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# TESTING TIMES FOR BUSINESS PARTNERS IN REGIONAL AND LOCAL DEVELOPMENT: THE PAST AND FUTURE OF CHAMBERS OF COMMERCE

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Public-private economic partnerships are now a universal policy panacea – promoted by national governments, the EU, OECD,

World Bank and other development bodies. However, it is less recognised that the institutions that provide the private sector partners vary greatly in capacity to participate. Some are designed for a ‘public purpose’ to act as policy partners, but most are founded and maintained primarily for business purposes and may struggle to meet the demands of policy initiatives.

In almost all countries the leading private sector partners in regional and local economic initiatives are chambers of commerce. They have the advantage to government that they are democratically elected from the business community, have transparent governance that offers legitimacy, and are locally-rooted. They offer advantages over ad hoc and government-appointed bodies that often carry no weight with businesses.

Use of chambers also allows governments to draw on existing networks of traded and untraded dependencies between businesses and offers a means for engagement and dissemination of information about policy needs. As existing networks, chambers also offer cost advantages, since there are no set-up costs and they are self-maintaining. They also mesh closely with the local geographical clusters that are the basis of many policy interventions.

However, the character of local chambers of commerce varies greatly between countries and this influences the extent and effectiveness of their partnering capacity. Whilst there are many local variations, the chambers can be divided into two broad groups: private law and public law.

## Private law chambers

Private law chambers were created in cities across the Atlantic economy

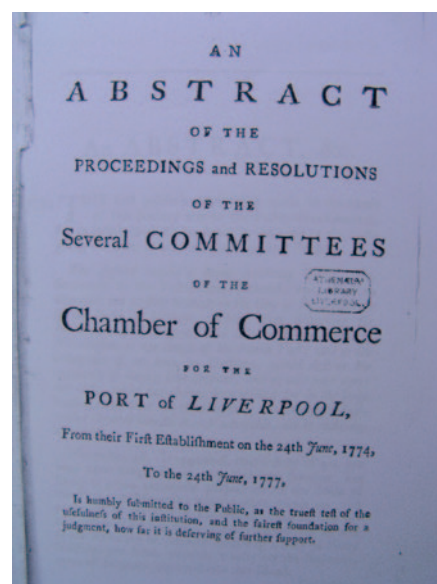
from the 1760s and 1770s. As recently demonstrated in Bennett (2011, Ch.4), the earliest private law chambers in New York, Charleston, Boston, Jamaica, Quebec, Nova Scotia, the Channel Islands, Liverpool, Manchester, Dublin, Glasgow and other port cities in the UK and Ireland<sup>1</sup> were intimately related to the protests that led to the American Revolution. The 18th century Liverpool chamber, for example, was dominated by anger with central government policies, business taxes, inadequate trade treaties, odious government officials, and other government ‘bads’ especially the impending American war (Bennett, 2010). Thomas Mortimer (1772, p.vi) referred to the ‘imbecility of entire administrations’. Most of all these localities objected to policies foisted on them from narrow-minded metropolitan government in the capital. Private law chambers then diffused to cover the British Commonwealth and most countries economically interconnected with the UK or USA.<sup>2</sup>

Interpreting this in terms of classic management literature, private chambers focused on the information asymmetry of government. Most ministers and public officials know nothing about businesses, and many disdain the regions and localities because their careers are built at the centre. Hence, their regulatory interventions are usually flawed. Private law chambers are one of many agents that fill the gap by trying to get better information to government, and working with it as partner.

These private law chambers embed a structure of independent voice for localities; they are necessarily voluntary and business-led, and when businesses do not want to pay, or disagree with chamber policies, they opt out as members. They thus have self-limiting constraints. This is especially true when businesses disagree with chambers becoming *too* involved with government: they leave. The historic motive of protest and criticism of government lies shallow below the surface for most businesses. This presents a significant constraint on private chambers, but also imposes a strong market discipline on involvement



*The 18th century Waterford chamber building still used today*



*A summary of the protests by the Liverpool chamber 1774-7. © Photo by permission of the Liverpool Athenaeum*

with the state.

