking and air-freight, and the development of communications media diminishing the role of face-to-face contact, have all accelerated the decline of central cities and older industrial areas. Attractive environments, home ownership, and desirable climates for retirement or living have been desired consumption goods which have enhanced the level of suburban development and regional shift in favour of areas such as the US 'sun-belt' and West Coast, and the British smaller towns and rural areas. Changes in factory building technology from multistorey to single storey structures and in the technology of production to post-Fordist approaches, changes in the technology of residential service provision, based in the US on the water pump, septic tank and air conditioning, in the economics of mass housing, the feasibility of high-rise developments, and the invention of the elevator. All these factors have contributed to the shift in population and the splitting of the locations of residence, workplace, and other activities.

Changes of location and in economic dependence which are not matched by modification of government administration and institutional reform naturally give rise to difficulties. The migration of tax bases and changes to relative expenditure burdens create the potential for fiscal imbalances and patterns of possible fiscal exploitation. Technological developments in the means of providing services modify the cost of supply and change the population thresholds neces-

sary to support them. Each of these factors provides important inducements to modify existing jurisdictional responsibility.

A second set of changes additional to, and interrelated with changes in demand and technology, has been a stimulus to 'rethink the Welfare State'. In a wide range of western countries, but probably particularly in Britain and the USA there has been an increasing disillusionment with the effects of the accelerating levels of social intervention and public spending of the last 20 or 30 years. Whilst there is not usually a questioning of providing a basic welfare safety-net, there has been a growing demand for rethinking major aspects of the Welfare State as a whole. The motivation seems to be six-fold: (i) too many programmes appear as political "pork barrels" to buy the votes of particular interest groups, (ii) a growing cynicism with the effectiveness of administrators and politicians, (iii) too great a level of State intervention tends to generate and maintain dependency in the population, rather than encouraging self-reliance, (iv) dependency on the Central State in particular has tended to suppress local community, voluntary aid and self-help, (v) the escalating cost of State services, (usually because of lack of demand constraints and high elasticity with income), and (vi) there has been an increasing unwillingness to support the level of public expenditure that the Welfare State now requires (this derives from fears of public finance 'crowding out' other activities, or from the erosion to incentives to individual progress and self-support). These changes are interrelated with the shift in policy culture identified earlier. The consequence has been the promotion of self-help schemes, (ultimately) the satisfaction of all social needs. In this sense the pressures to "rethink the Welfare State" may result in an improved adaptation of local administrative practice to the needs of both people and the economy as a whole.

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RESTRUCTURING OF THE ECONOMY VS POLAND'S SPATIAL DEVELOPMENT

Maria Ciechocińska

Institute of Geography and Spatial Organization
Polish Academy of Sciences, Warsaw

Jacek Szlachta

Central Planning Office
Central School of Planning and Statistics, Warsaw

1. Introduction

One common feature of the strategies of economic growth Poland has seen so far, regardless the labels put on them in the past, was the emphasis on the extensive growth, which continued until the mid-1970s amid the abundance of raw materials and labour. For many decades, Poland was relatively rich in production factors. Therefore, in forming the spatial structure of the economy, it was possible to give precedence to recommendations of ideological doctrines over economic efficiency. Stereotyped thinking in quantitative terms predominated because it was possible to achieve almost any desired production growth by the simple increase in the scale of operation.

As the 1970s progressed, however, the possibilities of continuing the extensive strategies of the economic growth began to run out as easily accessible deposits of raw materials that could be extracted cheaply began to get scarce and labour shortages appeared.¹ At the same time, there appeared signs of the degradation of environment, which in

some areas, e.g. Upper Silesia and Legnica/Głogów copper basin, assumed the proportions of an ecological crisis.² Meanwhile the technological revolution raised the requirements that had to be met in order to be able to compete on the world market.

The technological progress taking place was conducive to the process of modernization and restructuring of the economies of the most developed countries. During that period, Polish economy, seen from the regional point of view, stagnation was characteristic. The growth of requirements posed by the world markets made the export of Polish products increasingly difficult. This was a symptom of the widening technological gap. Those unfavourable trends led to a delay in civilization development and, in many respects, regress to the level characteristic of developing countries.

Broader awareness of these phenomena came only with considerable delay and was not reflected in due course in the strategy of economic development. This is illustrated by the determination, with which the scale of operations and the size of organizations, institutions and enterprises was developed in all the areas of socio-economic life until the late 1970s. The collapse of the economy in the beginning of the 1980s was involved among other factors by such a way of thinking about the economy. On the other hand, the awareness of the indispensability to carry out a through restructuring of the economy, which is *sine qua non* of revitalizing it, has been rising only gradually, it also calls for abandoning various handy stereotypes.

The Polish economy did not go through the shock connected with the energy crisis caused by the OPEC oil price hikes in 1972. For many economies, this was an incentive to develop new more economical technologies whereas Poland just stood watching these transformations.

Likewise, Poland wasted the opportunities of economic growth offered by the integration of the economies of the CMEA (Comecon) member states, similar in nature to the EEC integration (this can be illustrated by the evident benefits

reaped by Britain and Spain since they joined the Community). Neither did we then grasp the chances offered by the introduction of new technology, which began to define the lines of development in the world.

It is true that a large effort was made in the 1970s to modernize industry with the assistance of foreign credits and licences, but the emphasis was again on traditional branches, e.g. mining, metallurgy, engineering or chemicals. The authorities failed to anticipate the depth of changes in the international division of labour ushered in by the radical restructuring of the economy toward electronics, miniaturization, computerization, automation and robotization.

The import of modern technology on the scale exceeding the possibilities of its assimilation by the Polish economy led to the great waste of investment funds, triggered phenomena typical of an overheated economy, in which the availability of capital and capital goods exceeds the possibilities of using them in a rational way. The maladjustment of the Polish economy to the accelerated modernization was a consequence of the political system and the pattern of management of the economy, in which the public sector played a predominant role. As a result, modern technology and the organizational structures associated with it were adapted to the requirements of the centralized decision-making process.

While efforts were being made to reform the latter process, the introduced changes were not radical enough because they relied on the previously used management tools. As a result, already at the starting point the authorities embarked on action that doomed the declarations about the will of reforms to be illusory. At the same time, unlike in France or Belgium, science did not become the driving force of technological progress. In the developed countries, technological progress caused the incorporation of many scientific specializations into economic activity through the establishment of various corporations combining research with industry and trade, operating in supra-state structures, of which FIAT is one example.

Admittedly, the 1970s were a very good period for Polish science, which received unprecedented opportunities of international contacts; however, the authorities failed to create mechanisms that would make industry genuinely interested in the introduction of new technology, which always involves large costs and an element of risk. The lack of competition and shortages on the domestic market meant that it was easy to sell even outdated products while the abundance or cheap labour was responsible for the lack of innovation drive, despite the large number of highly skilled engineers.

Besides, a lot of damage was done by the liquidation of small industrial firms, carried out consistently in the 1970s. This was a clear step back in comparison with the trends prevalent elsewhere in the world. This was a time when many countries began to appreciate the merits of small firms, their flexibility, low costs and high efficiency.

In Poland, these moves were supposed to facilitate the introduction of new technology by state industry administration. One example of a successful operation of this kind was the starting of the production of a FIAT-licensed small car in Bielsko-Biala, where, simultaneously with the building of a new plant, a number of small enterprises were modernized and transformed into branches of the automobile firm. However, the majority of such moves did not produce the desired results.

It should be noted that in many instances the local industrial firms were the only producers of thousands simple articles. Once the small factories were taken over by the giants, their production profile was changed to suit the needs of the new firm. As a result, this was a case of restructuring that affected the availability of goods on the domestic market.

The crisis, combined with the sanctions imposed on Polish economy in the wake of the imposition of martial law in 1981, left the most modern plants, using foreign licences and cooperating on a large scale with Western firms, hit the

hardest. Paradoxically, the position of outdated plants was consolidated as a result, just as the awareness of the need of radical restructuring of industry with a view to overcoming the crisis began to increase. Nevertheless, the strategy of economic development did undergo a revision in the early 1980s and attempts were launched to introduce economic reforms, putting emphasis on efficiency and restructuring of the economy.

Similar moves to economic reforms have been embarked upon in the Soviet Union, Hungary and Bulgaria. It is paradoxical that the East-Central Europe countries have a lower *per capita* net material product than EEC while their *per capita* consumption of energy is identical, that of steel is 40% higher and that of concrete is also higher than in western countries. The advancing integration of the European continent can therefore be viewed as being favourable for the restructuring.

2. Restructuring as a process of the economic modernization

The indispensability of restructuring as the process of modernization of the economy arouses no controversy with regard to the criteria of economic efficiency, the necessity of narrowing the technological gap separating the Polish and the world economy the arresting of the degradation of natural environment and by that token improving living conditions in many regions. However, an essential evolution has been occurred with regard to the perception of that restructuring and the method of implementing it, and that is a consequence of the political changes.

It is difficult to define in details the indispensable scope and directions of restructuring, which is a long process. As a rule, a change of structures is an immanent feature of development and the outcome of dozens of choices made by politicians, managers and ordinary people in all spheres of social activity. Of course, the scope of change varies and the changes occurring in microstructures are not always big enough to affect the macrostructures perceptibly.

As it is known, the main purpose of the changes should be to improve the efficiency at the level of economic agents and the whole national economy. At the time of transition from the state-controlled and centrally planned to a decentralized economy, the restructuring must be related to changes in the economic system. However, opinion was divided with regard to the scope and pace of the changes. Whereas some economists were in favour of a radical one-off introduction of changes that would set in train automatic mechanisms taking care of the transformations, others suggested a controlled, step-by-step changes, with modifications being made if the need arises. Finally, the view that prevailed was that, taking the country's economic situation into account, structural changes should be implemented as fast as possible.

In keeping with the assumptions of the state economic policy, there were plans to introduce some moves in the latter half of the 1980s that would stimulate structural changes, with emphasis on projects that would contribute to the saving of materials and energy.³ There was also proposed to ensure a better use of domestically available raw materials, e.g. by development of food processing industry. The restructuring of Polish economy was to be accomplished due to:

a) the accelerated growth of selected branches of industry or groups of products based on the creation of more favourable conditions of their development;

b) the initiation of selected moves aimed at the equipment of the national economy with efficient technological processes, advanced materials and machinery. The implementation of these undertakings would create the indispensable conditions for the accelerated growth in selected branches of manufacturing and, in the long run, would be the basis for evolution of specialization of Polish industry;

c) the execution of selected moves designed to provide industry with advanced materials and processes. On this basis, enterprises would select their product range and production programmes. This direction of structural changes would concern various kinds of small-scale undertakings, based on efficiency criteria at the enterprise level.

Thus the restructuring was to come as a result of moves at the central level and autonomous decisions of enterprises. It was assumed that the central authorities would exert influence on the process with the use of economic instruments that would encourage the implementation of selected moves from science and technology, the starting of production of advanced materials and components. Such undertakings were to be embraced by government orders, financial assistance, investment credits and other financial and economic mechanisms.

The proposed system of introducing structural changes turned out, however inefficient and too centralized. Therefore, it was decided that the socio-political situation required more radical steps that offered a chance of obtaining the desired results faster. For example, during the Round Table talks it was agreed that Poland should move toward a market economy by developing the private sector, which should be granted favourable conditions for investment and production.

Practice has shown that the present enigmatic definitions and the mode of operation of state-owned enterprises are not conducive to the economic recovery. The general feeling is that, in the light of the experience of the last 45 years, making the state administration of various levels accountable for national assets would do more harm than good. With a general change of the outlook on the functioning of the economy and on the role of the state in it, the problems of privatization of the state sector is increasingly perceived as the starting point for the restructuring of the national economy. It is unquestionable, however, that the scale of possible privatization is limited by the funds the society has at its disposal. At the same time, a complete abandonment of state intervention creates the danger of structural transformations that will perpetuate the economic pattern characteristic of the Third World.

The restructuring of the national economy has also its social dimension. This problem has been tackled by specialists in spatial development.⁴ It was pointed out that the

bulk of investment plans of foreign corporation, joint ventures, joint stock companies and new technology firms, i.e. undertakings that have the marks of modern and could potentially be in the vanguard of structural transformations, have been concentrated in the Gdańsk, Katowice, Cracow, Łódź, Poznań, Warsaw and Wrocław agglomerations. It can, therefore, be expected that in the long term there will be a conflict of interest in those areas between the new initiatives and the traditional industries over the barriers to growth existing there with regard to municipal infrastructure, ecological requirements. The modern industry is likely to adapt to those conditions much more easily than the traditional industry because it is characterized by a much lower demand for the traditional production supplies. The likely spatial preferences of such new enterprises will also embrace the siting of production facilities in smaller localities situated outside the urban agglomerations but linked with them by a convenient transport network and offering attractive terms of investments and operation. In fact, it is possible that such small localities would be preferred over medium-sized towns situated far away from large agglomerations.

This brief overview of the evolution of views and the ways of approaching the restructuring of Polish economy is, of course, incomplete. Nevertheless, an analysis of selected spatial aspects of the restructuring on a regional basis makes it possible to pinpoint the phenomena whose occurrence in a given area may seriously limit the possibilities of growth.⁵

3. The barriers to the restructuring

Understandingly, a broad restructuring requires large investment. This is because of the necessity to replace the existing machinery and technology in some industries with new plants and processes. The need to provide job retraining emerges. A whole set of activities is involved and their scope depends on the available resources, international re-

lations and the place the given country occupies in the world division of labour.

At the same time, it should be noted that the restructuring scenario in the market economy, with multiple economic subjects involved in the economic game regulated by market mechanisms, must be different than in the case of a more or less decentralized influence on the state and the predominance of the state sector in the country's economy.

The lack of stability on the domestic market, high inflation and the socio-political tension accompanying them, make the starting point extremely difficult. Restructuring moves must take into account a number of domestic factors related to economic and social structures and to social consciousness. This means that it is necessary to overcome genuine structural barriers characteristic of Poland's development and no less significant psychological barriers that are the result of frustrated hopes and psychic depressions to which the hardships of daily life, contribute in a large measure.

In individual regions, the possibilities of restructuring depend, among other things, on the historically developed economic structure, industry included, shaped in the course of history, the demographic situation,⁶ the level of staff training⁷ and the state of the natural environment.⁸ In cases of some branches of the Polish textile industry, mining and metallurgy, the present pattern and spatial distribution of industry is 150 years old or over. ⁹

While discussing restructuring, it is worth pointing to some factors that encourage continuity and stability when development does not necessarily have to be identified with the creation of new production capacity. If a moderate, mainly technological, modernization occurs in a traditional industrial region, providing higher efficiency of production without replacing its structures, it is not a case of restructuring.

The emergence of the latter is usually a result of the development of a new kind of productive activity which leads

to structural changes. This approach is however oversimplified. In Polish case, it is also necessary to make changes in the system of management and working practices, i.e. in the mode of the functioning of both the public and private sector, which can either stimulate or hamper restructuring in the broad sense of the word.

These are by no means the only barriers which have to be overcome in the process of restructuring the economy. The sample impediments listed above point to the role of spatial planning based on a broad geographical and economical analysis of the possibilities and needs of the country, its regions and local communities.

4. Selected regional problems of restructuring

In the collection of Poland's regions, various factors come to the forefront when it comes to making restructuring decisions. They stem mainly from regional limitations of economic growth, which have a varying impact on the geographical environment. This paper discusses only three of them. These include: (1) the level of unemployment, (2) the degree of physical depreciation of fixed assets, (3) the existence of ecologically degraded areas. The analysis was limited to selected areas with relatively the highest values of these factors (Fig. 1).

4.1. The level of unemployment

Unemployment appeared in Poland with the start of changes in the economic system in January 1990. With some oversimplification, unemployment may be viewed as a harbinger of restructuring because it is a phenomenon that is immanently related to the operation of a market economy. It is assumed that the number of unemployed may grow parallel to the transformation of the economic system and the departure from the predominance of the state sector. One factor generating unemployment is a temporary drop in production as market

mechanisms force enterprises to pass to more efficient forms of management.

One side effect of the aforementioned moves is the closing down of numerous enterprises, which are unable to survive in the changed conditions. At the same time, ownership transformations are taking place with the starting of reprivatisation and privatisation processes. Besides, the progressing restructuring of prices means that, as subsidies to various goods or to whole branches of industry, factories, mines, etc., are withdrawn or drastically reduced, the pattern of social consumption is undergoing a radical change. There are huge swings in demand for many goods. A lot of them, so far scarce, are becoming easily available.

The reconstruction of the system of prices has also been causing upsets in production destined for export as profitability changes. Problems with sales, unknown in a centrally planned economy, are causing cuts in production. The symptom of overproduction has appeared, along with the threat of bankruptcy. The closure of plants poses an urgent need to retrain the laid off workers for other jobs. Graduates of schools of various types have also appeared on the labour market, which also creates problems as those people were trained for the needs of an altogether different economic system. In a nutshell, this is the mechanism generating unemployment in the first phase of the transition from a centrally planned to a market economy.

A steady growth of the level of unemployment, measured in terms of the ratio of the registered unemployed to those in active employment has been recorded all over the country. At the same time, there were big regional variations in the level of unemployment and a growing tendency for a widening of the gap between the most and the least affected areas. While in April the gap was close to 1 to 4 (from 0.6% in Warsaw voivodship to 4% in Suwałki voivodship), by September the disparity rose to 1 to 6 (1.5% in Warsaw voivodship versus 9.5% in Suwałki, with the national average below 5%).

It should be added that the level of unemployment exceeded 7% in the Białystok, Ciechanów, Jelenia Góra, Konin, Koszalin, Łomża, Olsztyn, Płock, Słupsk, Suwałki and Toruń voivodships. With few exceptions, these are areas with a lower than average level of economic development, which until recently were the target of a development drive. From the spatial point of view, unemployment is the highest in the north-eastern macroregion and isolated voivodships in other parts of the country. None of the big urban agglomerations has made the list but this is not to say that some of them are not going to face unemployment on a large scale shortly. This may apply in particular to regions with a homogenous pattern of the economy, with a strong predominance of the state sector, the concentration of production in huge enterprises and a strong dependence on exports to the former CMEA countries.

It ought to be emphasized that in the big urban agglomerations the level of unemployment, which is only slightly higher than national average, can cause big social and economic problems anyway, affecting as it does large numbers of people. This is especially true of the Łódź, Katowice and Wałbrzych voivodships. All of them have an undiversified pattern of the economy, with a predominance of obsolete technology and the big share of such branches of the economy in overall employment, which makes them more vulnerable to the growth of unemployment.

At the same time, there are increasingly more proponents of the view that a moderate level of unemployment in a region can contribute to economic growth and be conducive to the growth of employment in the private sector and firms tied to foreign capital. However, a high level of unemployment, of the order of 15% or more, that has already been reported in some microregions, may engender a pattern of negative phenomena leading to a vicious circle of the downgrading of the quality of services, an intensification of the symptoms of social ills, followed by an outflow local capital. This may trigger a chain reaction leading to a further loss of jobs in the region which may then be difficult to reverse.

4.2. Regions with the highest degree of physical depreciation of fixed assets

The economic difficulties of the late 1970s and early 1980s led to a situation in which physical depreciation in the broad sense became one of the basic problems; in some cases, it got so bad that individual installations had to be idles. Such decisions were more often involved by technical disrepair than unsatisfactory economic performance. The high degree of physical depreciation of fixed assets in Poland is to some extent a result of the adopted strategy of coping with the economic crisis, which consisted in the protecting the level of consumption at the expense of the economy.¹⁰ In 1988, the index of growth of consumption amounted to a little over 110% of the 1978 level whereas investment was less than 80% of the earlier level. This shows that in the last decade deep and dangerous processes were going on and they were not accompanied by an noticeable transformations in the national economy. The reduction of the volume of national assets was the price paid for the policy of reducing social tension in the 1980s and the cost of this operation will have to be borne for many years to come.

Roughly, after no longer than twenty years' use, fixed assets should be replaced by new ones. As a result of Poland's technological backwardness and the overall economic situation, machinery and plant are often used despite complete physical depreciation. Nationwide, this applied to about 10% of the total fixed assets in the second half of the 1980s. The highest concentration of fully depreciated assets occurred in the Warsaw, Łódź, Katowice, Cracow and Wrocław voivodships, each of which accounted for more than 4% of the total national value of such equipment. It was then suggested that this fact can be taken advantage of in the restructuring process by not reproducing the fixed assets of some enterprises whose production does not have to be tied to a specific location.

The areas characterized by the highest degree of physical depreciation of fixed assets in the state sector of the economy (38.5% or over) i.e. exceeding at least a half of

the standard deviation of the national average in 1983 (the average being 35.9%, standard deviation 5.2%) includes old industrial regions (Jelenia Góra, Opole, Wałbrzych), some urban agglomerations (Cracow, Wrocław) and other areas, notably Konin and Zielona Góra.

The situation is not the same in all the regions specified above. When mineable resources become depleted, e.g. lignite deposits in the Konin or coking coal deposits in the Wałbrzych area, restructuring amounts to the introduction of new functions. When it is a case of outdated processes in outdated plants, the decisions must concern the continuation or change of the pattern of production, as in the case of Jelenia Góra, Opole, or Zielona Góra.

The situation is further compounded by the fact that most of the projects in individual industries were built at about the same time and most of them are hit by physical depreciation simultaneously: this is the case of power plants, steelworks, etc.

In view of the negative impact of the aged plants on environment, it looked as though the list of plants that were being closed down would grow longer fast. The assumption was that the advanced depreciation would encourage restructuring moves. This view had many supporters so long as it referred to some unspecified time in the future. But once some decisions were taken to close down unprofitable plants using obsolete technology, threatening environment and people life and health, strong psychological and social resistance emerged. And then a nervous search for arguments in favour of the modernization of many of these plants began.

The predominance of the state-owned industry and the striving to build huge plants were responsible for the fact that almost a half of the total work force (47.3%) was employed in less than 9% of the total number of enterprises. In these circumstances, restructuring very often has to affect units employing thousands of people and the decisions threaten to trigger the eruption of political and social

conflicts. In the light of the data provided above, the physical depreciation of fixed assets only aids to take restructuring decisions to a limited extent. The situation seems paradoxical: the need of restructuring is not generally questioned whereas the psychological and social realities lead to the enforced petrification of the existing regional structures. A conflict emerges between the short term interests of the work force and the possibilities of unblocking the factors of economic growth.

4.3. Regions with the highest degree of ecological degradation

Ecological degradation affects particularly the areas in which there are the largest and most dangerous sources of dust and gas emission, as well as of sewage and waste. There are 27 areas in Poland in which natural balance was upset due to anthropopressure. This means the degradation of biological systems which lost their resistance and in which self-purification processes was hampered. In those areas, there are threats to human health and the risk of environmentally conditioned diseases. These areas cover 35 200 km² or 11.3% of the national area, but they are inhabited by 13 000 000 people or 35.1% of Poland's population. A varying degree of ecological hazard occurs in most urban agglomerations and major industrial regions (Fig 1.).

The concentration of the ecological danger in the southern part of Poland is characteristic. The situation is especially dramatic in the Katowice and Cracow area where both the spatial extent of the degradation and its intensity pose challenges not only on the regional but also on the national scale. The state's failure to take suitably effective action would lead to the consolidation of the position of this area as one of the worst problem regions of Europe.

Also the pollution of Polish rivers was ignored despite the fact that a half of their length is outside any class of water purity. Similarly, the regions and smaller areas were

ignored where water is scarce due to extensive management of its resources.

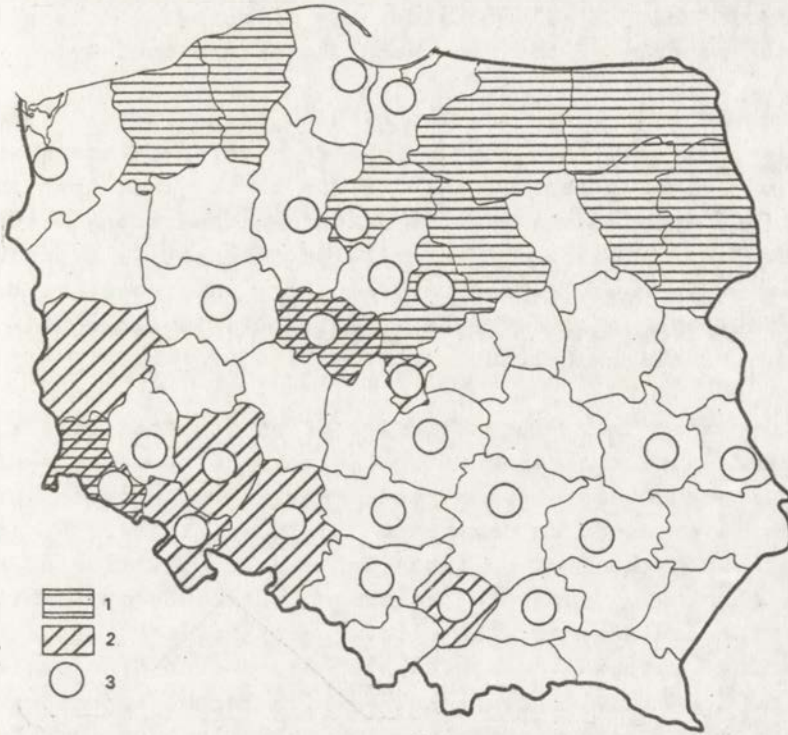


Fig. 1. Impact of selected factors upon the national strategy of Poland's spatial development

1 - unemployment < 7%, 2 - fixed assets depreciation < 38.5%,
3 - ecological degradation

Source: own elaboration based on Central Planning Office data
(cf. footnote 3 and 4)

Ecological degradation affects both people and industry as it produces a barrier to economic development.¹¹ Apart from environmental engineering projects, e.g. as the building of sewage treatment plants or installation of more efficient dust precipitators, structural changes are also necessary. These will have to be included in the framework of

the dirty technologies and their replacement with less polluting processes. These are difficult decisions, which sometimes must be taken in order to comply with international conventions regarding environmental protection. The present pollution levels do not facilitate the introduction of new technology and entail considerable investment. These are important aspects of the restructuring of the economy.

The analysis of the location of high technologies industries demonstrated that they very rarely develop in areas with ecological disequilibrium. This is due to the fact that such production depends to a limited extent on traditional siting considerations and that a sterile environment is a productive factor in some branches of industry. The fact that most urban areas are polluted beyond permissible levels could be a major obstacle to restructuring.

At the same time, the pollution of environment ceases to be Poland's domestic concern. Pollutants do not recognize boundaries and are transmitted from the country in which they are released to do damage to another. Therefore, the thesis about the lack of funds for the introduction of new clean technologies ought to be revised. With the availability of remote sensing the situation of Poland, and other East-Central European countries, is being watched, especially in the Scandinavian countries, which become importers of pollution. The accumulation of air pollution coming from Poland, Czechoslovakia and East Germany is being monitored in Holland, for example.

Sweden has declared its readiness to participate in environment-oriented investment projects in Poland, proposing for example, the conversion of Polish debt in favour of the financing by Poland the undertakings serving the improvement of the quality of natural environment.

Swedes are especially interested in a reduction of the pollution and toxicity of the Vistula, which pumps its waters into the Baltic and thus causes damage along the Scandinavian shores. In 1989, a proposal for the establishment of the European Environmental Protection Foundation was submit-

ted to the UN Economic Commission for Europe at Geneva. Its signatories, and Swedish Riksdag in the first place, insist that the Foundation would finance also some projects in Poland and in other countries bordering on Scandinavia. In this way, Poland could repay its foreign debt by investing in new technology.

This is external action enforcing the modernization and tidying up of Polish economy. This indicates how new technologies may be imposed through political influence.

5. Concluding remarks

The above analysis of three selected factors that are important from the point of view of the restructuring of Polish economy in its regional dimension is, of course of relative significance. The role of these factors was different in a centralized economy than after the introduction of the decentralized economy that respects market forces and operates the economic laws. The current transformation of the socio-political system in Poland points to the need of suitable reappraisals in this respect, in step with the growth of the private sector, the arrival of foreign investors and the emergence of new patterns of operation in the state sector.

The one thing that is unlikely to change is the importance of the ecological degradation of the areas in question, which at ones makes it necessary to embark on restructuring moves and is an obstacle to such moves. The impact of environmental pollution in Poland is also felt abroad. The evident interest of European countries in the state of environment in Poland is a pragmatic expression of the principle: by helping others we are serving ourselves. Hence, the idea of an ecoconversion of Polish debt and numerous attempts of various action launched by Western governments, economic corporations and public institutions, which have demonstrated interest in the problem.

At the same time, it should be remarkable that the introduction of economic activity based on market forces may produce new dangers of unprecedented proportions. The opening towards broad economic cooperation with other countries and the promotion of entrepreneurship at any cost because the country badly needs funds, may also create potential risks. Natural environment of areas spared from the ecological disaster can be a very attractive asset for many investors, but it also an asset that is easily destroyed. Nevertheless, in any variant of the restructuring process, regardless of the economic system, the ecological factor must get prominent treatment.

The case need not be the same with the labour shortage, which used to be a barrier of growth in the system of centralized state economy. The transition to the market economy will lead to the shaping of local, regional and national labour markets operating on new principles. The labour factor is gradually regaining its high mobility and unemployment appears.

With the use of economic instruments, the employer who used to complain about a severe labour shortage is facing the relative abundance of labour. With the use of various instruments, also the centralized state economy could have an influence on the high degree of vocational activity in a given place or region. However, the centralized system of management placed restrictions on more flexible or efficient systems. The result was high employment combined with low productivity, i.e. the wasteful use of labour. The relative labour shortage was the most indicative example of the impact of institutional and organizational solutions on the importance of the barriers to restructuring.

The change in the system of management does not result in definite solutions with regard to regions with the highest degree of depreciation of fixed assets or a high concentration of future capital requirement. Naturally, the opening of the door to technological progress and flow of new technology that may result from the interest of foreign capital in investing in Poland may change the perception of the

problem. With the limited available funds, the centralized state economy was interested in the longest possible use of fixed assets. Modernity and competitiveness of products took a back seat in view of the unsatisfied demand on the domestic market. It can be expected that economic subject operating in a different economic system may decide that many of the existing facilities could be used for starting a different kind of economic activity. Therefore, there will not be a single scenario of the future development for regions with a high degree of depreciation of fixed assets. However, it is difficult to predict which projects will prove to be attractive for new investors.

The relative significance of the factors reviewed above for the restructuring processes also becomes evident in the case when, as a result of the reconcentration of economic activity one large firm is replaced by several competing firms.¹² This will signal a transition to a different model of management and organization of socio-political life.

