

Embracing Locality in Local Economic Development

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1. Introduction

Scholarly research in urban and regional economic development has been heading unwittingly toward a postmodern embrace of locality. The literature on global economic restructuring, influenced by regulation theory, has produced a wealth of case studies that exemplify the importance of the local. The public policy literature, having documented the decreasing influence of the nation state, demonstrates the importance of local initiative in economic development. Attention has turned, in particular, to the importance of local civil society, from business coalitions to grassroots organisations. The collective questioning of grand theory and deterministic constructs leaves the research community open for building a new sense of purpose and process. To treat these main themes, this paper draws on scholarship from North America, Latin America and Europe.

2. Global Economic Restructuring and Locality

The global restructuring literature paints the 'big picture' of worldwide trends that shape the fate of local economies (Massey, 1984; Markusen, 1985; Scott and Storper, 1986; Cooke, 1989; Storper and Walker, 1989). It tells the story of the fall of the mass production/mass consumption model of capitalism that had carried the US to world

hegemony in the post-war Pax Americana of the 1950s and 1960s (Bluestone and Harrison, 1982). It describes the intensifying competition among multinational firms beginning in the 1970s that prompted them to search the globe for low-cost labour locations suitable to the different moments of the product cycle (Malecki, 1983; Moulaert and Salinas, 1983; Storper and Walker, 1983). It describes the geography of a new competitive model of flexible, rather than mass, production (Sheard, 1983; Piore and Sabel, 1984; Scott and Storper, 1987; Swyngedouw, 1987; Moulaert *et al.*, 1988). It debates the spatial implications of flexible production for the Third World (e.g. Schoenberger, 1988; Sanderson, 1987; Shaiken and Herzenberg, 1988; Wilson, 1992) and for Third World populations in First World cities (e.g. Sassen, 1991).

Unlike their structuralist and neo-Marxist forebears of the 1970s, contributors to the global restructuring literature have not been content to make general pronouncements about the impacts of the capitalist system. The literature abounds with rich case studies, e.g. Piore and Sabel, 1984; Scott and Storper, 1986; Cooke, 1989; Henderson and Castells, 1987; Smith and Feagin, 1987; and Bergman *et al.*, 1991.

The case studies of the spatial forms of flexible production have been inspired by Alfred Marshall's classical notion of indus-

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trial districts (Marshall, 1879), which puts a strong emphasis on the endogenous development potential of “the community of people and the population of firms in one naturally and historically bounded area” (Beccatini, 1990). The case studies show how innovative industrial milieus are a product of local culture and local resources (Goldstein, 1991).

The empirical studies have focused on two kinds of industrial district: high technology, and crafts. Both tracks found the importance of networking among firms, especially small and medium-sized firms, in explaining the level of economic innovation in the region. The high-tech studies have profiled electronics agglomerations at the R&D end of the product cycle (e.g. Silicon Valley, Route 128 in Boston, Isle de France, Research Triangle in North Carolina, the M4 in London), pointing out the networking process so important to innovation diffusion (Saxenian, 1981; Glasmeier, 1985; Scott, 1988; Storper and Scott, 1989; Hansen, 1990; Bergman *et al.*, 1991). Piore and Sabel (1984) found Italian industrial districts that were aggregations of interacting small and medium-sized firms, able to compete on an international level with large firms. Their work has inspired a number of other craft-oriented industrial district case studies (e.g. Hansen, 1991, and Lundholt, 1987, both on Denmark).

One of the analytical vehicles that allowed neo-Marxists, structuralists and institutionalists to abandon the unidirectional global-to-local determinism and embrace the importance of the local was regulation theory (Aglietta, 1979; Lipietz, 1986). Regulation theory describes the complex and particular relationships between the economic and the social; among production, work and reproduction (consumption); between capitalist and non-capitalist (paid and unpaid, formal and informal) work; and how it is all integrated into the global economy. Thus the city is an “historically specific connection between production and reproduction, socialisation, politics, and ideology...interwoven into the international mode of accumulation and its spatial expression.” (Esser and Hirsch, 1989, pp. 419–420).

