Dilemmas of Local Governance in a Federal Polity: A case study of an Australian region

Chrys Gunasekara
Queensland University of Technology
School of Management
GPO Box 2434
Brisbane
Australia 4001
Email: c.gunasekara@qut.edu.au

Abstract

This paper explores several dilemmas encountered by local leaders in an Australian provincial city as they engage with 'governance' amidst an economic shock that saw the shutdown of a major plant in the city that wiped out a significant base of employment. These dilemmas relate to: asymmetries of information, capabilities, resources and power; political agendas by higher tier governments; the diverse calls of interests and, not least, the tensions and indeterminacies of a liberal, market-oriented variety of capitalism. The focus of the study is on the processes and inter- and intra-institutional dynamics involved in the formulation of an economic development strategy for the city and its wider regional setting. This was one of the early strategic responses to the plant closure as local leaders and government agencies sought to reposition the city's economic base. It was the intersection of the need to take greater responsibility for charting their own economic development course, on the one hand, and the opportunities and constraints arising from the institutional environment that gave rise to the dilemmas discussed in this paper.

The case study that is the basis of this paper involved twenty five in-depth interviews, document review and statistical data gathering, with a specific focus on the period 1997 to 2004. This period covers the imminent closure of the major employer, the closure itself and the early struggles of the local leaders as they began to articulate a local response that was seen to be credible, appropriate and inclusive. This was easier said than done, amidst local and supra-local government and governance arrangements that were not well adapted to meshing the imperatives and agendas of a multi-level federal polity.

The canvass of local development has been reframed in the debate on governance; specifically, the shift from hierarchy-oriented *government* to network-based *governance*. The latter has been described as “the analytical heart of the notion of governance” (Rhodes 2000). Enhanced opportunity and capacity for local development has been associated with a shift to governance. Governance, in this sense, has seen particular attention paid to the re-positioning of inter-governmental roles, particularly state and national governments vis-à-vis local, that has been accompanied by greater freedom and resources to support local action in economic development; and the enhancement of local development capacity through network forms of *governance* that draw in extra-governmental actors such as business, universities and community representatives. Some have questioned the role played by the state in a world of network governance that offers promise of transformational change through broad-based steering (Rhodes 1997). But others have cautioned that, at best, the debate on governance involves an adaptive, re-casting of the state’s role (Bell and Park 2005). Empirical studies have shown that crisis or opportunity is often required to energize the private sector and other community stakeholders to become involved in public policy in regions and cities (Keating, Krumholz and Perry 1995; Hamilton 2002). This paper examines the institutional responses to an economic shock in an Australian provincial city from the lens of governance. The purpose of the paper, specifically, is to consider the extent to which crisis led to an effective mobilisation of local institutions towards revitalising the local economic base.

The next section reviews the nature and importance of governance and examines the requirements claimed as minimum conditions for governance, drawing particularly on (arguably) seminal work by Rhodes and Jessop. This is followed by a description of the context of local economic coordination in Australia and the background to the study, which focuses on the strategic response of key local institutions in an Australian provincial city to an economic shock in the form of major plant closure. The prime focus here is on the creation of a local economic development strategy, a centrepiece in the local response to the economic shock. The response is discussed from the lens of a shift towards governance characterised by partnership or networking in economic coordination. The paper raises several issues surrounding the shift towards a governance approach to economic coordination. Key findings of the study are that the language of local partnership, networks and local governance may belie the extent to which state coordination at higher levels persists. Second, the rhetoric of partnership may overtake and overestimate the capacity of non-governmental actors to engage in governance approaches. Third, the interaction of neoliberal policy settings and the rhetoric of governance may stymie or at least slow local development. The final section proposes a way forward that may assist in overcoming the dilemmas raised in the study.

