

Working
Paper

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New Challenges for Local and Community Governance and Regional Economic Performance

By: Dr. Emmanuel Brunet-Jailly, Assistant Professor, School of Public
Administration, University of Victoria

Local Government Institute
School of Public Administration
University of Victoria

Phone: (250) 721-8055
Fax: (250) 721-8849
E-Mail: padm@uvic.ca

Web: [http://publicadmin.uvic.ca/
lgi/index.htm](http://publicadmin.uvic.ca/lgi/index.htm)

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New Challenges for Local and Community Governance and Regional Economic Performance

- For the last 20 years scholars have noted this transformation of the relationship between market forces and territories.
- New technologies of information and communication change the global economy, and economic integration in Europe and North America change the politics of state relations in intergovernmental and international arenas:
- Free trade regime pressure governments to ease regulations, and to open new markets (Keohane and Milner 1996)
- Free trade enhance sub-national entities as economic players (Ohmae, 1991)

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Market Forces, Territory and Government Jurisdiction

- Traditional analysis of the relationship between market forces and territories focuses on competitive advantages and infrastructures
- Today, the literature underlines this idea of social construction of a territorial economy (Albert 1991, Piore, Sable, 1984)
- Social construction of a territorial economy suggest that modes of production and economic performance are culturally embedded and take different forms in different times and places, which also suggest that *it is the articulation (institutionalization) of culture and individual choices* that make a difference in the global market place.

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How are these changes impacting local governments?

- Federal and unitary states adapt to global economic and political changes differently because their constitutional and statutory prerogatives, institutions and allocations of functions vary accordingly.
- Federal systems provide mechanisms of power sharing among levels of governments that are not found in centralized states.
- *Complexity and Asymmetry better describe territorial politics of federal states*
- *Federal systems tend to shelter less and less equally local governments from market and international pressures because functional and institutional flexibility becomes an asset for provincial and local policy effectiveness.*

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Market Forces, Territory and Local Governance

- Robert Young (1999), notes for instance that increasingly market competition, capital mobility, and inter-governmental competition, as well as new political views about the role of governments seem to undermine the rationale and capacity higher levels of government have to shelter lower level governments.
- When looking at economic development policies in Catalonia and Galicia, Spain, Michael Keating (1991), finds it is not culture or leadership that are key, but instead, different forms of institution building that are central to our understanding of variances in development policies.

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Territory and Function: Regional Economic Development and Performance

- Should Local/Regional government do anything about the economy?
- There is a large literature arguing that Local/Regional government cannot influence market forces, all they can do is to be competitive.
- Other scholars point to the influence of political entrepreneurship linking economic performance and democratic choice.
- They argue that it is the articulation and alignment of local groups with local economic issues that is central to regional economic development successes.
- This work demonstrate that successes do not depend on private and public strategies but rather are grounded in community based consultation and decision making processes. It is the creation of institutional processes of policy decision-making that are fundamental to economic development policy successes. Unsuccessful strategies result from community fractures.

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***New Challenges for Local and Community Governance and
Regional Economic Performance***

In conclusion, social capital is key to regional economic performance, and mechanisms that bridge local with global interest are fundamental.

Thank you for your attention!

Emmanuel Brunet-Jailly
ebrunetj@uvic.ca

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