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SPATIAL STRATEGIES AND RESTRUCTURING
OF THE SOCIO-ECONOMIC SYSTEM IN CZECHOSLOVAKIA

Koloman Ivanička

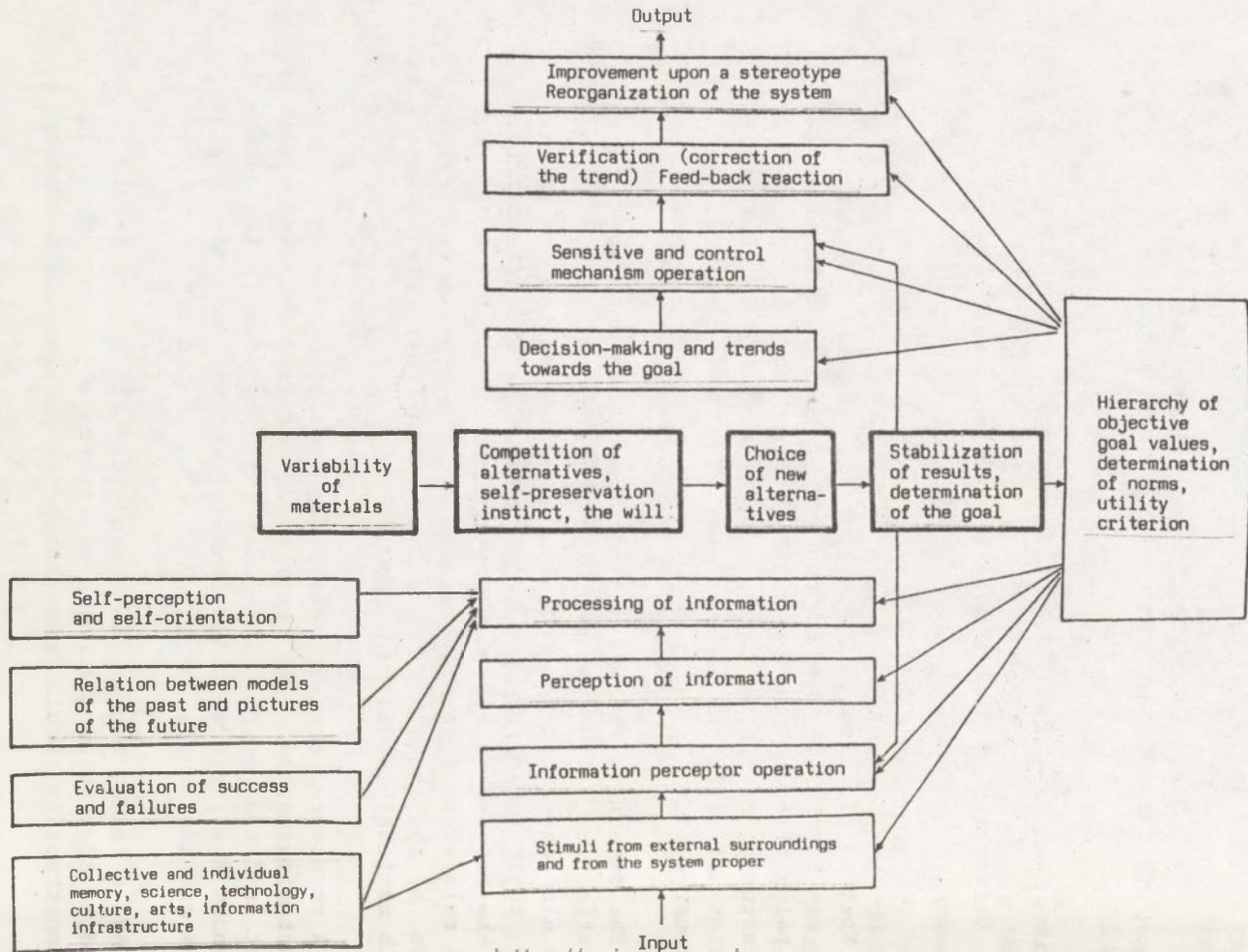
University of Bratislava, Bratislava, Czechoslovakia

Spatial planning in Czechoslovakia is currently searching for new forms. The reconstruction of the economic mechanism is being stressed but the problem certainly concerns the restructuring of the whole societal system (Fig.1). Democratization of life and management is the basic feature of the reconstruction.

The directive rather than adaptive management and autoregulation of self-government proved to be deficient. A need has also developed for social and ecological planning and for their implementation in practice. As significant steps in the process of decentralization and the enhancement of the role of self-government, one can mention the federalization of the state and the formulation of adequate bodies in both national republics (1968).

A structural transformation in production towards high-technologies, and many other things, indicated that management and the control of the involved problems is impossible without the implementation of an efficient economic mechanism and the complex restructuring of the societal systems.

As a basic problem of reconstruction, there arises the need to comprehend the roles of functional structures. The reconstruction should be a continuous process of innovation.



Any spatio-temporal system existing in a changing environment must adapt itself to changes in the environment, restructuring and forming a space for application and creation of new structures.

Reconstruction of the economic mechanism entails a full awareness of relations between values and utility values. Also the value of manpower is being changed. It has been proved that the artificial decrease in the manpower value caused a retardation of automation and robotization, slowed down processes of re-qualification and the problems created by the social system. The planned reconstruction assigns to enterprises not only higher power but also higher duties. The enterprises will spend part of their profits on the construction of social, health-care and cultural facilities and the preservation of environment and the quality of life.

One can also expect some developments concerning the property right and the responsibility for the national economy and cultural values. In this regard, an important role will be played by law. The rent of land, urban and location rents will play a greater role.

The uniform economic evaluation of the results and conversion of wholesale prices is a precondition of economic efficiency. It is obvious that a reconstruction of the social system causes considerable changes in personnel. The requirement for effectiveness creates a new differentiation in further development and growth in the production programme, new criteria of economic freedom and profitability of operation. One can also expect the necessity to close non-profitable plants.

Through the new economic mechanism, the problem of territorial management acquires new dimensions. Not only will higher competence in decision-making and greater responsibility of local and regional authorities play key roles, but the problem how to obtain money necessary to maintain effective control will arise. New principles of credit and bank guarantees are being prepared. At present, managers of enterprises are being instructed. Scientists put forward the

question of the formation of regional and local teams of experts and regional associations of specialists and managers. The new model of complex spatial planning is being prepared.

New organizational structures in science are also being created. Scientific-industrial associations are being formed and new forms of links between research institutes and experimental production units and regional production complexes are being sought. The costs of creation, diffusion and the processing of information and innovation, scientific communication, decision-making and the information/management infrastructure must be considered. Without solving these problems, it is impossible to resolve the contradiction which arises between intellectual and physical work, as well as between territories and places which are centres of an innovation and those which use the innovation in production.

Meeting the demand for the continuous innovation and improvement of structure is the basic problem of a synergetically understood strategy of territorial organization.

Management will include, in a new way, the category of indefinableness and randomness. The employment of randomness, as well as newly emerging situations (fluctuation) in the process of the creation of new qualities, exerts great demand for managerial workers. The experiments with development trajectories require freedom of some relationships within the system. A knowledge of the synergetic mechanism of development also enables the evocation of self-moving creation of new qualities in a desirable way. Such a management of the territorial development demands a new theory of development.

Management of creativity can also be seen from the point of view of the elimination of indefinableness and the transfer of information to a controlled structure and organization. Structures acquire new features and new organization through the flow of information. The higher the degree of organization, the higher the management efficiency. The elimination of indefinableness in the functional system ex-

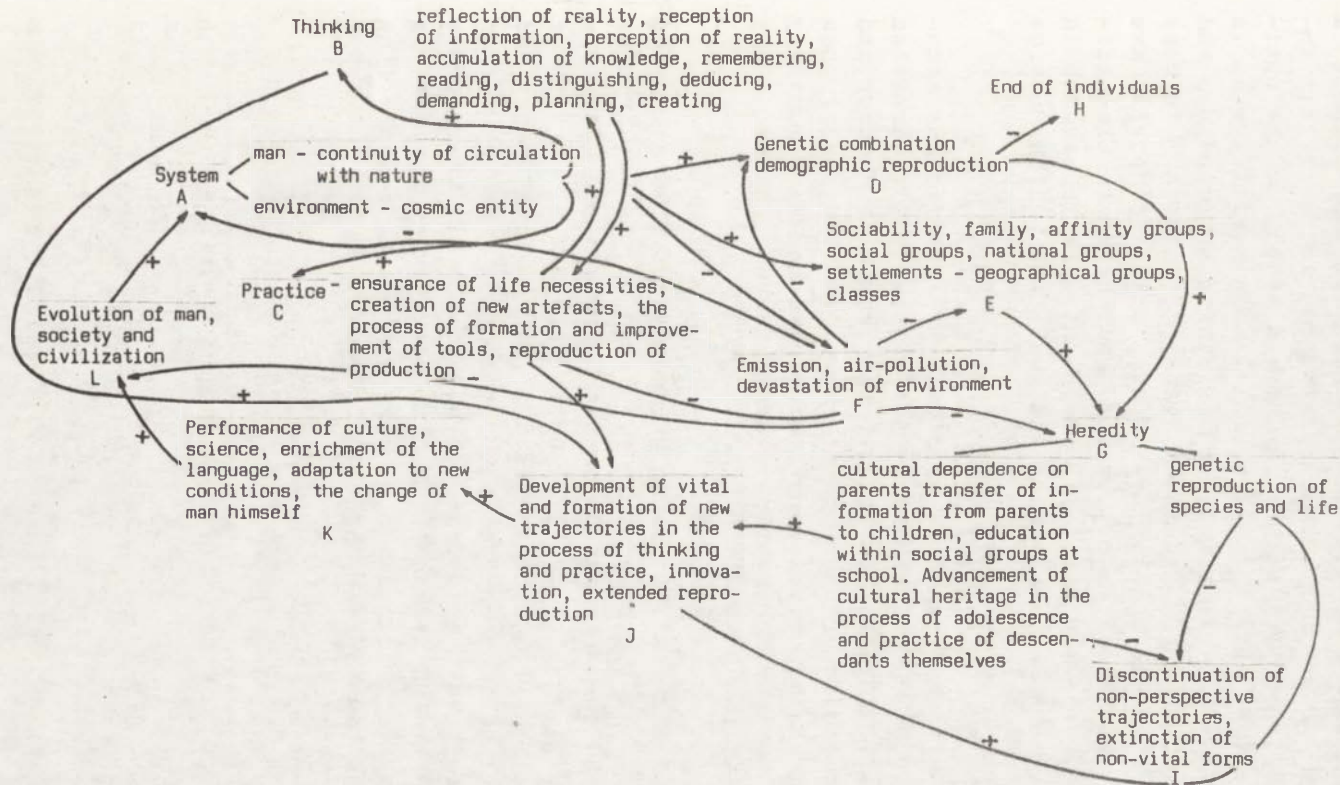


Fig. 2. The life stream - evolution of civilization.

Functional operational mechanism - deviation-forming and deviation eliminating circles

plains why it is possible to obtain in a social system even multiple increase owing to good organization and without a proportionate rise in investment, energy and material inputs. It is the result of the management effect or the optimum organization effect. Every social territorial system is situated, in a certain sense, in indefinite surroundings and must react to unexpected situations and failures. To cope with such situations, in the first stage reserves are necessary. The formation of reserves and their elastic utilization becomes essential in overcoming failures also in developing those new structures and qualities which emerge unexpectedly.

The formation of reserves is closely related to the accumulation process, the concentration of energy, information and material. This is opposite to the growth in entropy and is of strategic importance for the development of every open system. In the human system of the present, an adequately developed modern information infrastructure plays a key role.

In social management and the overcoming of stagnation and stereotypes, an important role is played by the willingness and effect to innovate and to suppress barriers to development. In implementing targets, there exists a close link of targets and will. If the system is marked with apathy and distrust of the future, social process and reconstruction are retarded with attendant consequences. All these prove that synergetic management of social territorial systems is closely related to management civilization as a whole (the Civilization Development Model -cf. Fig. 2).

REGIONAL DEVELOPMENT STRATEGY IN THE USSR

Robert I. Shnipper

Institute of Economics and Organization of Industrial
Production, The USSR Academy of Sciences, Siberian Branch,
Novosibirsk, USSR

Spatial strategy is the conceptual regulation on the most effective direction of the development of regional systems, the resolution of major territorial problems and the distribution of the country's productive forces which provide: (1) the achievement of economic and social goals of increased reproduction; (2) the complex utilization of natural resources and the protection of the environment; (3) the efficient territorial division of labour and expedient inter-regional integration; (4) the enlarged reproduction of regional systems and formation of the corresponding territorial and inter-industrial links for this purpose; (5) the implementation of differentiated regional socio-economic and scientific and technological policies; (6) the strengthening of defence potential; (7) the improvement of the material and cultural living standard in various regions.

The choice of an efficient spatial strategy is of vital importance owing to its potential abilities for alternative decisions while permitting the use of the mutually complementing factors of regional systems and their interaction in the interests of the entire national economy. It is possible to choose the most convenient location for the accomodation of various enterprises. This factor is supplemented by a strong resource potential which is widely used in different temporal and spatial combinations.

On the basis of environment and resources, large industrial centres are rather steadily located in the USSR, and are connected with the network of interregional infrastructure. This makes it possible to create, for any perspective period, several spatial strategies to examine variants of production allocation and to find the optimal interaction scheme of regions and industries for the effective functioning of the national economy. On the national economic level of planning, economic growth rates and the global proportions of the formation of the social reproduction are determined providing the attainment of the perspective goals of the national development.

The global indicators of national economic development reflect economic, social, scientific and technological processes. With the use of eco-mathematical methods, one can optimize these indicators by introducing into the model coefficients, limitations and variables reflecting the hypothetical shifts in the structure and dynamics of the economy. It is possible to construct several variants of the enlarged reproduction. Each would reflect a certain situation of socio-economic and political development. A point-wise approach to the economy, however, causes some serious contradictions connected with the underestimation of temporal and spatial factors and their influence on social reproduction. The national economy includes a large number of industries with unequal and resource intensity. The industries are different not only in production/technological, but also in temporal and spatial aspects. The efficiency of national economic development can substantially depend upon the character and specialization of the country's interacting regional systems.

The territorial aspect is expressed in two interconnected forms. The first form expresses relations among the national economy and regional systems with regard to the territorial organization of production, distribution, exchange and consumption of the social product. The second is connected with the complex development of territorial/administrative formations. The territorial aspect of social reproduction linked with the distribution of productive forces and the

provision of the regions' efficient interaction for attaining the national goals, will be referred to here as the inter-regional aspect; and the one linked with the complex economic and social development of separate subsystems as the intra-regional aspect. It also becomes possible to determine the similarities and differences between the most important directions of territorial planning.

Despite the common goals of inter- and intra-regional aspects of the reproduction, each has its special functions in the natural economic planning. The crucial questions for the interregional aspect of social reproduction are: territorial division of labour, the best combination of resources, distribution of investments, the development of separate territorial formations and the resolution of inter-regional problems.

The intra-regional aspect of the reproduction process is connected with the proportions and functions of the interacting regional economic elements, and it reacts fast to changes occurring in them. The proportions and indicators of the regional reproduction process provide the unity of the inter-regional and intra-regional material, credit, financial, and labour relations. Both the intra- and interregional aspects of social reproduction are directly connected with the territorial division of labour. The influence of the latter predetermines the specialization of the regions and expedient scheme of their interaction. Shifts in territorial proportions and the geography of national wealth result in qualitative alterations in the territorial division of labour.

The first half of the 1980s marks the stage of active pre-planning elaborations on the basis of which economic decisions were prepared on the development and distribution of the country's productive forces up to the end of the 20th century. Reliable reserves are to be made for the efficient development of the country in the first decade of the 21st century. For this purpose, the following are elaborated by the numerous academic and industrial research institutes: (1) a complex programme of scientific and technical devel-

opment of the country's national economy considering its regional aspect; (2) the schemes of the development and allocation of the productive forces of the country, Union republics and major economic regions. The question arises of which scheme of the territorial labour division form the basis of these documents.

In this connection, regional planning has to solve a set of questions related to the territorial division of labour. First, to what extent the *de facto* existing territorial division of labour meets the requirements of the efficient development and distribution of productive forces, which provide the achievement of long-term economic and social development. Secondly, what are possible changes in the territorial division of labour under the influence of scientific and technological change; in the distribution of the national wealth, reassessment of the resource potential of different regions, possible shifts in the geography of labour resources and commodity markets. Thirdly, to what extent one can forecast the territorial division of labour in accord with the long-term goals of economic and regional development of the regional systems and the entire country.

Any economic problem makes its own demands on the specialization of regional systems and on their interaction. When the strategic tasks of the country's development are concerned, this requires the estimation of the national scheme of the territorial division of labour. Rather opposite demands are made when developing international economic relations and their participation in the formation of different regions of the country.

One considers three possible approaches to the resolution of this question. First, researchers must possess data on the national scheme of the territorial division of labour, the tendencies of its improvement and development. This will permit the estimation of its abilities for attaining economic and social goals. Secondly, it is important to know to what extent this scheme will be useful for the resolving major territorial problems within the economic zones where the interconnections arise. Thirdly, the scheme of territorial

division of labour is also of great importance for the solution of the problems of the country's international economic links.

The scheme of the territorial division of labour cannot be considered static. It reacts fast to scientific and technological change and to changes in the geography of the economic and social potential of the country. Each stage of national economic development has its own inherent potential scheme of the territorial division of labour, the employment of which can give the most reasonable regional specialization and provide the efficient interregional integration.

The territorial division of labour is the result of regional specialization and their interaction in resolving the problems of the national economy, and under the conditions of the inter-industry co-operation of production, formation of interregional transport, economic, scientific, technological and financial links.

The process of specialization and the significance of inter-industry interaction strengthen with scientific and technological change. Its most widely spread form is the production co-operation. The second is related to the rise of the more rigid dependence of an industry or enterprise on the territory. This takes several forms: first, the shortage of labour makes local bodies choose the most efficient spheres of applying labour; second, requirements grow to the social welfare infrastructure and to the non-productive sphere; third, the limited natural resources (land, water) enhance the requirements of their rational utilization.

Territorial labour division on each stage of national economic development reflects the objective and concrete opportunity for various regional systems to participate in the reproduction process. The retrospective view of the territorial labour division allows to determine what each regional system can do and what it really does to attaining the goals of society and the provision of the interregional interaction for gaining the integral effect. If one assumes that spatial strategy must reflect the most efficient scheme

of the territorial division of labour to ignore this results in a scheme which fails to employ all the opportunities of every regional system. It will be useful to differentiate the potential and the actual scheme of the territorial division of labour and, thus, to elucidate the degree of approximation of the practical decision to the effective utilization of the potential opportunities of the territorial division of labour.

The development of science and technology can affect the process of distribution. Therefore, territorial division of labour is to be considered historically, from the viewpoint of the whole set of socio-economic and scientific and technological factors.

The following factors can change the existing territorial division of labour:

(1) The constructing of new enterprises changes the specialization and economic abilities of regional systems and thereby changes the initial determination of spatial strategy. Newly developed progressive branches of the national economy can actively change the division of labour. Thus, the allocation of electronic, microbiological and other enterprises corrects the specialization of regions and the interregional economic links.

The reorganization of the influence on the entire regional systems is made by major territorial programmes, the implementation of which creates territorial industrial complexes (TIC) which modify the geography of social production and, correspondingly, of the territorial division of labour.

(2) The reliability of external links and the transport development of the country's northern regions substantially influence the rise in the economic attractiveness. They play the ever growing role in resolving economic tasks on the national level. This is the result of wide involvement of natural resources in the national economy, which are considered to be of top priority.

The development of the country's transport network leads to the revaluation of the resources and economic opportunities for many regional systems and thereby changes the ideas about the territorial division of labour.

(3) The enlargement of the area of geological surveys, the discovery of deposits of economic minerals, leads to radical changes in the geography of the USSR mining.

Each resource becomes interindustrial when it is more fully employed, and this introduces corrections to the territorial division of labour. The opportunities of producing synthetic materials change the geography of raw materials of the country. Thus, plastics replace other materials the needs for which count millions tons. Thus, the idea is changing about the interchangeable resources and the output for final consumption, and, hence, about the geography of production and consumption, about the territorial division of labour. A region which is traditionally specialized in the production of one commodity, may fail to play such role if it becomes possible to manufacture a substituting product in other regions.

(4) Changes in the material and technological opportunities of managing entire regional complexes and interregional systems. The achievements of scientific and technological change gives rise to new organizational forms providing interregional redistribution of separate natural resources. Technical decisions in the construction and exploitation of major power plants have generated the necessity to transfer large volumes of electric power over large distances. This has served as the prerequisite for the formation of regional electric power systems which are subsequently to unite with the USSR Unified Power System.

The territorial division of labour, owing to social needs and the necessity of resolving long-term socio-economic tasks, requires the creation of the new eco-territorial structures. Hence, when one deals with major territorial problems, one must thoroughly analyse the possible perspective territorial division of labour scheme.

With the development of the Near North as a result of the BAM construction, gravity centres will shift - the Far North will rely not upon the development zone of the Transsiberian Railway, but upon the Near North. Therefore, the programme elaborators must have idea about changes which will occur in the territorial division of labour and how they will affect the development of productive forces and interregional economic links.

(5) Inertial socio-economic links exist which affect both the stability of the territorial division of labour and its development and improvement. The high culture of production and the skilled personnel have been historically formed in Moscow and Leningrad. Naturally, when the USSR Gosplan considers the allocation of production which requires high culture of manufacturing, these cities attract attention first of all. They have scientific and industrial potential which can quickly react to all the situations possible in production development on the basis of new technology.

The inertial forces do not always meet the interests of the efficient production distribution in other regions. The construction of a new plant, the choice of the site for it, often depends on the availability of the construction base in defiance of the interests of the territorial division of labour. But there are also inertial forces of a progressive character, which are to be taken into account when elaborating the perspective plans and major programmes. At present, mobile construction units have become widespread. This gives an opportunity to manoeuvre spatially by the industrial apparatus.

The spatial strategy of the development of production forces forms the system of territorial structures and proportions which change in time and reflect the role of republics and regions in resolving the tasks connected with the increase in the socio-economic potential of the country. The rates and the character of the changes are not stable for individual republics and economic regions. They depend too much on the role which has to be fulfilled by each regional system in attaining the objectives of society.

Generally, the levels of socio-economic development of regional systems at different stages of economic development, the forms and methods correspondingly change. In pre-war times the question was to raise the level of socio-economic development of the earlier underdeveloped outlying districts to the national average; these borderlands did not possess the economic potential for labour growth, the development and improvement of social structure. For this purpose, new industrial centres have been built in these districts, sometimes even in defiance of the "pure" economic expediency. The protectionist policy with respect to the undeveloped outlying districts proved its viability under the complicated conditions of the war.

An important role in resolving these problems belongs to the normative apparatus, with the assistance of which decisions are made and the qualitative and quantitative parameters of development are determined. The regional features of living standards must be taken into account in dynamic perspective. In regions where major territorial projects are being implemented, the number of the employed grows rapidly and, correspondingly, so does the population. The fast growth rates exceed, as a rule, the abilities of the life support system. Additional loads lead to the violation of normal life support of the resident population. Most of the workers employed in the implementation of the major territorial projects live temporarily in the given territorial and administrative formation. These are mainly members of the mobile production units, which require different forms of satisfying the material and socio-economic needs than for the resident population.

Socio-economic and scientific technical directions of the spatial strategy for the development of productive forces are basic in resolving the long-term tasks of territorial and industrial planning. The most important problems are revealed on this level, natural resources are arranged from the point of view of presumed variants of the national and world economy development; and interchangeability of resources, their assessment and priority of the first-turn development of given region are determined.

It is also important that the strategy determine the place of the country's regions in the territorial and international division of labour, and the potential financial and labour resources of each region.

To increase in the scientific justification of a spatial strategy it is important to analyse the ideas, hypotheses and problems of the development and distribution of production forces put forward at the various stages of the pre-planning studies.

However, the strategies borrowed for new development, as a rule, change in accord with the new long-range requirements. The specification of individual aspects of spatial strategy increases with the transition from long-range to middle-range planning of regional systems while maintaining the goals and the main directions of achieving them, adopted for the entire long-term period of developing and distributing the country's productive forces.

The efficiency of the country's economic development depends directly on the character of interregional links, and the spatial strategy of their organization. This involves two problems: how to distribute spatially the economic and social parameters of the national economic development, and which type of the interregional interaction is the most reliable from the viewpoint of employing all the advantages of the territorial division of labour. Two mutually supplementing approaches to these problems exist.

For decades, schemes of the development and distribution of productive forces have been elaborated for economic regions and republics. Then, taking into account national limitations, they were reduced by the Council for Productive Forces of the USSR Gosplan to unified scheme over the country. Of decisive significance for regional schemes there have been the branch schemes of the production distribution. This approach has prevailed up to the present in pre-planning studies and in territorial planning.

THE UPPER SILESIAN AGGLOMERATION AS A PROBLEM AREA

Alicja Szajnowska-Wysocka

Department of Earth Sciences, Silesian University,
Sosnowiec, Poland

1. Introduction

The Upper Silesian agglomeration constitutes a unique urban/industrial phenomenon with a dynamic past and a very uncertain future. The origins of this agglomeration are related to rich coal deposits. The development of mining, then manufacturing, consequently the concentration of corresponding technical and transport infrastructure, and finally also enormous concentration of urban places and population led to the emergence, in the 19th century, of a troublesome settlement form, i.e. a conurbation. Such an agglomeration - if its functions get petrified - may lead towards a destruction. In the case of the Upper Silesian agglomeration it is coal that was its development propeller, but also a cause of its tragedy (Szajnowska-Wysocka, 1985).

The deterioration and destruction seems unavoidable with the model of controlling the development of the economic system which is specific for this agglomeration. This model can be schemed as follows:



Thus, the development of one element of the system (economic growth) may lead to the destruction of the other elements, and thereby of the whole system. The control model in question, representing this regional-economic system, provides what is far from "harmonious development", for it does not include human needs. In fact, the development path of the region based on technology, with the domination of traditional, raw material monoculture of anthracite and steel industry, with low shares of more modern industries. Thus, for instance, in the period of 1947-1956, as much as 78% of investment outlays were spent for coal and steel industries. In the subsequent periods, when intensive industrialization was going on, the two industries absorbed even up to 90% of investment outlays (Syrek, 1971). This pattern persists till now.

The economic development path of the Upper Silesian agglomeration is one of the region as a symbol of development. Until very recently, it has been perceived by the public as an area of great perspectives. In fact, however, this area is facing serious problems (Założenia ..., 1985), resulting from deep discrepancies in the growth of particular spheres of human activity.

2. The state of natural environment

The large urban concentration is paralleled by very high concentration of productive potential, as expressed by the following indicators: 12% of the national total value of fixed assets in the economy, 20% of national industrial production value, and 20% of total national industrial employment. This physically limited area provides 98% of Polish anthracite, 100% of zinc ores and zinc, 100% of lead, 53% of steel, 31% of coke, and 32% of electric power.

The inadequate organization of the coal mining causes that 58% of proven reserves of coal are lost under the surface during the extraction. There is also an increase in the share of coal extraction leading to falls and of extraction from safety pillars, up to 64% in 1981.

The concentration of the exploitation and processing of the natural resources performed with outdated technologies causes, inevitably, high levels of emission of dusts and gases, high water consumption by industry, and great volumes of industrial wastes. The regional dust emission constitutes 25%, and gases - 31% of the respective national totals, while the volume of industrial wastes stored regionally attains 57% of the national total (Kozłowski, 1983).

It should be emphasized that the emission of dust and gases is being increased, viz. there has been a twofold increase over the period 1975-1985, while the emission of gases increased fourfold between 1970 and 1985. Pollutant emissions (290 t/km²) exceeded in this region the national norms (admissible level of 250 t/km², while national average is 23). In most urban places of the Upper Silesian agglomeration this indicator exceeds 1000, reaching 3387 in Chorzów. Cracow is the only Polish large town that displays a similar indicator (1912).

Norms are also exceeded in the case of industrial solid wastes. There were, on the average, 88 300 t of solid wastes per 1 km² in Katowice voivodship, while national average is 4500 t/km². In some urban places, however, this figure is considerably exceeded, e.g. 569 000 t/km² in Gliwice, while even higher values are attained in the most noising industrial plants and mines.

The emission of liquid wastes causes pollution of rivers in the Katowice voivodship so that in the central part of the region the rivers are below the water purity classification scale. Only 15% of liquid wastes get some treatment. Besides, the volume of saline mine waters pumped out and wasted is being increased. The upper stretches of the Vistula and Odra indicate alarming levels of salinity. There is only one mine equipped with desalination station (Kórtus, 1986).

The limited natural water resources of the region which is located upon the watershed between the Odra and Vistula, together with steadily increasing water consumption for in-

dustrial and municipal needs, cause a tangible shortage in that area: own resources 23.2 m³/s, demand 40.3 m³/s, resulting shortage 17.1 m³/s is alleviated by water transport of 11.5 m³/s from outside.

The pollution influences negatively man and nature. It is because of the pollution that only 51% of agricultural land in the Katowice voivodship can be used for crop raising. Out of this, only on 32% some crops can be produced, and 17% must be excluded from crop production, because toxic substances absorbed by plants may constitute a serious threat to the health, mostly of children and youth (Szajnowska-Wysocka, 1988).

Analyses in employees garden plots in the agglomeration indicated a strong pollution with heavy metals. The contents of lead and cadmium in the plants exceeded ten times the admissible levels, which demonstrates the need for the immediate search for a food-producing region for the agglomeration (Frackiewicz, 1983).

According to the "Report on the state of environment in the Katowice voivodship" of 1981, there occurred a distinct decrease in forest area (by 1460 ha in comparison with 1976), because of forest die-back phenomenon, while forest trees were weakened over the area of 8208 ha. Totally, 82% of the voivodship forest area is located within the reach of heavy industrial emissions.

The drainage induced by mining caused drastic decrease in the ground-water level and drying of certain plant communities so that some types of peat areas occur very rarely in the region. Due to mining damages, a number of bowls without outflow and flooded areas appeared (altogether 4300 ha with 375 lakes), which are biologically inactive, filled with saline and toxic waters.

3. Health indicators

Living and working in heavily polluted and transformed environment, with stress-generating influence of urban life, leads to worsening of the health of the regional population and causes distinct changes in the structure of illness and mortality statistics. These changes are expressed through the increase in the share of the "civilization diseases", e.g. cancer, heart and blood circulation discomforts, diabetes, allergy, as well as intoxications and accidents due to work with machines and transport equipment. There is a growing share of deaths due to cancer over the last 20 years (16.1% of deaths in 1961, 20.8% in 1987), and to blood system troubles (22.6% of deaths in 1961, 51.3% in 1987).

The hidden influence of anthropogenic environment can first be noticed through the structure of infant maladies (up to 1 year of age). Together with the general tendency of decrease in infant mortality per 1000 live births in the Katowice voivodship (from 98.4 in 1950 to 19.1 in 1987) there has been an abrupt increase in the death share due to endoorganic causes, i.e. to weakening of the internal condition and individual personal constitution. During the period of 1961-1987, the shares of deaths due to genetic defects increased from 9.2% to 24.0%, and of the ones due to diseases and complications of the perinatal period - from 40.9% to 50.0%.

Obviously, within this area, one can notice a decrease in the number of deaths due to exogenous causes, but slower than in other areas of Poland. The reasons are sought in the progressing deterioration and devastation of environment. There are numerous causes of injury and poisoning. They are treated as a kind of non-genetic reason for the over-mortality of males in all age groups and, especially, in the 20-24 age group.

This pattern holds true even though the equipment of the health service is better and staff more numerous in the region than generally in Poland. In spite of this, the health of the regional population is generally worse than the na-

tional average. It is also worse than in the Łódź and Cracow agglomerations, which also fall below the national average (Dubanowicz and Kobos, 1986).

4. Overpopulation

The average population density in the Katowice voivodship is 6 times as high as the national average, with local densities exceeding 4000 per km² (Świętochłowice 4686, Chorzów 4066). The Upper Silesian agglomeration is the greatest population concentration in Poland. It was originally underlain by the rapid industrialization and urbanization. The intensive human in-migration, together with natural increase, is responsible for the doubling of the size of the agglomeration in the post-war period.

The spatial pattern of natural increase and migration, analysed by the Webb method, indicates that the urban growth has been the highest in the towns in which demographic increase is accumulated for by in-migration. Thus, the main growth factor of the urban places in the Upper Silesian agglomeration is migration rather than natural increase (Szajnowska-Wysocka, 1988).

Even though the migratory increase is a way to overcome the shortage of the local labour force, it simultaneously entails overpopulation. The overpopulation constitutes a greater threat for the region than the labour shortage. Besides, the labour force is unevenly distributed, which involves commuting to work (340 000 in-commuters, 255 000 out-commuters). This pattern indicates not only the higher level of economic urbanization, as measured by the share of non-farm population, than that of demographic urbanization, but also the existence of semi-urbanization of rural areas. Industrialization not only drained labour force from the countryside but also transformed the latter into the "bedroom" of those employed in urban areas (Szajnowska-Wysocka, 1987).