The nature and importance of governance

The term governance has multiple interpretations, referring, for example, to the application of new public management approaches, corporate governance and network-based approaches to economic coordination. In the public administration literature, governance has come to be associated with a broadening of the basis and institutional architecture of economic coordination amidst blurring of the boundaries among civil society, markets and the state (Jessop 1994; Jessop 1997; Lindberg and Hollingsworth 1991). Jessop highlights the sheer complexity of the coordination task which now involves governmental and non-governmental actors that are both autonomous and, for pragmatic purposes, interdependent. Amidst pressures on the national state, such as fiscal pressures, the influence of transnational corporations within particular nations and regions, the complexity of policy choices, the influence of neoliberal ideologies and the demands of powerful interests on policymaking, the role of the state in economic coordination, it is argued, at least in Anglo-Saxon countries, has moved away from hierarchical ‘government’, where the focus was on direct control, towards broader, network-oriented approaches to ‘governance’, characterised by less direct and, arguably, much less visible, intervention by the state. Instead, coalitions and alliances of state and non-state actors, including business, universities and community groups, are responsible for economic coordination in cities and regions. It is this sense of governance as networks that this study is concerned with. Although this paper examines the nature and scope of governance, it is noted that a shift towards this approach is by no means universal. (Baldersheim and Fimreite 2005), for example, study the uneven fortunes of county councils located on the periphery of the Norwegian polity, highlighting the strengthening of central state coordination at the expense of seemingly well placed local administrations to be more involved in economic coordination.

Within governance networks, in some instances, leadership roles may be undertaken by non-governmental actors, notably, business. It is in this sense of governance as networks For example, (Henton, Melville and Walesh 1997) maintain that regionalism may become essentially a private affair with hesitant public sector participants pulled into the process. Business may well establish the agenda for regional and metropolitan governance, funding the effort and advocating their proposals for regional economic development (Kantor 2000). Kantor calls these business groups ‘shadow governments’ (p160).

This shift towards a broader base of economic coordination is not a mere accident of public administration history, nor is it necessarily indicative of a withdrawal of the state (Evans 1995). Those who have studied the emergence of governance as an approach to public administration have pointed to several advantages. These include: giving voice to stakeholders, such as communities and the citizenry; enabling much more fine-grained policy design; enhancing local autonomy and engagement with economic trajectories and their enabling conditions; enhancing the resource-base underpinning economic coordination, notably, through the active and more visible participation of business, and increasing the probabilities of successful economic change, accompanying behavioural change by key non-governmental and governmental actors working in concert, rather than though a hierarchical order directed by government alone or in large measure. The latter, of course, is of particular import in economies, such as Australia, that are guided by neo-liberal ideologies, where markets constitute the milieu of economic regulation.

Whereas some prominent writers have insisted that the concomitant of the shift towards governance has been a weakening and hollowing out of state capacity, essentially demonstrated by the enlargement of non-governmental participation and influence on policy design and implementation, others have cautioned against being too hasty in writing off or underestimating the role of the state in economic coordination. Notable here is the concept of metagovernance. This concept suggests that the state has re-cast its role towards governing governance, superintending or overseeing the conditions within which governance operates. For example, by constituting the platforms upon which broad-based 'steering' occurs. Bell and Park (2005) thus discuss the role of governments in creating and managing catchment management committees created to steer the implementation of water policy in regional Australia. In this sense, therefore, the state may enjoy the best of both worlds, drawing in broader non-governmental involvement (and visible responsibility) in policy design and implementation, while maintaining a degree of control, not by controlling institutional behaviours directly, but by controlling the arenas within which institutions form and enact a broader governance approach to coordination.

There is an evident gap in the existing literature on governance in critical analysis of the minimum conditions that underpin governance. The literature points to several conditions or characteristics of governance. First, is the existence of **interorganisational linkages**, for example in service delivery. Here, the functional differentiation of the state may result in purchaser/provider relationships between public and private entities. **Resources**, including information, are the currency of the dependencies underpinning these relationships. In turn, the conduct of these interorganisational relationships are managed by known **rules of the game** (Stoker 1998). These interorganisational relationships, importantly, exist between otherwise autonomous institutions that are, for the specific purpose at hand, engaged in a venture of mutuality. This tight-loose coupling makes for challenging **power dynamics** that have not been well examined critically in the literature, particularly, as faced by local institutions within a federal polity. There have been some exceptions to this, such as Roger Gibbins's (Gibbins 2001) reflective piece on the limits of local governance amidst federal political systems and (Frisken 2001) reflective study of regional governance in the Greater Toronto area.

