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Article — Published Version

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Intereconomics

Suggested Citation: Hospers, Gert-Jan; Benneworth, Paul (2005) : What type of regional policy for Europe? Theoretical reflections and policy lessons from Sardinia, Intereconomics, ISSN 0020-5346, Springer, Heidelberg, Vol. 40, Iss. 6, pp. 336-344, <https://doi.org/10.1007/s10272-005-0164-1>

This Version is available at:

<https://hdl.handle.net/10419/41862>

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Gert-Jan Hospers* and Paul Benneworth**

What Type of Regional Policy for Europe?

Theoretical Reflections and Policy Lessons from Sardinia

In promoting European regional development, policymakers tend to pursue either an offensive, future-oriented or a defensive, tradition-preserving type of policy. Backed by theoretical notions and case evidence from an "ordinary" region, i.e. the Italian island of Sardinia, the following paper argues that European regions could benefit more from a "connective" type of policy that aims to connect global trends with local traditions.

Over the last decades, regional policy in Europe has been subject to currents of fashion. In general terms, regional policy consists of direct efforts by governments targeted explicitly at the problems of uneven development between regions. Given the complex and multi-faceted nature of these problems, it is no surprise that regional policy has varied over time and space in terms of objectives, content and organisation.¹ Consequently, public authorities at all levels – European, national and regional – have used many concepts to justify policy measures aimed at regional development. Growth poles, industrial complexes, clusters, industrial districts and regional innovation systems are just a handful of the plethora of concepts that have been in fashion. Scientists and consultants can be held responsible for popularising new forms of regional policy, whilst, it must be said, policymakers usually embrace the emergence of new notions, because they regard them as devices to correct possible policy failures of the past. This strategic use of new concepts can be seen clearly in the field of today's regional policy. Everywhere in Europe policymakers claim to strive for "regional competitiveness" by creating "framework conditions" for the formation of "high-tech clusters". Thus, authorities hope to be able to imitate the success of well-known "best practices" of regional clustering as found in, for example, California

(USA), Bavaria (Southern Germany), Sophia-Antipolis (Southern France) and Oulu (Northern Finland).²

At first sight, today's regional policy makes far more sense than earlier policy efforts to speed up regional development. Framework policy supporting clusters for regional competitiveness seems to be more generic and market-friendly than the top-down policies of the past, such as the highly selective growth pole approach. On reflection, however, current regional policy also implies a form of targeting as well.³ This selectivity is ingrained in the concept of "regional competitiveness". After all, to raise a region's competitive advantage vis-à-vis other areas, government still has to decide which regional activities get special support and which are left to market forces. Moreover, even if the objectives of cluster policy are generic, the tools used to achieve these goals often implicitly favour certain activities. Public investments in a region's science base or R&D-subsidies simply cannot benefit all economic activities, but always will have a bias towards particular parts of the regional economy. Like before, public authorities still have to cope with the question of which activities in a region to target and which not. Indeed, in practice, policymakers do make clear choices when devising regional policy: they pursue either an offensive type of policy aimed at stimulating high-technology sectors (e.g. informa-

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This paper was prepared during Paul Benneworth's visiting fellowship at the University of Twente. The authors wish to thank Henk Donkers, the Regione Sardegna and I&O-Research for input and comments and gratefully acknowledge BBT and IPP for their support.

¹ N. Vanhove: *Regional Policy: A European Approach*, Aldershot 1999, Ashgate.

² G. Fuchs, P. Shapira: *Rethinking Regional Innovation and Change: Path Dependency or Regional Breakthrough?*, New York 2005, Springer.

³ Cf. K. Cowling: *Industrial Policy in Europe: Theoretical Perspectives and Practical Proposals*, London 1999, Routledge; G. J. Hospers: *Regional-Economic Change in Europe: A Neo-Schumpeterian Vision*, Münster/London 2004, LIT-Verlag.

tion-, bio- and nanotechnology) or a defensive type of policy addressed at preserving traditional activities (for example, coal, steel and textiles). In short, their goal is either a Silicon Somewhere or a Rising Rustbelt.⁴

Against this background, we will focus here on the question what type of regional policy is most likely to contribute to regional competitiveness. Obviously, this is a "Grand Question" that cannot be answered in a short article like this one. Therefore, our aim is just to dwell on some key issues that emerge in the debate on offensive versus defensive regional policy. In dealing with the question which type of policy should be preferred, we employ theoretical insights and complement them with the result of a regional case study. For that purpose, the remainder of the article is structured as follows. To start with, both the offensive and defensive types of regional policy as we observe them in reality are compared and discussed with the help of several theoretical notions from the economic literature. Both types of policies turn out to suffer from serious drawbacks. In an attempt to resolve these issues, we then take stock and present an alternative type of regional development strategy. This so-called "connective" regional policy attempts to reconcile the strong points of the offensive and defensive policy approach in that it tries to connect global trends with local traditions. After having discussed this type of policy, we turn to the empirical part of the paper. In this part we explore half a century of regional policy at the Italian island of Sardinia as a case study illustrating our argument. The article ends with a brief conclusion.

