

Conference: Economies of Regions: Economic Development at the Sub-National Level

Johannesburg, 15 to 16 October 2015

Working Title **Re-conceptualising Regional Economic Development in the SA context:
A Critique of Competitive Theories and Policies¹.**

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Status **Working Draft: Updated 12 October 2015**

¹ This paper is based on the authors PhD thesis, UCT, 2012. The National Research Foundation provided financial support through its Urban Renewal research project. This is a working draft that should not be cited.

Introduction

Regional development strategies have re-emerged in South Africa over the last decade or so, more as an effort to implement national development programmes, than a strategic response to economic development challenges facing specific regions and their associated economies. Top-down national development initiatives have taken the form of 'spatial targeting' such as spatial development initiatives (SDIs); industrial development zones (IDZs) and special economic zones (SEZs) (Todes, 2013). Given that South Africa's macro-economic policy is fundamentally neo-liberal, it's no revelation that the economic development policies are predisposed to market-orientated approaches (Hart, G, 2008). These have generally been derived from the global north and informed mainly by competitiveness theories such as comparative and collaborative advantage; agglomeration economics, economic clusters; place as a commodity, land value capture; labour market mismatch; entrepreneurship, etc. However, it is evident that pursuance of these economic development policies and practices in South Africa have not resulted in sustained increase in economic growth and even less so, economic development. This is apparent by the high levels of inequality and unemployment, the labour market mismatch, widespread poverty and informality, in effect economic exclusion, more so for the majority of inhabitants of non-metro regions. It is argued that public sector authorities have followed sub-national economic development policies and strategies without critical consideration of their underlying theoretical assumptions; how these conceptually relate to each other; the degree of internal contradictions, the relevance of geographic scale (i.e. local, metropolitan or regional) and more so the economic contextual realities of the majority of inhabitants within various regions in South Africa. The presumption is that these inherent contradictions are significant contributors to the lack of relevance and effectiveness of these economic policies and strategies.

This paper explores re-conceptualising of regional economic development in the South African context through a critique of competitive theories and policies. It aims to initiate a dialogue on the components of a conceptual framework that could assist with formulating more appropriate, contextual relevant, robust and inclusive economic development theories and practices. The notion of region is contested and varied in the literature and includes homogeneous regions, programming regions and functional regions². Farming and associated agricultural produce displays homogenous characteristics while district and large municipal areas operate in terms of programming regions. Economic development policies and strategies based on competitiveness

² The homogeneous region also called formal or uniform region have sub-areas share the some phenomenon or phenomena under review (e.g. unemployment, industrial output or any other indicator of regional performance) (Johnson 1991). Gore (1984), defines programming regions as those whose sub-areas fall under the jurisdiction of a planning or administrative authority. Functional region is defined by interactions and flows between a centre (e.g. a city) and the surrounding area (towns, villages, etc.) with which it is symbiotically linked (e.g. catchment areas or spheres of influence of cities).

theories are most appropriately considered as functional city-regions given its multi-dimensional features different and overlapping boundaries.

The research methodology draws on the author's PhD thesis grounded within Foucauldian post-structuralism and post-development meta-theories. It involves *firstly*, uncovering the assumptions of the economic development theories being advocated and a critical analysis of these theories within the specific context of South Africa. *Secondly*, a conceptual framework involving the interconnected elements of the state, society, capital and space is advocated. These elements are inextricably connected to each other and sets up power contestations embedded in praxis and policy. *Thirdly*, the formulation of alternative theoretical propositions as a means to extend existing economic development theories. It is argued that such a framework provides a platform to engage with diverse societies with complex economic histories such as South Africa. An essential point of departure of this approach is that the primary policy mandate of the state is to stimulate growth and development that is *inclusive* of the majority of its citizens.

Critique of Regional Economic Development Strategies and Associated Assumptions

Michael Porter's (1998) seminal work on competitive advantage of nations and clusters theories as well as Paul Krugman's (1996) perspectives had a profound impact on economic development theory and practice fostered in South Africa. These market-focused theories have their origin in the 1980s in the US and the UK, with the onset of neoliberalism and its impact on economic development and policies. Pursuance of competitiveness theories in South Africa has however occurred without significant consideration of a number of underlying assumptions. Four assumptions are explored in this paper. The *first* assumption reasons that economic development policies and strategies respond to South Africa's actual development challenges and the context specific problems faced by local regions; the *second* assumption is that economic growth and economic development are synonymous; the *third* assumption argues that the promotion of market orientated policies such as fostering a culture of competitiveness, attracting inward investment and entrepreneurship, will automatically result in economic growth and development; and the *fourth* assumption contends that the pre-conditions associated with competitive theory are universal and can therefore be applied irrespective of context. The following critique is structured around four these four sets of assumptions that underpin this unquestionable pursuance of competitive and comparative place theories.