Second, governance networks are **self-organising**, resisting government steering and developing their own policies and moulding their own environments (Rhodes 1996). Thus, as indicated earlier, empirical studies have pointed to examples of business-led economic coordination. Other examples include community-led reform, such as the work of the Greater Indianapolis Progress Committee, a bipartisan citizen group representing a wide spectrum of the community (Owen and Willbern 1985) and, in Philadelphia, the Centre for Greater Philadelphia, an applied public policy unit at the University of Pennsylvania, which holds annual conferences and related seminars to bring together government and corporate leaders and citizens to foster regional awareness and leadership. At a deeper level, (Korsching and Allen 2004) discuss the role played by the University of Nebraska's Enhancing, Developing and Growing Entrepreneurs (EDGE) programme in building community capacity for economic leadership, exercised in cooperation with other governmental and non-government stakeholders. While there are thick descriptions of self organising interorganisational governance networks (Rhodes 2000: 61), there has been little critical analysis of the dilemmas that beset local institutions and leaders in engaging with governance.

Third, the role of the **state** is regarded as **weakened**: government is only one of many actors, which steers, at best, indirectly and at a distance (Kickert 1997; Kooiman 2000). Thus, Rhodes has argued that the state has become a "differentiated polity with a hollow crown" (Rhodes 2000: 62). Fourth, discussion of network governance, typically, is distinguished from markets and hierarchies as modes of regulation. Less emphasis has been devoted to the interaction of governance with markets and hierarchies, notably, the influence of neoliberal state ideologies in governance and the attendant contradictions of ambiguities and winners and losers.

The literature suggests that economic crisis or opportunity may be a trigger for shifts towards governance as, amidst adversity, institutions and their leaders are forced to re-cast traditional hierarchical government (Hamilton 2002; Henton et al. 1997; Lubove 1976; Keating et al. 1995). This study takes this point of departure to examine the extent to which a shift towards local governance was manifest in the responses made by the leaders of a provincial Australian city, and leaders at other levels in the federal polity, to an economic shock represented by the closure of a major employer in the city. The study was conducted by way of document analysis of government reports, Parliamentary speeches, university reports, reports produced by relevant Local Authorities and media pieces. Semi-structured interviews were conducted with the leaders of key institutions in the city, including the Local Authority, local peak business and industry bodies, the university, local network bodies, notably, a specific purpose economic development network that, ostensibly, led the development of economic strategy in the city and the surrounding region, and representatives of State and Federal economic development agencies. Two interviews were conducted with most of these participants, which enabled follow up and triangulation of material canvassed with other interviewees, as well as data collected from the document analysis.

Context of local economic coordination in Australia: the role of local government in a federal polity

Historically, local government in Australia has existed within a dilemma of high responsiveness, potentially, to its citizenry, a limited resource base and high control from higher levels of government. Not unlike Canada, local government in Australia may be described as “the poor cousin of its more exalted state and federal relatives” (Dollery, Marshall and Worthington 2003). Aside from the paucity of attention devoted to this level of government from the academic research community, as Roger Gibbins, has observed, local governments left scarcely any imprint on the constitutional or institutional structures of federal systems (Gibbins 2001: 163). This, despite the fact that political, economic and social life took place for the most part within the context of local communities. In Australia, local government is modest in scale with around 730 municipalities outlaying $A13 billion, representing some five per cent of total government expenditure or about 1.6 per cent of gross domestic product (National Office of Local Government (NOLG)).

The activities of Local Authorities in Australia are regulated largely by State government legislation that circumscribes economic and social activities, including local development strategies. The interaction of local government with higher levels of government is shaped by changing perceptions of local autonomy, accountability, equity and the need for macroeconomic control (Dollery, Marshall and Worthington 2003: 2). Revenue from State and Federal grants and from levies on the citizenry do not afford much scope for direct systemic economic change in local areas; and, further, there is little in the way of a tradition of private capital investment of such significance as to influence systemic change in local economic bases. This has meant that Local governments have been dependent on modest State government programs and industry policies, for example, to attract and retain businesses or to attract infrastructure investment. These programs tend to be enabling in nature, responsive to market forces, perhaps assisted by marketing campaigns, with few specific initiatives that target industry change. In other words, the capacity for local action has been limited in a federal polity wherein local government is not institutionalised in the constitution.