Offensive Regional Policies

Inspired by well-known "best practices" such as Silicon Valley, Sophia Antipolis and the Oulu-phenomenon, contemporary governments are inclined to focus on future-oriented technologies in their attempts to raise regional competitiveness. Today, this offensive type of policy is the most popular approach among policymakers, at each of the European, national and regional levels. In particular information and communication technology and biotechnology are expected to be the drivers of future regional development. Recently, nanotechnology and health technology have been added to the priority lists of regional policymakers. Due to its Whiggish appeal, high-technology generally provides the excitement and is something with which politicians hope to score in the public opinion. Usually, public investments in such technologies are justified by arguing that they will find application throughout

the regional innovation system ("enabling technologies"). This argument may be true, but it is similar to the policy theory used in the 1980s, when national authorities stressed the "spin-off effects" of aerospace technology, nuclear energy and micro-electronics for the economy. As a matter of fact, high-tech-oriented regional policy is just as offensive as earlier policy attempts to "pick winners". Governments therefore should take care not to make the same mistakes as before. In theory, offensive regional policy involves at least three dangers.

First, it is hard for policymakers to predict which economic activities will contribute to regional development. There are no fundamental reasons to believe why policymakers are better informed than entrepreneurs in assessing the future potential of particular technologies. As public choice theory makes clear, massive information asymmetries and strategic behaviour by politicians and bureaucrats make "government failure" as common as "market failure".⁵ Due to the inherently uncertain character of new technologies especially in technology policy such government failure is likely to occur. There are many circumstantial examples of the lack of public foresight.⁶ A telling example comes from Sweden in the 1960s. Lange, the minister of trade at that time, compared Volvo's attempt to sell cars to Americans with trying to sell fridges to the Eskimos. Later on, exporting cars to the USA turned out to be Volvo's most profitable business. French high-tech policy in the 1980s also shows the risks of picking winners. After five years of subsidising the micro-electronics sector the French had to admit that they had backed the wrong horse. One of the reasons why French high-tech policy failed was the lack of commercial insight among the public elites, whose only aim was to make France world-leading in micro-electronics. At the end of the 1990s the world-wide hype around information technology persuaded Dutch and Belgian governments to participate in IT companies through novel incubator programmes like Dream Start and Flanders Language Valley: although some firms still survive, the policies certainly did not lead to the "new economy" the authorities had hoped for.

Further, the possibility for regions to reap profits from high-tech may be limited – and not only because high-tech normally offers far less employment than low-tech or no-tech sectors. More important than

⁴ G. J. Hospers, *op. cit.*

⁵ C. Wolf: *Markets or Governments: Choosing between Imperfect Alternatives*, Cambridge MA 1990, The MIT Press.

⁶ P. Howitt: *The Implications of Knowledge-Based Growth for Micro-Economic Policies*, Calgary 1996, The University of Calgary Press.

this job argument is the fact that in the Europe-wide innovation race most regions target similar activities. Usually, authorities do not want to be left behind – the consequence being that nearly all of them support the development of regional information-, bio- and nanotechnology clusters. All over Europe there are attempts to create “Silicon Somewheres” now. Regions even proudly brand themselves as the next Silicon Valley, ranging from Silicon Glen (Scotland) and Silicon Seaside (Southern Norway) to Silicon Polder (Northern Holland) and Silicon Saxony (Germany). In this way, however, regions undermine their potential competitiveness. As suggested in the industrial organisation literature, real competitive advantage comes from making a difference, not from copying rivals.⁷ By mirroring themselves with Silicon Valley, regions do not make clear how they differ from one another; in fact, they only strengthen the “first mover advantage” of the Californian high-tech region. From a European-wide point of view this bandwagon effect has fostered excessive investment (duplication) in the same technologies. This herd behaviour usually leads to overcapacity, bubbles and ultimately a crash in which only the fittest actors survive.⁸ Likewise, by investing in similar technologies and copying “best practices”, regions should not be surprised that in the end a painful inter-regional shake-out will occur.

Finally, in pursuing offensive regional policy authorities often ignore the question whether the preconditions for future-oriented activities are present in the region in question. There are large inter-regional differences in starting position, economic structure and institutional particularities. Evolutionary economists have shown that successful regional innovation often derives from chance events or the unique socio-economic setting of an area.⁹ Thus, what works in one region is not necessarily suitable or even feasible for another region. An area, for example, is unlikely to be successful in high-tech unless it has sufficient “absorptive capacity” for those new technologies. If a region lacks such a “receiving system”, offensive regional policy is risky. The costs of starting high-technology activities from scratch are very high; at best, it will take a long time before they are embedded in the

regional economy.¹⁰ One of the examples of extreme policy failure in offensive regional policy is Akademgorodok in Russia. After the model of Silicon Valley this Siberian “city of science” was built “ex nihilo” in the 1950s. Akademgorodok did not have any input from and connection with the local environment. Consequently, it has been languishing for decades. Other cases pointing to the importance of embeddedness in clustering come from Southern Italy and the Ruhr Area. Here, ambitious policy initiatives in the 1960s and 1970s were simply rejected by the regional socio-economic environment. Both the industrial complexes in Sardinia (see below) and the high-tech sectors in the Ruhr Area turned out to be disembedded and ended up as if they were “cathedrals in the desert”.