The first assumption reasons that economic development policies and strategies respond to South Africa's actual development challenges and the context specific problems faced by local regions.

From the onset it's important to recognise that although regions in South Africa share common challenges, given the particular historic, economic, environmental, cultural,

political, legal and institutional circumstance, they also face problems that vary significantly across the country and are regional specific. Regional economies in South Africa display heavy reliance on primary activities and limited sector diversity, processing and value addition. The education levels of the majority of workers are low, resulting in skills deficits. Levels of unemployment are persistently high; job creation is low with increasing number of people dependent on micro, informal and survival economic activities. Poverty and social deprivation are widespread, with significant amount of households living below the poverty line in particular in rural areas and urban townships and there is an overreliance on social welfare grants. The majority of residents live in economically marginalised parts of regions and are plagued by crime, drug abuse and other social challenges.

Apartheid patterns of land use, shack settlements, urban sprawl and associated unsustainable settlement developments have continued and are being entrenchment further. Development threats to natural environmental resources have increased, in particular water and soil contamination and erosion through mining and farming practices, climate change, natural disasters and loss of biodiversity. This is accompanied by rural-urban migration, with negative consequences for smaller towns and rural hinterlands. This impacts on the productive and livelihood capacity of communities and regions. Serious bottlenecks exist in terms of aging and new infrastructure required to support and sustain economic growth, including water, waste disposal, transport, education and health facilities. Regulatory and administrative efficiencies are evident through bureaucratic delays, inefficiencies, excessive red tape and management deficiencies. Investment patterns are racially based and skewed beyond the market rationale and large areas within regions are perceived as high risk and low returns by investors, with no connection and association with businesses in economically marginalised areas. Formal premises that do exist for businesses within most economically marginalised areas are generally few, have high levels of occupancy, command relatively high per square meter rentals and are spatially isolated from regional patterns of production and distribution infrastructure. Consequently emerging businesses have challenges not only securing funding to start a businesses, but also to secure suitable manufacturing, office, retail and other related premises.

Other challenges include ineffective leadership in both the private and public sectors, rooted in historic discriminatory practices, inequitable access to power and resources, providing an obstacle for long-term cooperative leadership and management partnership to emerge. The broad-based black economic empowerment programme has failed, evident by continued skewed land and business ownership and monopoly control of the formal economy. South Africa is one of the most unequal societies in the world (Bhorat and v. d. Westhuizen, 2009; Piketty, 2014). This is evident when comparing the return on investment and income earned by firm owners and managers, with the

salaries of workers, resulting in social instability and demands for higher salaries that are not necessary concomitant with increased levels of production. These challenges cannot be ignored as they have the potential to respond destructively to areas of capital investment and significantly decrease the ability of regions to be competitive nationally and globally. There is a tendency to advocate competitive theories and associated policies independent from these broader development challenges. This approach coupled with the inability of pursuing home-grown and context specific economic development policies and strategies, have impacted negatively on the capacity³ of regions to pursue more inclusive and sustainable growth and development paths within an ever changing global economy.

The second assumption is that economic growth and economic development are synonymous.

Blakely and Leigh (2010) observes that, while economic growth had traditionally been defined as increased total output or income; economic development is more broadly described as the sustainable increase in the overall standard of living for individuals within a community. While economic growth is one-dimensional, economic development is multi-dimensional. Malizia and Feser (1999) contrasted growth, which increased output by mobilising more resources and utilising them more productively, with development, which changed the output mix by devoting local resources to doing different kinds of work. Although growth might proceed with development in the short term, growth could retard development or development could lead to a decline in growth. Development could occur in one location by draining resources from another.

Greenwood and Holt (2010) argued that issues of growth, quality of life and sustainability had to be tackled jointly and that these required thinking and acting locally, as well as globally. Their position was that, firstly, the trickle-down model was not accurate, as extraordinary growth over the past century 'has left enormous gaps in education, infrastructure, health care and environmental protection' (2010:9). Second, all capital stocks should be valued for their contribution to quality of life and sustainability of development in addition to measuring their contribution to economic output and income. Thirdly, although market forces should be relied upon to achieve a socially desired outcome and avoid unnecessary bureaucracy and concentration of power, some forms of capital required more public investment than others. For Greenwood and Holt (2010), bringing new firms and investment to a town, increasing total output and raising the price of land were often labelled 'economic development', although this did not guarantee economic development. Increasing knowledge and its practical application, and reinvestment in community productivity, however, was economically more sustainable (Greenwood and Holt, 2010:26). They also challenged the conventional wisdom that flexible labour markets,