In recent years, both State and Federal governments in Australia have sought to influence the role and performance of local governments, through a variety of top-down reforms, such as local government amalgamations, tied grants for specific operational reforms, structural change in local government organisation and reforms to management practice (Baker 2003). In other cases, State governments have removed power from, or constrained decision making at, the local level, ostensibly for reasons of consistency, efficiency and avoiding local authorities becoming captured by interest groups or agents. Notable here is decision making in regard to land use planning. This is a key element in local capacity to shape economic development, particularly where land for industrial and commercial development is limited. Similarly, infrastructure development must be approved by higher levels of government and be consistent with broader government strategies and priorities, not least in order to complete for scarce government funding.

The context of local government, therefore, is one where municipal authorities exist in an environment that calls for high responsiveness to the demands of their citizenry, but constrained heavily by limited access to resources and a high degree of control from higher levels of government, particularly in regard to the elements of economic strategy, such as infrastructure and land use. When a local community attempts to re-cast its approach to government and to the development of economic strategy, it is, therefore, a matter if high interest, not just in Australia, but in federal systems that share similar institutional characteristics.

Economic shock in a provincial city

The provincial city that is studied in this paper is located in South Eastern New South Wales. The city has a population of approximately 139,000 people and is the focal point of a region that traditionally has been dominated by mining, steel manufacturing, power generation and agriculture. Throughout the 1980s and 1990s, the industry base of the city and its surrounding region has altered, with a growing services sector, notably, education, health and tourism. Between 1981 and 2002, the proportion of people employed in primary and secondary sectors almost halved, while employment in the tertiary sector increased from 67 per cent to 82 per cent. There have been significant increases in the proportion of the people employed in wholesale and retail; health, education and community services; finance, property and business services; and recreation and personal services. At the same time, there has been a large proportional reduction in employment in manufacturing; transport and storage; mining and utilities. This picture, in part, reflects the impact of the economic crisis discussed below on the industry mix in the city. However, it also points to deeper systemic shifts in industry composition in Australia and in many other countries, towards a stronger services industry base.

The economic shock experienced in this city was the closure of a major employer in the city engaged in steelmaking which involved the loss of over 2000 direct employees. This occurred in April 1997. The decline of steelmaking in the city was signalled in the early 1980s when the profitability of Australian steelmaking declined dramatically. Production technologies became outdated; returns to scale were above world tolerances; downstream demand in the protected steel consuming segments of the Australian economy declined markedly; cheaper imported steel from East Asia was readily available; and community intolerance of local air pollution was mounting. At that time, the company attempted to respond to these pressures with a major restructuring of its Australian steel operations, with assistance from the Federal government. Major reductions occurred in employment levels in the city. However, a combination of strategy, technology and international competition meant that the crisis in this city persisted. Employment levels fell from over 11,000 workers in 1982 to 3,300 in 1997. To a degree, this fall in employment, which was managed within an overarching Plan coordinated by government, unions and the company, intersected with a move to outsourcing, which saw some workers who were laid off employed by sub-contractors. During 1992-3 and 1996-7 major reviews of the plant located in the provincial city were conducted and recommendations made for re-investment in new plant were rejected. Following the second review, a public announcement of closure by the end of 1999 was made.

Institutional responses to economic crisis

Historically, economic coordination in the city was managed through a mixture of hierarchical and network-based arrangements. That is, the major employer, key unions and sub-contractors "took care of business", in tandem with State and Federal governments. This notwithstanding that broad-based coordination arrangements had been in place for several years, involving business, government and community representatives. As one interviewee put it:

"For all intents and purposes, the big end of town ran the show, which was fine because the city was dominated by one industry sector…."