The regulationist contribution to the global restructuring literature is to analyse the role of local factors and local agency in the context of the global economy. Many of the studies focus on the locations that are doing well in the changing global economy (Boddy *et al.*, 1986; Lever and Moore, 1986; Doeringer *et al.*, 1987; Scott, 1988; Castells, 1989; Nijkamp, 1990; Camagni, 1991; Daniels, 1991; Fox-Przeworski *et al.*, 1991). Others examine declining localities (in England: Cooke, 1989; Harloe *et al.*, 1990; in North America: Trachte and Ross, 1985; Webber, 1986; and Doeringer *et al.*, 1987).

Eschewing a unidirectional determinism from global to local, the regulationist writing shows sensitivity not only to local economic factors in mediating the global–local relationship, but also to non-economic factors (e.g. Castells, 1989; Cooke, 1989; Esser and Hirsch, 1989; Moulaert *et al.*, 1993). In describing the transition from the mass production model to flexible production, these authors point out the declining importance of wage levels and union strength and the increasing importance of less tangible factors lumped under the rubric of external economies (also called productive milieu). These ‘invisible’ factors include locality specific behavioural, cultural and social characteristics.

In helping to dissolve the dichotomy between global structure and local agency, regulationist research has contributed to a resurgence of qualitative methodologies. Much of this research has required detailed case studies that pull the researcher away from computerised databases and into the field talking with managers and workers, chambers of commerce, public officials and community leaders. While many of the results are carefully structured into comparable data, the researcher gets a hint at the qualitative side of the issues that simply escapes quantitative analysis. That which allows business networking and management innovation to flourish in one place and not another may have more to do

with local attitudes than with corporate policy. More importantly, the researcher begins to understand the situation from the point of view of the manager or the worker, thus avoiding the blanket condemnations of the 1970s about the evil capitalists or the poor exploited workers.

The most useful of the restructuring literature is written by those researchers who have a commitment to, and a relationship with, the practitioners of local economic development, whether public agencies, business coalitions or grassroots groups. Yet these remain the exceptions.¹ On the whole, the restructuring literature begs for a language that communicates to a wider audience than other researchers and for a methodology that extols greater involvement in practice by the researchers—i.e. what the Marxists exhorted us to do decades ago: praxis.

3. Local Development Policy and the Role of the State

The Entrepreneurial City

Research on the role of the state in local economic development has recognised the declining role of the central state over the last 15 years and the increasing importance of local initiatives (Wilson, 1995a). In the US, urban economic development figured briefly on the federal government's agenda in the late 1970s, when political support for large-scale federal anti-poverty spending had already come to a halt. The Carter administration recognised it was time for government to work with the private sector to alleviate urban poverty through job creation. The federal government began to fund local governments to hire economic development planners. It made existing federal revenue-sharing money eligible for local economic development activities. It provided funds to cities for lending to private companies willing to invest in low-income areas (the recapitalised fund would become the city's to continue to lend).

Federal funds for urban economic development were allocated in part on the basis of

need—e.g. poverty and unemployment indicators—and partly on the basis of the local government's ability to leverage private-sector investment. Local governments, with federal government funding, plunged into the business of 'deal making'—gap financing, finding just that amount of private investor subsidy required to make the bottom line interesting to the investor. Federal incentives to promote local strategic planning for economic development resulted only in perfunctory responses seen as a hurdle to get federal funds. Local economic development planning remained little more than individual deal-making, often with outside investors pitting one community against another in a zero-sum game.

In the 1980s the Reagan–Bush administrations tried to redefine the term entrepreneurial government. Rather than deal-making, it meant efficient, downsized and lean. Local government was not to get involved in private investment, but to provide necessary public services as efficiently as possible, hopefully through private contractors. Federal grant and loan programmes for urban economic development were decimated. Local 'deal-making' was decried as inefficient subsidy to the private sector. Industrial revenue bonds, the popular local recruitment tool that provided below-market money to developers at the expense of foregone federal tax revenue, were sharply curtailed as an example of inefficient place competition based on private-sector subsidies.