Defensive Regional Policies

Despite the strong appeal of new, future-oriented activities among policymakers, it is not only high-tech that policymakers support to promote regional development. In addition to the offensive type of regional policy authorities also make use of a defensive type. The fact is that many regions in Europe are stuck with the heritage of the “old economy”, which is of a low-tech or sometimes even of a no-tech character. Due to international competition and overcapacity a number of traditional sectors have entered a prolonged period of restructuring and decline. Since the 1970s notably old industrial regions specialised in textiles, coal mining, metal and steel making, ship building, food processing and car production have suffered. Today, these regions suffer from fierce competition from the BRIC-countries (Brazil, Russia, India and China). Although many “regional champions” of the old economy have undergone a restructuring process over the last decades, most of them still obtain aid under the heading of regional policy. While paying lip service to prioritising modernisation and high-technology, governments usually remain vague about the amounts spent on these low-tech activities. Is such a defensive kind of regional policy a viable alternative to the trend among policymakers to bet on high-technology activities?

As a matter of fact, public authorities do not have to be ashamed for supporting “old economy” sectors in regional policy. In contrast to many high-tech activities these sectors are at least embedded in their local environment, while employing a large number of people. In terms of the “new economic geography”, one might

⁷ S. Martin: *Industrial Organization: A European Perspective*, Oxford 2001, Oxford University Press.

⁸ T. Lux: *Herd behaviour, bubbles and crashes*, in: *The Economic Journal*, Vol. 105, 1995, pp. 881-896.

⁹ U. Witt: *Evolutionary Economics*, Cheltenham 1993, Edward Elgar; R. A. Boschma, J. G. Lambooy: *Evolutionary economics and economic geography*, in: *Journal of Evolutionary Economics*, Vol. 9, 1999, pp. 411-429.

¹⁰ M. Castells, P. Hall: *Technopoles of the World: The Making of Twenty-First-Century Industrial Complexes*, London 1994, Routledge.

say that the increasing returns to scale in these traditional industrial activities have laid the foundation for a region's long-term comparative advantage.¹¹ Thus, these industries have had the chance to prove their viability for the economy. In addition, whoever thinks back to the "product maps" in geography lessons at school knows how these industries have shaped a region's image. Examples are coal and steel making in Wallonia and the Ruhr Area, forestry in Scandinavia, car manufacturing in Southern Germany, watch-making in the Jura d'Arc, textiles around Manchester and in Northern Italy and wine near Bordeaux. Such traditional strengths provide regions with a place-specific "brand" which is profitable in a Europe that due to integration is becoming increasingly standardised.¹² These arguments suggest that a defensive, tradition-preserving regional policy is to be preferred above the earlier discussed offensive type. However, the potential benefits of a "smart" defensive regional policy are rarely implemented in practice. After all, today's policy resembles that of the 1970s where import tariffs and substantial sector subsidies are expected to protect employment in declining industries. The past teaches us that by doing so the authorities run the risk of simply "helping losers".

For one thing, regional policy aimed at the preservation of traditional activities frequently pursues a divergent mixture of goals, which immediately precludes an optimal policy response. Political desires to keep regional champions alive are often hazily mixed with objectives of restructuring, employment issues and national industrial policy considerations. Authors working in "policy studies" continue to emphasise that having such multiple objectives for one policy are highly dangerous, as they may conflict and thus rule out the possibility of a clear-cut strategy.¹³ In fact, we are dealing here with Tinbergen's famous principle of the "equality of instruments and targets" in a regional context: it is impossible to reach different economic goals (e.g. full employment and sustainable economic growth) with one general instrument. Instead, the attainment of every objective requires the use of a specific instrument. Dutch policy towards regional shipbuilding from the 1970s until today is a dramatic

case in which this principle has been overlooked. Time after time sound economic reasons to restructure (i.e. shrink) Dutch shipyards have been overridden by short-term employment thinking, a desire to continue the proud tradition of Holland as a maritime nation and employment aims, e.g. in the North of the Netherlands. Since the 1970s, English policymakers have made similar mistakes in industrial areas specialising in car manufacturing. Also here, the simultaneous pursuing of social, restructuring, nationalistic and economic goals did not work and may explain the decline of car production in the UK – varying from the bankruptcy of British Leyland in the past to the case of Rover recently.¹⁴