³ Of critical importance is to recognise that economies cannot be viewed in isolation from our natural and human resources, physical infrastructure, political landscape and institutional capacity.

low regulation, low taxes, weak unions, low workers' compensation and low unemployment insurance rates were good for businesses. Although these conditions might appeal to many business managers, low bargaining power of workers often meant low wages, benefits and job security in the community. Low salaries implied that the multiplier effect on money spent locally was significantly reduced and resulted in less tax revenue per worker to pay for public services (cited in Madell, 2012).

The third assumption argues that the promotion of market orientated policies such as fostering a culture of competitiveness, attracting inward investment and entrepreneurship will automatically result in economic growth and development.

The pursuance of inward investment and the unquestioned belief in competitiveness and entrepreneurship emerged in the UK and the USA during the 1960s and 1970s. The focus was on attracting mobile manufacturing, and public resources deployed included the provision of 'hard' infrastructure such as land and utility services and the reduction or removal of red tape. By mid 1970s', with the rising global competition and a stagnant world economy, there was a realisation that 'smokestack chasing of footloose industry' was not producing the promised jobs and creating wealth (Blakely and Green 2010). The collapse of the Soviet Communism (1985-1991), successive Reagan and Thatcher administrations and the economic expansion of the global economy during the 1980s, epitomised the 'power of the market economies' to generate growth and create jobs. However in spite of this phenomenal increase in jobs, significant spatial miss-match continued to exist between where the job growth was occurring and where people were located, with rural areas and inner city areas in particular lagging. The focus of public assistance then shifted from direct firm assistance to improving the business environments, and the use of public resources to attract capital. Emphasis was placed on the notion of 'entrepreneurship', and together with the need for more competition, this was viewed as the means to overcome the jobless and stagnant economic growth. No significant evidence exist that state targeting of inward investment can be attributed to generating significant economic growth and job creation within a region. In many cases the investment would have occurred in the absence of public intervention. Although this achieved some success in targeted localities, it also resulted in the net loss of investment of others. For example, benefits in terms of taxation are generally accrued to head quarters located in capital cities, while skilled labour are attracted from outside the region.

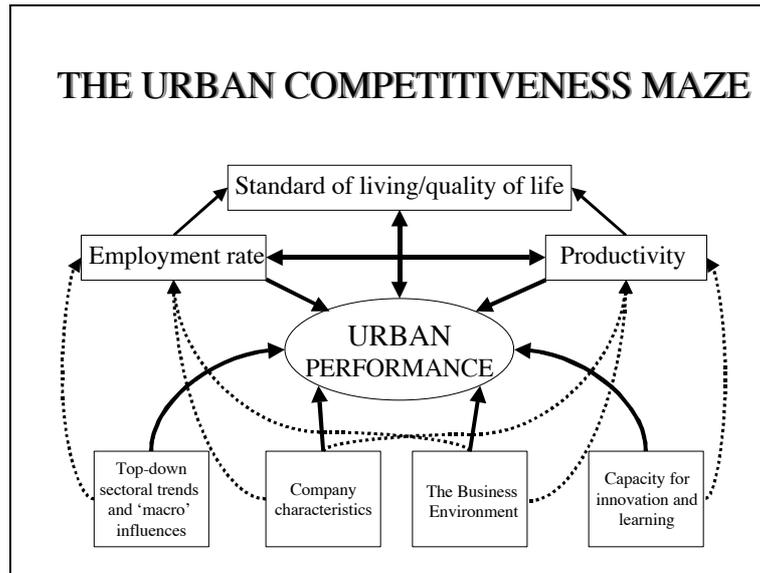
In South Africa, National Treasury, the National Department of Co-operative Governance and Traditional Affairs, the DTI, DBSA, the Small Enterprise Development Agency (SEDA), locally based small business support centres and others have advocate these 'market fundamentals' as a means to stimulate investment, economic growth and create business opportunities (RSA, 2005; RSA, 2006a; RSA, 2006b; RSA, 2010). These state funded entities are mandated to promote entrepreneurship and business development, targeting industries and small businesses. The underlying assumption that most individuals have the

potential and willingness to become entrepreneurs, are keen to start a business and to formalise this at some point. However, most 'entrepreneurs' start a business as a last resort after being retrenched and depleting efforts to find a formal job. The rationale for starting and operating a business therefore did not necessarily relate to entrepreneurship, innovation and competitiveness, but rather to desperation. The related assumption that most business owners are keen to formalise their activities are also not correct. The associated requirements such as tax registration and licensing; compliance with labour laws and land use zoning are regarded as 'punitive' and onerous. These are basic legal requirements for small businesses tendering to supply services and products to the public sector (Madell, 2012). What therefore must be questioned whether economic growth strategies such as attracting inward investment, entrepreneurship and competitiveness, regarded as the 'norm' for economies in the global north are incontestable', can be automatically transferrable to regional economies in developing countries (Madell, 2012).