Despite free-market rhetoric, the defensive posture of communities in the global economy made the zero-sum game of luring outside capital with local subsidies the major economic development game in town (Leitner and Garner, 1993; Judd and Parkinson, 1989; Frieden and Sagalyn, 1989; Smith and Feagin, 1987; Logan and Molotch, 1987). In the 'entrepreneurial city' approach the local growth coalition (Molotch, 1988) works with the local public sector to market the city to increasingly footloose land developers, businesses and consumers.

The 'entrepreneurial city' approach is criticised for its lack of public accountability;

the lack of social goals, such as revitalising low-income areas (Gottdiener, 1987; Smith and Feagin, 1987; Squires, 1989; Cummings, 1988); and the resulting zero-sum competition with other communities seeking the same outside investors (Wilson, 1995a). Moreover, the approach is criticised for the cultural uniformity it produces among cities: convention centres, festival markets and arts centres appealing to the young, professional and affluent (Levine, 1987; Boyer, 1992; Harvey, 1989; Goldsmith and Blakely, 1992). Cities pursue 'image reconstruction' (Paddison, 1993) that plays up historical, ethnic and cultural differences with other cities in a sanitised, marketable way. Kevin Archer's comparison of the quintessential case of Orlando, Florida, with its come-lately neighbour Tampa aptly illustrates the range of acceptable strategies and the troubles possible when the growth coalition attempts to sanitise local ethnic images (Archer, 1995).

Small Business Development

While city marketing represents the most common approach to local economic development in the US, another strategy is the development of local, small and medium-sized businesses. Galvanised in the US by David Birch's (1987) landmark study showing that more new jobs are created by small business than large business, cities across the country began to promote supply-side strategies to foster local enterprise development. With the help of federal funds for small business assistance, local governments provided technical assistance, loans, loan guarantees, interest rate subsidies and public procurement preferences, with some assistance targeted specifically to minority and female-owned businesses. Small business incubators, both high-tech and low-tech, became a popular way for local governments to foster business development through shared facilities, technology transfer assistance, management training and marketing assistance (Smilor and Gill, 1986). In the 1990s,

public programmes to assist micro-enterprises began in the US (Servon, 1995).

Local governments in Europe have taken this local business approach much further than in the US in general. Walter Stohr (1990) documents an explosion of local initiatives in Europe in the 1970s and 1980s to promote local business development and employment. The research on the Third Italy pointed to a catalyst role for municipal and regional government in helping to establish business networks, supplier and buyer linkages and, at times, providing low-cost building space and even publicly assisted housing nearby (Wilson, 1992, p. 123).

4. Civil Society, Community-based Economic Development, and the Informal Sector

The last two decades have witnessed a dramatic rise in civil society's involvement in local economic development, through the community development corporation (CDC) movement in the US and the proliferation of community-oriented NGOs (non-governmental organisations) in Latin America (Wilson, 1995a; Fisher, 1993; Korten, 1987; Peirce and Steinbach, 1987).

In Europe, the movement is more recent and largely a consequence of the availability of public moneys, especially from the European Community, for geographically targeted anti-poverty and community development programmes. Thus social service provision, rather than economic development, is more often the expressed objective (Chanan, 1992). Employment is often addressed under its effects—health, housing, homelessness and job training (Harloe *et al.*, 1990). McArthur (1993) posits that community-based economic development efforts in Britain—i.e. attempts to generate jobs and provide services by community-owned and controlled organisations—are limited by the lack of professionalism and access to foundation funding available in the US and Canada (see Johnstone, 1988, p. 854).

NGO involvement in local economic development in the US spans three decades.