For another thing, the set-up of most defensive regional policy programmes in practice does not cure the underlying problems of the activities targeted. These programmes often consist of subsidy schemes for industrial firms that have come into financial difficulties. Theory does justify supporting companies or sectors on a temporal basis as long as they are stimulated to revitalise. The problem is that starting subsidies is easier than stopping them. Even worse, there is a possibility of "subsidy addiction" in that regions become fully dependent on public support. After all, subsidy-based policy measures in traditional sectors often do not help firms to restructure, but instead contribute to the maintenance of inefficiencies that these firms have accumulated in the past. The institutional school in economic geography argues that especially old industrial regions are likely to fall into this inefficient subsidy trap.¹⁵ That has to do with the phenomenon of "lock-in" and the "not-invented-here syndrome", i.e. the tendency of formerly successful areas to stick to existing patterns rather than to keep pace with changing economic circumstances. Typical cases of this can be found in Wallonia and the Ruhr Area since the 1960s.¹⁶ For a long time, close local networks of industrialists and politicians maintained the employment in coal and steel artificially and thus delayed the reorientation of the region into new activities. In short, defensive regional policy may frustrate the restructuring process needed for regaining regional competitiveness. Consequently, the connection of

¹¹ P. Krugman: Increasing returns and economic geography, in: *Journal of Political Economy*, Vol. 99, 1991, pp. 857-880; D. Puga: European regional policy in light of new location theories, in: *Journal of Economic Geography*, Vol. 2, 2002, pp. 372-406.

¹² D. McNeill: *New Europe: Imagined Spaces*, London 2004, Arnold.

¹³ W. N. Dunn: *Public Policy Analysis: An Introduction*, 3th edition, New York 2003, Prentice Hall; see also J. Tinbergen: *On the Theory of Economic Policy*, Amsterdam 1952, North-Holland.

¹⁴ N. Berkeley, T. Donnelly, D. Morris, M. Donnelly: The lessons from MG Rover, in: *Local Economy*, Vol. 21 (forthcoming).

¹⁵ R. Hassink: What distinguishes 'good' from 'bad' agglomerations?, in: *Erdkunde*, Vol. 51, 1997, pp. 2-11; G. Fuchs, P. Shapira, op. cit.

¹⁶ G. Grabher: *The Embedded Firm: On the Socio-Economics of Industrial Networks*, London 1993, Routledge.

the regional socio-economic system with new market developments may be largely missed.

Towards Connective Regional Policies

Today's regional policy in Europe is widely regarded as an area-based strategy that is less pretentious than the more selective area-based policies of the past. Indeed, a policy aimed at boosting regional competitiveness by creating framework conditions for clustering seems to be a rather market-friendly approach. In reality, however, such a regional policy does contain implicit targeting. After all, regional competitiveness is a relative concept, while the associated policy instruments are biased towards certain parts of the economy. These days, most policymakers are inspired by Silicon Valley dreams and cannot resist the temptation to adopt regional strategies aimed at "picking winners". Such an offensive regional policy, however, runs the risks of imperfect foresight by policymakers, an inter-regional shake-out due to herd behaviour and a lack of absorptive capacity for high-technology. Simultaneously, policymakers in Europe often support traditional industries in their policies, even though they do not like to admit it. This defensive approach of preserving the status quo in a region has the drawback that it often appears to be a policy of helping losers. To be sure, traditional sectors often have laid the foundation for a region's development and image. Just providing these heroes of the past with state aid, however, may lead to an elusive, multi-purpose policy and subsidy addiction due to regional lock-in situations. Thus, today's regional policy in Europe is rather ambivalent in that it focuses on both extremes of the economic time-line: policymakers either look at a distant economic future or they stick to a declined industrial past. Roughly speaking, the new economy may be too advanced for a region, while old economy sectors do not seem to offer viable opportunities either. Is there a more effective alternative to both types of regional policy?

In our view, policymakers can escape from the traps of regional policy by focusing instead on original connections of local traditions and global trends.¹⁷ It is important to note that the starting-point for this "connective" type of policy should be a region's present economic structure. After all, where regions are heading always depends upon where they are coming from. Within this historically developed regional context

governments may try to identify – taking Schumpeter's term for innovations literally – "new combinations" of local traditions and global trends.¹⁸ Such global-local connections with opportunities for growth may be produced by joining existing economic activities in a region, upgrading traditional industries for the new economy or making use of old industrial expertise for novel purposes, and that all within the framework of economy-wide, structural developments. Of course, this integration of new, global trends into old, local traditions is quite a job and requires much creativity. At first glance, it is hard, for example, to see how heroes of the old economy (e.g. shipyards) could simultaneously restructure and revitalise. In the process of exploring and exploiting such creative global-local interfaces, we think, policymakers can fulfil a supporting and developing role. Our justification for such a "connective" regional policy combining trend and tradition is not purely academic: throughout Europe examples can be found that show how government may help in bridging the gap between the new and the old. These examples are not "best practices" but rather "unique practices", demonstrating that in the end it is always an area's uniqueness that counts for regional competitiveness.