This is clear in the UK over 1990-2007 when many chambers received rapidly expanding government support. Those chambers that became lead partners or contractors for government had member lapse rates up to four times higher than those that remained largely voluntary (Bennett, 2011, Ch.16). Members were influenced by the diversion of management attention

**Table 1: Contrasts of public law and private law systems of chambers of commerce**

Public law chambers	Private law chambers
Compulsory membership from defined group	Voluntary membership, open to all
Membership fees seen as 'tax'	Membership costs based on choice and commitment
Complete coverage of defined businesses	Self-selective coverage of businesses
National network in all areas	Usually gaps in low density rural areas
Uniform geographical basis, usually at 'county' level	Variable geography depending on local identification and sense of community
Large organisations	Variable size depending on member commitment
Services with major staff resources underwritten by public finance to meet defined public needs	Services and income based on sales and contracts to meet business demands
Public control of status and constitution, members cannot opt out	Member control with freedom of action, but variable focus, and constraints from opting out
Assured access to government discussions, though can be ignored	No special status, government can pick and choose when to consult
Bureaucratic, usually resulting in low internal policy conflict	Business-led, resulting in potential for high variability of policy commitment

and mission to become 'surrogates' of government, and it was perceived that government would support the chamber anyway (so why should members pay!).

### Public law chambers

The public law system, in contrast, was the outcome of government desires for a policy adviser on local interests. The first public law system evolved in France from early 17th century reforms of the national Council of Commerce. In 1664, this Council was strengthened by Colbert and, in 1700, local councils of commerce were established to give advice to the national council. Governmental municipal powers to regulate trade were passed to these 'chambers'. After the French Revolution, the system was reconstructed by Napoleon as '*Chambres de Commerce*', with similar reforms built into the German administrative structure, refined later by von Stein, as *Handelskammern* and *Handwerkskammern*. Similar Napoleonic influences led to public law chambers in Spain, Italy, Austria-Hungary and most of continental Europe. However, the Nordic countries and the Netherlands have private law

systems, and chambers in the Soviet realm became state agencies.

Public law chambers differ fundamentally from private chambers since 'membership' is compulsory (from specified groups), most have the power to levy local business taxes or other fees (such as port dues), and to undertake various state trading activities. Structures for elections are defined by statute, usually with the tax register providing the electorate. In some systems (such as France) formal 'members' are only those elected to the committee of 12-30, which restricts the extent of genuine participation. Public law chambers are a 'corporatist' structure with interests and resources defined by the state, which guarantees access, revenue and a level of attention, but restricts capacity to act autonomously from the state's demands.

### Contrasts between systems

The differences between these two systems, summarised in Table 1, illustrates their different capacities to contribute to partnerships. Private law chambers such as those in Britain and the US are often

small, uneven in coverage, and depend for government attention on goodwill or the weight of publicity and campaigning. Their public law counterparts have larger size, more uniform coverage, and assured points of entry for business views with government. 'Their intimate relationship with the government is taken as a matter of course ... providing a recognised means [for] discussion' (Herring, 1928, p.689).

As partners, the private chambers are thus less predictable as participants for government, but where they do participate they are closer to market needs and have a stronger scope to diffuse participation to the business community through networks and local clusters. They are classic 'bottom-up' participants with grass roots involvement. The public chambers are better resourced and have privileged status, but their ability to deliver effective involvement is limited because they depend more on the state to activate and may find it difficult to advocate 'difficult' policy solutions.

Despite the differences, the contrasts should not be exaggerated. Most private chambers cannot be ignored by government, and many participate heavily in government partnerships. Similarly, most public chambers have strong business participation despite the constraints. Both systems offer similar support to business start-ups, small firm support, innovation and technology transfer, and export promotion.

### The 1990's and the future

Where does this leave chamber involvement in future regional and local partnerships? Chambers are likely to remain one of the key sources of business inputs to partnerships in all countries. However, since the 1990's, the variability of private chambers has led to various efforts to supplement them. Ireland instituted County Enterprise Boards in 1992 to provide state-led economic bodies, though most draw on local chambers as partners. The Nordic countries have increasingly relied on local government as a leader of local economic partnerships. The US and Canada have drawn heavily on cities and States/Provinces to develop 'growth coalitions', though these usually include local chambers. The UK government instituted Training and Enterprise Councils in the 1990's, then Regional Development Agencies

(RDAs) over the 2000's. Both excluded chambers and sought government-defined targets for local economic strategy largely financed by public expenditure.

These state interventions have had successes and failures. However, all have been costly compared with voluntary systems, and have suffered from encouraging businesses to opt out of involvement because government took over. As a result, in the UK, the RDAs are being abolished over 2010–12, primarily to save money, but also to emphasise voluntary involvement, which it is hoped will be better and cheaper. They are being replaced by Local Enterprise Partnerships at sub-regional level, which are heavily dependent on chambers, as well as local government and others. They rely on local agents to create their own momentum. However, they do offer a direct entrée to government, and can bid for (depleted) government economic development supports, EU funding, etc. The UK is thus one example of using chambers as local partners to lower the costs.