In response to inner-city unrest and dissatisfaction with urban renewal and the federal War on Poverty, the democratic administration under Kennedy began to fund community-based NGOs called community development corporations (CDCs). Even as federal funding declined, their numbers grew from about 100 in 1970 to about 1000 by 1980, and 3000 to 5000 by the end of the 1980s (Wilson, 1995a). The grassroots CDCs moved from direct implementation of housing projects, community businesses and social services using grant money, to catalysing local development through technical assistance and loans. The CDCs, in turn, are now served by a sophisticated national network of NGO technical assistance providers and third-sector financial institutions, such as development banks (Wilson, 1995a; Peirce and Steinbach, 1987). Today there is a debate whether the CDCs themselves have lost contact with the ultimate source of their strength, the community, because of their growing sophistication (Gonzales, 1993; Cincotta, 1993).

The grassroots NGO movement in Latin America took off in the 1970s, when the region was covered by military governments that allowed no political expression through parties. International donor money, side-stepping the authoritarian governments, gave generously to the NGOs. They continued to give generously in the 1980s, as Latin American governments offered very little in the way of social programmes to address the inequities of neo-liberal development. Since the 1970s, over 10 000 NGOs have been established in Latin America (Fisher, 1993; Breslin, 1991).

While many of the urban NGOs started out supporting local self-help efforts to meet specific community needs, a second generation of NGOs has taken on developmental aims. Drawing on the strength of the growing informal sector, they are helping grassroots organisations to develop income-generating activities—e.g. micro-enterprises, producer cooperatives, credit unions and lending circles (Korten, 1987). Many NGOs have taken on ecological and gender concerns, as well,

seeing them as an integral part of their development concerns (Fisher, 1993).

A third generation of local NGOs in Latin America is integrating specific local interests into broader strategies, networks, consortia and institution-building. Local networking among micro-enterprises to achieve economies of scale is complemented by international networking involving global electronic communication, fundraising and political support. These third-generation NGOs are using their strength to challenge governmental policies, expand civil society and ultimately work with government to address the needs of the poor. In the 1990s international donors have begun to require that NGOs become more accountable, efficient, strategic and entrepreneurial. Without losing their idealism, grassroots NGOs in Latin America are showing a pragmatic awareness of the need for cost-recovery to sustain them economically (Downs *et al.*, 1989).

5. Emerging Issues

Endogenous Development

The broad change in the local economic development literature over the last two decades points clearly to a shift away from a functionalist perspective of place as the passive location of economic activities according to the grand logic of global capitalism and exogenous business decisions. Instead, the literature is pointing to an endogenous approach, one that emphasises the unique factors of the spatial milieu in which the activity occurs, while at the same time recognising the embeddedness in the larger structures.

Ironically, the shift has realised what a number of 'outcasts' had advocated in the late 1970s: a territorial approach (Friedmann and Weaver, 1979; Stohr and Taylor, 1981; see also Tinbergen, 1976; Nerfin, 1977; and Sachs, 1982). Their calls for endogenous regional development were dismissed by many as either utopian or in disregard of class relations. Now with the detailed case studies of innovative milieus and local initiatives, it

becomes clear that development is subject to favourable external factors but is not the necessary outcome of external factors (Garofoli, 1990, p. 87).

The policy implications of this shift are notable. From regional and national planning of growth poles, emphasis on factor costs and transport costs, recruitment of outside firms and investors, and trust in automatic trickle-down mechanisms, comes a more finely tuned attention to territory as the clustering of social relations (Garofoli, 1990, p. 89), the place where endogenous and exogenous forces and characteristics meet (see Moulaert *et al.*, 1993, on integrated area development). Thus what the functionalist literature lumped under external economies, such as propitious local culture and social psychological factors, becomes the object of focus under the territorial approach. The new literature, however, does not accept the 'closed economy' prescription of the old territorial literature, instead recognising the necessary interplay with global forces and the increasingly open nature of the local economy.

On the other hand, the new literature misses one of the subtle contributions that old territorial literature was trying to make—a contribution that is perhaps more timely now: Stohr said that endogenous development must include non-economic values. In fact, he stated, it must involve the evolution of human values—a behavioural and socio-psychological change from *homo economicus* to *homo sociales*.