In Europe several areas show that a connective type of regional policy that is aimed at "new combinations" can contribute to regional competitiveness. Table 1 lists a few examples.¹⁹ Regions can rejuvenate their traditional industrial crafts by fostering the introduction of high-technology in design, production and marketing. With such a strategy "new combinations" have been realised in Swiss watchmaking, Italian textiles and Danish furniture. Other examples illustrate how the expertise of a declining sector may be exploited in terms of emerging fashions. The pop music and art sector in Manchester (UK) and the multimedia cluster in Baden-Württemberg (Germany) can be traced back to the prior existence of industries whose know-how on advanced materials proved to be useful for the new businesses. In regional policy public authorities can also take advantage of the rising demand for consumer services. In the Ruhr Area (Germany) former mines and steel factories are used for tourist purposes ("industrial culture"), whereas in North-Pas-de-Calais (France) textile factories have been transformed into mail order firms specialised in clothing. Interesting examples

¹⁷ G. J. Hospers, op. cit.; P. S. Benneworth: Innovation and Economic Development in a Peripheral Industrial Region: The Case of the North East of England, unpublished PhD Thesis, Newcastle upon Tyne 2002, University of Newcastle.

¹⁸ J. A. Schumpeter: The Theory of Economic Development, Oxford 1934, Oxford University Press.

¹⁹ G. J. Hospers, op. cit.; P. S. Benneworth, op. cit.; G. Fuchs, P. Shapira, op. cit.; D. McNeill, op. cit.

Table 1
European Examples of a Connective Type of Regional Policy

European region	Local tradition	Global trend	New combination
Jura d'Arc	Watchmaking	Marketing and lifestyle	Swatch watches
Emilia-Romagna	Textiles industry	High-tech production	Trendy fashion
Jutland	Furniture making	Quality and lifestyle	Design furniture
Manchester	Heavy industries	Pop music and pop art	Cultural industries
Baden-Württemberg	Machine tools	Growing digitalisation	Multimedia devices
Ruhr Area	Heavy industries	Experience economy	Industrial culture
North-Pas-de-Calais	Clothing sector	Need for convenience	Mail order services
Krakow Region	Building/painting	Need for maintenance	Restoration services
Dunakanyar	Bathing culture	Ageing and wellness	Health/leisure resorts

of “trend through tradition” in Central and Eastern Europe are modern health resorts around Hungarian spas and high-tech restoration services in the Polish building sector.

Taking these examples in combination suggests some insights for organising the connective kind of regional strategy we have in mind. As a rule, the area-specific “new combinations” in these examples have been realised with sub-national, bottom-up policies that stimulated participation by relevant regional stakeholders (e.g. local firms, residents, business associations, universities and local (semi)public bodies). “Localisation” of this kind typically empowers all a region’s assets and takes optimal advantage of the creative potential on the spot.²⁰ “Regional renewal from within” can take various forms. In Jutland, the Swiss Jura d’Arc, Emilia-Romagna and Baden-Württemberg, the regional governments have facilitated the creation of business support and technology transfer centres that provide “real services” (e.g. technological advice and networking events) to the local business community. In Manchester, Dunakanyar and the Krakow Region regional authorities have supported and combined the creative ideas of single entrepreneurs and have taken care of the marketing (branding) of the resulting clusters within the region’s tourism and business promotion. Finally, policymakers in the Ruhr Area and Northern France have created platforms for

regional dialogue where the “collective intelligence” (e.g. local business men, city/business representatives and scientists) can meet regularly to develop new ideas building on and connecting to unique regional strengths. Together, these examples show the importance of sub-national policy action for mobilising and emphasising regional forces and potentials.²¹ They also suggest key success factors for a connective type of regional policy: regional government can help in adapting local businesses to new demands of the knowledge and services economy, provide network opportunities, take care of regional marketing and set up platforms for creative dialogue.