Public law chambers have also experienced substantial reforms since the 1990's. The state systems of the former Soviet realm have mostly been replaced by private law models; this is also true of centralised states in Africa and the Caribbean. Reforms of the chamber laws

in Germany, Italy, Spain, Greece and other EU countries have mostly retained their basic laws, but sought to narrow the breadth of membership compulsion, and reduce the level of state financial supports. The aim has been to encourage stronger voluntary participation by individual businesses, attempting to move closer to the advantages of private law systems. In general, the EU public law chambers have become less bureaucratic, more cost-effective, and more focused; though some have become smaller and less able to partner.

Hence, both chamber systems have been challenged since the 1990's. For the future, in an era of reduced public expenditure, it is likely that the benefits of systems that depend on voluntary finance and commitment will offer increasing attractions to governments. On the one hand, this is likely to lead to a new form of 'hollowing out' of the state, as occurred in the 1980's, which will reduce the public expenditure available for local partnerships. On the other hand, there are already significant limitations evident in the business involvement being sought. The inevitable conflict between these pressures will challenge businesses in both chamber systems, caught between obligations for local involvement and worries about becoming surrogates of governments that are attempting to pass on responsibility for expenditure.

## Endnotes

1. There was one earlier private law chamber, in France at Marseilles; founded in 1599, this is the oldest chamber, but it was an isolated case that became incorporated into the French public law system in 1779.
2. It is important to distinguish State and local chambers in the USA, which are local development partners and, like almost all chambers, are politically non-aligned, from the national US Chamber of Commerce, which is a strongly aligned national political lobby.

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## TOWARDS A COMPARATIVE UNDERSTANDING OF STRATEGIC SPATIAL PLANNING PRACTICES IN EUROPE<sup>1</sup>

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### Introduction

Practices of spatial planning in Europe have borne witness to considerable challenges in recent decades as a consequence of changing policy priorities, heightened expectations and increased socio-economic and demographic disparities (Schmidt,

2009). Recent decades have, however, also witnessed the emergence of new strategic approaches to spatial planning at local, regional, national and transnational scales, which have sought to broaden the scope and enhance the governance capacity of spatial planning in practice. The emergence and institutionalisation of strategic spatial planning and territorial cohesion policy in Europe since the 1990's has led to renewed interest in comparative perspectives on regional and local scale practices of spatial planning in diverse territorial contexts. A significant body of literature has furthermore explored the 'Europeanisation' of spatial

planning policies and practices, through the influence of EU policy initiatives and related territorial cooperation programmes (see Faludi, 2010).

It is acknowledged, however, that the scope for convergence among spatial planning systems in Europe is limited by the existence of deeply embedded differences between countries in terms of administrative, legal and political cultures and structures. Lloyd and Peel (2005, p.313) note that the interpretation and translation of European spatial planning in different contexts has strong 'national' characteristics, reflecting a diversity of traditions, policy trajectories,



# Regions

THE VOICE OF THE MEMBERSHIP

Ten years after *Regional Development Agencies in Europe* (eds. Halkier, Danson and Damborg, 1998), and *Governance, Institutional Change and Regional Development* (eds. Danson, Halkier and Cameron, 2000), this is a good time to review RDAs. This issue's Regional Survey provides an overview by looking at developments across Europe (the article by Danson, Bellini and Halkier). Although there is continuity for most regions and nations, England has gone its own way by abolishing its RDAs (see articles by Bailey and Benneworth). RDAs generally take responsibility for transformative agendas within regions, complementing agendas based on disparities between regions. They play a positive role and there are particularly successful variations in regional innovation agencies and investment promotion agencies (as discussed by Fisher). In dealing with the economic crisis, the well-established need for regional intermediation in policy delivery, and particularly as realized through RDAs, is stressed. RDAs have survived but with new aims, delivery modes, organizational patterns, and governance (see articles by Dąbrowski and Larsen). Therefore there is increased complexity in researching RDAs. Contextual issues, including megatrends like globalization, the emergence of the knowledge economy, digitalization, and the world financial crisis, make it impossible to limit discussion to RDA models and variations alone. RDA futures can only be understood as part of a larger picture, where RDAs have to be viewed mostly as tools that are good or bad depending on their ability to be instrumental to development strategies and political grand designs. This Regional Survey reaffirms the need for RDAs and describes where they are today and how they will develop tomorrow.



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