John Friedmann (1988) reflects the same idea when he calls for a transcendence of the division between life space and economic space. See also the French regional scientists and social geographers such as J. C. Perrin (1983) on ecosystems, micro regional development and endogenous economic development; A. Piatier (1979) on *l'espace vecu*; and J. L. Guigou (1983) on micro-regions and intercommunal cooperation, reviewed in Evangelinides and Arachovitou (1990, p. 65). These authors integrate anthropological and linguistic analysis into their prescriptions for overcoming the duality between life

space and economic space. Territorial development should be first a strategy towards the satisfaction of basic needs, using purposeful community action based on decentralised participatory decision-making, small and medium-sized projects, labour-intensive modes of production, appropriate technology and self-management, and the development of local small-scale enterprises aimed at providing basic (or social) needs (Evangelinides and Arachovitou, 1990, p. 64). The third sector—i.e. organised civil society, neither public nor private—is to be the lead actor.

Some observers claim this endogenous approach was tried out in Europe in the late 1970s and 1980s by socialist local and regional governments in Europe and by OECD and EEC programmes for local development in a "burst of new institutions and organisational structures belonging to what in the economic literature is called the 'third sector' or the 'social sector'" (Evangelinides and Arachovitou, 1990, p. 66). This progressive social contract approach to corporatist planning (planning agreements, local development agencies and enterprises, even municipal enterprises under the umbrella of the local state) diverged, however, in one important aspect from the endogenous approach being advocated by the 'bottom-up' territorial literature: instead of civil society playing the lead role, the (local) state was the initiator of the action, the convenor of the participation, and largely the funder of the activities (often with national government assistance).

Other observers put the endogenous paradigm in the context of newer postmodern analysis—a kind of progressive postmodernism. Evangelinides and Arachovitou (1990, p. 69) point out that a post-industrial approach to endogenous development would be based on less government, more (social) entrepreneurialism, and more informal matrix or network organisations. Catalysing the endogenous development would be a loose multi-class network of heterogeneous social groups.

The Rainbow Coalition and the Middle Class

One of the emerging postmodern themes that requires investigation and reflection is “a new type of social movement (that) has its essential social basis in the urban ‘tertiarized’ middle classes, who are themselves subject to strong restructuring processes and have, in part, formed ‘alternative’ milieus” (Esser and Hirsch, 1989). In fact, as Neil Smelser, vice president of the International Sociology Association, points out in his introduction to the programme for the XIII World Congress of Sociology held in Bielefeld, Germany, in July 1994, there is a flourishing of new solidarity groupings with multiple bases—regional, linguistic, religious, ethnic, gender and lifestyle. Sometimes referred to as the rainbow coalition, this “bewildering array of novel social movements” pressures the state from above and below (Smelser, 1994), while at the same time evidencing an increasing distance, apathy and alienation towards the established political process.

The Informal Sector

Another emerging theme brought out at the 1994 World Congress of Sociology is industry’s declining capacity to steadily incorporate broad social groups. As formal economic and political structures absorb less and less of the population (even in Europe, especially Mediterranean cities—see Leontidou, 1989, p. 954), the new research trend in local economic development will be to look at informal structures. In Europe the clarion call for informal sector or ‘ownwork’ comes from the research network established around The Other Economic Summit (TOES), e.g. Robertson (1985). Others include Berry (1993); Henderson (1981); and followers of Schumacher (1973) and Gandhi (Diwan and Lutz, 1985).

Much of the research on the informal sector, especially that in the global restructuring literature, does a good job linking the global with the local, the formal with the informal, and the economic with the social (Sassen,

1991; Lawson and Klak, 1990). But it often emphasises the exploitative aspects of the informal sector (Sassen, 1991), with the implicit policy implication that somehow the state should make the formal sector absorb these people in better conditions.

Two quite different components to the informal sector must be distinguished. First, there is the sector of low-paid jobs through contracting out by formal sector firms. These jobs are part of a defensive strategy by Fordist/pre-Fordist firms who cannot modernise. They are informal in advanced countries only because the low wages are illegal. They would be legal and formal in Third World countries. Secondly, the informal sector includes vital community-based initiatives to produce and reproduce (consume) in non-modern ways—from individual reciprocity, to mutual self-help, to community-based (grassroots) economic development.