The overpopulation of the Upper Silesian agglomeration, is not only quantitative but also qualitative. In the latter context, social infrastructure, green and recreation areas, as well as housing stock should be regarded (Szajnowska-Wysocka, 1988). Since the overpopulation is a result of the massive population inflow during the latest century, the only way seems to be the reverse process, i.e. deglomeration.

Estimations made for 2000 indicate the regional urban population at about 5 000 000 (with 3 300 000 in 1985) which implies an increase by more than 1 500 000 over 15 years. These features illustrate implications related to the simple extrapolation of the currently approved in-migration based model. This estimation implies the average population density of 3400 persons/km², i.e. one characteristic now of the most densely populated regional urban places (Szajnowska-Wysocka, 1986).

Of the population of the Upper Silesian agglomeration, a specific age and sex structure is characteristic. In-migrants are usually young (40.7% of migrants in the 20-29 age group) - and, therefore, they involve changes in the age structure of the local population. That is why the age structure of urban population is rather similar to that of migrants. Other symptoms of demographic and social disequilibrium in the region can also be noticed. In larger towns males dominate, and it is only from the 50-54 age group up that the domination of females can be observed.

5. Socio-cultural infrastructure

General housing shortage, to be observed nationally did not allow to replace the old, decapitalized structures located in direct vicinity of industrial plants and waste areas. More than 40% of apartments in the region are located in buildings originating prior to 1945, and towns of the central part of the Upper Silesian Industrial District did preserve almost 2/3 of all apartments from the 19th century. The quality of those apartments is much worse than the na-

tional average. Only 68% of apartments possess complete sewage systems, 65% - bathrooms, 55% - gas, 41% -central heating. Local figures differ, however, from the regional averages, e.g. 45% of apartments with sewage in Świętochłowice.

It is also interesting that the share of apartments with four and more rooms is lower regionally than nationally, even though Upper Silesian families are larger than the national average. Generally, apartments are smaller in this region than in others, and this pattern is caused by the existence of two types of housing: (1) numerous buildings in old workers' quarters from the turn of the centuries, and (2) new housing estates with apartments smaller than the national average (Frąckiewicz, 1982; Szajnowska-Wysocka, 1988). Between 1945 and 1980, 32 800 apartments have been completely destroyed, while 320 000 need thorough repairs. As the statistics of breakdowns caused by the mining damages indicated, there were 200 000 cases in water supply system and 50 000 in sewage system. In 1980, 660 km of water supply network had to be replaced, as well as 140 km sewage network (Frąckiewicz, 1983).

The housing problem in the Upper Silesian agglomeration is strengthened by the concentration of workers' hostels (accounting for 1/3 of the national total) and by the fact that new employees are often attracted by preferential assignment of fully equipped apartments.

The state and structure of social infrastructure in the region is evaluated negatively. It is far from the level which would satisfy social needs and expectations. Incomes of a large portion of young local people being higher than the national average (including incomes of the inmates of young workers' hostels and those who rent out private rooms), give rise to the demand for the services giving possibilities of rational use of free time, as well as satisfaction of cultural, leisure and recreation needs. However, neither old quarters, nor the new estates possess cultural infrastructure adequate for the existing demographic structure.

This handicap is very much felt in the region which is being referred to as the "cultural desert". The lag behind other Polish agglomerations in cultural infrastructure is especially acute in the higher forms of cultural activities and facilities, e.g. theatres, musical institutions, scientific associations and institutions, libraries, museums, etc. There are 14 seats in movie theatres in the region per 1000 inhabitants while the national average is 29. In the town of Tychy (187 801 inhabitants) this indicator equals to 11 now, as compared to 26 in 1960.

6. The need of restructuring

The problems outlined above demonstrate the necessity of the restructuring of the region in question. This restructuring should be aimed at the transition from a monoculture of the anthracite-based regional economy towards one of a differentiated activity structure. Of the region in question, a high urbanization level is characteristic (87%) while the employment structure is rather backward, with 2/3 of labour employed in industry and only 1/3 in the tertiary sector. Such an employment structure was characteristic of the Ruhr area in 1950 (Kortus, 1986).

The following changes are the most urgent in the transformation of the region: (1) a rapid technological and economic modernization, (2) a transformation of the socio-economic structure for the advantage of the tertiary sector, (3) an effective counteraction against the ecological catastrophe. It must be stressed, however, that the overcoming of the barriers to restructuring requires the breaking of the monopolist position of large industry, accompanied by the strong inertia of its raw material branches.

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AN INTERNATIONAL APPROACH TO THE ADMINISTRATION OF
INDIGENOUS DEVELOPMENT STRATEGIES FOR
PROBLEM REGIONS

David A. Pinder

Department of Geography, The University, Southampton, UK

1. Introduction¹

Since the onset of recession in advanced capitalist countries, politicians and regional policy administrators have placed considerably less emphasis on the interregional transmission of growth. Compared with the mid-1970s, much more attention is given to strategies to stimulate businesses already operating in lagging regions, and policies also frequently include measures intended to increase the foundation rate of new businesses (Haskins, 1986; Scott et al, 1986). Thus the exploitation of indigenous regional potential is now frequently given priority.

Reasons for this change can be readily identified. As the recession became more serious, the supply of interregionally mobile investment projects decreased. Simultaneously the number of regions, sub-regions, cities and other localities experiencing economic problems grew rapidly. More and more regional and local authorities therefore established econo-

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mic development agencies or departments in an attempt to increase investment rates, the inevitable result being greatly increased competition for the restricted volume of mobile capital that was available (Burgess, 1982; Johnstone, 1985; McCreddie, 1985). Moreover, although much of this heightened competition was between districts in regions widely acknowledged to have weak economies, administrations in much more prosperous regions also began to bid for the available growth to safeguard their localities against the onset of decline. Thus economic planners in old industrial areas and lightly industrialised peripheral regions found themselves operating in a much more competitive environment. In these circumstances it was only realistic to recognise that very limited benefit could be gained from reliance on past policies of attracting industry to problem regions and localities. Pragmatism forced many administrators to consider instead the possibilities of generating growth from within the areas for which they were responsible. It is arguable that the foundation for this change was laid before the recession, particularly during the debate over the effects of external capital on problem regions (Blackbourn, 1982; Dicken, 1976; Hayter, 1982; Thwaites, 1978; McDermott, 1979). But it was the recession itself which made it imperative to consider the indigenous potential of regions.

The proliferation of administrative systems intended to promote development at the regional, sub-regional and local scales opens important avenues for research. In particular, great scope exists for comparative studies of local economic initiatives and their success or failure. As yet, however, many of these initiatives are too recent for more than preliminary work to be undertaken. Consequently the remainder of this paper does not concentrate on developments in the last few years. Instead, the results are reported of research into the European Investment Bank's Global Loan scheme which, since its introduction in 1969, has been the European Community's chief vehicle for exploiting the indigenous potential of major problem regions. The volume of credit made available under the scheme has grown substantially in real terms, despite some recent fluctuations (Table 1). In 1985/1986 the average value of Global Loan

investment for regional development was 640.3 m ECUs (£ 369 m; 1420 m DM; \$547 m). In the same period the programme accounted for 60.7 per cent of all European Investment Bank (EIB) industrial investment.

Table 1. Industrial Global Loans for regional development

a. Global Loans and total industrial lending

	Global loans for regional industry (m ECUs)	Total EIB industrial loans (m ECUs)	Global Loans as % of total
1982	468.8	807.1	58.1
1983	486.4	822.2	59.2
1984	649.5	1049.9	61.9
1985	707.9	1205.0	62.9
1986	572.7	904.6	63.6

b. Global Loan investment per capita, 1981-86

	ECUs		ECUs
Italy	34.7	France	9.3
Greece	25.7	UK	2.0
Ireland	35.1	Denmark	7.0
		Belgium	1.8

Source: European Investment Bank, *Annual Reports*

The background of the Global Loan scheme has been fully discussed elsewhere (Pinder, 1986) and need not be reiterated in detail here. Briefly, as with many more recent indigenous development policies, the scheme is aimed at small and medium-sized enterprises (SMEs). Loans to these firms are designed to be attractive in several respects. Repayment periods may be several years longer than those available through domestic banks, and grace periods or 'holidays' of up to two years may be allowed before repayment of principal begins. However, the most widely publicised feature is that the EIB raises its finance in currencies for which low interest rates prevail, so that Global Loan credit should be cheap, and therefore particularly attractive to SMEs in countries where high domestic interest rates prevail. A further feature of the scheme is that the credit is not administered directly by the EIB. Instead the Global Loans -

which are essentially tranches of finance - are disbursed by the EIB to *intermediary agencies* operating in major problem regions, and it is these intermediaries that are responsible for on-lending the finance to applicant SMEs. This unconventional administrative arrangement also offers advantages. Negotiations can be conducted with many more firms than would be possible if the EIB operated alone; decisions on loan applications are taken by individuals with first-hand knowledge of the local business environment; and decisions can usually be reached within weeks, without time-consuming reference to the EIB's Luxembourg headquarters.

From the viewpoint of this paper, this devolution of administrative power to the regional level is a crucial aspect of the scheme, through devolution the intermediary agencies have, in effect, been appointed gatekeepers to the finance, and they therefore perform the key administrative functions. In view of this central role, and in view of the fact that the scheme has operated for almost two decades, research into the intermediary agencies' approaches to the problem of exploiting indigenous regional economic potential is clearly justified.

Research into their activities has pursued four lines of enquiry. Firstly, what types of organisation have become intermediary agencies? This is important because any organisation's approach to a task such as the administration of Global Loans will be influenced by its general aims and the background and training of its staff. Secondly, to what extent is the devolution of decision-making to local administrators unconstrained? Do the contractual arrangements which must necessarily link intermediary agencies and the EIB lead to policy conflicts reflecting divergent regional and European viewpoints? Thirdly, when performing their gatekeeping function, do the agencies pursue strategies intended to bring about chosen structural changes in the regional economies in which they intervene? Do they encourage one set of activities thought to have long-term growth and employment potential, whilst simultaneously withholding finance from another set that is considered outmoded and therefore inappropriate for investment? Fourthly, quite

apart from broad structural issues, how do the administrators market the scheme, and what criteria decide the success or failure of firms' proposals? Finally, how do intermediaries approach the problem of evaluating the success of loans? Is their view a narrow one, equating success with trouble-free loan repayment by firms, or are broader economic development and employment issues considered central?

These questions have been investigated in three countries: Italy, Ireland and Greece. Until the recent accession of Spain and Portugal, these countries dominated the Community's peripheral development areas, and were therefore outstanding targets for the Global Loan scheme. Since 1981 they have absorbed three-quarters of Global Loan finance for regional industrial development, and in per capita terms their consumption of this form of credit has been far greater than in other European Community countries (Table 1). The results reported below are based on structured interviews conducted with representatives of 16 of the 19 intermediary agencies handling industrial Global Loans in Italy, Greece and Ireland.² The survey included both agencies operating in Ireland and all four operating in Greece. Ten Italian agencies were covered, a 75 per cent sample in terms of numbers and share of Italian regional development Global Loans. All interviewees were assured of confidentiality, and the following discussion therefore avoids the association of views with individuals or specific agencies.

2. The Intermediaries

As the earlier paper has indicated, technically intermediaries may be of various types - banks, regional development agencies or other government organisations. Those in

² Since 1985 there has been little Global Loan lending in Ireland because rapidly falling domestic interest rates have reduced its advantages. Ireland has been retained in this study, however, to exploit its high Global Loan consumption in the late 1970s and early 1980s.

the sample, however, were essentially banking institutions, although this does not imply that policy implementation is simply in the hands of high-street commercial banks. Only five of the sixteen covered by the survey are private-sector commercial banks, or consortia of banks, which have established special sections to handle medium or long-term industrial lending operations. Eight other agencies are public banks with share capital dominated by central government and/or major state institutions. And the remaining three have a tradition of mixed private and public ownership. In Greece, NIBID is 80 per cent state owned, but also has 5000 private shareholders. Similarly in Italy, ISVEIMER and IRFIS - development banks established specifically to serve the mainland Mezzogiorno and Sicily respectively - are largely in public ownership, but have significant minority shareholdings by regional co-operative banks (Italian International Bank, 1984).

Inter-bank differences are also evident with respect to spatial organisation. In Italy and Greece the private-sector banks are licensed to operate country-wide, and normally do so through extensive branch networks which provide many opportunities for contact with potential borrowers. Public banks, too, are not restricted to specific regions but, because they are typically investment banks serving the business community, numerous branches are unnecessary. For these intermediaries, therefore, opportunities for bank-customer contacts are normally provided by a limited number of regional offices. In Greece, for example, ETBA maintains seven branches and an Athens headquarters; in Ireland the Dublin-based Industrial Credit Corporation has additional offices in Cork and Limerick; and in Italy IMI operates through eleven centres throughout the country. Finally, banks with mixed public and private ownership differ both with respect to spatial coverage and network development. In Italy activity remains focused on the regions these banks were founded to assist. ISVEIMER maintains an office in each southern province on the mainland, while IRFIS has its Palermo headquarters, and 3 other Sicilian offices. In Greece, in contrast, NIBID serves all regions, but from a single base in Athens.

Distinctions in terms of ownership and geographical organisation must therefore be recognised. However, many comments by the respondents indicated that the influence of these distinctions on operational practices should not be overstressed. For example, irrespective of ownership structures, respondents made it clear that the banks perceive themselves to be major producer services offering the business community a range of financial products. One of these is the Global Loan scheme, but in no case was the handling of this finance the dominant activity. The banks involved in the scheme are, therefore, essentially similar in that their intermediary agency function is only one facet of activity, a facet that must interlock with complex structures evolved for the provision of business finance in general. In Italy, contrasts are also being muted by a partial privatisation movement, which is reducing the dominance of public ownership in institutions such as the Banco di Napoli, the Banco di Sicilia and ISVEIMER. More generally, governments are placing less emphasis on the direct supply of capital to financial institutions in public or partly public ownership, causing these institutions to turn increasingly to the capital markets as a major source of finance.

The consequence of these trends - reductions of both public ownership and direct public finance - is that intermediary agencies' practices are converging towards the private commercial bank model. The survey certainly gave no indication that strong differences of attitude or approach are associated with ownership or other organisational distinctions. Instead the common thread is that decision-making lies primarily in the hands of financiers, a fact central to the findings in sections III and IV below.

3. Intermediaries - Agents of Regional Restructuring?

It has been argued (Pinder, 1986, 184) that the scheme's industrial development focus may be increasingly inappropriate for the late twentieth century. It was in this context that the strongest evidence emerged that intermediaries

wish to employ their gatekeeping role to restructure regional economies. Respondents concentrated particularly on the service sector, half of them being clearly in favour of modifications to the scheme to allow extensive financing of service activities. Admittedly, this partly reflected the banks' wish to exploit a potentially profitable line of business. But respondents also indicated the desirability of ensuring the expansion of producer services and, more generally, of maximising the benefits of service sector growth. Services, it was argued, are not simply dependent activities, but are wealth-creators in their own right. In several instances stress was placed on the need to ensure that the scheme, which was established almost 20 years ago, is flexible enough to exploit the natural growth of the service sector that has subsequently occurred. But it was also argued that this flexibility is lacking in one crucial respect: EIB rules stipulate that the scheme may only support fixed investment, whereas many services require working capital rather than large fixed assets. From this it is evident that the devolution of decision-making power to administrators at the regional level is not unfettered. Regional control must be exercised within the broad strategic framework constructed by the EIB. In the opinion of several respondents, specific constraints of this type could well inhibit the scheme's long-term success.

A second factor, which at first sight also indicates a preference for regional restructuring along predetermined lines, is that investment in industries considered 'sensitive' and 'highly sensitive' is likely to be avoided. This is particularly true of textile and footwear manufacturing, and of some food and drink industries. Once again, however, this policy has been imposed on the agencies by the EIB, this time through an official list of sensitive and highly sensitive activities in which capacity expansion is discouraged (EIB, 1981, 3). Particularly in southern Italy, the Italian islands and Greece, respondents argued that this European list makes it unnecessarily difficult - and often impossible - to support projects considered viable in the regional or national contexts. If the list were abolished it is improbable that discrimination against these indus-

tries would be maintained by most of the agencies. Consequently tension between the preferences of local administrators and central resource allocators can once more be identified. As with conflicting views of the service sector, there is no sign that the regulatory framework will be renegotiated to accommodate local administrators' arguments.

Three other findings also point to the conclusion that it is important not to overemphasise the agencies' pursuit of specific economic restructuring or employment goals. Firstly, although half the respondents favoured much wider support for the service sector, the remainder were clearly satisfied with the industrial focus originally adopted in the late 1960s. The arguments advanced for retaining the *status quo* were both operational and conceptual. Dominating the former was the view that service-sector investment is out of tune with the agencies' expertise or terms of reference. Several respondents predicted that costly and unwanted adjustments within the agency would be caused by a major extension of activity to include the service sector. Allied to this attitude was the principal conceptual argument, that wealth creation is essentially performed by manufacturing rather than services. Although the validity of this standpoint is naturally rejected by agencies favouring substantial service-sector investment, it remains a significant influence among the more conservative group.

Secondly, little inclination was displayed to encourage specific types of manufacturing thought to offer long-term restructuring benefits. One of the most consistently recurring points in the entire survey was that selection is project oriented, not industry oriented. Only 3 interviewees identified targets such as electronics, precision engineering and high-technology industries. This partly reflects pragmatism: especially in regions with very weak economies, the specification of preferred industries was considered an unaffordable luxury. More generally it was argued that Global Loans are products marketed to stimulate widespread demand for finance among SMEs, making it necessary for agencies to meet that demand as it occurs throughout the industrial spectrum. Responding to demand was seen to be

an appropriate gatekeeping activity; selective intervention much less so.

Thirdly, little concern was evident for the impact of investment on the regional labour market. It is true that, when a firm's project is undergoing evaluation, the criteria the EIB requires the agency to consider include the potential for employment creation or for safeguarding existing employment. But when respondents were asked to describe their agency's decision-making processes, quantitative and qualitative employment effects were scarcely mentioned as major considerations (Table 2). Indeed, one Italian interviewee went so far as to argue that, compared with government-organised schemes, one advantage of the Global Loan programme is that in practice its requirements are less demanding with respect to employment effects. Thus the EIB's regulations do not always cause friction at the local level.

Table 2. The evaluation of loan applications: relative frequency of factors discussed by respondents (in %)

Anticipated financial performance of firm	92
Management quality/motivation/experience	85
The product and its marketing prospects	75
Financial structure of the firm	75
Recent financial performance of the firm	67
Loan guarantees	25
Technologies to be used	25
Performance of other agency customers in same industry	17
Employment potential of project	8
National development needs	8

Source: Interview responses

4. Marketing and Project Assessment

4.1. Marketing

Intermediaries consider it appropriate to respond to demand, yet it is also their responsibility to increase demand through marketing. Frims can only include the scheme in their financial options if they are aware of its existence. One outstanding example of intensive marketing to boost awareness has been described elsewhere (Casey, 1983; Pinder, 1986, 180), but it is important to consider how the scheme is marketed by the agencies in general.

Two respondents sounded notes of caution in this context. One argued that strategies should be discrete, since very active campaigns could encourage the belief that banks acting as intermediaries are unable to attract sufficient business. Emulating the high-profile strategies of traditional regional development agencies could therefore be counter-productive. The second suggested that an agency's staff resources might be overtaxed if active publicity generated many fruitless enquiries and applications.

Table 3. Publicity and marketing methods

Number of methods employed per agency

	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
No. of agencies:	0	0	4	4	2	4

<i>Specific methods employed</i>	<i>No.</i>
Advertisements/articles in the press	10
Distribution of leaflets, booklets etc	9
Seminars/conferences/trade fairs	8
Personal contacts	9
Mailings to potential customers	4
Agency's own publicity department	2
Use of professional publicity agency	1
Others	3

Note: Two agencies are excluded from the analysis as a result of incomplete responses

Source: Interview responses

Apart from these reservations there is general agreement that marketing is an essential activity. Yet it is striking that, despite this recognition, in the large majority of cases marketing is not rigorously planned or evaluated. Six agencies use loose combinations of 4 or 5 distinct methods, whereas 8 agencies rely on only 2 or 3 (Table 3). Four methods - press advertising, the circulation of publicity material, participation in seminars and publicity through personal contact - were specified with approximately equal frequency and dominate the intermediaries' approaches. While these are the most popular media, however, respondents had great difficulty in assessing their effectiveness. In no case had any investigation been undertaken on this issue. These deficiencies point to two conclusions. Firstly, it must be recognised that marketing imperfections almost certainly mean that firms with viable projects are excluded from the scheme through ignorance of it. Secondly, it remains impossible to specify a preferred strategy for widening awareness of Global Loan credit, although it would clearly be advantageous to do so. All that can be said is that respondents who specified personal contact as an important marketing medium (Table 3) were unanimous in the view that this is the most effective method of generating good applications. In its own way, however, even this finding serves to underline the difficulties of ensuring widespread awareness. As was indicated in section II, personal contact is routinely a matter of meetings between existing customers and bank staff at the regional or local branch levels. Wider contacts are generally much less frequent, and one respondent who considered this a problem estimated that 80 per cent of Global Loan borrowers are pre-existing bank customers.

4.2. Project assessment

In most respects this central gatekeeping function has not produced sharp inter-agency contrasts. Most intermediaries deal with assessment in two stages, the first being a brief examination intended to exclude tentative or ill-prepared applications which do not justify full investigation. 'Serious' applications passing through this filter are occa-

sionally evaluated by outside consultants, but analyses are dominantly conducted by internal specialists. It could be argued that, to ensure that they fully understand the local economic environment, these specialists should be based in the vicinity of the applicant firms. In a few instances this is the case, particularly when projects are small. But in the large majority of agencies detailed evaluation and decision-making are centralised at the headquarters. The principal role of local branches in the process is to provide the central administration with data, and possibly opinions, on proposals. Respondents typically argued that centralised control offers two major advantages. Firstly, the spatial decentralisation of investigations would require a substantial increase in personnel and, therefore, operating costs. Secondly it was emphasised that centralised assessment minimises the possibility that, simply because of the viewpoints adopted by local teams, essentially similar proposals in different areas might be evaluated unequally. Within agencies, therefore, there is concern that gatekeeping should be seen to be even-handed.

Organisational similarity is paralleled by a large measure of agreement on the criteria against which a proposal must be judged. As has been indicated, these criteria do not stress a project's contribution to economic restructuring processes, or even its employment potential. Instead the emphasis is overwhelmingly on a cocktail of parameters relating to the firm's financial situation and products (Table 2). This cocktail is naturally partly retrospective. What is the firm's recent profitability record? How has its financial structure (assets, debts, shareholdings, cashflow) evolved? But there is also a major prospective dimension. What product will the investment create? How efficiently will it be produced? How realistic are the firm's predictions of potential markets? Above all, there is a concern to estimate as accurately as possible the future financial performance of the firm. This partly reflects the desire that investment should assist firms to raise their profitability, yet in general interviewees made it apparent that the fundamental concern is to minimise the risk of loan default. In

this connection the fact that the scheme is administered by banking institutions is clearly of overwhelming importance.

Although agencies adopt a relatively standard approach to project assessment, there is other evidence suggesting that uniformity can be overstressed. One such indicator is that the proportion of projects approved varies from agency to agency. Typical approval rates quoted were 75-80 per cent of 'serious' applications, yet the highest was 90 per cent and the lowest 50 per cent. This variation could reflect the quality of applications to different intermediaries, but evidence from agencies serving a common population of firms indicates that this is not the sole explanation. Two agencies operating throughout Sicily, for example, recorded approval rates deviating by 30 per cent. The implication is that, although the criteria used to vet projects change little from agency to agency, they are not always applied with equal force. Because approval rates are generally high, this probably does not affect the outcome of most applications. But the success or failure of a significant minority of proposals may depend on the conservatism or liberalism of the administrators to whom applications are submitted.

Inter-agency contrasts are also evident with respect to the assessment of entrepreneurial and management expertise. The large majority of respondents included these criteria in the assessment cocktail (Table 2), but this disguises sharply divided attitudes to this type of indicator. One small but convinced minority argued strongly against attempting direct measurement of these qualities. One respondent justified this by intimating that a lack of contact between entrepreneurs and assessors greatly reduces the scope for firms to exert undue pressure. But the primary reasoning was that accurate evaluation of subjective criteria is not only impossible, it is unnecessary because a firm's past economic record is in itself an indicator of entrepreneurial/managerial abilities. Conversely, however, a larger and equally convinced group argued that the specific assessment of managerial quality, experience and motivation is an indispensable aspect of the evaluation process. One respondent replied that a project is nothing without the entrepreneur and

management, and in several instances it was felt that management criteria can and should be the deciding factor when other indicators are not clearly for or against a project. This also suggests that - at least for a limited number of firms - proposals rejected by one gatekeeper could succeed with another.

5. Post-Loan Evaluation

In this connection respondents were initially asked to rank the scheme's success in achieving four goals given prominence by the EIB (Table 4). Views differed considerably between respondents, but the average rankings indicate that Global Loans are generally considered most effective at safeguarding employment and at targeting low-cost finance into problem regions. Strengthening and modernising SMEs ranked third, with the generation of new jobs identified as the scheme's least successful aspect. These results are not markedly different from those anticipated by Pinder (1986), although success in strengthening and modernising firms does rank lower than expected.

Table 4. Respondents' rankings for the achievement of goals

	Absolute rank	Average rank ^a
Provision of low-cost finance	1=	1.42
Safeguarding existing employment	1=	1.42
Strengthening and modernising SMEs	3	2.00
Creation of new employment	4	2.42

^a Range of average ranks reduced by numerous tied ranks in responses

What must be underlined, however, is that these findings are based solely on the respondents' opinions. As with marketing, the intermediaries have undertaken no systematic investigation of progress towards the EIB's goals that would serve to support or refute these opinions. Moreover - as might be anticipated from the results in section II and III - when asked to describe their organisation's approach to the post-loan evaluation of specific projects, respondents

failed to specify broad criteria relating to regional development issues. Four mentioned employment effects, but in all cases it was stated or implied that these were not of primary importance. In sharp contrast, the discussions were once again dominated by financial and - above all - repayment criteria. All respondents considered these to be central measures of success or failure, and the twelve who did not identify employment effects believed repayment performance to be of overwhelming importance. In this context, institutional background is once again the dominant force in the formulation of priorities.

If this straightforward approach to the evaluation question is adopted, the results suggest that the scheme is considerably less successful in Greece than in Italy and Ireland. In Greece 20 per cent of one agency's Global Loan clients were experiencing default problems. For a second Greek agency, in 1983 only 64 per cent of repayments due on medium- and long-term loans (which include Global Loans) were actually made. Conversely, in Italy and Ireland default rates were low: 10 per cent was the maximum, while less than 5 per cent was the norm. From the broader regional economic perspective, however, repayment success or failure can only be considered a very partial measure of the programme's impact. If many of the outstanding questions surrounding the effectiveness of the Global Loan scheme are to be clarified, attention must focus also on firm's progress towards output, turnover, profit and employment targets. Moreover, ideally the analyses should compare Global Loan recipients with a control group of firms reliant on ordinary lines of credit. Yet one of the outstanding lessons of this investigation is that the intermediaries - the organisations with direct access to all the appropriate data - see no justification for diverting effort into the assessment of these issues.

6. Conclusions

This investigation has clarified several aspects of the day-to-day functioning of the Global Loan scheme. At least

in Italy, Greece and Ireland, which have recently dominated the consumption of this line of credit, the programme's administration remains firmly in the hands of bankers. Although there is disquiet among many of them about what is considered to be underfunding of the service sector, all have shied away from the introduction of overt regional economic restructuring policies. Preferential treatment is almost never accorded to individual industries, the common strategy instead being to encourage sound projects throughout manufacturing. Risks associated with predicting future leading industries are avoided, and assisting the existing regional economy is the order of the day.

The means employed in the pursuit of this policy are, almost inevitably, not perfect. In most instances the scheme is only one aspect of agency activity, and this may underlie the lack of research into marketing strategies. Whatever the cause, it is highly likely that the spread of information on Global Loans has been retarded by sub-optimal advertising procedures. Also, when firms are aware of the scheme and are able to apply for finance, their chances of gaining funding are partly dependent on whether the administrators handling their project are cautious or liberal gatekeepers. Approval rates vary from agency to agency, as does the evaluators' willingness to be swayed by intangibles such as entrepreneurial flair. Yet these criticisms must be placed in perspective. In particular, some variation of approach between agencies is arguably an acceptable price to pay for the benefits of administrative decentralisation. As was indicated at the outset, one of these benefits is to place decision-making power in the hands of organisations with direct experience of problem-region economies. Another is to avoid protracted decision-making processes. With decentralisation, applications, may be processed in weeks rather than months - a significant advantage for small firms whose future may depend on a single new development.

A further point is that variations in administrative style do not affect the majority - probably the large majority - of applications. In this connection the key finding is that, once clearly inadequate applications have been dis-

counted, approval rates among the remainder are generally high. Firm projects have at least a 50 per cent chance of attracting funding, and it is much more typical for 75 per cent to be accepted. Applicant firms cannot be guaranteed success, but for those able to put forward a respectable case the probability of failure is usually low. From this viewpoint the Global Loan programme can be portrayed as an effective scheme for channelling international finance to those SMEs that are in tune with, and can respond to, opportunities arising from product and market evolution. Moreover, although Greek Global Loans are afflicted by the country's endemic default problem, elsewhere the scheme is also generally effective in terms of repayment performance. In this sense the EIB has succeeded in establishing a system cycling international capital to ordinary small-scale firms in economically unattractive problem regions and back again to world capital markets.

Although this cycle functions, however, the investigation has demonstrated that the question of impact remains almost completely unexplored by those with access to the relevant data. The central issue is clear: do SMEs using low-cost international capital perform better than they would if they were restricted to domestic finance? At present it is assumed that they do, and the administrators see no need to probe deeper. Their viewpoint is understandable: Global Loans are only one facet of their banking activities, and they are not research organisations. But, if the question of impact is not to be investigated by the intermediaries, what is required is either an EIB initiative or a policy change allowing independent researchers access to firms participating in the scheme. Administrators may be satisfied by the fact that the system functions smoothly, but this is a far from ideal yardstick of success.

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THE ROLE OF LOCAL GOVERNMENT IN ECONOMIC
RESTRUCTURING IN GREAT BRITAIN

John Sellgren

Department of Geography, London School of Economics,
London, UK

Introduction

Local authorities have historically taken an interest in the affairs of their local economy and economic intervention by municipal authorities can be traced back into the nineteenth century. These early attempts at intervention were primarily concerned with securing public health and making provision for a range of municipal utilities. Early attempts on the part of local governments to alleviate economic problems were developed during the depression of the inter-war years. However, it has been argued that the role of central government in maintaining full employment after 1945 retarded the growth of local economic development measures.¹ Chandler and Lawless² argue that despite this, by 1970 local authority economic development had developed a static characteristic form, with authorities offering land and premises for incoming or expanding industries, and on occasion providing rent concessions or key-worker housing, and often advertising the merits of their area in order to attract relocating or expanding firms. However, in recent years and particularly since about 1973, economic development has developed rapidly within authorities; largely in response to the impact of economic decline upon local areas and the impact of rising local unemployment, together with a

perceived lack of concern for manufacturing industry by central government.³

Local authority economic development may be defined as any action taken deliberately by a local authority to alleviate what it perceives to be a local economic problem. However, their ability to act to undertake such activities is constrained both by the legal powers which define local authority actions and the resource base available to fund their work. The development of local economic strategies has reflected a common concern amongst local authorities for the condition of their local economy and for the need for positive action to be taken to safeguard its future. In seeking to explain how and why local authorities have become involved in economic intervention, Chandler and Lawless⁴ argue that "Local councillors (elected representatives), regardless of their political persuasion, and local government officers are just as likely to be concerned at the effects of economic depression and unemployment as those concerned with the policies of central government. Although local politicians may not have the powers of central government they are nevertheless likely to be motivated to use whatever means are open to them to remedy the economic decline within their communities".⁵ In addition, they also point to the desire of local government to maintain and strengthen their local economy since the viability of the local economy and the well-being of the local community are interdependent and therefore a decline in the local economy will lead not only to a declining local resource base but also to an increasing call upon local welfare services. It is argued that in these circumstances local authorities may be desperately concerned to improve the local economy whilst they still have some capacity to make significant developments within the local communities.