In conditions of relative stability and even amidst turmoil in the steel manufacturing sub-sector, these arrangements stood well. This was well demonstrated in the years leading up to the plant closure in the city. Industry adjustment in the 1980s was assisted by the introduction of the national Steel Industry Plan in 1983. Between 1984 and 1988, the Australian Federal government, through this plan, directly assisted the company's capital renewal program by means of increased domestic product market protection, accelerated tax depreciation arrangements, bounty payments, and regional employment programs. And, as indicated earlier, the Steel Industry Plan was supervised by a tripartite group consisting of representatives of the company, Federal and State governments and trade unions. The city was regarded as a strong union base and, critically, the Plan secured the cooperation of the steel unions through a series of labour relations agreements commencing with the Steel Industry Plan Agreement, followed by the Steel Industry Development Program Agreement between 1989 and 1992, and then by site agreements under the National Steel Industry Business Improvement Agreement. In agreeing to the Plan, the company undertook to continue steel production at its three integrated steel centres, including in this provincial city, and to ensure that employment reductions would occur by natural attrition and voluntary retirement rather than forced retrenchment. In return, steel industry unions gave commitments to new, non-militant dispute setting procedures.

This was, therefore, a mixture of hierarchical and limited network-style approaches to governance in the city. Even though a broader coalition of actors responsible for economic coordination had been enacted, this body had limited influence, dwarfed by ‘the big end of town’. That changed as the final closure of the steelworks loomed. The discussion following will focus on the institutional responses to the crisis that involved the governance arrangements in the city, specifically, economic governance. This means that some aspects of the response to the crisis, for example, details of short term adjustment responses put in place will not be covered.

The gap created by the withdrawal of the major employer from the city opened the way for a re-thinking and a re-casting of the old arrangements. As an official from the economic development body put it:

“It was difficult in the past to get employers or community people or the university to be enthusiastic about economic development because the game was pretty much stitched up. But, with the plant closure, things changed and there was now a keener sense of having to do something and do it fairly quickly to respond to the crisis and start to turn things around…”

But, while precipitating a turning point in local governance, the economic crisis that befell the city did not dismantle or upset completely the dynamics of the previous hierarchical arrangements in economic coordination. Among the most visible and substantial responses to the crisis were assistance packages delivered by the State and Federal governments. An adjustment funding scheme was implemented by the Federal and State governments to support business attraction and retention in the city. Through this mechanism, for example, a major steel mill was attracted to the city, creating 150 direct and 1000 indirect jobs. The State government contributed land to this venture, as well as coordinating other possibilities for business attraction and industry development, including a feasibility study into the establishment of a new container port in the form of a multipurpose terminal. The State government also worked with Local Authorities, business and unions to develop a high technology production area in the city, centred on a sustainable energy centre for the Asia-Pacific region. This project alone was claimed to draw in 100 jobs. Interviewees from government agencies argued that, while coordinated and funded largely by Federal and State governments, there was ‘significant’ local involvement in design and implementation. Nonetheless, the message conveyed quite clearly was that coordination was still heavily hierarchical in nature.

Economic development strategy

A focal point of the institutional responses to the economic crisis was the re-casting of the local economic development strategy. This was coordinated by the State Government-created Economic Development Organisation (EDO), a body comprising a paid Executive Manager and three staff, working with a board of volunteers comprising leaders from government, business and the community, including the local university. Whereas, previously, this body had been limited in its influence due to the strong hierarchical and limited network coordination arrangements in place, this now changed as local leaders and State and Federal government agencies moved to put in place strategies to reposition the local economic base. Some of these strategies, originating from Federal and State governments were canvassed above. Locally, an economic development strategy was being put together in 1998 and 1999, amidst the steel plant closure. For the purpose of this article, the processes of strategy development and implementation are key indicators of a possible shift from government to governance.

The economic development strategy was developed through consultation with over 900 business and community leaders. This, in the view of Local Authority and State Government signalled a shift towards a broad-based governance regime that went beyond rhetoric, primarily because the major players were now less influential. The focus of the strategy, predictably, was on job creation, with a target of 5,000 jobs to be created by 2002. The key objectives of the strategy are listed in Table 1.