Might this latter segment of the informal sector be the germ of a postmodern organisation of production and consumption? It transcends Fordist categories and divisions such as the following:

- life space vs economic space;
- work vs leisure;
- production vs consumption;
- employment vs unemployment; and
- humans vs nature.

The community-based segment of the informal sector replaces (at least partially) reliance on the state and the global economy with community self-reliance. It envisions the individual not as a consumer or a worker, etc., but as a whole human being embedded in many networks.

The Latin American experience is particularly useful for indicating the potential role of the informal sector, which is still incipient in North America and Europe. It exemplifies many of the values and approaches that will be required in local economic development in developed countries, as the formal sector becomes increasingly incapable of fully absorbing the labour force. The informal sector can be characterised as a self-organising system that cannot be managed or controlled

hierarchically. It does not separate economic space from social space and natural space (or economic from social and ecological values).

Friedmann makes an eloquent plea for the timeliness and instructiveness of observing and supporting the informal sector as a harbinger of new modes of economic and social organisation (Friedmann, 1992). In the hundreds of low-income *barrios* across Latin America, residents are building a new polis based on convivial social networks, self-reliance, cooperation and self-governance. Matthew Edel cites the “great strength and resilience in local communities and networks within the informal sectors” as “a fundamental source of energy and drive for transformation...” (Edel, 1992, p. 77).

The paradigm of socially aware government planning has reached its limits, laments Jorge Hardoy: “Governments have had little impact on urban problems. Neither politicians nor technocrats have found ways to overcome...the growing poverty and squatter settlements. Urban planning has proved fruitless...” (Morse and Hardoy, 1992, p. xvi). Richard Morse, however, captures the essence of the new paradigm:

From the viewpoint of managerial cadres, cities are ‘out of control’.... If this be so, the future lies not primarily with the managers but with the people themselves. Their intentions, voices, and traditional or spontaneous forms of association and endeavour must be heeded. The urban design must arise from them and not from ministries, agencies, and universities nor from consecrated urban ideals of the bourgeois, industrial West (Morse, 1992, p. x).

Of course the informal sector harbours poverty, hardship and exploitation. But the ‘social energy’, innovation and dynamism present in the disenfranchised informal sector may be the most positive social force for change at the moment. The same social energy that drives the community-based initiatives among low-income populations in Latin America motivates the self-help economic development efforts among the growing ranks of the disenfranchised in North Amer-

ica and Europe—including not just ethnic and racial minorities and the poor, but also the middle class that has lost its place in the formal sector, and even entire localities that have been disenfranchised from the global economy.

Postmodern Analysis

The perennial postmodernist since before the term was even coined, Jane Jacobs (1993) makes a case that qualitative methodologies such as ethnography have come back into the limelight in the postmodern era, since cultural factors are now accepted as important for understanding cities and their economic development. Studies of the particular are beginning to be seen as engaging with and extending theory. Good examples are found in recent studies of women workers in the *maquiladoras*, assembly plants along the US–Mexican border (Carrillo, 1992; Heyman, 1991; Kopinak, 1993; Sanchez, 1990; Shaiken, 1990; Staudt, 1986; Ruiz and Tiano, 1987; Young, 1986).

The urban cultural studies tradition has melded ethnography to literary theory and semiotics. Discourse, the built environment and representations of the environment are seen not only as socially produced, but as a means of communication with encoded messages (of power, usually) that need deconstructing. Feminist theory is helping to deconstruct the ‘gendered subject’ and to break down the barriers between the researcher and the researched (see, for example, Andrew and Milroy, 1988, cited in Jacobs, bringing to the fore the role of personal experience in field research).

There is an occasional attempt to go beyond the external appearances of language, discourse and representation to “an inner world of meaning and experience” (Jackson, 1989, p. 177, cited in Jacobs, 1993, p. 840) where we can actually put our feet in the other’s shoes and separate from our own middle-class constructions of social reality (see Thrift, 1991, pp. 144–148). As Gary Bridge (1993, pp. 1–2) expresses in studying gentrification behaviour, “individual experi-

ence cannot be read from social or spatial change (or discourse analysis, I would add) but...the nature of an individual's perceptions and behaviour is necessary for a complete understanding of social change." But too frequently discourse analysis stops just short of analysing the internal (psychological, spiritual) side of consciousness and transformation and only begins to point a finger back at the researcher.