Legal background

The activities of local government are circumscribed by the *ultra vires* doctrine which has been developed to ensure that public authorities act only in an authorised manner. In

addition, local authorities are bound by the rule of law. Even where statutory authorisation is available, it is still possible for a decision to be declared *ultra vires* where the authority has contravened some principle of common law. Thus authorities may exceed their powers in a manner which the courts maintain Parliament did not intend. Economic development is an activity for which local authorities have no specific powers. However, they may undertake such activity under a variety of statutory powers. A study by JURUE⁶ classified four types of power that may be used for economic development activity:

- (i) Statutory duties for employment services.
- (ii) Statutory duties for other services which are not primarily concerned with employment objectives but may have an incidental effect upon them.
- (iii) Permissive powers given to local authorities which may be used in certain circumstances to undertake employment initiatives.
- (iv) Local powers arising either from Local Acts or from Special Acts which apply only to some local authorities or within specified areas.

In addition to the statutory provisions, local authorities are also able to draw upon their common law powers to do anything which is reasonably incidental to their statutory functions.

It is argued that statutory services provided by local authorities allow intervention into the supply side of a variety of elements of the local economy. The aggregate supply of labour may be influenced through policies affecting key workers, housing, transport, schemes to increase labour availability, and day nurseries to increase female participation rates. The quality of the labourforce may also be affected by the education curriculum and provision of training by the authority. While the provision of transport infrastructure is vested in central government, local authorities may be able to influence access in more local terms through zoning and traffic control decisions as well as through the management of transport systems required by local industry and commerce. In the execution of these statu-

tory duties, the local authority is drawing upon fairly large resources in both financial and manpower terms. It is frequently a significant local employer and a consumer of goods and services; a factor which it may use to influence its local economy.

Local authorities also have permissive powers which allow those wishing to do so to undertake a variety of additional activities. The most important of which are as follows: Sections 2,3 and 4 of the Local Authorities (Land) Act 1963 which enables authorities to undertake or support the provision of land, buildings and infrastructure and to provide advance factories, warehouses, or small units. Under the Local Authority Superannuation Regulations 1974, authorities are empowered to invest up to 10% of their superannuation funds in unquoted securities and this may include local firms. The Local Government Act 1972 and Local Government (Scotland) Act 1973, provide a variety of powers which local authorities may be able to utilise for economic development work and these include: (i) appointing staff (Section 112/64) and thus they are able to appoint persons to industrial development posts; (ii) publishing information, arranging lectures, holding discussions or mounting displays on matters relating to local government (Section 142/87); (iii) advertising to encourage people to visit their area for recreation or health purposes or to hold conferences, trade fairs and exhibitions in their areas (Section 144/90). Further, the authority can engage in a variety of activities to collect and circulate information relating to the area and thus to promote it. Sections 111/69 of these Acts make a general provision which empowers local authorities to do anything conducive or incidental to the discharge of any of their functions and this may include setting up economic/industrial development units.

The most widely publicised permissive power which has been used for economic development is Section 137 of the Local Government Act 1972 (in England and Wales, and its equivalent Section 83 of the Local Government (Scotland) Act 1973); under these provisions local authorities are able to incur expenditure in the interest of their area or its

inhabitants up to a maximum of a 2p product of the rates. However, this power has been reviewed on a number of occasions, most recently by the Widdicombe Committee.⁷ Research by Ramsdale and Capon⁸ undertaken for the Widdicombe Committee noted that, on average, local authorities in Great Britain are using 66.8% of the total resources they derive from Section 137/83 for economic development. It is estimated by Ramsdale and Capon that the increase in expenditure on economic development under Section 137/83 is 405% at constant prices. In actual terms, an increase of about £17m in 1981/82 to about £90m in 1984/85 (both figures at 1984/85 prices). However, the pattern of spending indicates that it is the lower tier, district and borough authorities which have made increasingly widespread use of the resources available to them under Section 137/83 for economic development over the last decade. The future of Section 137/83 was considered by the Widdicombe Committee and while they received evidence to suggest that there were problems with the power as it existed at present, they felt that it was a valid power, as a means of providing a discriminatory spending power in 'the interest of' the area'. It was recommended that the existing position relating to Section 137/83 could be clarified by maintaining the notion of ensuring that benefits accrue to the local area, but "defining more precisely the degree of benefits which must be achieved".⁹ They also felt that the yield from any discretionary power needed to be regulated. Clearly these recommendations would not preclude the continued use of a discretionary power for economic development although the way in which the yield would be calculated and limited would place a financial constraint upon the use of such a power.

Financial and staff resources

Economic development is not a constituent of central government block grants, and so council expenditure for this has come from local tax revenue or capital allocations, both of which are heavily constrained by central government policy. Figures showing the level of expenditure on economic development have been published for local authorities in

England and Wales since 1978-79 by the Chartered Institute of Public Finance and Accountancy (CIPFA)¹⁰ (unfortunately, comparable figures are not available for Scotland). An analysis of the data for local authorities in England and Wales reveals that there has been a steady increase in the level of expenditure made on economic development over the last decade. Table 1 shows the amount spent by county and district authorities per caput over this period. It should be noted that these figures are for expenditure made on capital account and therefore may (for individual authorities), fluctuate from year-to-year. It is clear, however, that there has been a considerable growth in the resource commitment to economic development by authorities at both county and district level. In general terms, the proportion contributed by county and district authorities has maintained itself at the level where the districts have provided about 80 per cent of the total expenditure. These figures may be further disaggregated by authority type, distinguishing the Greater London Council (GLC), Metropolitan Counties, Shire Counties, London Boroughs, Metropolitan Districts, and Shire Districts. The figures for the three types of county-level (higher tier) authority show a considerable degree of similarity in terms of the average capital expenditure per caput on economic development. However, at borough/district level (lower or local tier) the picture is more complex. While the London Boroughs appear to have traditionally a very high level of capital expenditure on economic development the other metropolitan districts appear to have increased their level of spending more rapidly only since 1979-80. While the non-metropolitan districts have only had a fairly low level of expenditure throughout the period, their budgets have grown less rapidly than the metropolitan districts, although in the years prior to 1979-80 they had a higher average per caput expenditure level.

An analysis of expenditures made on revenue account (see Table 2) confirms the importance of the district level authorities. However, there are clear indications that the overall levels of current expenditure over the last five years have been falling, which would suggest that government measures to curb public expenditure have impacted upon the

economic development activities of district authorities. However, a more detailed analysis of these figures shows that it is only amongst the shire districts where the level of expenditure has actually fallen.

Table 1. Capital expenditure (per caput) on economic development: England and Wales (£s)

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
County	0.38	0.53	0.68	0.98	0.77	1.06	1.14	1.16	0.84
District	1.75	2.09	3.31	4.03	2.95	4.34	4.00	4.50	4.25
Total	2.13	2.62	3.99	5.01	3.72	5.40	5.14	5.66	5.09

Source: CIPFA

Table 2. Mean net current expenditure per 1000 head of population on economic development: England and Wales (£s)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
County	374.12	442.86	575.82	628.00	726.65	698.16
District	1518.74	1579.68	1378.90	1396.36	1419.15	1535.53
Total	1892.86	2022.54	1954.72	2024.36	2145.80	2233.69

Source: CIPFA

Although complementary figures to those collected by CIPFA for England and Wales are not available for Scotland, the Local Financial Returns made by local authorities to the Scottish Office identify an additional category for Industrial Promotion within the figures for planning services.¹¹ The accounting conventions applied to this expenditure vary from those used by CIPFA since only the revenue account element of industrial promotion is classified and this is broken down into two components, net expenditure and loan charges. For the purpose of assessing the level of expenditure in Scotland, the net expenditure for industrial promotion has been divided by the total population for regional (equivalent to the English and Welsh Counties) and district authorities to produce a total net expenditure per caput, the results of this are shown in Table 3.

Table 3. Mean net expenditure per caput on industrial promotion: Scotland (£s)

	1982-83	1983-84	1984-85	1985-86
Region	2.02	1.53	1.02	1.53
District	0.66	0.86	1.33	1.32
Total	2.68	2.39	2.35	2.85

In the case of the Scottish district authorities it was notable that the total number of authorities making an expenditure on industrial promotion increased from eleven in 1983-84 to twenty-eight in 1984-85 (and thirty in 1985-86). The very widespread participation by district authorities in Scotland does mask the exception of eight districts in which the responsibility for all industrial promotion work is vested in the regional authority and in two cases where the function was jointly managed.¹² However, one distinct feature which the Scottish data illustrates is that whereas in England and Wales the districts contribute about 80% of the capital expenditure and about 70% of the current expenditure on economic development, in Scotland the resources are drawn more evenly from the two tiers of local government. From the limited nature of the time series it is not possible to make any firm assessment of the trends in the level of expenditure by local authorities, although it is very clear that there has been a very rapid increase in the number of authorities making expenditure on industrial promotion, particularly at the district level.

The data published by CIPFA also provides details of the numbers of staff engaged in economic development (these are based on budget estimates). From this it is possible to calculate the average number of staff involved in economic development (full-time equivalents) for counties and districts of England and Wales. Although this shows a much higher application of staff in county authorities, the figures are more revealing if the two classes are further disaggregated by authority type; this is shown in Table 4. While this data indicates the growing staff resource commitment in all types of authority it does identify differences between different

Table 4. Mean staff numbers employed in economic development: England and Wales by authority type

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Greater London Council	241.10	237.60	229.60	246.30	256.30	237.00	299.50	-	-
Metropolitan Counties (Excl. GLC)	10.10	15.84	17.98	21.57	21.15	25.98	26.70	27.33	-
Non-metropolitan Counties	4.93	5.54	5.73	6.92	6.35	8.90	10.42	9.83	10.75
London Boroughs	8.94	8.19	8.44	8.53	8.92	10.56	10.34	8.93	10.35
Metropolitan Districts (Excl. London Boroughs)	9.31	7.79	9.29	9.75	10.69	13.53	12.00	14.26	18.65
Non-metropolitan Districts	1.65	1.66	1.83	1.95	1.76	2.40	2.47	2.48	2.72

Source: CIPPA

types of authority. The very high numbers of staff employed in economic development in the former GLC is apparent; but it is also clear that until their abolition,¹³ there was a rapid increase in the number of persons employed in economic development by the other metropolitan counties. These latter saw almost a threefold increase in the size of their economic development staff over an eight year period. Although the number of persons working in economic development in the shire counties has always been less than in their metropolitan counterparts, these have nonetheless seen a doubling of staff over the period. The district level authorities have seen a far less dramatic growth in economic development staff. Amongst these authorities differences between types of authority are also apparent, with much larger numbers of persons being employed in the metropolitan districts (and particularly in the London Boroughs) and a much smaller number in the shire-districts. However, the rate of growth in economic development staff in the shire districts has been more dramatic than in the metropolitan districts.

Table 5. Department responsible for economic development: England, Scotland and Wales
(in per cent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Economic Development	24.7	24.2	24.8	27.9	28.6	31.1	33.4	33.5	38.4
Planning	38.5	38.8	38.5	36.5	36.5	32.3	32.0	33.5	31.9
Estates & surveyors	9.7	10.5	10.1	10.6	9.7	9.7	9.9	8.5	7.4
Research & information	1.0	0.7	0.5	0.5	0.2	0.2	0.2	0.0	0.2
Chief Executive	15.0	15.6	16.1	15.6	15.0	14.3	14.9	14.7	13.9
Technical Services	3.9	3.6	3.6	3.4	3.5	2.8	3.0	3.2	2.8
No specific officer	7.3	6.7	6.5	5.5	6.5	9.5	6.4	6.7	5.4
Treasurers	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0

Source: Municipal Yearbook

Since economic development is not a statutory function of local government, it has tended to evolve from existing functional departments. An analysis of the department in which the economic development officer is located provides some insight into this. Table 5 shows the results of an analysis based upon data from the Municipal Yearbook for all local authorities in Britain. It is clear that the largest proportion of EDO's are situated within planning departments. This frequent association of economic development with planning is perhaps not surprising, but it may betray a particular attitude to the means by which economic regeneration is to be achieved, that is through favourable policies relating to physical infrastructure, land and buildings, roads and housing. The same is also true of authorities where the responsibility for economic development has been vested in the estates and surveyors department. However, in a significant proportion of authorities economic development has been placed within the chief executive's department. This department is normally responsible directly to the council, acting as a support service for all other departments, frequently regulating and co-ordinating their activities. In a large number of authorities they also provide central services such as research and information, legal and

clerical support, as well as dealing with administrative matters relating to the authority as a whole. Locating the economic development function within this department may well be a recognition of the cross-cutting nature of the activities involved with economic development in relation to the major functional departments of the authority, and the need to draw upon resources from a variety of departments such as planning, surveyors, education, social services, treasurers, and technical services in undertaking economic development work.

It is also clear that a great many authorities have appointed a person to a specific economic development post and that there has been an increasing tendency for authorities to do so. In a survey by Mills and Young¹⁴ of the 233 authorities replying to their questionnaire, only nine authorities had created a separate economic development department. Their study also showed that 27 per cent of EDO's were planning officers and that 41 per cent were economic development officers located within planning departments. Combining this with the information provided in Table 5 for the developments over time, it may be suggested that what has occurred is that responsibility for economic development has been developed as an extension of the statutory planning role of local authorities. Officers who have taken a key role in economic development as part of their existing responsibilities have increasingly devoted greater amounts of their time to this role and in many instances this has been recognised by designating this person as an economic development officer. In a recent paper, the Local Government Training Board¹⁵ stressed the need for one officer to take overall responsibility for economic development. It is suggested that this officer should become the focal point of regular meetings and exchanges of information with counterparts in neighbouring authorities, in the other tiers of local government, and with trade unions and the voluntary sector. It has already been argued that the economic development role of local authorities has been developed from the characteristic *planning orientated* activities of the early 1970s to make far more widespread use of the range of statutory and permissive powers available to local authorities.

It can thus be suggested that this broadening of activities has necessitated the appointment of an officer (or officers) to be responsible for economic development and to formulate and co-ordinate policy actions.

Local authority economic development activities

It is clear from the above that the implementation of much local economic development work lies in the hands of the district councils. While the county councils may be important in setting guidelines and co-ordinating local projects it is the district level authorities which have been responsible for the delivery of local economic development strategies; although it is impossible to make absolute rules about the role played by particular tiers of local government. It is clear that, at least in resource terms, the major contribution by the county level authorities is in manpower and this may well imply that some districts in a county are extremely active, with the county involved with some joint activity with those districts, but concentrating its activity on the areas covered by the less active districts. It is suggested by the Local Government Training Board¹⁶ that there is a theoretical argument for economic development activity to be undertaken by the lowest possible tier of government since this will bring responsibility for the service as close as possible to the local communities. This should also allow for consideration of local variations and encourage quick responses to the local situation. However, where economies of scale may exist then there is a case to be made on grounds of increased efficiency for the activity to be undertaken at a higher tier. Clearly, however, the issue of scale will affect different types of activity in different ways and it is thus likely that a division will occur between different levels of government in the types of activity performed. However, there are always likely to be very strong arguments for economic development activity to be undertaken at district level by responding to local needs and where necessary linkages with other agents and agencies can be formed to undertake major projects.

Table 6. Activities engaged in by local authority districts in Britain
(in per cent)

	1983	1984	1985	1986
Serviced land	64.6	65.9	66.6	63.5
Factory development	32.1	40.2	38.9	37.6
Nursery units/workshops	63.5	70.8	74.3	75.8
Loans/grants	51.0	57.4	58.7	58.9
Rent concessions	42.4	46.2	47.3	46.2
Key-worker housing	71.2	76.5	75.6	73.4
Business advice	38.5	55.6	63.1	75.8
Sites up to 2 acres	85.9	89.0	93.0	93.6
Sites 2-10 acres	86.6	90.6	92.1	92.5
Sites over 10 acres	64.0	72.5	72.1	75.4
Premises up to 2500 ft ²	90.8	95.2	97.1	98.7
Premises 2500-10,000 ft ²	93.0	96.3	95.6	95.8
Premises over 10,000 ft ²	74.1	81.1	82.6	83.3

Sources: Cambridge Information and Research Service Ltd. 1983, 1984, 1985, 1986

Table 6 shows the percentage of district councils in Great Britain engaging in certain types of economic development activities over the last four years taken from the Industrial Development Guide.¹⁷ It demonstrates clearly that the trend in all areas of economic development work has been upward. However, certain sectors have grown faster than others over this period. Most notable is business advice, which in 1983 was offered by less than 40% of authorities, currently being available in over 75% of districts. It is also clear that since 1983 more local authorities have become involved with offering both sites and premises and much of this has been under the provisions of the Local Authorities (Land) Act 1963. Clearly, however, there is a greater tendency for smaller units and sites to be made available, which may suggest that this is an area for which the demand

has been greater and for which local authorities are better able to operate (at a smaller scale).

Another important growth area has been in the provision of nursery units and workshops, these being mainly small serviced premises for new business start-ups and often being associated with additional assistance in the form of rent and rate concessions. In recent years there has been a shift away from the provision of factory space (partly associated with the demise of regional policy) and the development of managed workshops which attempt to provide a comprehensive business environment for new and small firms and which are often undertaken in association with other agencies. Managed workspaces are being created by local authorities, large corporations and private speculators (these frequently involve the conversion of old industrial premises into small units). A recent estimate by the National Managed Workspace Group¹⁸ put the numbers of businesses associated with managed workspaces at around 15 000. Providing serviced land is an area in which local authorities have traditionally played an important role using their statutory responsibilities for planning. They have thus been able to co-ordinate the development of infrastructure and new industrial sites. Some two-thirds of authorities offer this as part of their economic development package. It is interesting to note that factory development is in general a less favoured option for local authorities and is an area, along with the provision of serviced sites, which has seen a decline in activity. This is due partly to financial restrictions and also to a lack of demand, particularly in the areas worst hit by economic decline.

Loans, grants and other financial incentives such as rent and rate concessions have also been used by an increasing number of authorities over the past four years, but these activities still seem to have a relatively low priority. Much has been made of the role of the local authority in providing subsidy to business, particularly through rent concessions and by providing premises at reduced rents; however, it seems that this is not necessarily a part of all local authorities' economic development package. Certainly

these types of activity are frequently criticised on the grounds that they distort competition. Also, by offering subsidies to attract firms to their areas, local authorities may be engaging in a 'zero-sum' game, since it is argued that these activities do not stimulate growth but merely serve to redistribute business activity towards areas offering favourable subsidies. However, this is an area of activity which has come under pressure as a consequence of expenditure constraints.

While local authority economic activities have seen change over time, there are also quite considerable regional variations in the provisions made by local authorities for economic development. The regional variations shown in the activities already analysed are shown in Table 7. In general, the level of local authority economic development activity is higher in the areas with the worst economic problems. In particular, in the South East, East Anglia, and to some extent also the South West, local authorities are less heavily involved with local economic development, and particularly in providing financial support for business. Despite the presence of the Scottish Development Agency (SDA),¹⁹ local authorities in Scotland are very active in economic development. The vast majority of district authorities in Scotland offer sites and premises and can provide serviced land and factory space despite the very extensive programmes operated in these areas by the SDA. One area in which Scottish authorities have lagged behind their English and Welsh counterparts is in providing business advice services. However, this may be due partly to the existence of the SDA's Small Business Division and the support provided by the Highlands and Islands Development Board (which undertakes most of the economic development work in the Highlands and Islands area).

In Wales, local authorities are very active in all aspects of local economic development work. Although the Welsh Development Agency is engaged in developing industrial sites and premises and also with providing loan and equity finance, this does not seem to have discouraged local authorities from offering their own support programmes. In Mid

Wales further support for business is available from the Development Board for Rural Wales²⁰ which provides not only financial assistance but also has a major commitment to factory construction and also offers a business advisory service.

Table 7. Activities engaged in by local authority districts in Britain: by region in 1986 (in per cent)

	SW	SE	EA	Y&H	EM	WM	N	NW	Wales	Scot
Serviced land	56.5	30.5	80.0	73.1	80.0	66.7	89.7	86.5	67.6	92.5
Factory development	23.9	13.7	35.0	38.5	27.5	36.1	72.4	62.2	51.4	71.1
Nursery units/workshops	60.9	60.3	85.0	73.1	85.0	86.1	93.1	81.1	86.5	90.6
Loans/grants	39.1	25.2	50.0	80.8	90.0	52.8	96.6	75.7	75.7	88.7
Rent concessions	23.9	16.8	50.0	57.7	52.5	44.4	89.7	64.9	62.2	79.2
Key-worker housing	84.8	40.5	95.0	84.6	80.0	91.7	86.2	78.4	97.3	86.8
Business advice	87.0	69.5	80.0	80.8	90.0	83.3	79.3	81.1	70.3	60.4
Sites up to 2 acres	100.0	81.7	100.0	100.0	100.0	100.0	96.6	97.3	94.6	98.1
Sites 2-10 acres	95.7	82.4	100.0	96.2	97.5	94.4	96.6	100.0	94.6	96.2
Sites over 10 acres	67.4	57.3	75.0	84.6	92.5	86.1	89.7	83.8	78.4	86.8
Premises up to 2500 ft ²	100.0	96.2	100.0	100.0	100.0	97.2	100.0	100.0	100.0	100.0
Premises 2500-10,000 ft ²	100.0	96.9	90.0	92.3	97.5	94.4	100.0	97.3	94.6	90.6
Premises over 10,000 ft ²	80.4	87.8	75.0	80.8	85.0	86.1	82.8	97.3	81.1	67.9

(SW=South West, SE=South East, EA=East Anglia, Y&H=Yorkshire & Humberside, EM=East Midlands, WM=West Midlands, N=North, Scot=Scotland)

Source: Cambridge Information and Research Services Ltd., 1986

In England, the South East has seen little overall activity in local direct support for economic development over recent years. Outside the new and expanding towns there is little public sector investment, other than in small units and workshops and this is an area which has seen a growth in the level of activity by local authorities. However, fewer than 20% of authorities in the South East are prepared to build large premises and the level of financial support has

contracted, partly due to budgetary constraints. The exception to the general pattern in this region has been the work of the former GLC and the Greater London Enterprise Board already seen in resource terms to have been very heavily committed to local economic development. In other regions, more than three quarters of the local authorities are active in the provision of nursery units/workshops. Financial support schemes are normally available in over one half of localities in the form of loans, grants or rent concessions. Assistance for new and existing small businesses is available in most districts. Activities are normally greatest on smaller sites of less than two acres.

It is clear that local district councils have become increasingly involved in economic development; however, it would appear that their activities have to some extent been constrained by restraints upon public expenditure. Many local authorities have therefore become involved in working with other agencies such as the MSC, voluntary bodies, and educational institutions to establish local initiatives which are run independently from, but nevertheless receive considerable support from, the local authority. Local economic development involves drawing together and co-ordinating a variety of resources in the best interests of the local community. The nature of the problem of achieving this aim is summarised in a discussion document circulated by the Local Government Training Board.²¹

"Clearly the financial and professional resources available currently to local authorities for economic development are minute in comparison with the scale of investment required nationally. This is not to say that they are ineffective, but rather to recognise that local authorities could achieve more if greater resources were available. However, resources are constrained, which makes it imperative that the local authority is ensuring it is securing all potential sources, and deploying its own resources to best effect."

Local economic initiatives

Local economic initiatives are the specific projects through which local economic development may be implemented and these encompass a wide range of activities from assisting existing firms and encouraging new firm formation to labour training and direct employment. In recent years there has been a marked increase in local government activities in response to the problems of structural change and apparent lack of international competitiveness that are afflicting the U.K. economy. Such concern has been in large part stimulated by rising and persistent unemployment, particularly where this has affected workers in specific industries (eg. textiles, ship building and steel) and particular groups such as the young or ethnic minorities. The impacts of recession have made the effects more acute and the range of responses has widened. This has been particularly the case at the local level where a great diversity of activities has been developing.

An analysis was made of local economic initiatives detailed by the Local Economic Development Information Service (LEDIS).²² LEDIS takes the form of a double-sided A4 factsheet; each initiative is summarised on a separate factsheet and these may be revised and reissued in the light of new developments. Each factsheet is intended to provide information on a number of issues: finance, involving sources and total expenditure budgets; timing, plotting the formulation of objectives and the stages of their implementation; organisation, describing the legal structure and staffing of the initiatives; details of its role as part of the wider policies or programmes; and an assessment of its performance, suggesting possible lessons to be learned. The kinds of initiatives that LEDIS has examined are extremely varied and include enterprise agencies, private sector initiatives, co-operatives, examples of youth enterprise, and projects targeted towards disadvantaged groups. It has also charted the work of a number of local authorities and multi-national companies and a range of training and advice-giving initiatives. Through this analysis it is possible to give a sys-

tematic appraisal of development initiatives in the U.K. at local level.

Table 8 shows the types of activity being undertaken by the initiatives in the survey and the percentage of cases in which they are being practised. The results indicate very clearly the importance of information and advisory services as a part of local economic development work. Nearly 80% of the initiatives in the sample had associated with them some form of advisory facility. A large number of initiatives were attempting to assist business through local advice centres, such as the enterprise agencies. Others may offer advice and information as part of a package, for example, many of the managed workshops in the survey had some form of advisory facility associated with them. Labour training initiatives and those which assist in sales and marketing may also have an advisory function.

Table 8. Types of activity and resources requirements

Type of activity	% of cases	Mean expenditure (£s) per annum	Mean staffing
Information and advice	79.9	658,692	6.71
Labour training	44.3	459,490	8.44
Provision of land/premises	39.7	953,006	6.92
Advertising	34.7	1,449,359	7.42
Provision of finance	25.6	1,967,664	9.52
Sales and marketing	21.0	499,837	7.57
Direct employment	18.3	1,039,775	8.85
Company formation	12.8	186,021	4.14
Equity investment	7.3	2,722,750	13.19
Provision of land	5.0	653,636	10.55
Loan guarantee	1.4	11,167,333	-

It was also possible to examine the way in which information and advice was provided and the areas to which this was directed. Three media were identified, advisory services, courses, and publications. It was also possible to ascertain whether the advice was of a technical or professional nature. The most popular option was to offer a professional advisory service (109 initiatives). Courses to provide business management skills (48 initiatives) were also a popular area of activity; a great many of these were providing for new and potential entrepreneurs. There were also twenty-four initiatives engaged with publishing material of a professional nature, but only nine initiatives were publishing technical material. In general the level of support provided by the local economic development initiatives was much lower in relation to technical matters. Where support of this nature was provided it tended to be through an advisory service rather than a course. Within this category were a number of initiatives which were offering assistance with product development and others which were encouraging the production of components for local manufacturing firms. Twenty-three initiatives were offering technically based courses as a means of improving production techniques. The average annual expenditure for advisory initiatives is fairly modest, being less than £700 000; they also have a fairly small number of full-time staff (generally 6-7 persons). It may be suggested, therefore, that offering this type of facility may be a fairly low cost way of providing assistance to business since overheads are fairly low and capital costs minimal. The importance of this type of initiative lies in the use of the professional resource input, that is the expertise contributed by the staff. Although the size of staff may be fairly small, it may well encompass a very high level of professional expertise supported by a small secretariat.

Since information plays such a crucial role in local economic development, it is hardly surprising that nearly 35% of initiatives use some form of advertising to communicate with clients. While some of these represent campaigns by local authorities to attract industry to their areas (and which tend to have very large budgets), the large majority are schemes which promote the work of the initiative itself.

Therefore, it is difficult to make general conclusions about advertising. Certainly the types of promotion with which some local authorities have become involved (particularly where these have been associated with subsidies to attract firms to their areas) have been criticised on the grounds that they distort competition. In operating such schemes authorities may be engaging in a 'zero-sum' game since it is argued that these activities do not stimulate growth but merely serve to redistribute business activity towards areas offering favourable subsidies.

The survey showed a large number of initiatives to be engaged directly in assisting with sales and marketing by providing sales outlets for products, undertaking market research on behalf of small businesses or by offering advice on matters relating to marketing; usually, however, by some combination of these activities. This points again to the emphasis placed upon information as a basis for local economic development. Sophisticated marketing methods and research techniques may well be beyond the means of many small and medium sized firms but accurate market information is essential in a competitive environment. Further, many of these firms may be considering expanding their markets, often overseas, and require advice on how to develop a marketing strategy and in dealing with the extra administrative work which such an expansion would entail. It may well be that this is an area where support has previously been lacking and therefore in which there is considerable potential for local economic development work to be undertaken. Fourteen initiatives were actually offering retail outlets for local producers, particularly in the area of *cottage industry* activities. It would appear that this is a fairly low budget option in terms of the annual running costs. As might be expected, staffing is an important requirement and these initiatives tend to have between seven and eight full-time employees, and clearly those which offer retail outlets will require sales staff. For those which are involved in assisting and advising upon marketing matters, as with advisory and information services, the most important resource is likely to be the staff who bring professional expertise, and thus overheads may be fairly small. It seems likely that

those which are engaged in market research on behalf of other business enterprises will have larger annual budgets.

Confirmation of the somewhat indirect and non-interventionist strategy which is distinctive of some approaches to local economic development activity is reflected in the very small number of initiatives (28) which have been involved with providing finance. Only a few (16) of these have made finance available by taking equity stakes in companies, and this may reflect either an unwillingness by potential financiers to invest such venture capital or an unwillingness or inappropriateness on the part of potential recipients to accept such forms of investment.

Training forms all or a part of the work of about 45% of the surveyed initiatives. The fact that this is seen as a popular solution to local economic problems betrays a particular view of the causes of unemployment, namely a mismatch between the skills of the local labour force and the skills required for the types of job vacancy available. The major role played by the Manpower Services Commission²³ in labour training, acting through a variety of schemes, most notably the Youth Training Scheme and Community Programme was reflected by this survey. However, there were also a large number of initiatives which were not associated with the various M.S.C. programmes but which involved some form of training either in production or management functions. The survey identified eighteen such initiatives as being set up by voluntary organisations. These together with the work of the M.S.C. comprise a very significant number of the training placements listed in LEDIS and this would seem to confirm that there is a very considerable amount of training now being undertaken outside the company (to a large degree as a consequence of the reduction of apprenticeship places and the restructuring of vocational training). Although many of the schemes run by the M.S.C. have been criticised for offering inadequate or inappropriate vocational training, the survey has shown that it has frequently been possible for other agencies to become active in this area, (often supported by M.S.C. funds) and thus be able to influence directly the nature of training provided. In addition to

training courses, a large number of training workshops have been set up to provide training as well as employment (these are often similar in content to the schemes run by the M.S.C.) attempting to provide the skills required by local business and to provide some assurance of long-term employment placement. A number of these initiatives are specifically trying to overcome the problems faced by school leavers who lack relevant skills or work experience. It might be expected that these initiatives would require fairly large numbers of staff, however, the results show that on average initiatives were staffed by eight to nine full-time staff. The annual budget for these initiatives was also relatively low (about £450 000 per annum). For thirty of the ninety-seven training initiatives it was possible to ascertain the number of persons being trained and the length of placement. On average these schemes took about two-hundred trainees for about four months, although the various courses which were listed lasted anything from one day to two years thus making it difficult to generalise.