The fourth assumption contends that the pre-conditions associated with competitive theory are universal and can therefore be applied irrespective of context.

Many of the assets of city-regions are products of co-operation between the public and private sectors, sometimes with third sector involvement. Theories relating to competitiveness are complex and multi-dimensional. Porter (1998) argued that places that are successful economically have concentrations of specialized knowledge, support institutions, rival firms, related enterprises and sophisticated customers. Proximity leads to special access, closer relationships, better information and powerful incentives to innovate. Competitiveness is at the heart of Michael Porter's theory; its key determinants for sustainability include investments, firm structure and the ability to continuously innovate. Porter's Diamond and his theory on economic clusters add further complexity to understanding competitiveness. Another related theories include agglomeration economics and value chain analysis. Ian Begg (1999) notes that the capacity of a city to compete is shaped by the interplay between its attributes as locations and the strengths and weaknesses of the firms and other economic agents (See Fig. 1).

Fig 1. The Urban Competitiveness Maze



Source: Begg, I, 1999.

Competitive place theory is linked to the notion of place as a commodity that can be improved and traded and based on the premise that it's possible to attract mobile investment to specific localities. Comparative advantage refers to a country, region or firm's access to specific assets and attributes within a specific locality and is sometimes referred to as 'static advantage'. Competitive advantages can be 'created' by combining different resources through the application of skill and knowledge and is also referred to as 'dynamic advantage'. Competitive advantage refers to the ability of one business entity to engage in production at a lower cost, and with greater efficiency and delivering better quality products, than another entity. The concept of competitiveness has become a part of the language of policy-makers in the South African context, albeit in a one-dimensional manner. In some cases this has been interpreted as enticing high value, high-tech parks and special economic zones where the potential to become globally competitive. However, the potential of these areas becoming globally competitive is unrealistic. It's also a complex matter in that it may be more desirable to attract labour intensive industries that are closer to extraction and perhaps not regarded as 'clean' and therefore in conflict with objectives to achieve high quality environments. It may involve public incentives to attract investors in the form of land and reduced taxes and service fees, and thereby result in redirecting resources from other more critical housing and social facilities. These examples illustrate the danger of simplistic interpretations of elements of competitive theories and implore policy makers to ask: What are the opportunity costs? Could better results be achieved if initiatives aimed at generating sustainable jobs were targeted directly? What would have been the returns of such investment in education or skill training schemes?

These brief perspectives on competitive theories illustrate the complexity, intricacies and contested nature of this discourse. Policy makers in South Africa have not engaged with this level of theory and debate, nor has extensive firm and economic sector studies been undertaken to provide the much needed data and evidence to advance our understanding of the firms and regional economies. Therefore, the current application of competitiveness theories in the regional and local context is superficial and precarious, as the underlying theoretical understanding and more so the relevance within a developing economy context is not understood. Watson (2003) observes that 'it is critical that planning return to the concrete, the empirical and to case research'. This is as applicable for urban planning as for economic development. The assumption that theories and the associated policies and strategies are universal and can therefore be applied irrespective of context must therefore be rejected.

These four assumptions are by no means exhaustive, however, the critique reveals that the assumption that economic development policies and strategies being pursued respond to context specific economic development challenges prevalent within regions within South Africa; that economic growth and economic development are synonymous; that the promotion of market orientated policies such as attracting inward investment and fostering a culture of competitiveness and entrepreneurship will automatically result in economic growth and development; and that the pre-conditions associated with competitiveness theories are universal and can therefore be applied irrespective of context; are false and at best highly problematic.