A Case Study of the Island of Sardinia

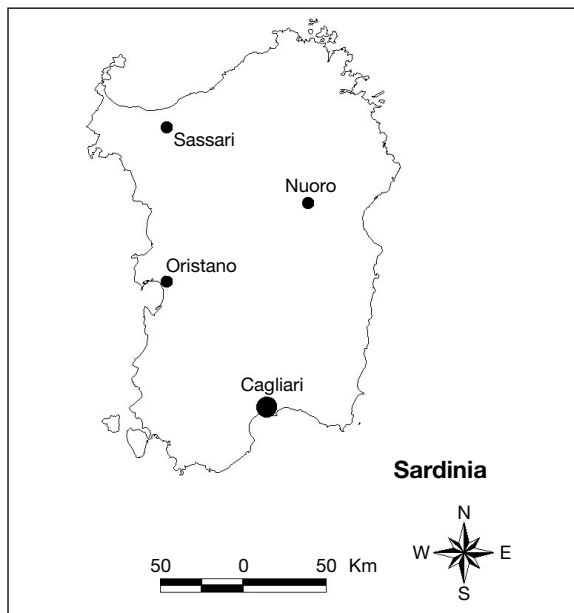
To explore the empirical relevance of our theoretical reflections in detail, we will turn now to a more extensive regional example of the role of the different policy types in regional competitiveness. To illustrate our arguments so far, we will not look at a “best practice” region (as most researchers do), but instead study the adventures of an “ordinary”, less successful region. The area we have selected for our case study is the Italian island of Sardinia in the Mediterranean Sea. The high unemployment and low income figures of this region sharply contrast with the welfare of the often praised “industrial districts” in Northern Italy. Sardinia is part of the poor South (“Mezzogiorno”), which includes regions like Sicily, Calabria and Campania.²² The Sardinian coastal area houses splendid bays, caves and beaches. The interior is mountainous with plateaus, gorges and wooded hills. With 1.6 million inhabitants Sardinia is far less densely populated than the rest of Italy. Nearly half of the Sards live in the urbanised area around Cagliari in the south and Alghero-Sassari in the North-West (cf. Figure 1). The rough interior of Sardinia, which the Romans called “Barbagia” (barbarian country), is a remote place and has Nuoro as its capital. Over the centuries, Sardinia was invaded by foreign rulers that exploited its natural resources (silver, copper, lead, gold and corn). After the mysterious Nuraghi tribe in the Bronze Age the Phoenicians and Cartaginians came as well as the Romans who latinised the island. Thereafter, it was a coming and going of overseas peoples, such as the Arabs, Byzantines, Spanish and finally the Italians. Since the Italian Unification (1861) Sardinia has

²¹ M. Pröhl, op. cit.

²² C. Trigilia: *Sviluppo senza Autonomia: Effetti Perversi delle Politiche nel Mezzogiorno*, Bologna 1992, Il Mulino; F. Floris: *Breve Storia della Sardegna: Dalle Origini ai Giorni Nostri*, Roma 1999, Newton.

²⁰ M. Pröhl: *Local Economic Development*, Gütersloh 1997, Bertelsmann Foundation; P. Cooke: *Knowledge Economies: Clusters, Learning and Cooperative Advantage*, London 2002, Routledge.

Figure 1
Map of Sardinia



Source: I&O Research, Enschede, The Netherlands.

been part of Italy. Despite ongoing demands for self-government, devolution was slow in arriving. In 1948 Sardinia was granted the official status of a "special status region" with limited room for self-determination. This autonomy, however, was largely cosmetic: the area was still de facto an Italian colony due to nepotism in Italian and Sardinian political circles. Only when the Maastricht Treaty (1992) forced Italy to reform its centralist, offensive type of regional policy, could the Sardinian government independently address the island's problems.

Traditionally, the Sardinian economy has suffered from structural weaknesses.²³ Since the re-launch of European regional policy in 1989, the rural island has been designated an Objective 1 area: incomes per head have been about 25% below the EU-15 average (and below the Italian average as well). Unemployment has increased from 16% (1980) to 20% (1990) and has slightly decreased since 2000 (2002: 18.5%). Many Sardinian youngsters still migrate to the Italian mainland; those who stay, however, increasingly choose to start a business in agriculture or services. Thanks to this entrepreneurial spirit the Sardinian economy is gradually growing in structural terms. Over the period 1995-2000, for example, the growth of average in-

come in Sardinia was 2.2%, being 0.3% higher than in the rest of Italy. Although Sardinia is doing better than Southern Italy, the island still is a full member of the Mezzogiorno. Like Sicily and Campania (think of the Mafia!) Sardinia has little "social capital": mutual trust is low as well as the participation rate of the population in clubs, cooperatives and friendly societies. It is common practice now to see social capital as a condition for regional economic development. Among all West European regions Sardinia has the lowest score: only 5% of the Sards say that they trust other people (West European mean: 35%) and just 3% are members of a social-cultural association (average in Western Europe: 26%).²⁴ It is tempting to relate this limited stock of social capital to Sardinia's historical criminal practices like banditry and kidnapping. It must be said, however, that these figures come from 1990. Interestingly, the recent turn to devolution as well as to a more "connective", global-local type of regional policy in Sardinia has coincided with lower crime rates and a higher network density.