- Provide the infrastructure required for investment and jobs growth
- Strengthen the diversity of the economic base (with a strong focus on cluster development)
- Attract new investment to the region
- Develop an innovative culture that recognises the importance of technology and best practice in generating investment and jobs
- Create and maintain a skills base that enhances the competitive advantages of local and regional businesses
- Provide the structures and support necessary to stimulate new start-ups and to assist existing businesses to grow
- Establish local leadership structures to drive a coordinated approach to development.

Table 1 Objectives of the Economic Development Strategy

The scope of these objectives is broad and deep, reflecting the confidence and ambition of the board members to take responsibility for steering the economic direction of the city and region. One local leader commented that this was the first time in recent history that local institutions had faced this magnitude of threat to the viability of the local economy and the objectives and accompanying 310 projects reflected the commitment of stakeholders to “not rest on their laurels”. The range of projects were broad, including efforts directed towards attracting new investment to the city, particularly in manufacturing and in services industries; fostering the development of several business clusters as focal points of industry development, notably, in information and communications technology, biotechnology and medical technology, film and television and marine; promoting the city and its region nationally and internationally, and enhancing transport infrastructure.

Analysis of documentation produced by the board dealing with the detail of these projects indicates mixed success overall, with several achievements being more in the way of processes and inputs. For example, several reported achievements relate to survey results or numbers of enquiries from prospective investors or conduct of skills audits. These were important indicators of local capacity development. For example, a project to develop Skill Development Plans for industry clusters was not achieved due to ‘lack of resources’. In some cases, the achievements could be characterised as successful lobbying Federal and State governments for funding, for example, to engage a Business Development Officer to train companies on using e-commerce to encourage export growth. However, given the limited timeframe of the strategy, aimed at ‘kickstarting trajectory change’, the accomplishments reported were significant.

From government to governance?

The central focus of this paper is whether the crisis triggered by the plant closure in this city led to a shift in the basis of economic coordination from State and Federal government hierarchical control towards a more diffuse, organic and inclusive governance mechanism centred on local control, with the state playing an enabling role, alongside (rather than leading and harnessing) industry and other non-government stakeholders.

All interviewees agreed that, on its face, economic coordination underwent a palpable shift, with a greater emphasis on cooperation, collaboration and “spaces within which a much wider range of leaders were engaged seriously [sic] in running economic development strategy”. The discourse of economic coordination fostered by the State government and by rhe economic development organisation itself was redolent with the language of local partnership, intergovernmental cooperation and local engagement. However, that said, there were a number of issues raised by interviewees regarding the extent to which, if at all, economic coordination underwent any real change.

First, several interviewees from industry bodies and Local Authorities pointed to gaps in the capacity of local leaders, however well intentioned and informed, to have much influence on the economic trajectory of the local. As one industry leader put it:

“It’s one thing to form committees and buzz around having lots of meetings and seminars and forums…but that doesn’t mean necessarily that much changed. The fact is that the resources weren’t put up either locally or from the [State] government to really change anything, like business or industry attraction…I mean it’s fine to promote the city and run marketing campaigns, but everyone does that. I don’t see what’s different, do you?”

These observations were echoed by others, such as some who had worked with the economic development organisation who defended the work of the organisation and various sub-committees:

“I think that we had some very good strategies that did make a difference in the way the region addressed [the closure]. But, we can’t do it alone and it takes money and influence and this wasn’t always forthcoming.”

For some, however, the local economic development strategy was too ambitious and it exposed a key weakness in the governance rhetoric. In essence, the point was made by some industry and business leaders interviewed, as well as representatives of cluster organisations that the capacity of local leaders and institutions to actually follow through on delivering strategies relating, for example, to infrastructure development, industry development and even skill formation was much more limited than they realised because neither resources nor real power accompanied the best intentions of local people to take responsibility for their own future or the overtures of State government officials towards community engagement and state-enabled regional and local development strategies minus significant resource transfers. Neither was there significant private capital or other resource inputs, with the exception of specific capital projects, for example, an aluminium smelter. Such projects were the exception and on occasions promised investments, seeded by government, were not followed through. This is in contrast to the examples of network governance discussed in the literature where the re-casting of state responsibilities is accompanied by significant private investment and influence on economic strategy.