Extension to Economic Development Theory

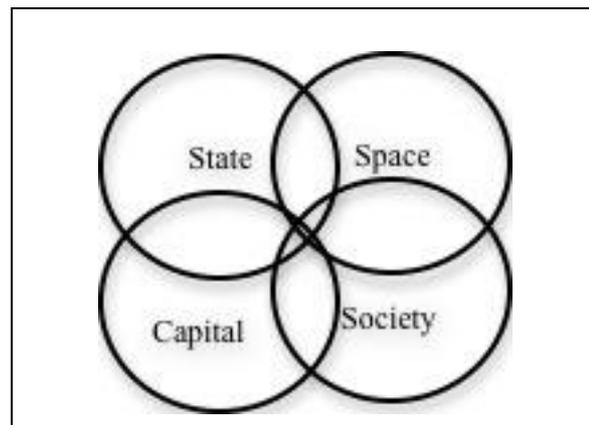
It is evident that pursuance of past and current public sector economic development policies and practices in South Africa has not necessarily resulted in an increase in economic growth and even less so, economic development. It is apparent that South African realities contrast sharply with northern generated theories and hence, that extensive empirical work is needed in order to construct more context specific, appropriate and critical theory and policy language. This does not necessarily imply new theory, but rather a reconceptualization and extension to existing theories. Prevailing networks and connections between existing discourses within the fields of economic, social and environmental need to be determined and expansions to existing theories need to be constructed in order to develop a deeper understanding. The focus of such an approach should aim to comprehend the economic, business, social, environmental and spatial context of particular regions as well as the relationships, complexities and nature of political, interactions and networks amongst firms and interest groups at all levels. It must be responsive to the complexities of regions, cities and their associated hinterlands; the potentials of their natural resource base, urban and rural economies. Such an extension to theory should aim to contribute towards broader economic development debates and conversations, it should respond to assumptions and

contradictions, explore ways of engaging these realities and respond to geographic, income and social inequality and differentiation. It must engage with this interplay to make sense in a southern context.

Conceptualising the State, Capital, Society and Space

An appropriate conceptual framework for economic development needs to capture the complexities and dynamics of economic, social and environmental forces present in city-regions. The paper will critically consider the application of a conceptual development framework developed as part of the authors PhD's thesis⁴, involving the interlocking elements of capital, the state, space and society (See Figure 2). These elements are inextricably connected to each other and sets up power contestations embedded in praxis and policy. It is argued that such a conceptual framework can provide a means to critique underlying assumptions of regional economic development policies and strategies and assist with the formulation and application of approaches that are more relevant, robust and inclusive and responsive to the South African context.

Figure 2 Economic Development Conceptual Elements



Source: Madell, 2012

Conceptualising the Role of the State and its Relationship with Society, Capital and Space
 The state through economic development theories, aims to influence the form and spatial location of economic activity, capital investments as well as the rate and type of business formation through providing incentives such as grants, rebates, loans, concessions and regulatory measures (Blair & Carrol, 2009; Blakely & Leigh, 2010; Bridge et al., 2003; Hague et al., 2011; Storey, 1994). Michel Foucault's discourse of governmentality recognises that there are multiple and conflicting agencies involved in the notion of the state (Mills, 2003). Dean's (1999) work on governmentality recognising that the state has complex dimensions, and this therefore enables multiple forms of engagements. The state is

⁴ [Local economic development, business stimulation and poverty reduction in poor urban areas: The disjuncture between state policies and household survival strategies in the case of Heideveld, Cape Town, 2012.](#)

therefore not a monolith; it consists of levels and spheres of government, of different departments, is subject to social, cultural, historical, political and local influences, and operates in a myriad of ways. This complexity of the state creates the opportunity for communities and associated regions to respond to it in diverse, context informed ways.

Li (2007) observes the tendency of state to render government as technical and simultaneously non-political, that '...the identification of a problem is intimately linked to the availability of a solution' and that '...experts tasked with improvement exclude the structure of political-economic relations from their diagnoses and prescriptions'. Scott (1998:291) commented that states produced simplified and schematic models of reality in order to control and intervene; this was dangerous and resulted in unintended outcomes. He also pointed out the danger of high modernisation, its appeal to universalism, its pretensions of epistemic knowledge and its emphasis on social engineering and state power. Nustad (2001) revealed that transformation through development was linked to the agencies of the elite and that technical constraints imposed on developers shaped the way in which they constructed the problem. Nustad argued that there was a need to extend the analysis to include ways in which development interventions were transformed, reformulated, adopted or resisted in encounters with target local populations.

These insights into the rationale of government, underline the need to reflect on the workings of government; how government conceptualises problems, how sometimes pre-conceived solutions (such as special economic zones) are 'imported' and where these do not correspond with the reality, realism is jettisoned in favour of 'calculated' forms of programmatic responses. These tendencies to reduce programmes to technical and simplified theoretical models are in particular prevalent with economic development policies and strategies. The workings of government are evident in the extensive use of technical language and attempts at dislocating development challenges from the political and social. Recognised that the use of technical language in economic development (for example, terms such as entrepreneurship, competitiveness, innovation) can be seen as a conscious attempt to detach the associated theories from broader political economic debates such as neoliberalism. The conceptualisation of economic development in principally technical terms, with 'pre-ordained' solutions, for example to achieve business and place competitiveness, enables this micro theory to be 'sanitised' from socio-economic and historic rhetoric and notions of power.