During most of the 20th century Sardinia was effectively an Italian colony. Until 1992 it was the government in Rome that determined regional development policy in the Mezzogiorno, implemented since the late fifties by the "Cassa per il Mezzogiorno" (CASMEZ), a state-led regional development agency. Inspired by the concept of growth poles the Cassa established massive industrialisation projects of a high-tech character (at least for that time) intended to develop wealth across Southern Italy. Sardinia got in particular high-tech petrochemical plants (Cagliari and Porto Torres), chemical industries (e.g. Ottana) and a large modern paper factory (Arbatax). None of these companies has been profitable; some were closed, while others were continually threatened with closure. Looking back, it may be said that the high-tech industrialisation of Sardinia failed for economic and political reasons.²⁵ To start with, the modern industries simply did not fit into the rural structure of the island. Many Sardinian shepherds and farmers had trouble working in factories and quit their jobs. Next, the firms hardly used local resources and only produced for the export market. Consequently, instead of growth poles, they ended up as "cathedrals in the desert". Also shady Italian party politics can explain the failure of regional industrial planning in Sardinia. In the political scene in Rome

²³ Centro Ricerche Economiche Nord Sud (CRENOS): *Economia della Sardegna: 12° Rapporto, Cagliari/Sassari 2005*, CRENOS.

²⁴ S. Beugelsdijk: *Culture and Economic Development in Europe*, Tilburg 2003, CentER.

²⁵ P. Gray, P. 't Hart: *Public Policy Disasters in Western-Europe*, London 1998, Routledge; C. Trigilia, op. cit.

personal rather than regional interests were pursued. It is even rumoured that the government was not interested in regional development, but more with attempts to "italianise" the obstinate Sards and their centuries-old local culture.

Global-Local Connections

"Whoever comes from over the sea, comes to steal" according to a well-known Sardinian saying. Learning from history, the Sards traditionally have had little faith in what comes from outside. Do the tourists follow the foreign rulers and Italian politicians in conquering the island? Initially it looked like that. In 1962 the Arabic prince Aga Khan "discovered" Sardinia's north-east coast as an ideal sailing and holiday resort for the international jet set, which was tired of the Côte d'Azur (Southern France). The prince set up a consortium of millionaires who bought the coast from largely ignorant local farmers. Architects and developers transformed the coastal area into the "Costa Smeralda" (emerald coast), where only the very rich can afford a holiday now. Berlusconi, oil sheikhs, football players and fashion designers – they all relax in or around Porto Cervo, the pretentious capital of the Costa Smeralda. Despite the protests of critics, who call this area the "Costa Rubata" (stolen coast), most Sards have accepted its transformation into an exclusive leisure resort. The Costa is an engine behind tourism on the other coasts of Sardinia and has generated new jobs and earnings.²⁶ Meanwhile, beyond the jet set, ordinary Italian and foreign tourists have also discovered Sardinia. Mass tourism has concentrated around the North-West and East coast with plenty of sun, sea and sand. This type of tourism, however, is very seasonal: in July and August the Sards have to work hard to please the many visitors at camp sites, hotels and holiday homes.

Since the winding-up of the Cassa per il Mezzogiorno in 1992, the Regione Sardegna has more control over the development of the island. The Maastricht Treaty convergence criteria curtailed the Italian government top-down policy, while enabling regional autonomy. Like the majority of the Sards, the Regione Sardegna has regarded tourism and related activities as the mainstay of the island economy. In collaboration with the citizens and entrepreneurs the regional government has tried to develop tourism in such a way that tourists also get to know the "real" Sardinia and

the strong island identity ("Sardità").²⁷ Most notably, "agriturismo" (holidays on farms) is enthusiastically promoted with the aim of bringing more visitors to the mountainous interior. The "Consorzio Agriturismo di Sardegna" trains and supports farmers that want to start a bed-and-breakfast business. Additionally, networks of professional guides organise trips in the Sardinian wilderness for small groups of eco-tourists. In line with these forms of quality tourism the Regione Sardegna has encouraged the production, distribution and marketing of typical Sardinian souvenirs, like local products, jewels and fabrics. Traditionally, Sardinia has been famous for its culinary specialities (carasau bread, pecorino cheese and cannonau wine) and artistic crafts (cork processing, ceramics and tapestry). Under CASMEZ there was no room for co-operatives and family businesses specialising in these products. Just before the knowledge of these crafts disappeared, the regional authorities founded cheese farms, wine cooperatives and ISOLA ("Istituto Sardo Organizzazione Lavoro Artigianato"), the Sardinian institute for the promotion of arts and crafts. ISOLA has been able to breathe new life into many traditional Sardinian crafts. For that purpose, the institute has set up many local cooperatives engaging unemployed artisans and artists. In many villages, for example, workshops and exhibition spaces were opened for weavers, goldsmiths and potters. ISOLA also runs shops now where tourists can buy Sardinian products. Of course, these area-based activities cannot employ all Sards immediately. However, in line with the recent development of agro-tourism, crafts and local products, more advanced "global-local" initiatives have also been established: a few years ago, for example, a research centre in the field of molecular genetics was opened in Alghero that makes use of the genetic particularities of the extremely homogenous Sardinian population – an interesting mix of modern high-tech and regional history.²⁸

The success of this connective approach of "trend through tradition" suggests that the island is better off with place-specific strategies than with the earlier cathedrals in the desert. In any case, the bottom-up policy of the Regione Sardegna has been more successful than the offensive top-down policy of the Italian government. Regional initiatives from below, like ISOLA, certainly contribute to the development of

²⁶ S. Usai, R. Paci: *L'Ultima Spaggia: Turismo, Economia e Sostenibilità Ambientale in Sardegna*, Cagliari 2002, CUEC; CRENOS, op. cit.