The provision of factory space has been a favoured approach for regional policy and for local authorities, the latter having statutory powers to engage in this. The rationale for such action is based upon the assumption that there is inadequate or inappropriate factory space for firms (particularly new and migrant firms) and that by filling a gap in the industrial property market, (and in some cases subsidising rental costs) a major barrier to industrial development is removed. While it is clear that this type of activity is still very prevalent in local economic development, its operation no longer lies solely in the domain of the public sector. The survey revealed a great deal of factory development not only by public agencies but also by private developers. However, the most notable feature of these developments was that the facilities offered frequently extended beyond merely the provision of factory space itself. Far more frequent was the development of managed workshops. These were often run as companies offering a variety of centralised services to tenants. In these units many overheads such as telephone, secretarial support, cleaning and maintenance may be managed centrally and their

cost forming part of the floorspace rental. These central services may also fulfil a business advisory role in addition to physical support services. Many of the workshops were housed in converted industrial premises which had been redeveloped at low cost and were frequently eligible for grants and other assistance towards the costs of the conversion work.

Provision of finance comprised an element of the work of about one quarter of the local economic initiatives sampled. It has already been shown that a large proportion of economic development activity is concerned with trying to create the best environment for *indigenous* economic revitalisation rather than engaging in the production process itself. Providing finance to local business, or indeed other initiatives may form an element of this type of policy action. Many initiatives may thus be serving to pump-prime business enterprises as a means of stimulating indigenous growth potential. Fifty percent of the initiatives which were identified as having been involved with assistance by providing finance, were doing so by means of grants. The rest were using loans or other arrangements whereby conditions for returns were set prior to funds being released. The high level of commitment to these forms of assistance would suggest that there is a strong belief amongst those responsible for managing and running initiatives that financial resource constraints operate to retard economic development. Provision of finance is a particularly prevalent activity amongst initiatives set up by companies and particularly by local authorities or government departments. As would be expected, the budget for such initiatives was on average fairly high, being about £2m per annum. Where loan guarantees were being offered, local authorities, companies, and charitable bodies were identified as acting as guarantors. While much is often made of the role of loan guarantee schemes it appears that their role in local economic development is very small, although their financial contribution may be significant.

Only forty initiatives (18.3% of the sample) were identified as being involved with direct employment, that is

schemes set up to employ people rather than encourage or stimulate others to do it. This reinforces the notion that there is a preponderance of initiatives engaged in the stimulation rather than the actual creation of jobs as their *primary objective*. These initiatives had an average annual budget of about £1m and a staff of eight to nine persons. However, these figures should be treated with caution since it is difficult to distinguish turnover from the initiative's budget. In twenty-three of the cases it was possible to identify the annual turnover of the initiative and also the number of persons which were employed by it, being on average £344 000 per annum with an average payroll of 190 persons. Clearly, however, these lie on the margin between *initiatives* and *new enterprises* but may be included in LEDIS since they illustrate rather novel forms of enterprise.

The contribution of local authorities to initiatives

The survey was able to identify the contribution made by local authorities to local economic initiatives in a number of ways. Of the 220 initiatives in the sample, almost a third (68) were set up by local authorities; however, only half of these were being managed and run by the authority and its officers. The other half being *spun-off* as independent activities with their own staff and legal identity. Thus while the local authority may be an important *primum-moblie* it is not necessarily managing a large proportion of the initiatives which it sets up.

The survey showed that in terms of financial support to initiatives local authorities were the most significant contributors. They offered support to 61.2 *per cent* of the sample or 135 out of a total of 219 initiatives. This may well suggest that local authorities are attempting to diversify the range of activities to which they provide support and may thus be able to have some influence over a large proportion of the economic development activities within their local area. The survey also indicated that leverage was occurring between different financiers, particularly between local, national and also the European Community. Such a find-

ing is not particularly surprising given the nature of the rules by which such schemes are operated. However, it is illustrative of the extent to which schemes which are eligible for government agency funding may be able to secure funds from more than one programme. Particularly in their early stages of development, projects may be unattractive to the commercial lender as there is inadequate collateral, or an inability to demonstrate creditworthiness. In the analysis which follows, those initiatives which were set up by local authorities (68) are compared with the rest of the sample (151). Table 9 indicates the types of activities which local authorities and other agencies have become involved in setting up.

Table 9. Type of activity for initiatives set up by local authority and non-local authority agencies

Type of activity	% of cases local authority	% of cases non-local authority
Information and advice	79.4	80.1
Labour training	42.6	45.0
Provision of land/premises	51.5	34.4
Advertising	36.8	33.8
Provision of finance	30.9	23.2
Sales and marketing	26.5	18.5
Direct employment	14.7	19.9
Company formation	4.4	16.6
Equity investment	11.8	5.3
Provision of land	8.8	3.3
Loan guarantee	4.4	0.0
	Total cases 68	Total cases 151

Source: LEDIS survey

In rank terms both the local authority and the non-local authority initiatives showed broadly similar patterns of activity; however, a more detailed analysis revealed distinct

variations in the proportion of activities initiated by the two groups. These indicate the way in which schemes initiated by local authorities may be characterised by a certain mix of activities and favoured approaches to local economic development. Thus while the activities of labour training, advice and information giving, and land and premises provision predominate in both groups, it is clear that the area of land and premises provision is one which is particularly favoured by local authorities. While providing land and premises is an activity in which local authorities have had considerable interest and for which they have statutory powers, there has been an increasing tendency for small factory developments to be undertaken in partnership with private developers. Advertising and giving advice and information show a very marked similarity between the two groups. As has already been stated, both of these activities are an integral part of most economic development initiatives. Advice and information being a part of the services offered by the vast majority of initiatives and advertising also being widely used to disseminate information about the area or the scheme.

It appears that initiatives set up by local authorities are more likely to offer some form of financial assistance either by direct provision of money through grants or loans, or alternatively, by taking equity stakes in firms or by providing a loan guarantee. The role of local authorities as being significant sources of funding for local economic development in general terms has been noted. This analysis would seem to suggest that where local authorities have set up initiatives, they have given some emphasis to the role of financier and thus to assistance through monetary contributions rather than more direct forms of intervention. The LEDIS analysis found companies to be assisting a large number of initiatives by seconding their own staff to projects and it may be suggested that this is an appropriate way of providing assistance particularly to initiatives which rely very heavily upon professional expertise. In general, therefore, local authority initiatives seem much more likely to be concerned with creating the optimum conditions for economic development and in stimulating the economy rather than

entering directly into its operation through their economic initiatives.

Conclusion

While the resources available for local economic development may be limited both in financial and staff terms, it is apparent that this has not prevented local authorities from engaging in a wide variety of economic development projects. In general, however, these schemes have largely sought to change local conditions to encourage the development of indigenous business potential. It is evident that local authorities' collaboration with local initiatives has been undertaken primarily in those areas with which authorities have traditionally been involved and thus in many respects there has been intensification of effort in particular areas of involvement and rather less diversification into new areas of activity. The setting up of local initiatives and the collaboration with other agencies by local authorities, while helping them to lever additional resources for economic development in the local area may make projects vulnerable particularly where sources of funding are not guaranteed over prolonged periods of time. In addition, certain agencies will only fund particular types of scheme (for example the MSC in training) and this may well reduce the flexibility of initiatives. The major threat to local economic initiatives would seem to be through further moves to reduce public sector spending (especially by local authorities) given the high level of dependence of local economic development activities (and particularly initiatives) on both national and particularly local government support.

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15 Op. cit. Note 1.

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17 Cambridge Information and Research Services Limited (1983-1986, Annual), Industrial Development Guide, Harlow: Longman.

18 Managed Workspace Group. Press Release Autumn 1986.

19 The SDA was established in 1975 by Act of Parliament to stimulate industrial development and employment in Scotland. This is combined with responsibilities for environmental rehabilitation and urban renewal. The SDA is an important source of capital for industry in Scotland, providing loans or equity to re-structure existing companies and support new developments.

20 The WDA was established in 1976 by Act of Parliament to promote economic development and environmental improvement in Wales. It provides loan and equity finance for business projects, and has a large programme for investment in developing industrial sites and premises. The Development Board for Rural Wales was established in 1977 with the responsibility for promoting the economic and social development of Mid Wales. The Board has a broad range of powers and an annual budget of some £12m which is spent primarily on factories, housing and social and cultural facilities and in development of manufacturing, tourism, craft and other enterprises.

21 Op. cit. Note 1.

22 The Local Economic Development Information Service (LEDIS) is published by the Planning Exchange. It was launched in 1982 and is published ten times a year. Sheets are produced monthly in four series: Initiative giving examples of local initiatives; overview giving critical reviews of broad subject areas; bibliography providing concise literature guides; and research in progress giving brief accounts of current academic research. It was the Initiatives

series from July 1982 to December 1985 which was taken as a sample for this survey. (See Sellgren J., 1987, Local economic development and local initiatives in the mid-1980s: an analysis of the Local Economic Development Information Service Database *Local Government Studies*, 13(6), 51-68).

²³ The Manpower Services Commission (M.S.C.) was established by the Employment and Training Act 1973. The M.S.C.'s main role has been to provide funding for temporary employment and training projects. The initial role played by the M.S.C. was to improve skills and co-ordinate services, but by the mid-1970s it became increasingly involved with running special programmes for the unemployed, notably the Youth Opportunities Programme and Community Enterprise Programme.

CENTRAL GOVERNMENT INTERVENTION IN LOCAL ECONOMIC
REGENERATION: THE CASE OF THE LONDON DOCKLANDS

John M. Hall

Centre for East London Studies, Queen Mary College,
University of London, London, UK

1. The context of the United Kingdom spatial economy

The British economy functions and is managed in a way dissimilar from that in the COMECON countries. Essentially, Britain operates with a mixed economy - state and private capital are employed to maintain and improve the infrastructure and productive capacity of the country - and the principle of responding to market demands presently guides much of the operation of even the public sector. There are no nationally presented comprehensive five year economic and spatial plans (although central government annually presents its anticipations of public spending over a five year period to parliament).

Nevertheless, central government does intervene to help particular sectors of the economy, and particular regions and localities within the country, which may be experiencing economic hardship because of technological change, international competition, or marked sectoral shifts in demand. Often, of course, such changes overlap, notably in the older industrial areas formerly dependent on coal, iron and steel and heavy engineering.

During the depression of the 1930s, central government established regional commissioners for the 'special areas' -

regions of the country with particularly heavy reliance on a limited range of traditional industries, and with high rates of unemployment. *Regional* policy developed from the notions of relieving unemployment and assisting industrial diversification in such areas of the north of England, central Scotland and south Wales.

In the early 1960s the continuing demand for commercial development - principally in financial, professional and government services in central London, and in the growth industries such as electronics, media and distribution in the south east of England generally - stimulated the government to apply stricter controls on proposals for employment growth in London and the south east. Despite the introduction of controls, what was then called the 'drift to the south' caused by migration and by the differential rates of investment by existing firms and public authorities still continues, and firms in the newest growth sector of 'high technology' industries are clustered disproportionately around London.

But by the 1960s another aspect of spatial differentials in prosperity and living and working conditions across the United Kingdom was becoming evident. Separate central government ministries came to recognize the hardships facing people and local governments in the *inner city*. This phrase usually refers to the physically and economically decaying nineteenth-century extensions of the larger cities of the country - outside their commercial and administrative cores, and inside the more affluent modern suburbs.

There was an almost unwitting convergence on area-based approaches by different ministries. For example, the Department of Education and Science (DES, the education ministry) began to define *educational priority areas* as a method of targetting resources on old city schools with poor facilities and insufficient staff support. The Home Office (the interior ministry) defined areas with higher than average proportions of overseas immigrants; the Department of the Environment (DoE, the housing and planning ministry) defined *general improvement areas, housing action areas, industrial*

improvement areas and, after 1977, a series of central-local government 'partnership' areas in order to improve the physical infrastructure and hence attractiveness to private investment of otherwise unattractive localities. In all of these cases, there was a widespread recognition that the unfortunate areas could hardly be blamed for their economic and physical misfortunes, and that central government intervention - principally through the redirection of national taxation - was required to tackle the problems of decay and obsolescence.

Current regeneration policies, as we shall see, are firmly based on *localities*. The further development of systematic methods of *regional* economic and physical planning through the identification of problems, choice of areas for growth and regeneration, and the monitoring of public and private investment, came to an abrupt halt in 1979 with the dissolution of England's eight regional economic planning councils. Likewise the disciplines of demographic and economic forecasting and related resource allocation inherent in the making of strategic or 'structure' plans for counties (broadly equivalent to voivodships), had largely disappeared by the late 1980s - and more by order of central government than because of the difficulties of forecasting in times of recession or stagnation.

2. The accelerated decline of the London Docklands

The 'London Docklands' as a geographical label came into currency in 1971 when the then Secretary of State for the Environment (planning minister) announced in parliament that there would be a study of the potential for rebuilding the London Docklands. During the four years from 1967-71 two of the four main upstream dock systems operated by the Port of London Authority, PLA, closed (see Fig. 1). (The PLA is a semi-public body formed in 1909 to own and manage London's system of almost 50 km of quays and 280 ha of enclosed water which stretch downstream on both banks of the tidal River Thames from Tower Bridge on the edge of the City of London, the financial heart of the metropolis.)

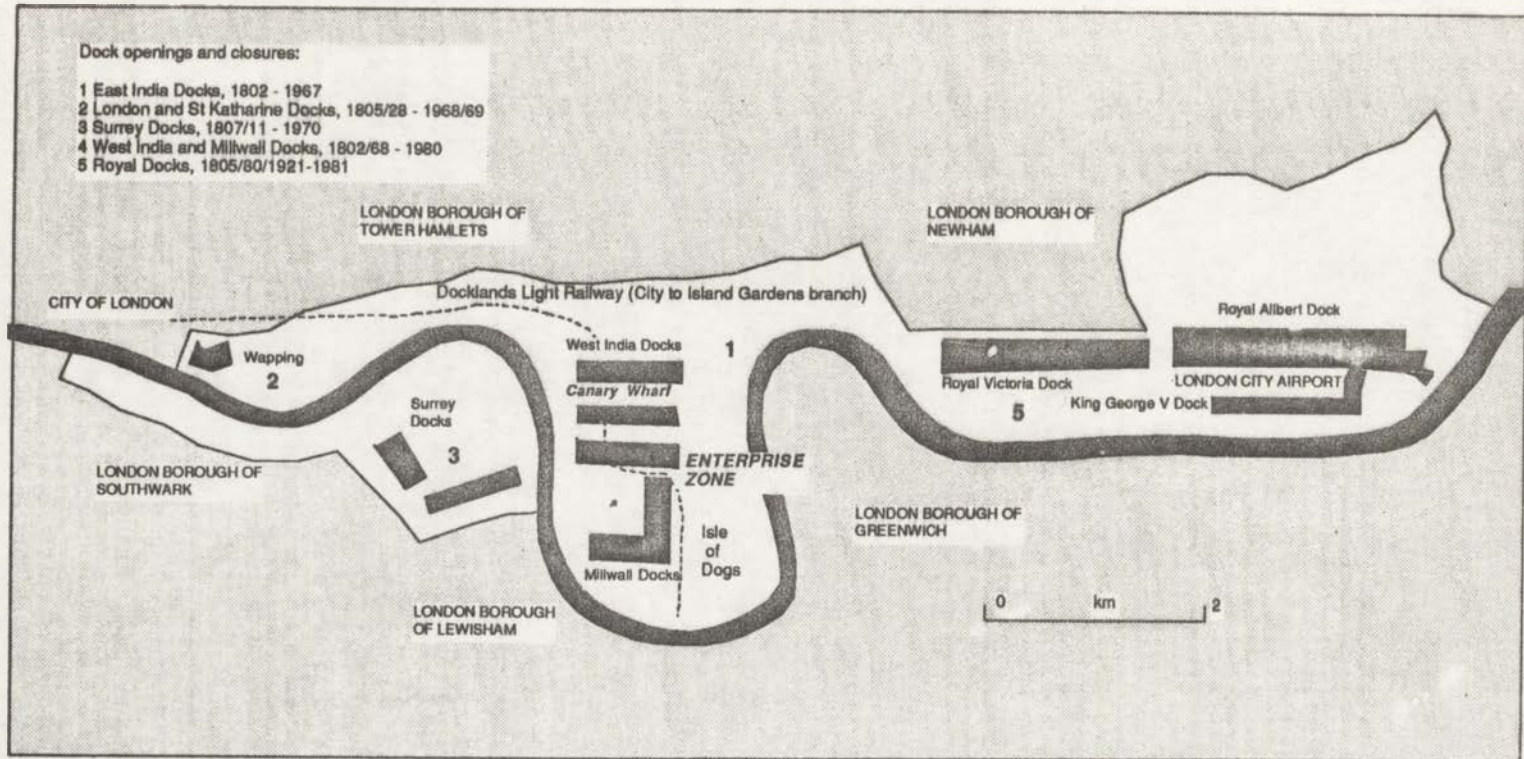


Fig. 1. Features of the London Docklands Development Corporation Area

By 1981, the two remaining upstream enclosed docks had closed, and the dock labour force had dwindled from nearly 30 000 workers to fewer than 3000. The result was dereliction on a vast scale: empty warehouses and idle cranes in the PLA's abandoned 800 ha of land, and a once thriving River Thames virtually devoid of commercial river traffic in its upper reaches adjacent to the enclosed docks. In addition, many of the related industries, such as food processing, flour milling and cold storage, transport handling, and ship repair, also closed or reduced their workforces. As a consequence the London Docklands came to resemble the more obvious industrial wastelands of the coalfields of midland and northern England, Scotland and south Wales.

There was no single cause for the decline of the London Docklands, rather a combination of factors: Britain's growing trade with mainland Europe in place of its former overseas empire; the increase of roll-on roll-off ferry traffic on the short English Channel and North Sea routes and hence competition from cheaper and often less strike-prone ports on the east and south coasts of England and even across the English Channel, and for certain kinds of traffic - international passengers especially - the overwhelming supremacy of the airlines above the shipping lines that had earlier monopolized all trade to the British Isles.

3. Docklands planning, 1974-79: public sector partnership

From 1974-79 the strategic planning of the future of the Docklands area was undertaken by a specially constituted *Docklands Joint Committee* (DJC), comprising representatives of central government (DoE), regional government (the now defunct Greater London Council, GLC), and five east London boroughs - the basic units of local government. As it happened, all of these were Labour controlled (leftwards political orientation) from 1974 to 1977, in which year a Conservative, politically to the right, GLC was elected; in 1979 a Conservative national government was elected in place of the previous Labour government. The DJC's approach to regenera-

tion was spelled out in the *London Docklands Strategic Plan (LDSP)* of 1976:

"To use the opportunity provided by large areas of London's Docklands becoming available for development to redress the housing, social, environment, employment/economic and communication deficiencies of the Docklands area and the parent boroughs and thereby to provide the freedom for similar improvements throughout East and Inner London" (p. 3)

In other words, the Docklands opportunity was viewed principally as a chance to use the vacant land to overcome the inherited defects of the east side of London - still seen as the impoverished side when compared with the fashionable west side - with a predominance historically of casual, unskilled labour living in overcrowded conditions. Needs were defined in economic, environmental and social terms. Indeed, we can say that the approach adopted was *needs-based planning*. The task envisaged by local politicians and articulated by professional planners was to harness mainly public sources of finance to build houses for rent by low income tenants, provide social and cultural amenities, instal new transport infrastructure, and attract new industries to offer work to those displaced in the docks and related declining industries.

Even by 1978-79 the LDSP's related operational programme, which sought to show annual and five-year expenditure on particular plots of land, by both capital funding and revenue support, and by the public and private sectors, was falling behind target. Yet another public sector financial squeeze was being felt by local governments in response to reduced public spending by central government. So the DJC's ambitions were not being fulfilled as rapidly as had been hoped.

4. The establishment of a new agency, the London Docklands Development Corporation, 1979-81

At the general election in 1979 Mrs Thatcher's Conservative government replaced Mr Callaghan's Labour government. The change was to have dramatic effects in the London Docklands. In 1979 the new environment secretary, Mr Michael Heseltine, announced his intention to establish two novel *urban development corporations* (UDCs) to take charge of economic and physical regeneration in the Merseyside (Liverpool waterfront) and London Docklands areas. The inspiration for the UDCs was the *new town development corporation*. NTDCs were used after 1946 to acquire land and to build the post-war new towns around London and the congested larger conurbations. New towns were intended to be self contained urban settlements, and most were created in predominantly agricultural tracts of countryside. UDCs would have broadly similar powers, but would sit in heavily urbanized, and in London's case heavily populated, areas - areas with long established economic, social and political structures. An UDC was proposed for the Docklands because the new administration viewed the DJC's tri-partite structure as inviting dissent and delay, with each borough allegedly wishing to look after its own parochial interests. Further, the implementation of the strategic plan of 1976 relied heavily on the availability of sufficient public funds. Such funds were not going to be sanctioned by the new government.

After an unexpectedly protracted hearing in the House of Lords, the revising chamber of parliament, of local groups' cases against an UDC the Lords accepted the government's case, and the *London Docklands Development Corporation* (LDDC) came into being in 1981 for an anticipated ten years' life.

Opposition to a development corporation had focused on fears surrounding the transfer of development control powers from the democratically elected local borough councils to a body whose members are appointed directly by the environment secretary. Also, the corporation's expected preference for private investment, especially in developing land for expen-

sive housing for sale to newcomers with higher incomes than those of existing residents, was, it was argued, at variance with local needs.

Nevertheless, the LDDC was established with a defined area of 2000 ha, about 800 of which were derelict, a board of 11 members, and a budget of about £60 million per annum from the Treasury (finance ministry) via the Department of the Environment. The budget was to be spent in the early years on the compulsory acquisition of sites for development, many of which were owned by public authorities (gas corporation, transport industries), and the PLA, all of whom were reluctant to sell their land. The corporation was to employ a nucleus staff of only about 70 people - many routine tasks of surveying and valuation, civil engineering, designing and marketing, were to be contracted out to private sector consultants.

Table 1. Characteristics of the London Docklands development area and functions of the London Docklands Development Corporation

The London Docklands Development Corporation is:

- * Land owner with compulsory purchase powers and vesting orders
- * Planning control authority (but not the statutory *plan making* authority)
- * Initial developer: making sites viable for subsequent development
- * Manager of the Isle of Dogs Enterprise Zone (195 ha in Tower Hamlets)

The London Docklands urban development area comprises:

2100 ha divided among three east London boroughs as follows:

Borough	Population 1981	Proportion of total area
Tower Hamlets	21 000	1/3
Newham	10 000	1/2
Southwark	9 000	1/6

The LDDC seeks the regeneration of the area through the encouragement of industry, commerce and housing (mainly privately owned) and social provision, including public transport and general improvement of the infrastructure

5. The LDDC's working methods: partnership with private investment

Whereas the previous Docklands Joint Committee had published an unambiguous strategic plan combined with a detailed programme for investment, the LDDC preferred to avoid publication of a land use master plan. It compiled a *corporate plan* which identified spending programmes by locality within the Docklands area, and paid particular attention to land assembly and transport infrastructure in the early phases, with an early start of private housebuilding throughout the area. Particularly evident was the desire eventually to attract £5 of private investment for every £1 of public investment. It is this *leverage ratio*, 5:1 private to public, which most readily differentiates the LDDC approach from the DJC approach (in which almost exactly the reverse ratio was to have been applied). Together with indicators about population change, employment and unemployment, the leverage ratios for commercial and industrial investment from the basis of the corporation's unpublished annual performance review prepared for its overseeing ministry, the Department of the Environment.

The formal designation of the LDDC came shortly after the closure of the West India and Millwall docks on the Isle of Dogs - that peculiar peninsula formed by the horseshoe-shaped meander of the River Thames below Tower Bridge. In his budget speech of 1980 the chancellor of the exchequer (finance minister) announced that he would introduce legislation to allow the designation of a number of *enterprise zones* throughout the United Kingdom. In such areas, mainly consisting of derelict and difficult-to-market land, there would be a ten-year period within which local taxes would not be paid to the local authority by the occupiers of premises, but by the Treasury. Investors would be able to offset taxable profits from their existing enterprises against the capital costs of new development within the enterprise zone. Normally stringent planning regulations would be simplified and relaxed. From 1982 the LDDC became the authority responsible for managing the *Isle of Dogs Enterprise Zone* until 1992.

The Isle of Dogs Enterprise Zone is at the geographical and spiritual heart of the LDDC area. Geographically it is in the middle of the major dock systems in the PLA's upstream docks. Spiritually it proclaims a preoccupation with enterprise: attracting new growth industries in futuristic buildings adjacent to the retained water of the West India and Millwall docks. The LDDC designed the route of the new Docklands Light Railway (DLR; opened in 1987) deliberately to connect the enterprise zone with the City of London. The symbolism is clear: London's redrawn public transport map will in effect proclaim that the enterprise zone is an appropriate location for the kinds of financial activities found in the City of London - the City can now expand eastwards is the message of enterprise zone designation. (Elsewhere in the United Kingdom enterprise zones comprise industrial units, warehouses and workshops, with a much smaller proportion of commercial uses.)

Perhaps the most audacious proposal so far for the London Docklands is that for the development of 1 million sq. m of office floor space on the 30 ha of Canary Wharf, a finger of land between basins of the West India Docks. Standing on the wharf you can see St Paul's Cathedral and the financial towers of the City of London. An American-Swiss consortium made the proposal in 1985 to develop the wharf for the kind of financial trading which has flourished in London since a relaxation of financial market restrictions took place in 1986 (the so-called 'big bang' in financial trading). The formal agreement to proceed, a document called the Master Building Agreement, was signed by the developers, Olympia and York of Toronto, who succeeded the original American-Swiss consortium, and LDDC in July 1987. Whether or not the Canary Wharf development proceeds as intended ('it will look like Venice but work like New York' proclaims the adjacent advertisement hoarding), it has helped to raise commercial interest in the Isle of Dogs. Land which in 1981 was of no interest to the private market - indeed it had *negative* value, requiring costly treatment before development - is now selling for luxury housing development at prices of up to £7 million per hectare. It is also of interest to note that as the larger proportion of the scheme is within the enterprise

zone, it has been exempted from the requirement of a formal planning inquiry which is normal for schemes of such magnitude, and clearly of significance at a strategic London scale because of the necessary road and rail investment on the approaches to the site. Up to 40 000 people could be employed within the 30 ha site, which by virtue of the dock configuration and the Thames creates a virtual island within an island.

In floorspace terms, Canary Wharf will approach the La Défense office complex in Paris. Like La Défense, its impact will be felt at the metropolitan scale. A consultants' team led by the present author demonstrated for the LDDC in 1986 that the anticipated 40 000 jobs on the site and maybe half as many again generated nearby would do little to relieve local unemployment. Rather, commuters will be drawn from London's outer north east and south east suburbs; many women with office skills, presently representing 'concealed unemployment' will be attracted back into work by the development. However, novel training programmes are being devised with the local council, educational providers, construction companies and the anticipated major occupiers of the development.

6. Questions about evaluation

The LDDC is clearly a creation of central government. Central government sets the rules for a novel agency which seeks to provide infrastructure and to make land available for private development speedily and without being hindered by the normal concerns of local government such as public housing, education, and social services. These remain the responsibility of the three east London boroughs, Tower Hamlets and Newham on the north bank of the Thames and Southwark on the south side, into whose territory the LDDC has been interposed. These same boroughs have varied considerably in their willingness to co-operate with the LDDC. Together with the Greater London Council (abolished in 1986) and local 'action groups' (pressure groups with a particular disdain for the LDDC's objectives and methods) the boroughs,

augmented to five, formed a non-statutory shadow 'Docklands Consultative Committee' (DCC) to monitor the LDDC's impact.

In a report entitled *Four year review of the LDDC* (GLC, 1985), the DCC distils its objections to the LDDC under three headings:

- "- the lack of accountability of the Corporation to local people coupled with its secrecy and limited commitment to public consultation;
- the failure of the Corporation to pay due regard to GLC and local authority plans and requirements for land and finance for housing to rent and for industry;
- the LDDC pre-occupation with marketing Docklands rather than basing its strategy for redevelopment on an understanding and commitment to the needs and wishes of local communities, and the pressing responsibilities facing the GLC and the Docklands boroughs" (p. 63)

For its part, the LDDC's own *Update to the corporate plan, April 1985* noted that, following its early vigour in land acquisition and in site servicing after designation in 1981:

- " 'second wave regeneration', that is improvements to the quality of life for both residents and workers, is becoming increasingly important to sustain the momentum of regeneration. In particular, key requirements are:
- educational improvements
 - motivation of school-leavers to take up the training and other opportunities becoming available
 - environmental improvements
 - improvements to existing priority housing estates (dilapidated public housing)
 - more community facilities" (para 7.3)

As noted already, intervention in such spheres is often technically outside the LDDC's terms of reference, yet it recognizes that what we might call the 'software' of community development is almost as vital to the lasting regeneration of the area as the 'hardware' of infrastructure and buildings.

More specific attempts to evaluate the LDDC's performance have focused on its record in generating new employment and stemming the reduction of the existing workforce. Most analyses of enterprise zones in Britain have shown that they have often led to transfers of employment from outside their boundaries, during which process the number of people employed has been reduced. Although it is not in the enterprise zone, the recent example of News International (Mr Rupert Murdoch's printing group that owns such titles as *The Times* and the *Sun*) is instructive. When close to Fleet Street in central London, the group employed about 5000 printers. After relocating in the Wapping area of Docklands and using new printing technologies it employed 1500 people. The result: 1500 new jobs to be added to the total for Docklands, but a net loss of 3500 jobs to the London labour market. This then is one of the principal difficulties of evaluation: defining the boundaries within which effects are to be measured, and judging the effectiveness of the LDDC's programmes against the alternative strategies that might have been adopted to combat the high local rates of unemployment (exceeding 30% in certain localities).

7. Left, right, left, right: the march of local economic strategies

While central government in Britain during Mrs Thatcher's Conservative administrations of 1979-83 and 1983-87 has shown a clear preference for allowing market forces to flourish, notably in the LDDC area as we have seen, many of the Labour controlled local authorities in what until 1986 were England's six metropolitan counties (like the GLC, abolished for their alleged wastefulness of public funds and unnecessary duplication of powers with their constituent metropolitan boroughs) established a distinctive approach to local economic regeneration in the period 1981-86. This approach can be contrasted with that of the Conservative central government in tabular form (Table 2). This table, combined with the account of the LDDC's role in regenerating the London Docklands, helps to explain recent central government attitudes to economic regeneration in Britain. Cen-

tral government aid is targeted on particular problem localities within specific local authority areas, and the special agencies established are expected to enter into effective partnerships with the private sector. The most recent government statement in April 1987 *Action for cities* is a joint publication of the Departments of the Environment and of Employment: "Government action must be co-ordinated. Priority areas must be carefully selected so that effort is not wasted. The aim is to encourage investment and job opportunities", stated the document. Following her third successive general election victory in 1987, Mrs Thatcher declared that a crusade against the declining inner cities would be at the top of the domestic agenda of her new administration.