The next section deals with the second conceptual element, capital, and its relationship with the state, society and space in the context of economic development.

Interpreting the Role of Capital and its Relationship with the State, Society and Space

The role of capital is complex and multi-facet. The ability to assemble and leverage capital is central to neoliberal economic theory that seeks to combine various factors of

production, add perceived or real value, encourage free trade and the generation of profit. In a classical economic sense, capital, together with the other means of production, i.e. land, labour and organisation, is a central facet of economic development. A key assumption of economic development theory and practice is that entrepreneurs have assets that can be used as leverage or collateral to fund the start-up or growth of their business or to access funding from lending agencies for business development and growth. Property ownership, in particular, is regarded as a key mechanism to build the asset base of a business or potential entrepreneur.

Simone (2000:29) argued for the need to 'rethink local resources in new ways as a means of engineering context-specific articulations to global urbanising and economic trends'. There is a need to re-conceptualise 'capital' and 'asset' as collateral and to increase access to financial resources. This requires broadening the understanding of 'collateral', a conscious movement away from how it is defined in the global north and comprehending an understanding within specific cultural, historical, social and political contexts. Material value is further informed by kinship, historical relations, religious, cultural or sport affiliation. This could involve recognising widely accepted, durable and transferable assets within specific communities and include informal business activity operating at regional scale (e.g. transportation, livestock, agri-processing and production systems, firm networks, micro-finance and banking systems, etc.). There is a need to increase access and assistance to business premises for local and emerging businesses. This could include providing land at affordable costs, utility services and rebates in cases where economic growth and development could be localised. This approach would most probably not be considered in the context where more 'higher order' strategies, such as attracting foreign investment or securing a well-known brand in a given locality are regarded as more desirable. The conceptualisation and mobilised of capital should be considered within the context of political and power relations. The urgency of understanding the complex and intricate processes between capital, society and the state reinforces the critical need for localised and regional case study research so that responding policies and strategies have a greater chance of success.

The following identifies the key elements and appropriate literature to conceptualise the relationship between the third theoretical element, i.e. *society* (referring to individuals, communities, agencies, etc.) in relation to the state, capital and space in the context of regional economic development.

Comprehending the role of society and its relationship with the state, capital and space
 The conceptualisation of development within the neoliberal frame – and of economic development as a subset of this - echoed by modernism, predetermines the conditions under which the state engages the populace on economic development issues. Assistance, advice and support are packaged in a manner that ensures state control of

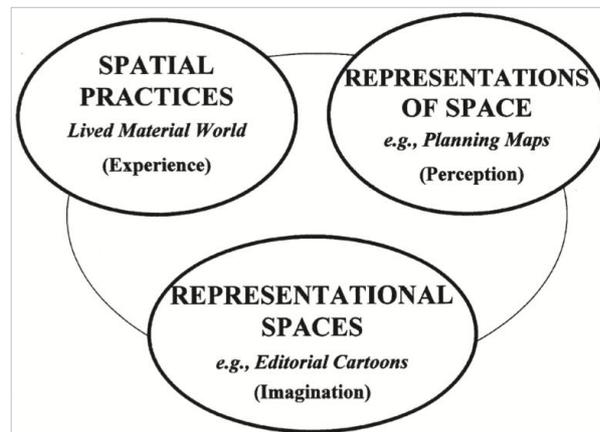
the terrain, process and outcome. There is therefore a need to conceptualising a more appropriate understanding of the economic relationship between the state and society, in particular those entering or growing their participation the economy through employment or through a business development. Corbridge et al. (2005:290) commented on the differentiated perceptions of the state, whether from the perspective of poor, vulnerable people, government officials in different departments, or members of the wider development community. They argue that governmentalisation (including the state) involved a further extension of powers to those who professed expertise over the private body or the public body and that these persons claimed the privileges of insight, foresight and even hindsight. Corbridge et al. (2005) also discussed the notion of 'patronage democracy' where access to state resources was fiercely controlled by the ruling elite acting in an unrestricted manner. According to Foucault, 'power is a set of relations which are dispersed throughout society, rather than being located within a particular institution such as the State or the government' (Mills, 2003:35). The state, private and community role players are multi-facet and this creates the opportunity for innovative, incisive, crafty and creative approaches and techniques to materialise in their quest to find context specific solutions. This space can be created through robust engagement at the interface of technical driven solutions and power relationships driven by agreed public sector values.