²⁷ D. Facaros, M. Pauls: *Sardinia*, London 2000, Cadogan.

²⁸ R. Koenig: *An island of 'Genetic Parks'*, in: *Science*, Vol. 291, 2001, pp. 2074-2076.

Sardinia. They not only connect local traditions with global trends (e.g. demand for leisure, high-quality tourism and healthy living), but also make use of the strong Sardinian identity ("Sardit"). And the Sards embrace this strategy: in the first round of regional elections in the summer of 2004, Mauro Fili, a confidant of the Italian president Silvio Berlusconi, was surprisingly defeated by a political newcomer, the Sardinian top entrepreneur Renato Soru.²⁹ With an absolute majority of votes, Soru, founder and chief executive officer of internet provider Tiscali, was elected governor of the island. "Mister Tiscali" is the opposite of Berlusconi and his friends: no display of power and hollow phrases, but simplicity and a clear message. During three months campaigning for his party, the "Progetto Sardegna" (Sardinian project), Soru visited every part of the island. Under the slogan "Better export than emigrate" he has expounded the adoption of more measures that build on the endogenous strengths of the island that can take advantage of emerging trends like an increasing demand for leisure, eco-tourism and biological food. In his political programme he has combined green, social and typical Sardinian issues, like the intensification of high-quality tourism, more attention for community entrepreneurs and care for the preservation of the Sardinian identity.³⁰ After age-long foreign and Italian oppression the time has come now for the Sards to get back their dignity, says Soru. Knowing that most Sards support him, he has given himself five years to realise this "glocal" (global and local) ideal.

Conclusion: In Praise of Europe's Diversity

Regional policy as we can observe it in today's Europe focuses on two extremes: the goal seems to be either a Silicon Somewhere or a Rising Rustbelt. In other words, we can observe offensive, future-oriented strategies on the one hand and defensive, tradition-preserving approaches on the other. This ambivalent situation is not in the best interest of Europe's regions. The fact is that offensive regional policies are often too advanced for an area, while defensive strategies tend to preserve the status quo in a region. In this article we have presented an alternative kind of approach, namely a "connective" type of regional policy striving for original connections of local traditions and global trends. The viability of our argument is neatly corroborated by fifty years of development in the "ordinary"

region of Sardinia. The post-war, offensive policy of the Cassa per il Mezzogiorno to modernise the island largely failed. Only when devolution took place after 1992, could the Sardinian authorities take the unique character of the island into account. Since then, this "Sardità" has been important in the development of tourism and associated activities that take advantage of global trends. Recently, for example, agro-tourism and the marketing of local products and traditional crafts have emerged as future growth sectors. To be sure, the income and employment figures for the island still lag behind the Italian average. The gradual growth of authentic and place-specific activities, however, has stimulated the Sardinian economy and has laid the building blocks needed for a constructive development.

Although a case of its own, the experiences of Sardinia offer some policy lessons for other European regions. First, the regional case study reveals how important it is to take into account an area's unique attraction factors in regional policy. Second, in organising such a policy, devolution of policymaking from the central state to the local level may be strongly needed. Third, and most importantly, the example of Sardinia shows that there is also a future for "ordinary" regions that do not appear in the popularity lists of "hot spots" or "best places to live". Even more, thanks to its diversity, we think that especially the Europe of the Regions has many opportunities to integrate new tricks with old crafts. In this connective perspective, regional policy gets a new meaning: policymakers may support, develop and brand economic activities where global trends and local traditions come together. For public authorities at all levels this means that "best practices" like high-tech clustering in Silicon Valley are of limited use. At best, they can provide some inspiration, but they entirely fail as stand-alone recipes for the successful development of "ordinary" regions. Accordingly, we plead for an article in the European Treaty stating that the Commission shall ensure enough "economic diversity" among European regions. In this way, public authorities will be stimulated to attune their policy to area-specific assets, while being challenged to connect local traditions to global trends. For Europe's diverse geo-economy this connective type of regional policy is necessary alongside policies for concentration and protectionism which can only benefit a handful of regions. After all, the diversity among Europe's regions always has been great – and should be more exploited.

²⁹ A. Hering: Renato Soru: de anti-Berlusconi, in: FEM-Business, No. 32, 2004, pp. 24-27.

³⁰ B. Meloni: Progetto di Sviluppo Locale, Cagliari 2004, Progetto Sardegna.