Table 2. Conservative central government and Labour local government approaches to urban economic regeneration in England since 1979^a

Conservative central government experiments since 1979	'New Left' (Labour) local authority initiatives since 1981
1 Focus on the <i>private sector</i> as the motor for economic development	See the <i>public sector</i> as the necessary stimulus for economic change
2 See public <i>planning</i> as a hindrance to economic regeneration, and aim to remove or reduce planning controls as an incentive to investment	See <i>lack of planning</i> as a major cause of economic decline, and aim to develop new forms of industrial and sectoral planning, supported by popular involvement
3 Give priority to the attraction of <i>new inward investment</i>	Give priority to the defence and development of <i>existing indigenous industries</i>
4 Focus on the <i>market</i> as the sphere for economic development	Focus on the sphere of <i>production</i> as the basis for economic regeneration
Characteristic forms in England as at April 1987 ^b	
Enterprise zones (now 17)	Enterprise boards
Urban Development Corporations (2 initially; 4 added)	Employment committees
Urban programme authorities (55)	Policy guidelines for authorities' roles as employers, investors, and purchasers of goods and services
Inner city initiative areas (now 16)	

^a Adapted from J. Benington, *Local economy* 1(1986), p. 8, plus DoE/DE, *Action for cities* (1987)

^b Statistical records relate variously to one or more of the four constituent nations of the United Kingdom

Labour governments, in contrast, have sought interventions that retain existing employment, or even which create

new jobs in the public services sector. Support has been given for new forms of co-operatively owned enterprises, and specific groups - the ethnic minorities, the handicapped, women - who hitherto have been under-represented in the securer and better paid parts of the labour market.

Financial figures offered by opponents of the Conservative government's employment creation policies suggest that local economic initiatives may cost about £5000 per job created, compared with £35 000 per job in the regional development areas, and £68 000 per job in enterprise zones (quoted in Bennington, 1986).

Although it would be wrong to imagine that left- and right-controlled councils offer totally contrasting outlooks in all policy areas, the politicization of planning and investment decisions has been clear in the Docklands area during the last decade. The contrasting continuities and oscillations of political control as shown in Fig. 2 do have explanatory power when interpreting the rebuilding of Docklands, although the diagram overlooks the internal transfers of power within majority parties, such as from the 'old left' to more radical 'new left' Labour councils.

8. Concluding remarks

The case study chosen for this paper, the London Docklands area, clearly exemplifies different party political attitudes to urban economic regeneration. During the 1970s, the separate tiers of Labour-controlled public authorities joined to form a partnership entitled the Docklands Joint Committee which sought to meld individual boroughs' aspirations into an agreed physical structure plan for the area. The approach to planning was needs-based, and derived directly from the distinctive social and labour history of the area.

In contrast, the post-1979 approach led by the Conservative central government has been to encourage demand-led planning; in most cases to 'prime the pump' with government

Party political control

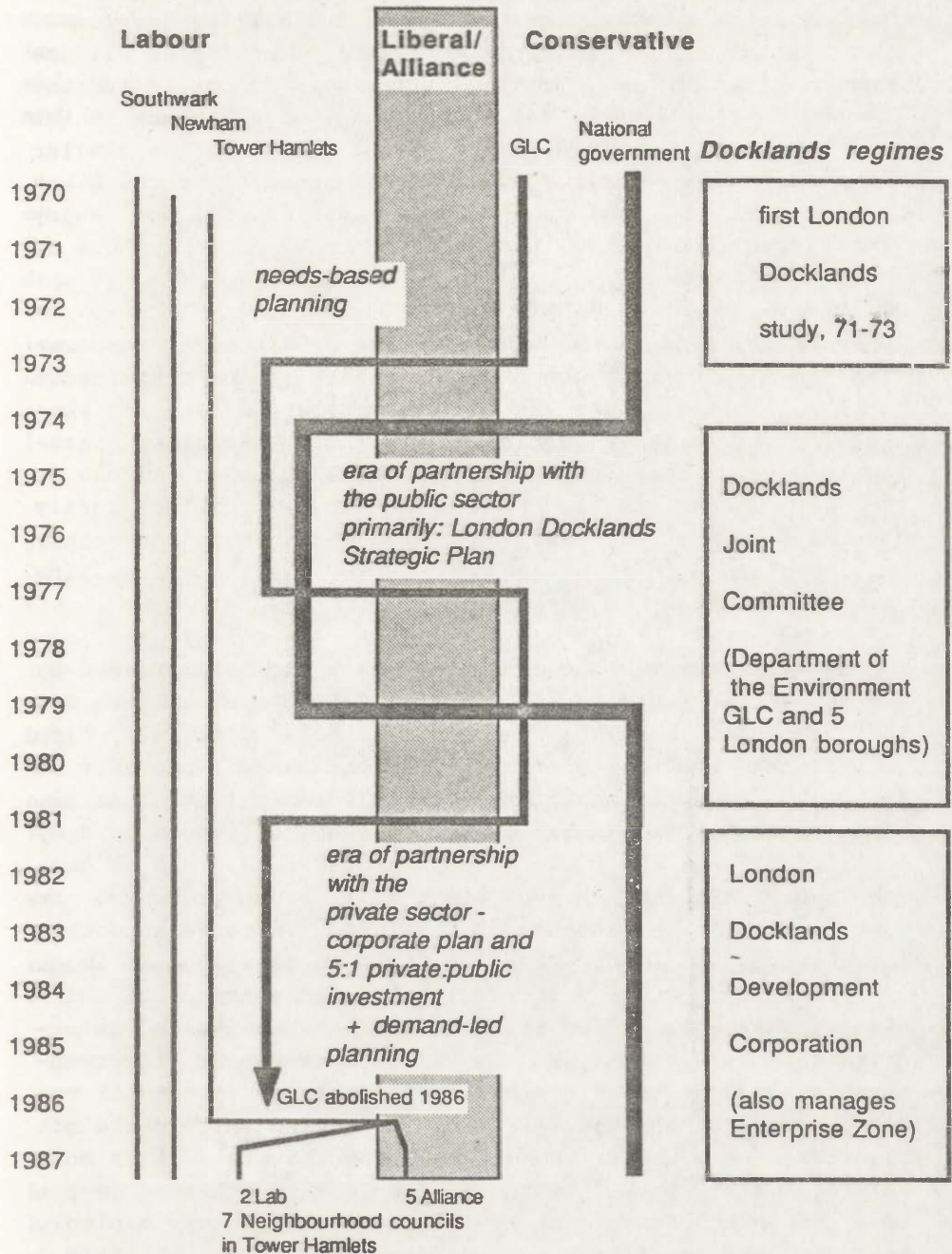


Fig. 2. Political continuities and oscillations in the London Docklands

funds for infrastructure, and then to let the market decide how, when and where particular sites will be developed. Coincidentally, new working habits and technologies will be introduced in the new workplaces. The methods chosen for the London Docklands are now being adopted elsewhere in the United Kingdom, as Table 2 indicates, although the smaller development corporations such as announced for the Black Country north of Birmingham and for Teesside will not enjoy the current commercial and residential property boom of south east England.

By establishing a new kind of urban development corporation, central government invoked the ire of the east London local authorities who saw their powers and duties for controlling physical development within their boundaries passing to an unelected body - a body (the LDDC) whose access to Treasury funds and powers of land acquisition they sorely coveted. It must be said, however, that some boroughs, while declaiming against the LDDC, were nevertheless willing to work alongside the corporation.

Any visitor to the London Docklands would be impressed by the speed of redevelopment since the LDDC replaced the DJC in 1981. Policy analysts would be hard pressed to fully disentangle the LDDC's own efforts from the general buoyancy of the London property market, especially for private housing, during the 1980s. Equally they will be challenged hard by deciding if jobs are new or simply transferred, and of trying to say what further jobs might have been preserved or lost locally in the absence of the LDDC. There is no doubting, however, the success of the LDDC in changing the image of the area from one of irretrievable decay to one of undeniable desirability for its riverside apartments and enterprise zone tax advantages. So central government intervention has brought speed, single-mindedness and financial resources and entrepreneurial skills of a kind which could not be matched by a consortium of local governments. It is most unlikely that local governments could have achieved such a level of inward investment by international venture capital. Against these benefits, as here reported, local political opponents of the central government ask exactly *who* is bene-

fitting, implying that the recent newcomers and those yet to come into the area will enjoy attractive physical surroundings and speculative profits through property ownership which are denied to many of the longer-established families and firms in the area.

Central government holds all the high value cards: it controls the financial resources and can second able staff; if strong, it can get agreement among central ministries and departments, so magnifying the resource inputs; it can introduce through legislation novel methods of attacking problems, and it can select exactly which localities will receive its attention from among the endless streams of local authority claimants coming to Whitehall with their councillor and officer delegations.

Perhaps the ultimate conclusion is very obvious: central government views the problems of areas such as the London Docklands as a *national* problem. It could not tolerate the vision of such a large area of derelict land so close to the heart of the capital city. That is why it has intervened by imposing new administrative structures backed by national resources. In contrast, the local boroughs look understandably to their own local electorates; local councillors find their attitudes coloured by living in the area - they want national resources, to be sure, but want them directed to specifically *local* needs. And who can say whether or not a Labour or any other central government, if elected in 1983, would have dismantled completely the Conservative's LDDC structure in favour of something resembling the former DJC regime? Seemingly central governments of all political persuasions seek to maintain and extend central control.

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THE ISLE OF GRANARIES IN GDAŃSK: BARRIERS TO URBAN RENEWAL

Marek Dutkowski

Department of Economic Geography,
Gdańsk University, Gdynia, Poland

1. Introduction

The physical planning in Poland has come under sharp criticism recently. The existing town planning system is not an appropriate measure for restructuring. This system causes barriers for the regeneration of depressed urban areas (Instrumenty polityki ..., 1986; Problematyka społeczna..., 1987; Przystaszewska-Porębska, 1987).

Some of the factual observations and critical postulates in this context are presented in this paper. The Isle of Granaries (*Wyspa Spichrzów*) in Gdańsk, an old storage area, was selected as an remarkable example of inconsistency of plans with reality. The isle, (sized 20 ha) is located in the eastern part of the Vistula Delta. The Isle of Granaries is next to the historical Main Town and is an important part of the Gdańsk city centre (Fig. 1).

2. History

In the 16th and 17th century Gdańsk was a large port and a flourishing commercial centre. There were about 3000 metres of landing piers on both sides of the Isle of Granaries and more than 300 granaries on it, whereas the London Port had about 500 metres of landing piers in the same time. The

isle was surrounded by port areas. In spite of burning down in 1813, its storage functions were still performed till the second half of the 19th century. In 1884, the whole area got a railway. In that time, the old port on the Motława river lost its importance. The narrow and shallow waterways were no more navigable for modern ships. Many grain mills and other food industry were located there. There was a large corn market as well (Stankiewicz and Szermer, 1959; W. and A. Tubielewicz, 1973).

In the first half of the 20th century the Isle of Granaries became more and more attractive for commerce, service and even housing. In 1945, the Gdańsk city centre, including the Isle of Granaries, was heavily damaged and burnt completely down. Till 1950, the historical Main Town was reconstructed in its original form and got more housing functions. The neighbouring area of the Isle of Granaries was not able to be included in the reconstruction programme for several reasons (Stankiewicz and Szermer, 1959; Woronowicz, 1962):

- there were only few monumental buildings on it,
- due to re-settlement of Germans, there were no owners and businessmen interested in re-development,
- in the state-controlled planned economy, Gdańsk lost some of its previous commercial functions,
- in the new geopolitical situation after the second world war the directions of Polish foreign-trade changed.

Therefore, there was no real demand for the building development in this area. There was no clear idea, what functions the Isle of Granaries should perform in future. The municipal authorities wished to have a new public service centre there, with market, storehouses, offices and possibly hotels and shops. Meanwhile, however, in the 1950s, many temporary functions were established in the remaining buildings and provisionally fastened ruins.

3. Land use pattern

The land use pattern of the Isle of Granaries in 1987 was a result of the development process since 1945, when Gdańsk was regained by Poland after 150 years of Prussian control. Only part of this process can be referred to as a planned development. The whole area is divided into several zones of land use (Fig. 2). In the north of Stągiewna street, there are primitive storehouses in the ruins of granaries and barracks. The improvement of these buildings was not possible during the last 40 years due to provisional character of their location. A grain mill was established there as well. Contrary to the storage areas, the relocation of this enterprise will be difficult.

The southern part of the Isle of Granaries is occupied by the wholesale firms: herbs, medicaments, furniture, agriculture equipment and feeding stuffs. There are grain mills and a factory of feeding stuffs. Near the storehouses, the offices of the firms were located. There is mainly open space in the centre of the isle. The urban motorway West-East and the new bridge are under construction. Therefore, the busy traffic has to use the narrow streets Chmielna and Stągiewna. There are large areas of waste land as well. The only new investment in this part of the Isle of Granaries is the Novotel hotel.

Due to heavy damages, the historical value of the area is not great as compared with the Main Town. According to the directions of preservation, the most important task is the full reconstruction of their monumental west frontage. This aim has been achieved till now in the southern and central part of the shore line (Fig. 3). After the reconstruction, this water and built up area is expected to regain its previous appearance. The historical grid of streets and remaining ruins of granaries should be preserved, if possible, as well. Therefore, the amenity of the Isle of Granaries for various activities is rapidly arising nowadays.

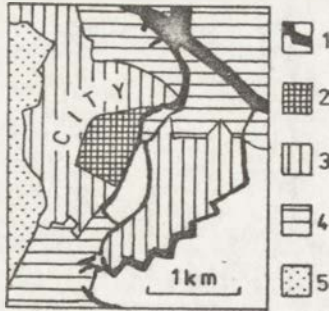


Fig. 1. The Isle of Granaries: the location in Gdańsk

1 - water, 2 - the historical Main Town, 3 - other built-up areas, 4 - port and industrial-storage area, 5 - green space

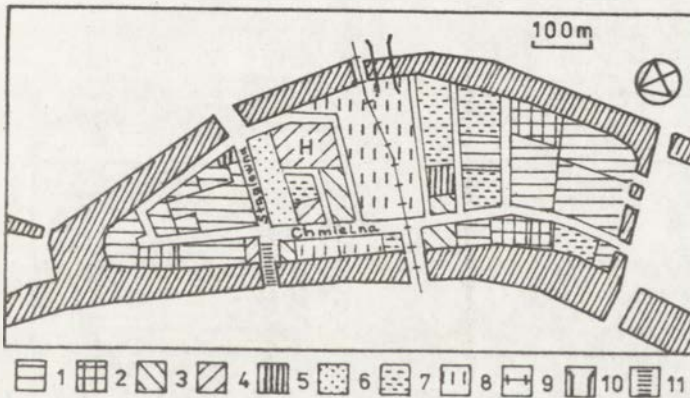


Fig. 2. Land use, 1987

1 - storage, 2 - industry, 3 - offices, 4 - consumer services, H - Novotel Hotel, 5 - housing, 6 - open space, 7 - waste land, 8 - building site, 9 - tram line, 10 - bridge under construction, 11 - pedestrian zone

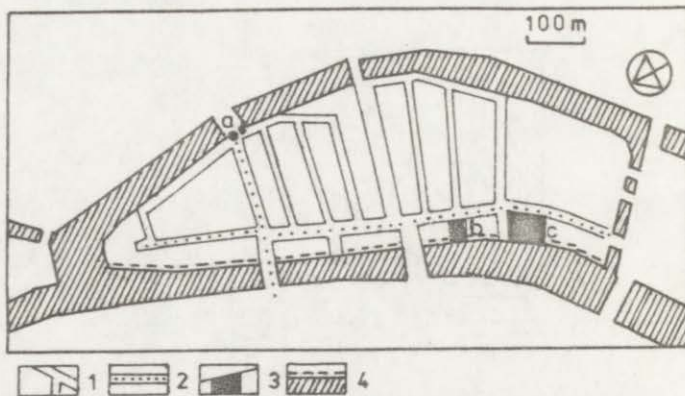


Fig. 3. Historical values

1 - historical grid of streets - partly destroyed, 2 - main historical streets: Chmielna and Stągiewna - reconstruction of frontages planned, 3 - monumental buildings: a - towers Milk-Cans (16th century), b - granary Vistula mouth (18th c.), c - granary Under the Crown (18th c.), 4 - the eastern side of the monumental Motława-waterway - full reconstruction planned (after Bartosiewicz et al., 1977; Michel et al., 1987)

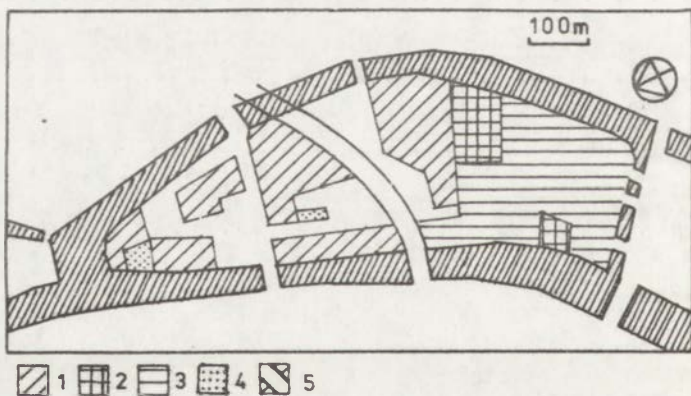


Fig. 4. The plan of the 1960s

1 - service, 2 - industry, 3 - storage, 4 - open space, 5 - urban motorway W-E (after Gdańsk Śródmieście..., 1962; Miejscowy plan..., 1962)

4. Changing planning ideas

The physical planning system in Poland suffers from various weaknesses:

- the lack of coordination between sectoral and physical planning,
- frequent reorganizations of planning authorities,
- the plan making process is very prolonged and is often interrupted or stopped,
- the prepared plans are rarely accepted by People's Councils and have no legal force,
- the accepted plans are frequently corrected,
- the public participation in planning is very poor.

All of these form barriers to the restructuring on the regional and local levels as well; they can be recognized in the planning process of the Isle of Granaries. To the most important events in planning the following are included:

- the Development Plan (preparatory) of the Gdańsk city centre, prepared in the early 1960s, which was officially accepted and obtained a legal force in 1965 (Fig. 4),
- The town-planning competition organized in 1972 for "The Conception of the Shaping Part of the Gdańsk City Centre on the Isle of Granaries" (Fig. 5),
- the "Conception of the Regeneration Plan of the Isle of Granaries in Gdańsk", prepared in 1987 (Fig. 6).

The figures indicate the changing general outlines of planning ideas. The conception from the 1960s did not care about historic values. The proposed route of the urban motorway W-E destroys the old street grid. The architecture of the new developments should have been modern and contrast to the monumental townscape of the Main Town. In the town-planning competition from 1972, this idea became more through. The planning area involved the north and central part of the Isle of Granaries. The Water Buses Station, many offices on the CSC area and an enigmatic Conscious Centre were located (Fig. 5). One should argue that those conceptions did not obtain any official acceptance but they influenced the current locational policy.

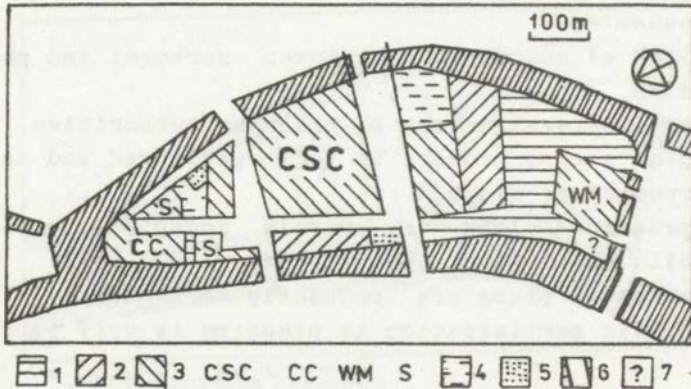


Fig. 5. The plan of the 1970s

1 - storage and industry, 2 - offices, 3 - consumer services, CSC - City Cultural Centre, CC - Conscious Centre, WM - wholesale market, S - water buses station, 4 - parking, 5 - open space, 6 - urban motorway W-E, 7 - ruins of granaries (after Miejscowy plan..., 1970; Opis ustalen..., 1970; Konkurs SARP nr 494..., 1972)

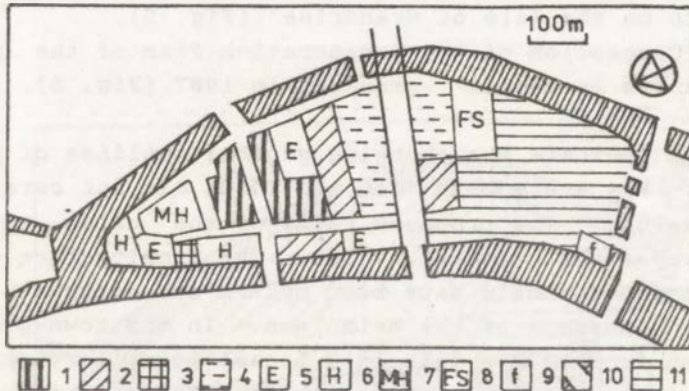


Fig. 6. The plan of the 1980s

1 - housing, 2 - offices, 3 - industry, 4 - parking, 5 - education (arts schools), 6 - hotel, 7 - multi-purpose hall, 8 - Fire Brigade Station, 9 - furniture store, 10 - urban motorway W-E, 11 - uncharged storage and industry (after Michel et al., 1987; Phillipp, 1987; Zesławski, 1987)

The present-day conception includes the strict conservators' requirements. Most of the locational decisions is connected with the definite investors. New functions by the co-operative housing estates and colleges of arts are introduced. They provide a real regeneration of the Isle of Granaries.

5. Three models of urban policy

The planning ideas and plans themselves can be implemented only within the proper urban policy. The history of the Isle of Granaries can be generalised to provide three models of urban policy in Poland. Six actors involved in this policy can be distinguished. They have their own purposes and measures (Table 1). The "processing power" term should be explained here, however. This means the investors' ability to gather in the same place and time financial means, working drawings, building materials, manpower, equipment and - last but not least - numerous bureaucratic permissions. Large investment projects also require a political support. The lack of processing power is one important barrier of urban renewal in Poland.

5.1. Typical models of urban policy in the 1960s and the 1970s

The first model of urban policy is typical for the centrally planned and centrally governed "socialist" economy when a communist party dominates in the political system. This model illustrates the urban policy in Poland in the 1960s and the 1970s (Fig. 7).

Central investors, i.e. in fact ministries, had large financial means at their disposal drawn from the State budget. Central authority, i.e. the party and the government, decided about the distribution of the financial means and the reglamentation of goods. They even decided about the smallest investment at the local level. The institutions in Warsaw formed a central lobby. This lobby, or rather a set

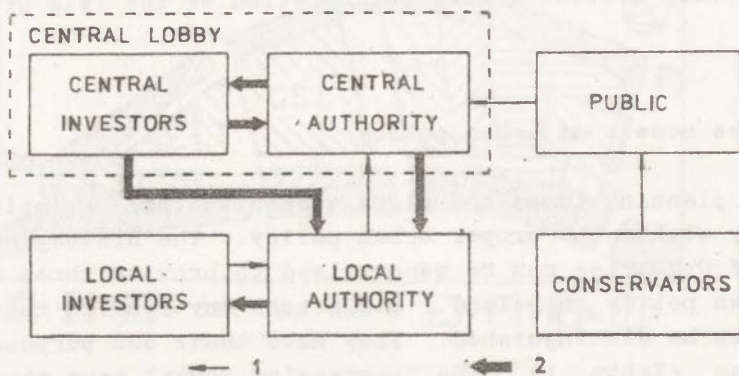


Fig. 7. The model of urban policy in the 1960s and the 1970s
 1 - poor influence, 2 - strong influence

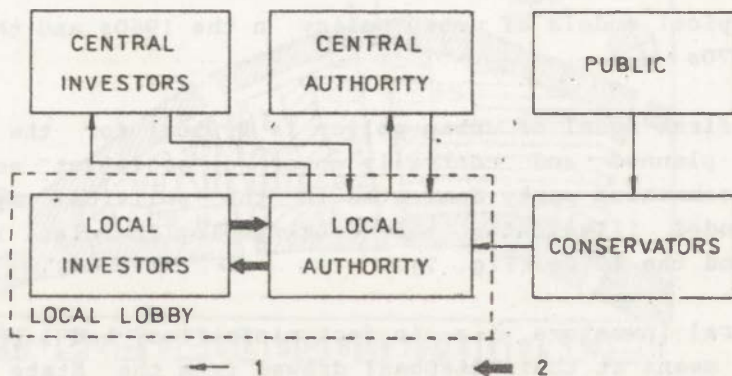


Fig. 8. The transitional model of urban policy in the 1980s
 1 - poor influence, 2 - strong influence

Table 1. Urban policy: actors, purposes and measures

ACTORS	PURPOSES	MEASURES
central authority	implementation of national economic plan	strong political and administrative power
local authority	meeting the pressing human needs	poor political and administrative power
central investors	satisfied location for large investments	strong financial and processing power
local investors	satisfied location for small investments	poor financial and processing power
public	meeting every-day needs	opinions and protests through media and social organizations
conservators and other professional organizations	preservation of historical monuments	advise

of lobbies in individual sectors of the economy, represented a specific point of view. Obviously, they were interested in large investments according to the national plan of industrialization or solving the housing problem. They were not interested in supporting small local initiatives.

Under these conditions, the local administration had to conform its behaviour to the general rules of economic policy. The local administration tried to persuade the central lobby that it was the former who were able to provide an optimal location for central investments. Due to permanent shortage in economy, only a few central projects could be undertaken and even less could be completed. It resulted in a fight between the particular local authorities. The fight required an adequate system of urban planning. Plans were, however, simply advertisements for central lobby. They were prepared to wait for a central decision. They had

not to be formally sanctioned because the possible central investment could require changes in them.

The Isle of Granaries is a good example of this development. In 1975, the Novotel hotel was located in the central part of the Isle (Fig. 2). The building of Novotels' system was one project of the 1970s which were to accelerate the socio-economic development of Poland. It had a strong political and administrative support and was partly financed by foreign creditors. The typical modern box architecture of this hotel did not fit to the old fashioned townscape of Gdańsk Main Town. The local authority, after a brief discussion, was forced to change the urban plans in spite of conservators' protests.

The local authority was under double pressure. It had to meet the urgent urban needs and supply building sites for local investors. The local investors were interested in the same attractive locations which had been safed in plans for anticipated large central investments. With their poor financial and processing power, they were, however, unable to compete with the central lobby. They could get only provisional locations without the right to invest. In this case the plans were used to protect valuable building grounds against the inappropriate, i.e. poor and primitive, investments. The protective function seems to be the only positive aspect of this urban policy.

The urban policy of the 1960s and the 1970s caused many negative issues on the local level:

- "socialist social fallow" or the waste of valuable building grounds,
- "planning for planning's sake", which involved a depreciation of physical and economic planning,
- "permanent improvising", which resulted in the long-term tolerance for substandard built-up areas.

Finally, this policy was an important barrier for urban structural change in the 1960s and the 1970s in Poland.

5.2. Transitional model of urban policy in the 1980s

The massive social protests of 1980/81 involved many changes in Poland. They can be briefly defined as the decentralization of the economic system and democratization of the political system. The programme of reforms was implemented very slowly but it has already influenced urban policy (Fig. 8).

First of all, the central lobby does not exist in their previous structure. There are several reasons for this:

- the enterprises achieved more freedom, eventually only about 20% of aggregate investments are centrally controlled,
- the local authorities achieved more independence,
- the control function of representative bodies (People's Councils) over the administration is formally stronger,
- several institutions in Warsaw and the government itself lost their previous administrative influence on economy,
- the direct interventions of the Party in the administration and economic affairs became less common.

Apart from these, the public got more possibilities to participate in solving local problems. The new information policy provided a stronger position of the media. The ideas of the post-industrial way of life are more popular among the public. Therefore, professional and social organizations supporting this movement are more significant. It is not to say, however, that the old structure no longer exists and the new model of urban policy was completed.

In the new conditions, the local investors became more attractive for the local authorities. Their financial power, compared with the poor central budget, is now rather strong and allows them to propose acceptable projects. Planners have also changed their mind. The previous static, inflexible and unimplementable plans were sharply criticised. Smaller projects for definite investors become the main subject of urban planning (Przestaszewska-Porębska, 1987).

The new links between the local authority and investors created local lobbies. The lobbies are not as strong as the old central lobbies were but they can counterbalance the influence from central level. They are able to put into force real structural changes on urban areas in difficult economic conditions of the 1980s. There are some examples of this development on the Isle of Granaries (Fig. 6). The Towers Milk-Cans were reconstructed by a co-operative of the Gdańsk artists. Now there is the office of this organization and a small gallery. The Gdańsk Academy of Music and the Social Insurance Institution - Gdańsk branch, found their seat in fully reconstructed granaries, which are till now under construction. This afforded possibilities for restitution of the monumental townscape of the Motława river between Stągiewna street and W-E motorway. Along the Stągiewna street, there will be housing with shops-and-services in the ground floor. Two small local housing co-operatives have got their locations there. Other local investors, e.g. the Municipal Fire-Brigade and the Provincial Commercial Enterprise obtained official building permissions. It must be added that all those investments will be made in compliance with the instructions received from the Town Conservator of Historic Monuments.

However, the current model of urban policy is still not free from several weaknesses:

- its transitional nature makes the long-term enterprises difficult,
- the local lobbies not always represent real public interests,
- the limited financial means of local lobby do not allow for large investments,
- the important regional or central aims cannot be achieved considering the lack of negotiations' ways between planning levels.

5.3. Postulated model of urban policy after the decentralization and democratization processes

It is difficult to foresee the future development of the Polish decentralization and democratization and their influence on the urban policy. The model shown in Fig. 9 contains only a supposition. The general assumption is that investors and local administration are the most important actors on the scene. Investors possess equal rights notwithstanding a form of property (private, public: State, co-operative, municipal or mixed). They compete for a satisfied location on the market. The local administration has financial and administrative measures at its disposal. This model requires a re-establishment of municipal property (i.e. public but not State), local taxes and land prices. In January 1988, the government introduced changes in the Law of People's Councils and the Territorial Self-government which contains only the re-establishment of local taxes and somewhat more freedom for local economic initiatives. From the economic point of view, the proposed model is market oriented. The socialist nature of the postulated urban policy is secured by the involvement of the central authority and the public. However, the general assumption is that on the urban level the influence of the local public is stronger than the central power. The central authority uses the general principles of urban policy but not directly. The public possess a set of means to express its interests and opinions. The control functions of territorial self-government and workers' self-government are the most effective. The social and professional organizations have possibilities to influence the urban policy through advice and opinions. It should be stressed that the local administration is responsible for urban policy in the particular territory. Its duty is to organize individual investors' activity respecting the market rules and the framework of general principles of urban policy and under the control of the territorial self-government.

The proposed model seems free from weaknesses of the previous or current models. The question, however, is if Polish

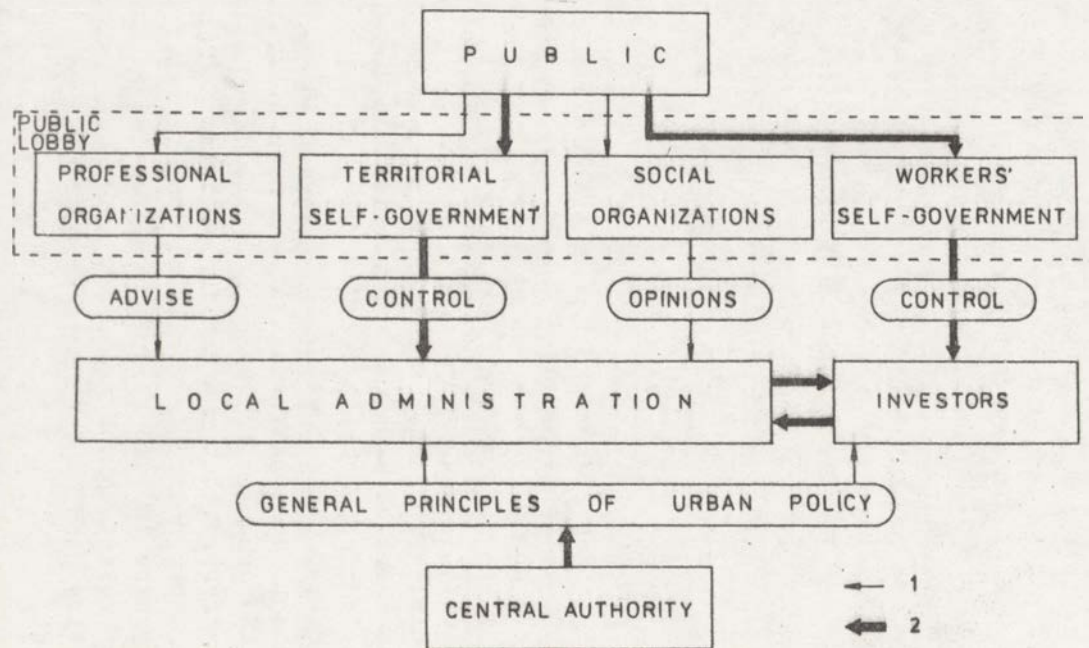


Fig. 9. The postulated model of urban policy after the decentralization and democratization processes

1 - poor influence, 2 - strong influence

society, who got used to live in a bureaucratic central-controlled system, will be able to act within new framework.