An understanding of the spatialities that regions and communities find themselves in and their interrelationships with the state is critical. This requires conceptualise of the fourth theoretical element, space, in relation to society, the state and capital in the context of regional and local economic development

Understanding the Role of Space in the Context of the State, Society and Capital

Comprehending the relationship between space and the state, society and capital. Henry Lefebvre's theory on the social production of public spaces, the representation of racial identities and the existence of subject identity and material urban spaces in a mutually constitutive relationship (McCann's, 1999), has relevance. Lefebvre's conceptual triad consists of representations of space (the abstract space of economist, planners and bureaucrats, constructed through discourse), representational space (the space of the imagination through which life is directly lived, e.g. work of artists, photographers, filmmakers and poets), and spatial practices (the everyday routines and experiences that 'secrete' their own social space) (McCann, 1999). These are also referred to as conceived, perceived and lived spaces, captured in Figure 3 below.

Figure 3 Three moments in the production of space



Source: Lefebvre in McCann, 1999:172.

McCann (1999) argued that space was continually produced and reproduced, for example by the media, and by the state and residents through imagery, and this resulted in racialised geographies in American cities. He observes that planners and middle-class whites reproduced exclusionary, abstract public spaces in the city. This was demonstrated by the dominant view of the city as 'single, happy community where everyone works together for a common future' (1999:173). On the other hand the experiences and images from the black community are of a segregated city, of social and physical barriers defining the 'safe', exclusionary downtown spaces - spaces that became the target of rioting black residents. This perception of separate spaces reflects the differentiated experiences, perceptions and imaginations of the city by diverse residents. McCann (1999) referred to the concept of 'bourgeois public spaces' as semi-public spaces that were increasingly becoming exclusionary and 'safe' for capital: Lefebvre's concept of 'abstract space' - space represented by elite social groups as homogeneous, instrumental and ahistorical in order to facilitate the exercise of state power and the free flow of capital - lends itself to a discussion of the manner in which downtown business spaces in US cities are exclusionary territories dominated by White, middle-class males (McCann, 1999:164). McCann (1999) also referred to the power of the state to reshape the physical spaces of cities and he cited practices through which capital and the state made downtown areas 'safe for capitalism' by securing this undifferentiated abstract space. The State in this sense produces and enforces normative definitions of space in order to maintain the segregation of people into 'functional and hierarchical ghettos' (Martin, 1982:179).

The role of urban space and its influence on directing and shaping patterns of capital investment is apparent in most post-industrial cities. In the global north this has resulted in areas of concentrated developments, such as privately driven investment nodes and high mobility transport corridors, coupled with suburbs for the middle income earners and the wealthy on the one hand, and on the other ghettos and 'hoods for the (minority) poor and marginalised, closer to CBDs. In contrast, the majority of urban dwellers reside in poor urban areas in the global South, with large numbers located on the periphery of cities, such as in South Africa. These areas are generally regarded as 'unsafe' by global capitalists, resulting rather in investment in existing CBDs or new areas, actively endorsed by the state through land use policies and sanitised from activities that incorporate the economic interests of the marginalised and informal.

Theory Propositions

Propositions have been derived from the critique of the assumptions, based on an approach developed by Flyvbjerg (1998). The propositions are linked to the components of the conceptual framework. These propositions are all inextricably linked and are not exhaustive and should be regarded as initial steps in extending existing economic development theories.

- *Proposition One:* Economic development policies and strategies must respond to the South Africa's actual development challenges and context specific problems faced by localities and regions.
- *Proposition Two:* Economic development must be pursued concurrently with economic growth.
- *Proposition Three:* Market-orientated policies such as fostering a culture of competitiveness, attracting inward investment and entrepreneurship must be promoted in a manner that is contextual responsive and results in economic growth and development.
- *Proposition Four:* The preconditions associated with competitiveness theories must be contextualise within the South African context

The inherent contradictions within state economic policies and desired development outcomes need to be resolved. The state continues to place emphasis on market driven economic growth while its rhetoric has focussed on economic inclusion. The removal of potential hindrances to market driven development by the state, is in itself intervention and this provides justification for the state to be more explicit about desired economic development outcomes. The latter should be derived from the broader development challenges facing the country and the specific problems of city-regions. Economic, business and firm data providing insights into the workings of capital, the state, space and society must be more readily available and evaluated and assessed in meaningful ways⁵.

⁵ Currently regional economic data is captured and assessed mainly by private sector service providers.

These must be researched, captured and evaluated in a more consistent, systematic and contextual specific manner.