Semiotics is evident in the US local economic development literature. Rejecting the proverbial belief that 'sticks and stones (material relations of production) can break my bones, but words can never hurt me,' Pratt (1991, cited in Bovaird, 1993) posits that power relations are embedded in language, so that "social conflict over what and whose discourse becomes accepted has significant material effects" (Bovaird, 1993, p. 653). In an insightful case study of women's resistance to gendered space in New Orleans, Alma Young and Jyaphia Christos-Rodgers (1995) describe how the women disempowered themselves by accepting the dominant discourse, and how they were able eventually to change their material conditions through redefining themselves in terms different from those set by the authorities.

Another example is Kevin Archer (1995), whose case study of Tampa shows the resistance encountered when the growth coalition attempted to redefine ethnic history in a way palatable for marketing to middle-class tourists. As Esser and Hirsch point out, urban cultural policy is becoming an important instrument of economic development policy in the race between locations: "planned urbanity is becoming an economic strategy" (Esser and Hirsch, 1989, p. 417).

Latin America is the paragon for semiotics practice in local economic development, since analysis of discourse has been carried into action over the last 25 years by one of Foucault's students, Paolo Freire, and now is actively used by countless NGOs doing action research and critical consciousness raising with grassroots groups, both urban and rural (see Wilson, 1995b).

Methodology

At an international symposium on local economic development in Lille, France, in March 1994,² a consensus seemed to emerge among economic development scholars that deterministic economic analysis from global to local is out. Centralised theory-building, grand theory and unidirectional determinist theory must give way to more situational explanations (Cooke, 1990). Rationalistic approaches to policy in terms of agents, targets and instruments (social engineering) are out. A positivist atomistic quantitative methodology is inadequate to model human agency. Economic values and motivations are only part of the story. The interdynamics of social agency are as given; we must think in terms of social innovation as well as technical innovation (Moulaert *et al.*, 1993); we must understand behaviour, discourse and self-oppression. As Moulaert and Leontidou (1995) conclude, we need a permanent methodological self-questioning, open to untried possibilities and distinct situational realities, with different interpretations and different ways of knowing.

Postmodern methodology may open our minds (and hearts) to new possibilities. But ultimately we need a methodology that values non-rational knowledge and non-linear thinking. It would allow us, the 'scientific observers', to redefine our roles and transcend the separation between observer and observed.

6. New Directions

The postmodern transition may provide a quiet space for non-judgmentally appreciating differences and connectedness and for recognising that the distinction between observer and observed is ambiguous. But it will still take some transformation before we are able to offer our efforts in service of something larger. By listening to the rainbow communities—i.e. the panoply of new social movements—we will add human development and ecological harmony as necessary values in local development. It will not be

long before we see the interconnectedness of biological, psychological and environmental phenomena along with the social and economic.

The beginning of the change from the mechanistic and deterministic to the holistic and interconnected is definitely apparent in the local economic development literature. With the new acceptance of locality studies, the literature is embracing the qualitative and the subjective, bringing us closer to setting aside the dominant cultural beliefs in technology, growth and competition/conflict. Perhaps we will be able to play a role in the shift of values to the simple, beautiful and harmonious in the context of community.

Notes

1. Frank Moulaert's work funded by and for the European Community (DDG V Poverty III) shows a direct relevance to public policy as he explicates a strategy for 'integrated area development' (Moulaert *et al.*, 1993). On a more local scale is the example of Doeringer *et al.*, 1987, in Massachusetts, whose work fed directly into implementation by a local public/private coalition.
2. Cities, Enterprises and Society at the Eve of the XXI Century, Lille, France, March 1994, sponsored by PIRS-Ville/IFRESI, under the academic direction of Frank Moulaert.

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