6. Conclusions

In the paper, an attempt was made to show, that urban policy which still exists in Poland results in several barriers for urban restructuring. The by-effects, e.g. the "socialist social fallow", the "planning for planning's sake" and the "permanent improvising" are also observed. The Isle of Granaries in Gdańsk is one indicator that the real roots of the inertia of the urban structures are inserted in the urban policy rather than in the poor economy.

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REGIONAL RESTRUCTURING AND PUBLIC STRATEGIES
IN SOUTHERN ITALY

Anna Trono

Department of Historical and Social Sciences,
Lecce University, Lecce, Italy

1. Introduction

The 1970s and the 1980s are characterized by a recession in international trade and considerable changes in oil prices which have triggered off complex mechanisms in the transformation of the international economic structure. These transformations have left energy-based industries and their related sectors, which were once "poles" of economic development, in state of crisis. A completely new labour-saving model has been set up, based on technological innovation with a low energy intensive coefficient, giving rise to a new international division of labour. The energy problem has greatly affected the powers of multinationals, enhancing the role of the colossal oil companies, to the detriment of many once prestigious companies, operating in other sectors (for example, the motor car industry, engineering, and iron and steel). On the other hand, many multinational companies have managed to overcome the recession by setting up new mechanisms with new, original formulas and transnational solutions, which have allowed important innovations and assured an ample and productive recovery. There has been an expansion of the service sector, particularly in banking and in financing in general, on a multinational scale. The multinationals have rationalised productivity, dividing and geographically decentralizing the various

stages of the technological process of production depending on the varying factors in different countries (Fuga 1984).

As several papers from the Warsaw-Radziejowice meeting on "Planning for Economic Growth and Economic Regeneration" attest, many countries of Eastern and Western Europe are involved in the move towards a new order of economic structures, where the technological and administrative components are called upon to assume an important role.

While many European countries strive to slow down the process which tends to move the geographical by centre of world economics from the older industrialised countries towards the United States and more recently to Japan, Italy is running the risk of staying in the rear with respect to its European colleagues. International restructuring has violently struck Italy, as it has all advanced countries, bringing to the fore serious deteriorations at the macro-economic level (for example, a vertiginous increase in the rate of inflation, the rate of employment, and the public deficit).

The prolonged recession has caused serious difficulties in the whole Italian productive apparatus. Rising oil prices and accentuated labour costs have led to a deterioration of the main basic industries. Large industries, both public and private, have been hit the worst, paying the price for the changes in the international climate by suffering a loss in competitiveness and a fall in demand in the iron and steel, petro-chemical, and mechanical sectors (Celant and Morelli 1986). On the other hand, however, Italy has not known how to react in the face of foreign competition, opening itself to unalterable technological modernisation. The choices of industrial policy have been in favour of mature sectors while private enterprise has directed itself towards the restructuring of the major plants, dividing the processes of production and operating an intense decentralization of the manufacturing process to include small and medium-sized industries (Biondi 1984). The crisis of the large cities, with the reduction in urban population associated with the changes in social balance and the new international division

of labour, has led to a revision of the old model on which Italian development was based in the 1950s. This model was based on a unique general mechanism with productivity units capable of maximum exploitation of scale economies incorporated in large plants, and when it collapsed an industrial network of small and medium-sized industries developed. These were often family enterprises or cooperatives, but there was also a proliferation of small illegal businesses based on part-time, cheap labour (Fua 1983; Muscarà 1987). Alongside the weak resistance of the manufacturing apparatus, there was also weakness in the so-called "production services", expressing the delay in Italian technological modernisation on an occupational level, in the production-employee relationship, and in the insignificant level of Italian exports in the tertiary sector (Borlenghi 1983).

In this phase of economic transition and transformation, territorial assets changed: a process of widespread industrialization was set up. The various regional situations based on autonomous lines of development, which were strongly conditioned by the capacity and different uses of local resources, dissolved. Together with the "dualistic" scheme of the Italian productive apparatus, built substantially on the functionality of the South and the development of certain Northern regions delegated to economic take-off in Italy, a new territorial organisation of the "three Italies" took place (Bagnasco 1977). There was therefore a highly labour intensive decentralization of productivity processes with a minimum technological content, from the industrial triangle (Milan-Turin-Genoa) towards the Eastern and central periphery of central Italy, known as *Italia di mezzo* (the "third Italy").

Due to a territorial evolution, partly sustained to endogenous impulses, various "marginal" areas emerged (Leone 1986) which developed an autonomous industrial network based on small and medium-sized industries. These industries found an outlet in the "narrow" markets for "mature" products, abandoned by those countries interested in products produced at a higher level of innovation. The process of development of this area is continually reinforced by demographic dynam-

ics and, above all, by social behaviour (the disappearance of the net out-migration in Veneto, and Friuli, and the net in-migration in Tuscany; Lecchini 1985), as well as in the positive state of certain important indicators (income advancement, investment, change in employment rates, etc.).

In the 1980s the considerable transformation in productivity, which in forty years of history has changed the Italian system, promoting it to the position of the 7th industrial power in the world, does not, however, permit us to declare that the objectives of regional equality have been reached. The differences have notably decreased; certainly there is no longer a simple division of rich and poor areas, or even of "three Italies", but instead a very complex territorial situation. From the point of view of employment, and from the process of tertiarization of productivity structures, and of other socio-economic variables (cf. Table 1), a diffuse homogeneity of values is very clear, but from a more detailed territorial analysis there emerges a "leopard-skin" picture of the Italian structure (Celant and Morelli 1986). In Northern and Central Italy there are certain areas which are static or in recession (for example, Carnia, Belluno, Cuneo, Trento) compared to other highly tertiarized areas which have solid and functional infrastructures which are in the course of being deindustrialized. Even in the South, which continues to manifest the most notable difference with the North of Italy, there has been considerable growth in certain areas (for example, the coast of Abruzzo, the pole of Catania, and the strong triangle in central Puglia etc.). In this permanent territorial imbalance structural action is very problematic, and is made even more difficult by the phenomenon of the ever increasing internationalisation of the Italian economy. Strategic decisions, which can no longer be deferred, prevail on a national scale: such as the adjustment of public finance, industrial organization, technological modernization and the extension of base production. These issues should be considered in light of Italy's role as a "frontier" in the Mediterranean. In reality, the prospects of future growth are not exactly favourable as far as Italy is concerned for

Table 1. Unemployment, Active Population Structure and Productivity of Italian Regions

Regions	Unemployment rate (%) (a)		Active population per economic sectors (%)						Income per capita (%)		GDP (%)		GDP per economic sectors (%)					
			1951			1981							1951 (b)			1981		
	1971	1981	I	II	III	I	II	III	1951	1981	1951	1981	I	II	III	I	II	III
PIEDMONT	1.7	6.59	32.6	43.3	24.1	8.0	50.8	41.2	142.5	122.2	10.75	9.60	17.89	48.60	33.51	4.27	47.58	48.15
VALLE AO.	3.2	2.04	39.7	41.1	19.2	8.6	39.5	41.9	154.6	143.0	0.32	0.28	14.86	59.15	25.99	2.6	34.6	63.34
LOMBARDY	1.4	5.46	20.1	53.0	26.8	3.8	53.3	42.9	147.2	128.3	20.83	20.61	13.38	52.33	34.29	2.62	49.61	47.76
TRENTIN U.A	1.8	5.13	41.3	28.2	30.5	10.8	34.1	55.1	113.5	110.4	1.73	1.71	27.44	33.60	38.96	6.41	34.56	59.03
VENETO	1.8	6.33	43.1	32.7	24.2	8.5	48.0	43.5	89.4	103.4	7.32	7.83	28.85	33.27	38.48	7.05	40.93	52.02
FRIULI V.G.	2.5	6.48	28.1	38.3	33.6	5.7	41.5	52.8	106.6	113.5	2.59	2.48	15.80	36.08	48.12	3.79	37.64	58.57
LIGURIA	2.3	6.83	17.9	39.0	41.1	5.1	33.4	61.5	163.1	120.4	5.49	3.96	11.10	42.05	46.85	2.87	28.20	68.93
EMILIA R.	2.0	6.31	51.8	25.2	23.0	12.5	42.8	44.7	108.4	125.0	7.99	8.78	33.62	28.89	37.49	9.24	40.87	49.89
TUSCANY	2.4	7.32	39.6	34.0	26.4	6.7	45.8	47.5	105.1	110.4	7.08	7.01	18.80	39.36	41.84	4.26	39.93	56.21
UMBRIA	3.3	9.06	56.3	25.2	18.5	10.7	44.4	44.9	88.2	100.9	1.48	1.42	31.35	34.38	33.81	7.74	38.57	53.69
MARCHES	3.2	5.70	60.2	21.9	17.9	11.7	46.9	41.6	86.0	99.0	2.46	2.45	35.31	26.43	38.26	7.98	37.15	54.87
LATIUM	3.7	9.89	33.1	25.6	41.3	6.3	29.6	64.1	111.1	102.8	7.86	9.21	12.74	27.01	60.25	4.31	24.85	70.84
MOLISE	4.1	10.52	75.8	13.1	11.1	27.4	32.5	40.1	56.9	74.1	0.47	0.41	45.56	18.96	35.48	12.39	33.13	54.48
ABRUZZI	5.2	9.01	60.3	22.5	17.2	14.4	39.4	46.2	66.5	82.3	1.74	1.89	36.44	23.40	40.16	10.24	30.86	50.80
CAMPANIA	5.7	13.69	46.4	27.1	26.5	17.7	32.0	49.3	69.3	70.1	6.18	6.59	24.22	29.08	46.70	9.23	30.06	60.71
APULIA	3.8	9.69	58.2	22.0	19.8	25.6	31.2	43.2	67.3	70.8	4.42	4.77	36.70	23.32	39.98	14.06	30.96	54.98
BASILICATA	5.6	13.06	73.2	15.1	11.9	28.0	33.5	38.5	58.2	71.7	0.73	0.75	46.57	19.67	33.76	12.97	37.92	49.11
CALABRIA	5.0	13.35	64.2	20.3	15.5	24.2	29.8	45.0	56.8	63.6	2.36	2.23	43.35	18.93	37.72	13.23	26.52	60.25
SICILY	3.0	11.52	51.3	22.8	25.9	19.9	31.1	49.0	67.4	69.8	6.17	5.95	36.12	21.23	42.66	11.48	26.98	61.54
SARDINIA	3.8	15.42	51.0	23.5	25.5	13.0	34.0	53.0	78.9	71.9	2.06	1.99	31.17	24.58	44.26	8.21	28.84	62.95
ITALY	2.8	8.44	41.2	32.1	25.7	11.1	41.8	47.1	100.0	100.0	100.0	100.0	22.86	36.68	40.46	6.42	38.14	55.44

(a) On total labour force (b) Excluding depreciation

Source, ISTAT, 1951, 1972, 1981, 1982; Tagliacarne, 1973; Unioncamere, 1986

political and economic reasons (e.g. the instability of the Middle East, and the growing power of Japan).

In this delicately balanced situation, regional policies should assume an important role, and their reason for existence should lie in their capacity to face the problem of regional imbalances particularly in the Mezzogiorno while taking into consideration the role Italy plays as a link between "European" and "Mediterranean" countries.

2. The Italian Mezzogiorno and inter/intra regional imbalances

In Italy a major example of regional imbalance, the needs of restructuring and the administrative consequences is provided by the Mezzogiorno. In certain aspects the North-South gap has been bridged in terms of the supply of infrastructure, and significant socio-economic changes have taken place in the South, for example: income per capita and individual consumption tripled in 1981 compared to 1951; the agricultural sector reduced labour by 65% in 1984 and output per capita increased fivefold; the secondary and tertiary sectors have increased their percentage of employees: the index of obligatory school attendance has increased; the infant mortality rate has decreased; and finally there has been a reduction in migration with an almost complete halt of expatriation and a notable reduction in emigration (60%).

However there are still huge inequalities between Central and Northern Italy and the South, as shown by a variety of factors such as the difference between economic and socio-cultural development, the process of productive modernization carried out by public intervention, and essentially disconnected by a real process of exceeding the historical condition of social segregation. This inequality particularly emerges from the comparison of Southern productivity and employment figures with those of Central and Northern Italy (in the last three years the GNP increased by 1.6% in the South, and by 2.8% in the North), and from projections made about the supply and demand for labour expected in the

next ten years (1986-1996) in the Southern area. Taking into account the relationship between the rate of growth of employment and the rate of growth of the GNP in the last decade, CSI projections foresee in fact an increase in the supply of labour in the South, greatly exceeding that in the North (1 370 000 compared to 230 000) which instead would register an increase in the demand for labour (1 280 000) compared to that in the South (540 000). The balance between supply and demand for labour in the absence of emigration, would cause an increase in unemployment in the South from the present 16.5% of the workforce to 23.3% compared to -2% in the North.

The condition of persistent underdevelopment is also clearly visible in the striking contrast between the modernization of the economic structures and the peasant reality in the less advanced underdeveloped Mezzogiorno, which counts for nearly the whole of the internal Mezzogiorno.

As well as the North-South dualism of the 1950s, which saw the Mezzogiorno as an almost homogeneous reality distinguished by the common element of agricultural unemployment, today we must also consider new opposing imbalances in the form of internal deformities. This "leopard-skin" development of the Mezzogiorno is the consequence of incorrect modernization introduced externally in the name of "imitative development" (Zapella 1984), which was destined to produce terms of contradictions and social disintegration, moreover aggravated by the presence of criminal organizations (the "camorra" in Naples, the "ndrangheta" in Calabria, and the "mafia" in Sicily).

A new form of dualism distinguishes the rich areas or the "polpa" (to use a famous simile of Manlio Rossi Doria, used widely in Southern literature to mean "meat") from the poorer ones, or the "osso" (the bone). In general the "strongest" autonomous areas are identified with the Adriatic coastal strip where the regional dynamism of Abruzzo and Molise is evident, linked above all to their geographically central position and to the subsequent favourable accessibility to markets, services and the administrative centres

1951

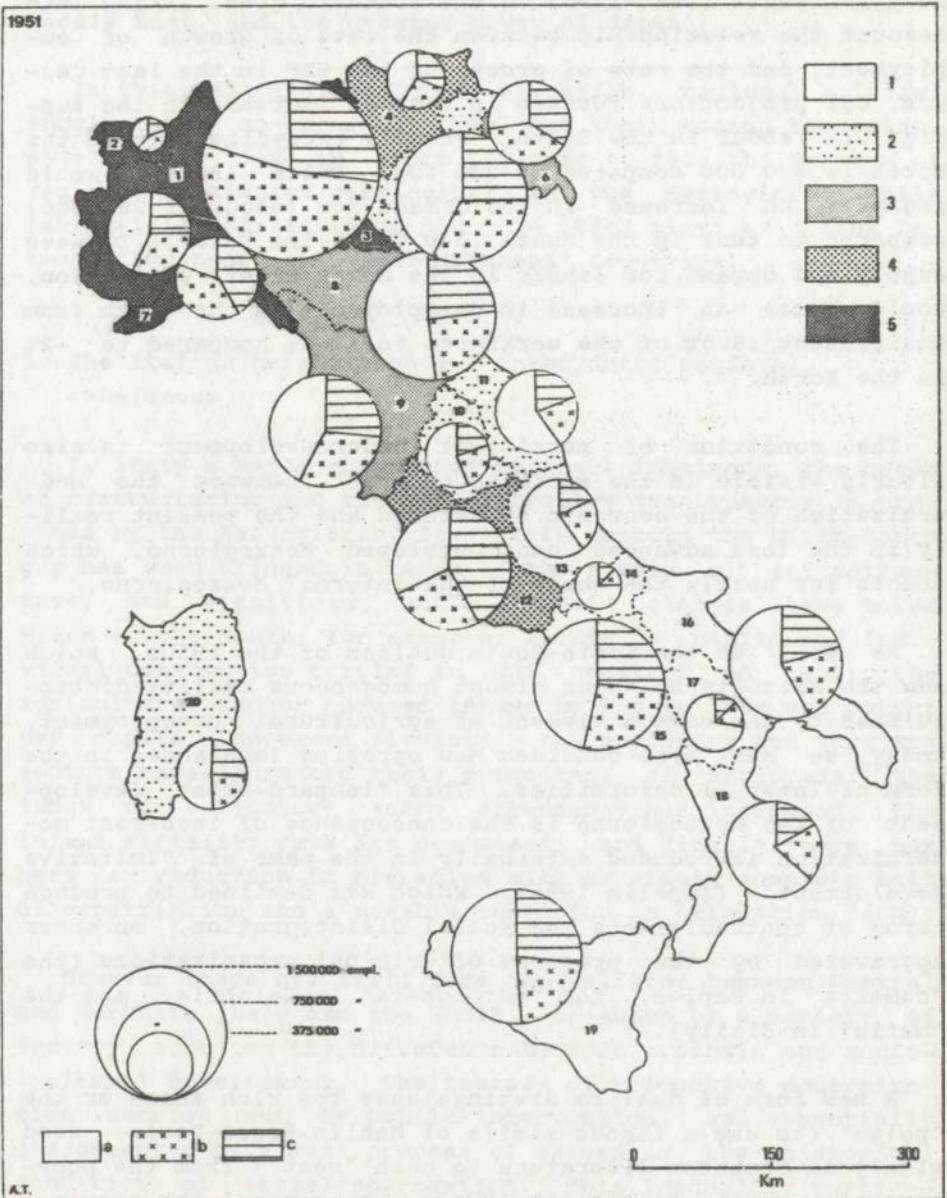
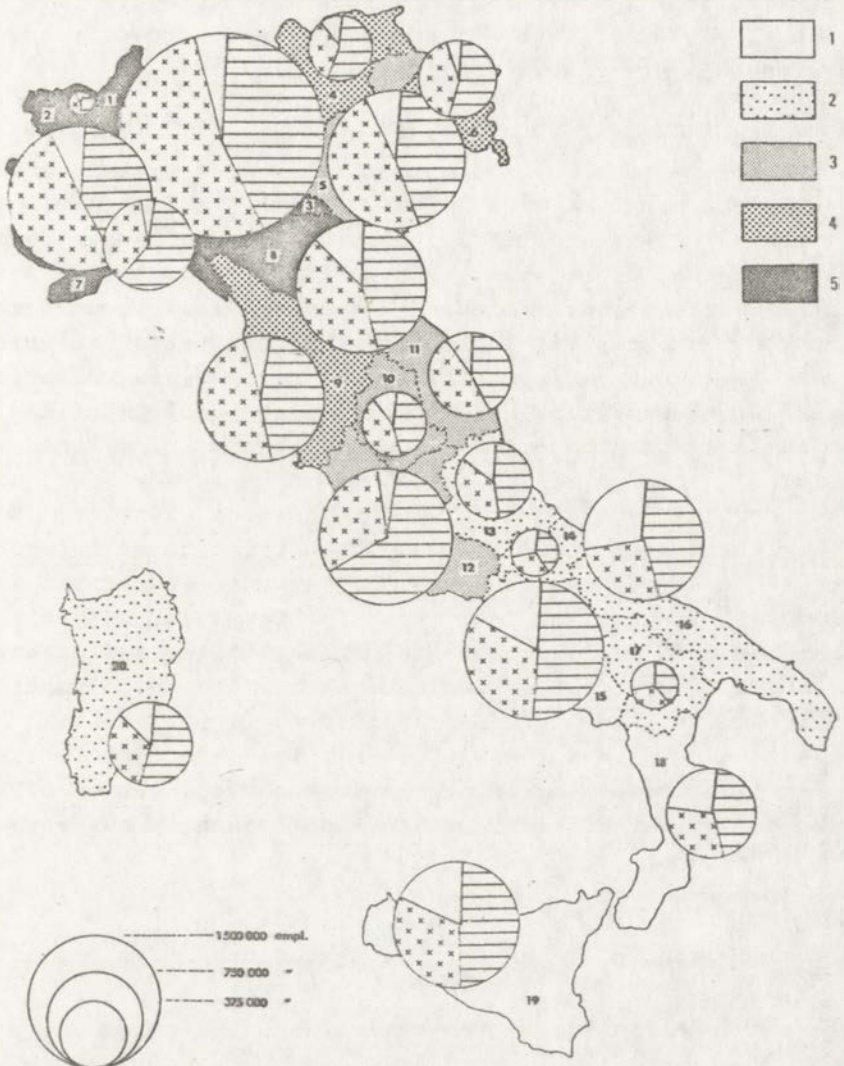


Fig. 1. Employment and income per capita, 1951 and 1981

GDP per capita: 1 - up to 70.0; 2 - 70.01-90.0; 3 - 90.01-110.0;
 4 - 110.1-120.0; 5 - more than 120

Key to regions: North Italy: 1 - Piedmont, 2 - Valle d'Aosta, 3 - Lombardy, 4 - Trentino and Upper Adige, 5 - Veneto, 6 - Friuli Venezia



Giulia, 7 - Liguria, 8 - Emilia Romagna; Central Italy: 9 - Tuscany, 10 - Umbria, 11 - Marches, 12 - Latium; Mezzogiorno: 13 - Abruzzi, 14 - Molise, 15 - Campania, 16 - Apulia, 17 - Basilicata, 18 - Calabria, 19 - Sicily, 20 - Sardinia

Key to sectors: a - primary, b - secondary, c - tertiary

of the large metropolitan areas, where development has taken place in an almost uniform manner. The rich areas of Puglia (particularly the areas around Taranto and Foggia) and Basilicata (Matera) where agriculture and industry have experienced a great take-off, stand out.

At the opposite end of a hypothetical classification scale of regional development are the less dynamic areas of the Mezzogiorno, such as Sicily, Campania and particularly Calabria. These are the Southern regions which are burdened with a series of problems (occupational, housing, social, infrastructural, etc.) which are substantially connected to the "urban problem" (referring to the statistical reality and daily accounts from Naples, Catania, Reggio Calabria and other Southern cities). There are also problems of the supposed level of autonomy for example, the metropolitan cities (Naples) seem to vanish and it often seems dependent on the pathological development of the parasitical tertiary sector (this is the case of Palermo). The situation of underdevelopment particularly concerns the internal subsidized areas, above all Irpinia and Benevento in Campania, Isernia and Campobasso in Molise, Potenza in Basilicata, and Cosenza in Calabria, where poor agriculture exists and the situation of environmental and civil degradation confirms the late progress made in social development. The more fertile land is offered as the expansion of the most noxious forms of patronage and favouritism, which too frequently has woven its way into the politics of the South.

3. Development policies for the Mezzogiorno

3.1. National policy

From this brief analysis of the situation and of the geographical imbalances in the Mezzogiorno, there emerges a general picture which justifies pessimistic forecasts for its future, and confirms the persistent seriousness of the "Southern problem" (Saraceno 1986).

The development of Southern Italy appears badly ordered and highly imbalanced (according to ADSI, development concerns only 40% of the Southern territory) in a new dualism which re-expresses the perennial "gaps" and "incongruences" (Novembre 1987) in a strategy of development for the Mezzogiorno. This seems to be incapable of compensating for delays and bridging the "poverty gap" both of which have grown, despite the period of special support measures. State intervention goes back at least to the 1950s and has had considerable impact on the development of most of the South of Italy. Vigorous and specific measures were aimed at the agricultural sector, involving an enormous financial commitment (from 1951 to 1983 - 105 892 thousand billion lira of public funds were spent; Celant and Moralli 1986) which placed a heavy burden on the state treasury. The *Cassa per il Mezzogiorno* (a special organ of intervention created in 1950 and suddenly dissolved in 1986) played a very important role. Assisted by other organizations (ADSI, IDEST, etc.) it promoted the development of the agricultural sector, and the take-off of the industrial sector. Despite the fact that the *Cassa* has in many respects been inefficient, it must be recognized that it has reduced the excess labour force in agriculture. Also certain areas, particularly coastal zones, have been recovered for intensive agriculture (Coppola 1977). However poor interior areas were neglected and the *Cassa per il Mezzogiorno* was not capable of insuring long term development in irrigated agriculture, which lacked an organic programme of utilization for its products (Sylos Labini 1986).

The analysis of state intervention has also had negative effects for the industrial sector. State intervention has been capital intensive and has emphasized basic industry (iron and steel, petro-chemical, mechanical) to the detriment of small and medium sized industries, and at the cost of grave distortions in the Southern economy (D'Antonio 1977). Industrial "poles" have been described in the famous metaphor *cattedrali del deserto* (desert cathedrals; Indovina 1979). These have been generated by the concentration of industrial activity and underline a series of "errors" produced by public intervention policy which has been "disor-

ganic" and individualistic; not in keeping with the variegated Southern reality; loaded with inequalities and social-spatial injustices; and inclined to perpetuate privileges and guard the interests of the socially dominating classes. Since it has very often been subject to affairs which mislead the real objectives of development, public intervention has allowed the proliferation of parasitical social figures and the growth of favouritism, which is apparent in the abnormal swelling of the bureaucratic tertiary sector. The intervention policy has, therefore, been short-sighted and has maintained as well as substantially changed the fundamentally dualistic nature of Italian development. It has also encouraged the proliferation of favouritism and its unscrupulous use of funds, even electoral funds, and has reduced public support measures to a mere integrative income mechanism. Favouritism, unwillingness or inability to discipline "programatically" some of the vital forces of the Southern society are the weak points of special intervention in the Mezzogiorno, which has been responsible in the recent years for an exaggerated urban expansion and "pillaging" of the territory. These are major break-downs experienced by the Mezzogiorno which the new law for the Mezzogiorno (number 64 of 1st March 1986) must face up too. As the terms of "Southern problem" have changed with a transformation from the "agrarian problem" to the "urban problem" (Saraceno 1986), so too have the problems which must be forced by state intervention and the new organs placed in charge of it. The *Cassa* has now been abolished and the Agency for the Promotion of Development in the Mezzogiorno has been created. The last three years have seen three-year programmes and updates, and the new law for the Mezzogiorno was approved only after continual deferments to the initiation of the dismantling of the *Cassa*. Thus there has been a situation of interregnum which has lasted seven years. It is a tormented story which makes one suspect the influence of certain interested parties in the running of those public corporations which has placed limits on their autonomy. The three-year programme diverges from the central position favoured by Southern politics in the 1950s. In fact the new regulations move along a line of revitalisation of the whole articulated system of local autonomy, to which is entrusted

a primary role, but at the programming and execution phase of these development measures. It is a "new" law both in terms of operation and content. It rejuvenates the method of programming intervention, restores initiative to the local autonomies, favours the growth of a new entrepreneurial class, and supports business ventures, promoting the diffusion of small and medium-sized enterprises. What is more, it assures the reinforcement of the industrial sector, initiating restructuring and reconversion programmes, and it creates service structures. It also develops technological innovation programmes and promotes scientific research programmes aimed at creating situations of product competition on national and international markets. It puts particular stress on innovative activities which find support, above all, in the vitality of personnel not subject to favouritism; and it emphasizes activities which express themselves in a flourishing of enterprises and initiatives which are sensible in the political, economic and cultural fields. Surrounding them, however, are certain initiatives and people operating both, legally and illegally provoking grave "external diseconomies" for those who work honestly, and whose development can only be guaranteed by a careful evaluation of the financed projects. The new law (which is still generic in its definition of actions and measures) could and should promote the development of the South, and change the face of the South, unless its principles are overthrown by the political will of the national ruling class, entrusted with the fate of the "new", "special" intervention policies (Annesi 1986).

3.2. European Community policy

The Mezzogiorno, as a peripheral area of the European Community, has also been benefitted by the various European Community policies and from the instruments of intervention (ESF, EIB, ERF, FEOGA and the Guarantee Fund, etc.) prepared by the European Community to support the Community regions in serious situations of underdevelopment, and ensure the harmonious development of the Community. Since 1982 Italy has greatly benefitted from such assistance (44% of the aid

and 41.12% of the loans granted to Community regions) absorbing about three quarters of aid allocated to Mediterranean regions (73.13% of aid, 68.14% of loans). If we consider only ERF as an example (a conspicuous fund as far as contributions are concerned) in the years 1975-1984 Italy benefitted from 37.5% of the allocations, which was almost entirely (92%) absorbed by the Mezzogiorno and particularly by Sicily and Campania (61%), which is today the only region in the metropolitan area of Naples to be involved in the only integrated operation in full development. It is directed towards resolving social, economic and productivity problems with financial aid from the Community (only 10% comes from ERF) and from Italy (*Cassa per il Mezzogiorno*, the regional authorities of Campania, the Neopolitan Council, and other organisations) for a sum of 4664 billion lira (at 1979 prices - Celant and Morelli 1986, 202).

Many reservations have been put forward regarding the effectiveness of the policies and regional incentives offered by the Community (Moore and Rhodes 1973; Petriccione 1976; Holland 1977; Cendali Pignatelli and D'Aponte 1985) to act in the desired fashion. In general, other than the Common Agricultural Policy, the scarce incidence of Community intervention is evident in the ability of the Italian public administration to direct the relationship. It is also evident in the Community regional structures and the objective financial difficulties of Community policy, which are still incapable of obtaining a harmonious development. An observation which is valid for all Community interventions is this: they are scarce, episodic and fragmentary, even when they present positive aspects under a quantitative profile in order to carry out a geographical concentration of donated resources with precise and definite priorities of intervention. In many cases the effects of regional policies and incentives are redimensioned (Leone 1986) or annulled by their indiscriminate use. This is the case of industrial incentives, which by being extended to the whole national territory and to many sectors, neutralize the advantages reserved for particular regions (Cendali Pignatelli and D'Aponte 1985). There are also certain factors which inhibit the possible success of Community policies such as the

scarce consideration of regional 'socio-economic' conditions, and the lack of programming and coordination between regional and local policies and Community interventions. Following the logic of national policies, Community policy has often been sacrificed. Hence it remains with limited areas of intervention as far as the choice of programming is concerned (in the case of the ERF the Community only intervenes in the non-quota sector, which is a minimum percentage of the fund) and is reduced to a "mechanism of distribution of financial aid according to criteria which are for the most part equalizing" (D'Aponte 1987b, 354). On top of this regions which benefit, and in particular the Southern ones, do not utilize the Community resources because at an organisational and project level they cannot exploit the mechanism of the supplementary support measures; it therefore follows that there is a necessity to establish an accredited organism capable of functioning as a "go-between" for the Community and countries which benefit; a role for which the local public administration cannot prepare itself. There are also problems connected to the limited transparency of the resources of some funds contained in the national budget. The ERF which, on the one hand, for Italy foresees an automatic system of fund grading which allows transparency and the ease of administration, preventing a "perverse" use of funds, is revealed, on the other hand, as costly and of little use (Allen and Yuill 1985).