Secondly, even though the State and Federal governments spoke of enabling development through local initiative and co-leadership, and backed this up with specific funding measures to assist adjustment, such as industry and business attraction, the reality experienced by local leaders was that the parameters for regional and local development were still circumscribed heavily. For example, State government policy settings dealing with land use planning and funding of infrastructure development limited local ability to foster industry development and investment in new or upgraded infrastructure to meet investor demand. Furthermore, the criteria attached to adjustment funding made available by State and Federal governments constrained the flexibility of local network governance institutions to deploy funds to meet emergent opportunities, for example, for growth of existing businesses.

Third, the new broad-based structures for local economic coordination, symbolised in the processes underpinning the development of the new local economic strategy were orchestrated by the State government, resourced by the State government and, ostensibly, were mandated to align with State industry development strategies. The local economic strategy itself and the myriad of projects that arose therefrom had to be approved by officials of the relevant State government agency. Thus, notwithstanding an inclusive approach to the involvement of non-government stakeholders in economic coordination, the reality was that little seemed to have changed, except perhaps that the influence of the State government was a little less visible than hitherto and the input to local strategies was wider. This, according to some local business leaders who were involved in the strategy development processes, such as focus groups and planning workshops, undermined the rhetoric of local empowerment.

Fourth, and related to this point, although the institutional environment had been altered to create a ‘space’ for local engagement in economic coordination, the knowledge resources available for this purpose was limited. Thus, as one senior industry leader pointed out, even though the local university was represented on the economic development body, ostensibly, to provide expertise and to broker external knowledge to support strategy development, in practice, this resource was limited and, too often, constrained by the university’s own agenda to attract business and to promote its own position. University managers, however, pointed out that it was unclear just what role the university was expected to play and that the economic development body was less than clear about its own direction. Other expertise available to the development body was limited, constrained by a meagre budget and poor availability of expertise through the relevant State government agency. In turn, interviewees from government argued that they too faced budget constraints that prevented them. For example, from retaining consultants to undertake extensive industry development studies and other economic analysis. To some extent, this gap was ameliorated by the presence of a local economic and social analysis organisation that produced quality pieces of local and regional economic analysis, including an annual state of the region analysis that covered a range of economic and social indicators and trends, as well as providing sectoral analyses periodically. Nonetheless, several local leaders from industry and government pointed to a significant gap in access to expertise and knowledge that constrained the operation of a network governance approach.

Fifth, the ideology underpinning industry policy in both the State and Federal governments restricted the impact of local action. Australian governments at Federal and State levels have embraces market-oriented economic policies that aim to create favourable context for investment and market development, eschewing specific, targeted industry development. Even where specific sectors are favoured in economic strategies, the approach is one of climate setting rather than assertive economic coordination, for example, as pursued by some European governments. This is perhaps not surprising given Australia's political economic history. However, it does mean that higher levels of government, and even local governments, are reluctant to be ambitious and visionary in the development of economic strategies, choosing instead to apply the scarce base of resources available for economic change to a broad canvass of fostering opportunity. Arguably, this leads to underutilisation of resources and, at worst, waste as the market is looked upon for the direction of local economic bases. Interviewees in this study, particularly from government agencies, were steadfast in opposition to, and sometimes bemused at the suggestion of targeting industries and, for example, seeking out private industry backing to grow an industry sub-sector.

Conclusion

In Australia, perhaps like other federal polities, a shift from government to governance, represented by a broad-based, inclusive approach to economic coordination that is not controlled by the state is challenging task at the local community level. This is because, notwithstanding the obvious position of influence over the lives of citizenry in which local authorities find themselves, most local governments have limited control of resources and ability to regulate economic activities, and are dependent on higher levels of government. In turn, State and Federal governments are anxious to implement their own policies and strategies through the local level, and are less inclined to forestall these ambitions to follow the prescriptions of local communities.