Economic growth and economic development, measured in terms of quality of life and sustainability, are interdependent and should simultaneously. Economic development should be understood in terms of the interconnecting elements of capital, the state, space and society. The generation of permanent and decent employment opportunities is a key pre-condition for economic development, given South Africa experience shifting to more capital-intensive production and jobless growth over the last two decades. Other measures could include specifying conditions for inward investment, for example, requirements for multi-national firm to up-skill local labour, source local materials, etc. Regional and local resources must be mobilised and used more productively. Interventions should be considered in response to the challenges and opportunities relevant to specific regions.

Authors such as Acs (2003), Knight (1921), Rasan (1988), Storey (1994) and others (mainly in Europe and North America) sought to identify the characteristics distinguishing an entrepreneur from others. Predictably this research was inconclusive as it dealt with matters as diverse as personal drive, management experience and affiliation to certain ethnic or cultural groups. In contrast, research in transitional economies showed that the concepts of 'craftsman' of (Barkham et al, 1996; Scase's, 2003); 'proprietorship' (Bridge et al.'s, 2003) are more characteristics of collectivist and individualist societies (Glinkina's, 2003), a conclusion that have more relevance in the South African context. Competitive theories should only be pursued for a given region, if depth knowledge of specialisation, support institutions, firms, related enterprises and customers have been gained. Although this is an obvious requirement, it's common practice not to adhere to this prerequisite.

The importance of space has generally been given little attention in economic theory, particularly where space has been coated with negative race, income and social connotations. Lefebvre's conceptualisation can be transferred to the economic development policies and practice. This includes, first, abstract 'representations of space' (abstract conceived space) by economic development theorists and practitioners, envisaging the city only as a platform informed by market forces and constructed through discourse such as entrepreneurship, competitive advantage and comparative advantage. This 'representations of space' must be broaden so that it recognises that economic growth and economic development are not synonymous and should include notions of quality of life, proprietorship, craftsmanship and environmental sustainability. Further, there is the 'representational space' (perceived space). The city should be perceived as a place of inclusion for those who have a marginalised conceptualisation and imagination of the city. The third dimension, the 'spatial practices' (the lived spaces) the currently dominance of formal, 'mainstream' economic activities and associated

labour force must be extended to include the ontology of spatial integration and sustainable livelihoods as well as emerging, micro and informal economic activities. Interventions could result in influencing the direction of growth, shaping patterns of capital investment and work toward attracting capital to 'perceived' poor investment areas, while making economically established areas more inclusive and representative. Consciously inserting these 'counter-spaces' is particularly vital for the excluded majority (Lefebvre, 1991).

Conclusion

Economic development theories and policies should have internal logic, plausible, consistent, reliable and relevant for diverse regions. Appropriate economic development theories and policies should be based on a clear understanding of the roles of the state, capital, society and space. It is not argued that that the four presumptions are exhaustive. They do, however, provide an indication that it possible to critique, reconstruct and extend existing theories that are more appropriate and responsive to the contextual realities of local regions. It is reasoned that these propositions must recognise the reality of modernity and the 'transformed version' of neoliberalism. Propositions must be critical of the assumptions of current economic theory dealing with competitiveness, reject universalism, strive to negotiate complexities and acknowledge that economic activity is intertwined with local cultural, social and political processes. The state, from a policy position perspective, actively needs to encourage and resource substantive and qualitative research in order to uncover and develop the understanding of regions and then cautiously respond through appropriate policy. This requires regional and local interpretations, adaptations and variations that retains the internal logic of the theories but are also responsive and incorporate the dynamic and regional specific natural resource, cultural, social, political and spatial milieu and contextual normative values. Therefore, efforts should be directed at developing theoretical frameworks that are context relevant and provide the intellectual rigour to engage with the complexity of diverse societies; that have the ability to assist with understanding the intricate workings of the state, and to accept historic and economic marginalisation as a reality. This calls for a conscious movement away from universalism and for the rejection of efforts to canonise theories based on a priori logic. At the same time, however, it is appropriate for regional and local economic policy in South Africa to respond to nationally determined development values such as economic empowerment, transformation, poverty eradication, social equity and equality. Within the context of South Africa, policy shifts in sub-national economic development theory and practice are required in a manner that comprehends and reduces the negative consequences of pursuing modernism and neoliberalism at a macro-policy level. It is argued that the complexities, relationships and nuanced policy responses should differ from one context to the other. Appropriate policy responses in themselves would require extensive review, analysis and evaluation of the appropriate

values, empirical research and theoretical constructs. This will provide the basis for more appropriate assumptions and associated interventions.

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