The IMP fund which tries to remedy many of the deficiencies of the structural funds merits particular attention. The first approach of the fund was to act as a reducer of regional imbalances, later adjusted (EEC No. 2088/85 of 23rd July 1985) to include those French territories nearer to their Spanish competitors on both geographical and productivity criteria. The IMP are in fact destined to promote the development of the Mediterranean regions of the Community - the whole of Greece and parts of Italy and France - easing the adaptation to the new conditions which the expansion creates. The new important factor concerning the IMP is the "entirety" not only of the territory and the assisted sectors (in particular, economic activities like agriculture, fishing and connected activities, craftsmanship, building,

energy, services including tourism) but also the "integration" of the various Community policies, in a sort of "continuum" in the ambit of the initiatives of the individual funds, and in a positive and operative coordination of the various administrations (Community, State, Regional, Provincial, Municipal, etc.) interested in the IMP (Buresti 1987).

An element of serious uncertainty, however, is constituted by the same Community regulations which refer to the French administrative system (a "contract programme" is spoken of, leaving itself open to interpretations of opportunism) which restrains intervention. Another confusing fact is that concerning finance (4.1 billion ECU's in EIB and NCI funds). This is rather meagre compared to the needs of the particular areas to be aided by the special interventions. What is still more problematic is that the sharing of this quota between France and Italy is not conditioned by objective development requirements. Instead Italy is ahead of France and Greece as far as transmission times are concerned. There have been delays not only due to the application of common policies, but also because of administration problems: the coordination of responsibilities within the Italian administrative system, and also because of the very detailed and complex regionalisation. The IMP only came into force in February 1986 (deliberated by Interdimental Committee for Economic Planning of 13th February 1986). Italy then gave absolute priority to the areas characterized by serious structural underdevelopment, that is, to the Mezzogiorno (two thirds of the total fund) and to the depressed areas of Central and Northern Italy. The intervention surprisingly includes Palermo and Naples, despite the fact that these areas are in less need of aid and already receive assistance (De Vito 1984). Assistance is concentrated in restricted territorial ambits, like internal and mountainous areas, giving particular attention to the most crucial areas, and to the integration of initiatives already in progress.

The presentation of programmes came about at the end of 1986 and it is premature to make evaluations and judgements.

From the examination of the available data (ICEP, IMP of 17th December 1986) concerning the volume of regional intervention proposed by the Community (around 8270 billion in all) there emerges a dominant request from the Southern regions (73.75% of the total request), with Sicily in the lead (11.29%), followed by Campania (10.30%), and at the bottom of the scale Abruzzo (4.83%) and Molise (3.14%). The actions used particularly concern the modernization of agriculture, the development of tourism, and a concentration on small and medium sized industries. A radius of territorial and sectorial action which coincides with the Community actions that the three year programme for the Mezzogiorno foresees, are financed by special intervention funds. In others words the IMP constitutes a further instrument for the development of the Mezzogiorno and another good chance to escape the "nerve centre" of the "leach" which strangles every public initiative and distorts the nature of every intervention. Will the Mezzogiorno seize this opportunity? Will it finally manage to coordinate special intervention policy with Community policy, now that the most recent EEC legislation body proposes a multi-sectional integrative articulation of intervention with a free choice regarding timing and types of intervention? If these expectations actually come about Italy could not only gain maximum advantages, but it would also finally contribute in a decisive way to the success of a tortuous and complex itinerary, which follows the objective of eliminating in perspective the socio-economic differences within the Community. This is constrained to block the repercussions produced by the extension to the Southern regions, and the connected inequalities with the other nations of the Mediterranean basin. All this is occurring in a climate of declining European solidarity, already marked by the usual attitude to political approval and financial disagreement of the stronger nations.

4. Conclusion

A brief examination of the national economic situation, with reference to the situation in the South of Italy has shown the considerable process of development which has

taken place in Italy since the 1970s. The pace and the type of technological and organizational transformations have differed however and have given benefits to only certain areas of the country. This has perpetuated regional imbalances. The process of industrial restructuring has produced a productive development in Central and Northern Italy, while the expulsion of the workforce from productive sectors induced by the modernization and structural consolidation of industry has led to an expansion of the innovative professions and advanced services. In the South, on the other hand, there is great difficulty in the structure of the production apparatus. This is clear from the decisive fall in industrial investments (from one third of the total in 1975 to one fifth in 1985), the incapacity of expansion in this sector and the structural crisis in agriculture which have produced a serious fall in employment with workers either moving into numerous precarious, improvised jobs with obsolete technology, or finding spaces in the tertiary sector, which is decidedly over dimensioned in the public administration and commercial distribution sectors (D'Aponte 1987a).

After thirty-five years of special intervention a situation of "territorial imbalances" emerges, which prevents the take-off of the South and leaves it in the role as an assisted periphery. This prohibits us from giving an approval in regional policies aimed at the development of the Mezzogiorno.

Although it is true that tangible benefits of a successful policy can only be seen in the long run (Townroe 1986) it is difficult to justify the usefulness of a regional policy which after so many years of special intervention has not managed to change the dualistic terms of Italian development, and has not resolved the "Southern problem". It has only changed its terms.

Added to the numerous obstacles already mentioned (favouritism and unscrupulous use for electoral purposes, etc.) which have slowed down the socio-economic development of the Mezzogiorno of Italy, there are also the consequences of the

recent extension of the Community with new problems concerning the openly penalized agricultural sector of the Mezzogiorno and the accentuation of disagreement over the Common Agricultural Policy, which is in need of a total renewal. It therefore follows that there is a need to give a new and radical direction to regional policies which will assure effective changes. The recent changes to national and Community regulations are moving in this direction, but what is necessary is the political will to render them operative.

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LOCATIONAL TENDENCIES, STRUCTURE AND FUNCTIONING OF
FOREIGN ENTERPRISES IN POLAND

Barbara Manikowska, Roman Matykowski, Tadeusz Stryjakiewicz

Institute of Socio-Economic Geography and Spatial Planning,
Adam Mickiewicz University, Poznań, Poland

1. Introduction

Foreign enterprises are a new phenomenon that appeared in the Polish economy in 1976. Their location, however, is hard to explain in terms of the traditional location factors such as transport or labour. A special role seems to be played here by the way the investor sees decision centres, which results from his subjective evaluation of the risk-minimizing reliability and stability of their activities. It should be noticed that the latest locational investigations stress the role of risk and uncertainty and their influence on the functioning of economic systems (cf. Webber, 1972, Linge and Hamilton, 1981). It seems that in the Polish conditions the spatial distribution of foreign enterprises can be treated as a specific index of the regional differentiation of the "locational confidence" of businessmen. The proximity of the location to decision centres, minimizing the function of risk is characteristic of this distribution.

The analysis of the structure and functioning of foreign enterprises in Poland, which is presented below, rests on following source materials: *Vademecum polonijnego producenta* (1984), *Komunikat Biura Prasowego Rządu* (1984), and data of the Department of Small Manufacture and Services of the Voivodship Office in Poznań.

2. A general characterization of the activity of foreign enterprises in Poland

One can distinguish three groups of decision-makers determining the activity of the enterprises:

- a) the enterprises themselves,
- b) centres of administrative and political authorities,
- c) the socio-economic environment.

Their mutual relations are presented in Fig. 1.

The location of foreign enterprises was intended by the authorities to serve three main purposes: the enrichment of the home market, the promotion of the export of home-made commodities, and the transfer of modern technologies.

The legal right to set up business companies in Poland was granted to foreigners (particularly of Polish origin) in 1976, but it was only after 1980 that they grew markedly in number. At the close of 1981, there were 144 economically active foreign enterprises in Poland, while in 1983 - 491, employing some 30 000 people, which amounted to 0.2% of those employed in the national economy and 0.6% of those working in the non-socialized sector (for comparison, the handicraft employs 6.6% of those working in the non-socialized sector).^{*} By the middle of 1985, the number of licences for economic activity granted to foreigners went up to 736. In the same period, however, 54 enterprises were closed by the authorities or the owners themselves, due to the deteriorating economic conditions (e.g. a compulsory sale to the state a half of their export proceeds, the raising of the capital threshold to 100 000 dollars, half of which remains in the state's deposit).

^{*} Despite the fact that, as quoted data indicate, the actual role of foreign enterprises in the country's economy is relatively small, they attract inordinate general interest, particularly due to much higher advantages they offer to their workers and co-operating firms in comparison with state-owned enterprises.

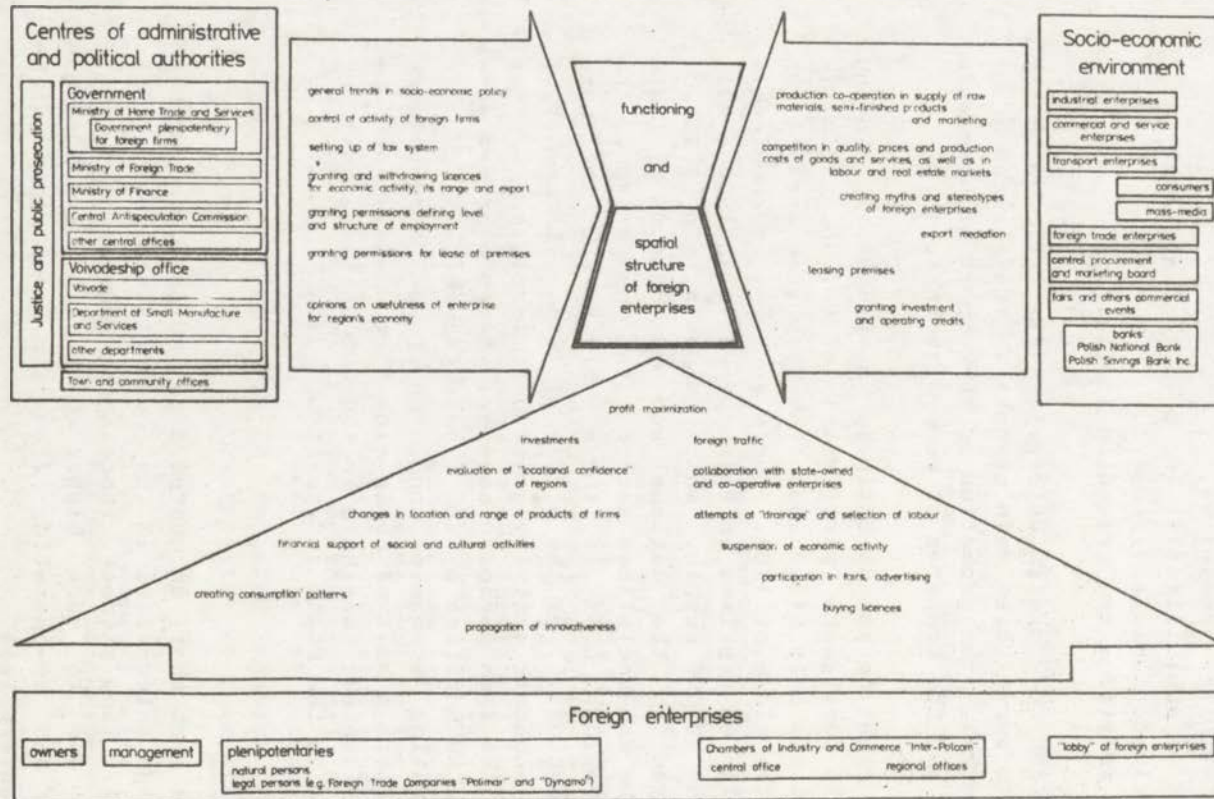


Fig. 1. Decision-making groups and their decisions concerning the activity of foreign enterprises in Poland

3. The size, organization and branch structure of the enterprises

As to the size of foreign enterprises, there is a definite dominance (95%) of small firms employing under 200 people. Those employing 200-300 people constitute 4.1%, and the six greatest firms with over 300 employees only 0.9%.

56.6% of the foreign firms are one-plant enterprises. Only 6% of multi-plant enterprises are located in more than 3 localities.

The production and services of the enterprises are rather diversified. The analysis indicated that 32% are engaged in the clothing industry (and related services), 19% in the chemical industry, with farther places occupied by the wood-working (11%), leather (11%), textile (8%), metal-processing (8%), precision-engineering (7%) and food (6%) industries.

The multi-branch character, as manifested in the various kinds of their economic activity, is characteristic of most enterprises. They show high branch elasticity, often changing the principal production pattern within the licence granted, which increases their adaptability to changes taking place in the national economic system. In 1984, out of 565 foreign enterprises registered, 74.5% were multi-branch firms. Some of them have a very diversified production pattern, for example:

a) "Alpha", located in Cracow, producing zippers, tourist and sport facilities (sailing-boats), cast non-ferrous hardware and other metal goods for industry, machines and tools for the processing of plastics, automatic controls for industrial objects, elements of computer systems, electronic devices, and standard parts and sub-assemblies for electronic products; moreover, it services EDP and wire telecommunications facilities, and is engaged in zipper trade.

b) "Comindex", located in Warsaw, engaged in fruit-and-vegetable processing, manufacture of plastic goods, cosmetics and perfumes, washing agents, pastes, glues and pharmaceuticals, manufacture and processing of concentrated fodder and mash, and various kinds of meal and products of animal

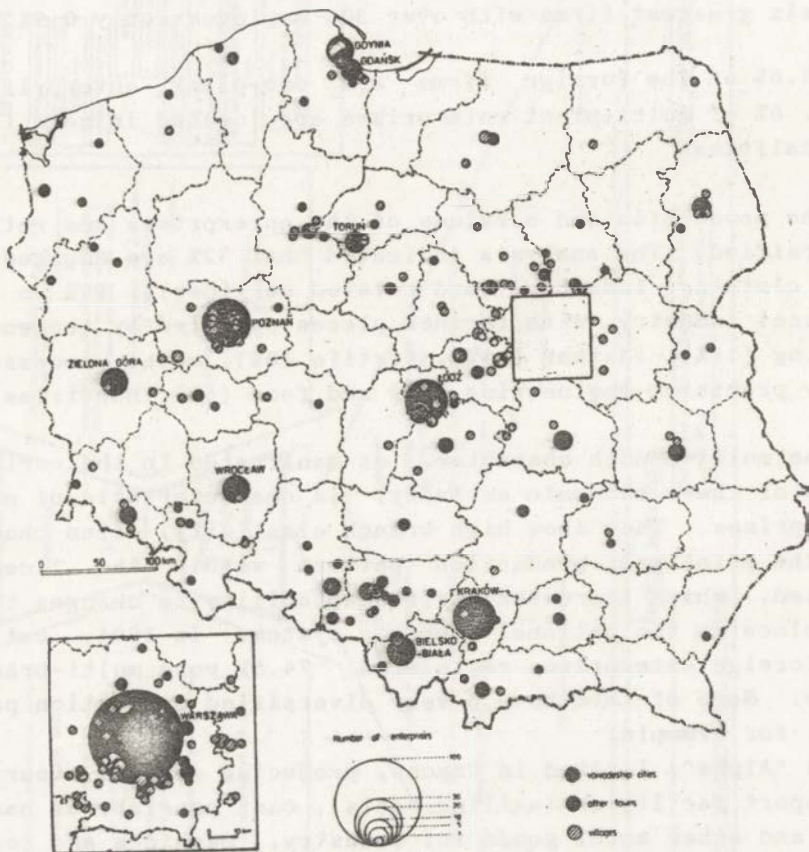


Fig. 2. Spatial distribution of foreign enterprises in Poland

utilization, manufacture and processing of domestic glass-ware, ornamental glass and crystal glass, production of concentrated food and sweets, food processing, rabbit breeding and processing, as well as manufacturing of clothing and fancy leather goods utilizing the firm's own animal livestock production.

The typical single-branch enterprises, in turn, include: a) "Fly" in Cracow, producing sport, tourist and angling equipment, b) "Corpol" at Sierpc (bottle caps), c) "Mazur-Tom" in Olsztyn (nails), d) "Slik" in Częstochowa (Christmas-tree ornaments) and e) "Videofilmpol" in Warsaw (production of educational and propaganda films, and film and TV services). A substantial share of these enterprises goes to clothing firms.

4. The spatial structure of the enterprises

The spatial structure of foreign firms in Poland by their seats is presented in Fig. 2. The intensity of their occurrence was measured by the number of firms registered by March 15, 1984, which was also adopted as the basis for analysis. They can be found in all but 9 voivodships. More than half (51.5%) are located in voivodship centres, 24.6% in other towns, and 23.9% in rural places. Warsaw is the largest centre of foreign firms, with 116 enterprises (20.5% of the total), followed by Poznań (5.7%), Cracow (4.6%), Łódź (4.4%), Gdynia, Bielsko-Biała and Wrocław (each about 2%). Out of 227 localities in which the firms are located, 16 greatest ones (with 5 and more firms) are the locations of almost the half of them (49.9%).

5. Foreign links

The spatial structure of foreign links of the enterprises is predominantly determined by the territorial origin of the proprietors (Fig. 3). The dominance of West German owners is striking. Another characteristic feature is the diversity and range of the links, which, besides Europe and North

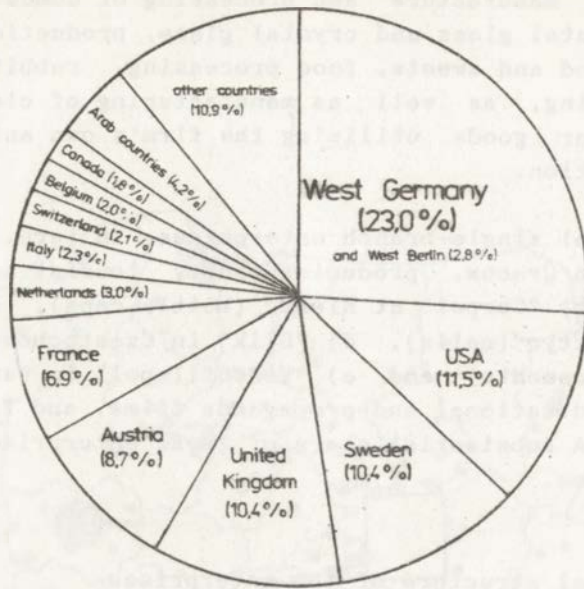


Fig. 3. Countries of origin of owners of foreign enterprises

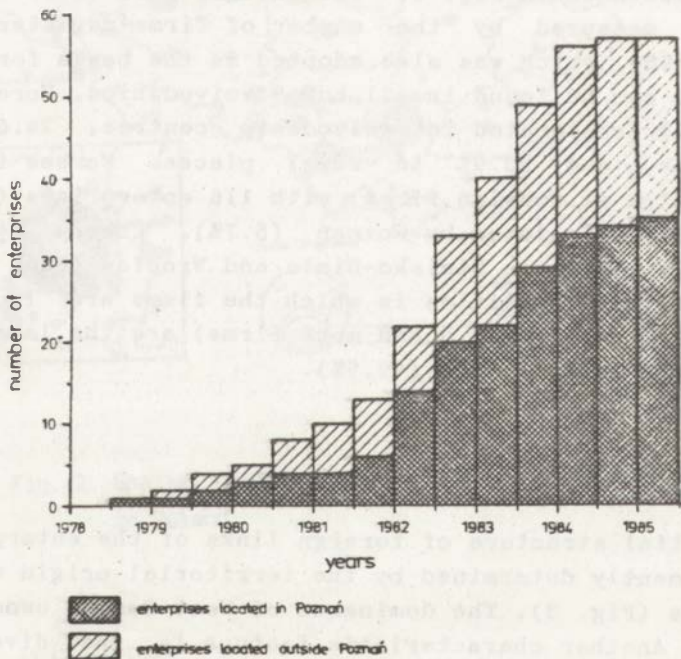


Fig. 4. Growth dynamics of foreign enterprises in the Poznań voivodship

America include Turkey, Lebanon, Jordan, Syria, Iraq, Kuwait, the United Arab Emirates, India, Afghanistan, Algeria, Tunisia, Morocco, Argentina, Venezuela and Australia. The "peculiarity" of some international links is notable, e.g. Monaco-Britain and Canada-Switzerland. There are also single firms belonging to citizens of socialist countries, e.g. Yugoslavia, Bulgaria, Czechoslovakia and China.

The territorial origin of the owners is reflected in the spatial structure of the firms' foreign trade turnover. West Germany is again dominant, both in export and import, with transactions amounting to 11.5 million dollars and a half-million-dollar import surplus. The remaining main consumer countries are Holland, Austria and Sweden. The export assortment comprises first of all fruit, wooden goods and chemical products.

The countries with which foreign firms in Poland have established the strongest import links include - besides West Germany - Sweden, Britain, Austria, Holland, the USA and Italy (over 1-million-dollar transactions with each). Three fourth of the imports are materials, mostly chemical and food, as well as machines and equipment. Textiles are also an important import item.

6. The growth dynamics and spatial diffusion of foreign enterprises in Poland as exemplified by the Poznań voivodship

The Poznań voivodship, which is one of the leading regions as far as the activity of foreign firms is concerned, provides a typical example of their growth dynamics and spatial diffusion.

The Aromatic and Cosmetic Products Enterprise "Inter-Fragrances La-Forêt", with the location in Poznań, was the first enterprise in the Poznań voivodship to get a licence (Dec. 20, 1978). In 1979 there were already four enterprises, including two in Poznań. Further four appeared next year, of which two again in Poznań. The years 1982 and 1983

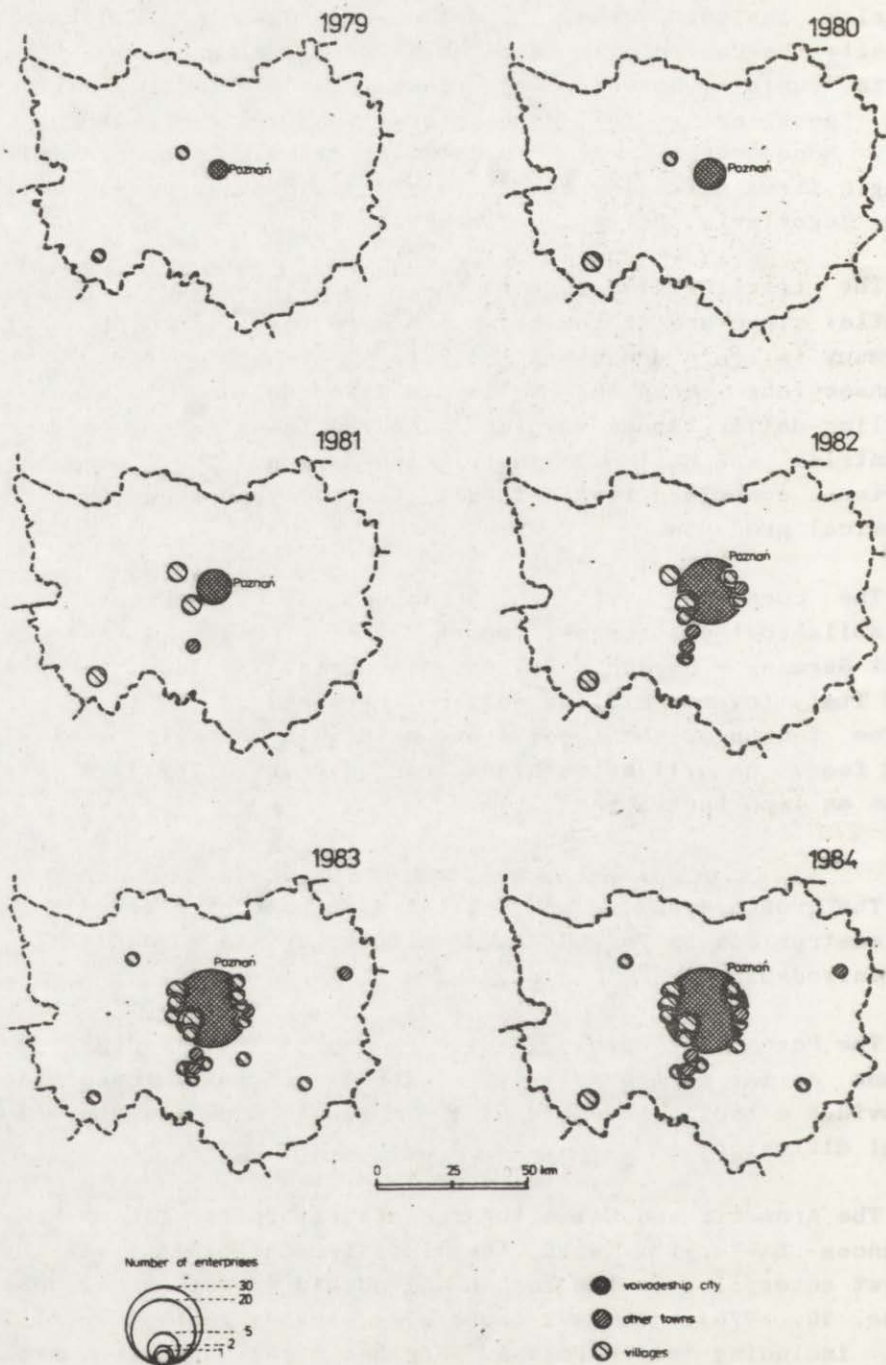


Fig. 5. Spatial diffusion of foreign enterprises in the Poznań voivodship

were especially propitious for new firms (21 and 16, respectively - see Fig. 4). In 1984 there were already 55 foreign firms in the Poznań voivodship, of which 32 had their location in Poznań. The slackening dynamics observed since the middle of 1983 seems to indicate that the growth trend of the firms tends to take the form of the logistic curve. This appears to be a national tendency.

The increase in the number of foreign firms was accompanied by changes in their spatial structure (Fig. 5). During the analysed period (1979-1984), Poznań was (and still is) the greatest centre of these firms; in 1984, it was the location of 58% of their total number. The remaining localities, in largely rural places around Poznań, have a single or two enterprises. The tendency to locate the firms there is getting stronger during time (cf. Fig. 5). There have also been cases of liquidating the locations of the firms in rural places and transferring them to Poznań. There has only been one case of a reverse process.

There are three forms of the procurement of business premises by foreign firms:

- a) the building of their own investments on leased land,
- b) the lease of premises from state-owned or co-operative enterprises,
- c) the lease of privately-owned premises.

The latest form of procuring premises is least secure and usually involves changes in the spatial structure of the firms. The high mobility of their location is evidenced by the fact that in the Poznań voivodship as many as 30% of the enterprises changed their locations in 1979-1984 (including 8 within the city of Poznań).

7. An attempt to define the regularities in the location and functioning of foreign enterprises

In seeking to explain the location of the foreign enterprises in Poland and its changes, the following factors were distinguished: links with a decision centre, the territorial origin of the proprietors, the distribution of the handi-

craft, the economic specialization of regions, and the utilization of vacant premises.

The spatial links between the location of the enterprises and decision centres are reflected in: (1) the tendency to minimize the distance from the main decision centre, viz. Warsaw, and (2) a marked regional preference for some voivodship centres. The first tendency results from the fact that a number of decisions connected with granting the licence, material procurement and international transactions, is made in Warsaw. Warsaw is also the location of the government plenipotentiary for foreign firms in Poland. Hence, with the considerable instability of the Polish legal and financial systems, the proximity of the decision centre facilitates the information flow and thus makes possible an elastic reaction and more successful adaptation to changes in the external economic conditions. The influence of the proximity of a central place on the location decisions, especially of small enterprises, is stressed by French studies (cf. Grzeszczak, 1983).

Other decisions connected with the location and current activity of the firms are made at the voivodship level. Hence the significance of their already mentioned subjective evaluation of the degree of "investment confidence" in regional decision centres. Strong preference is given to centres with a long tradition of foreign economic contacts and administrative activity, and a favourable location to communication (Poznań, Cracow, the Gdańsk agglomeration), "New" voivodships, i.e. those established in 1975, are not very interesting for entrepreneurs. While taking up 59.6% of the country's area and 44.1% of its population, they have attracted only 24.8% of the enterprises.

The distribution of the firms according to their distance from the main decision centre, Warsaw, is shown in Fig 6. The characteristic disturbances of distribution monotonicity result from the impact of regional decision centres: Łódź some 100 km away and Poznań, Cracow and the Gdańsk agglomeration at the distance of 250-300 km. The data presented in the table confirm the influence of the distance from deci-

sion centres on the location of foreign firms in Poland. The data show that at a distance under 50 km from the 5 main decision centres two thirds of the enterprises are concentrated.

Spatial concentration of foreign enterprises in relation to the distance from main decision centres (%):

City	Within city limits	Within 25-km radius	Within 50-km radius
Warsaw	20.5	32.7	37.9
Poznań	5.7	8.5	9.4
Cracow	4.6	5.0	5.5
Łódź	4.4	6.7	8.0
Gdańsk agglomeration	3.9	4.6	4.8
Total	39.1	57.5	65.6

The spatial differentiation of locational preferences is closely associated with the territorial origin of the firms' owners. The distribution of these preferences (which are particularly strong in the case of businessmen from West Germany, West Berlin, Austria and Sweden) is conditioned by the distance to the owners' countries of residence, traditions of economic links, and historically established private contacts (e.g. due to emigration). Businessmen living in West Germany and West Berlin give preference to the western and northern voivodships (in the Wrocław, Szczecin and Olsztyn voivodships, for instance, they own over 70% of all the foreign firms located there), those from Austria prefer the southern voivodships (Katowice, Cracow, Bielsko-Biała), and those from Sweden, the voivodships of northern and central Poland (Gdańsk, Warsaw, Toruń and Łódź).

The next two location factors are connected with the specific economic structure of a region. Thus, first, there is a co-occurrence of foreign firms and the handicraft (the coefficient of geographical association $G=0.62$). This results from the possibility of co-operation in production, as well as technical and material procurement, on the one hand, and from the specific "social climate" developed in regions

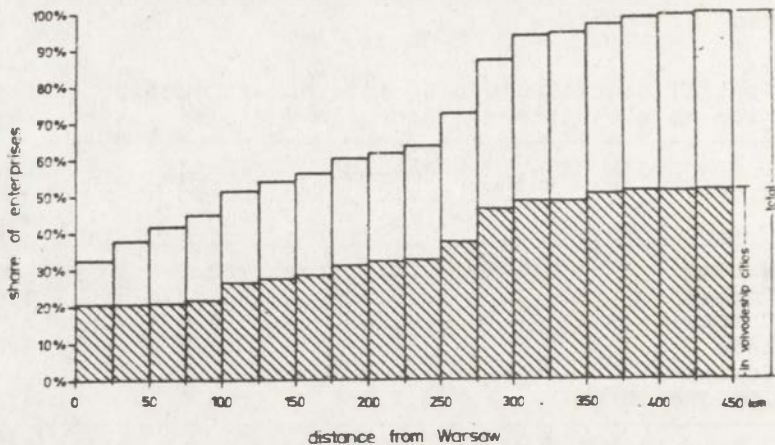


Fig. 6. Distribution of foreign enterprises in relation to their distance from Warsaw

with a strong handicraft, favourable to this type of small-scale production, on the other. Secondly, when locating the firms, the economic specialization of regions is taken into consideration (for example, in the Łódź and Bielsko-Biała voivodships, specializing in textiles and clothing, about 67% of foreign firms are engaged in these industries, with the national average of 32%). This regularity is connected with the possibility of co-operation with state-owned enterprises, e.g. in the recovery of waste material. In the case of larger firms, the availability of skilled labour is also of some importance.

Finally, the possibility of leasing and utilizing old premises, is responsible for the characteristic regularity in location changes. Namely, many firms are initially located in rural places around major cities, as there is a greater possibility of getting premises there. Later, after they have identified "location gaps" and gathered financial means, the firms move to the city. Unfortunately, the scarcity of data makes it impossible to analyse this tendency in

details (it was discussed in the previous section on the example of the Poznań voivodship), or to establish other regularities concerning the spatial aspects of the functioning of foreign firms in Poland.

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