The emergence of so-called community engagement may change this. Amidst continuing debate regarding the emergence of governance as a new mode of economic coordination, this study has examined the institutional adaptations in local governance that followed an economic shock faced by communities in a provincial city in Australia. From the standpoint of existing literature, the study has indicated that there may be a significant gap in our understanding of the emergence of a governance approach to economic coordination, wherein the dynamics and obstacles involved are, at best, underestimated and, at worst, poorly articulated. For it is not necessarily the case that state capacity is weakened under a governance approach. It was pointed out earlier that, with some exceptions, the existing literature has tended to focus on describing governance, its forms and dynamics; with less attention paid to the obstacles and dilemmas faced in the transition, notably, the limitations created by imbalances in power and in resources, including access to funding and expertise. This study has highlighted several dilemmas that turn on these issues, notwithstanding the appearance created by new institutional forms and the rhetoric of leaders.

The thesis of the paper is that what seems like a shift from government to governance may be more in form than substance. This is not necessarily because of a lack of intent or some disingenuous behaviour on the part of officials. Rather, there are powerful institutional obstacles to re-casting the historical role and capacity of the state in economic coordination and in the relationship among levels of government. This is broadly consistent with work by Gibbins (2001), and also by Frances Frisken (2001) in regard to the Toronto area. In a reflective, historical piece on regional governance in the Greater Toronto area, Frisken argues that, notwithstanding the importance placed by senior governments on regional and local economic development, they may “have political and financial agendas that may not coincide with the tenets of regionalism” (p538) and, hence, may be less likely to link the achievement of their economic objectives to the development of strong institutions of regional governance.

The study demonstrates that the emergence of a broad-based approach to economic coordination at the local level requires more than a larger meeting table and a wider committee. There are important structural and institutional obstacles that must be addressed. Key is the resource base of local communities to engage with visionary, systemic economic and social change. In the absence of expertise, knowledge, capital and buy-in from non-government actors that is accompanied by private capital, it is more likely that governance at the local level in a federal polity will be little more than a more informed approach to economic coordination by higher levels of government. This is not in itself a bad thing, but it is certainly less than what it claimed to be occurring. And non-state actors will soon see the limitations and perhaps withdraw altogether or participate for the sake of keeping up appearance.

In a country of the size of Australia, where much of the population and tertiary industry base is concentrated on one seaboard, it may be unprofitable for every local authority to have equal or even equivalent opportunity for economic coordination. This is because the possibility frontier for development is limited as is the resource base available. More realistic, therefore, may be an inclusive, State-based approach to local economic coordination that sees industry policy targeting the development of specific sectors and sub-sectors across groups of local authorities, with resources directed accordingly. While local authorities would influence the broad lines of development, choices within these broader sectoral targets would be made locally. Resource agreements covering groups of local authorities are one way of institutionalising this approach. However, concerted efforts would also be made to target specific types of private investment in different geographical areas, in conjunction with infrastructure investments such as roads housing and universities. In Australia today university campuses are spread across the country and it would be possible to focus the horizon of campuses to a degree in supporting specific growth path strategies in their regions.

This kind of approach starts to overcome the limitations of a strong market-driven approach where every local authority or group of local authorities competes with their counterparts and neighbours for investment and funding, often in the same industry sub-sectors, on the basis of sometimes fine-grained, nuanced interpretations of competitive advantage; whether in information and communications technologies, medical technology or the so-called creative industries. There are already mechanisms in place that could be adapted to address this approach. Notably, it is now commonplace to find Regional Organisations of Councils (ROCs) across Australia that aim to enhance the political clout of Local Authorities as well as providing avenues for joint ventures and shared services. These loosely-coupled institutions may not dovetail with the approach being proposed here; but their existence and operation does indicate that lines of action in this vein are in place.

Given the paucity of a tradition of non-state involvement in economic coordination in Australia, it is important that governments coordinate the development of this approach, at least as a transition strategy, until the competence and confidence of non-state actors is mature and they can stand alongside the state in economic coordination. Otherwise, in a federal polity such as Australia, the development of a governance approach to economic coordination faces significant obstacles that, amidst political and other imperatives, may well render governance little more than a symbolic act that leaves the core institutional dynamics largely unchanged.

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