Consolidating Economic Development

The three strategic objectives of most Local Authority EDUs (Economic Development Units) are, or should be:

- Generation
- Regeneration, and
- Consolidation

The first two are relatively straightforward; familiar to most practitioners of economic development. The third is more novel.

Consolidation, in terms of LA Economic Development Strategy, can be defined as “the process of making secure the objectives achieved under Generation and Regeneration, ...of assuring that enterprise, once attracted and supported, is not enticed to other areas by short term inducements from competing Authorities.”

It is based upon the assumption that all the assistance offered to enterprise to locate within the area and, once within the area, to expand and prosper is wasted (yes, wasted) if enterprise subsequently re-locates elsewhere. A good LA Consolidation Programme looks at ways in which such re-location might be avoided.

One way is to look at the supply side. One reason a manufacturer might remain in a particular area is due to the fact that suppliers of components or raw materials are close at hand. This cuts costs, assures competitiveness, and facilitates good communications. Likewise, suppliers to a manufacturing sector strong in a particular area are more likely to remain close by to maintain a good commercial relationship.

Another way, in part related to and certainly consistent with the above, is to look at establishing specialist centres of excellence. If a particular area becomes noted for expertise in a particular sector - say hat-making for example - other possibilities begin to emerge. Joint marketing between the enterprises involved; joint marketing between those enterprises and the Local Authority; skill pool development and shared training costs; economies of scale on the supply side, and so on.

But a third way is to explore the potentiality of “diversifying ownership”. That is to say, spreading ownership of enterprise among employees who are also citizens of the local community. This broadened ownership is less likely to speculate in short term financial gain through relocation. After all, most would opt to retain their jobs in preference to enhancing a dividend payment.

the theory

In some circles, “fabric of community” is a readily accepted concept. The theory is that individuals within human communities establish complex strands of communication with each other. These may be friendships, extended families, work relationships, trading relationships, transport pools, educational support groups, leisure clubs, mutual interest groups, and so on. One individual may have a single strand of communication with another, or many such strands as they interact on many different levels. The strands may be utilitarian, formal, and expendable, or they may be very deeply emotional, or combinations of the two. Collectively, these strands form the fabric. The fabric is fairly robust insofar as it can handle a certain amount of change; a certain amount of coming and going. But major upheavals cause the fabric to tear, and although it is difficult to attribute a cash value (for the benefit of people who can only understand cash values) to such tearing, the most profound consequences are usually experienced in terms detriment to “quality of life”.

And unquantifiable as it is, quality of life is something most economic development practitioners would agree they are endeavouring to protect and enhance.

What sorts of things threaten the fabric of community? The most recognisable and graphic are natural disasters such as floods, landslides, and collapsing slag heaps. Economic development practitioners are not well placed to anticipate and pre-empt these. What economic development practitioners are well placed to anticipate and pre-empt is major economic upheaval. And this is where consolidation in general and "diversification of ownership" in particular comes in.

LAs, via their local CDBs, should be endeavouring, through the promotion of democratically owned and controlled enterprise, to contribute to the protection of the fabric of community from unnecessary economic upheaval.

more theory

Look more closely at economic upheaval. In a small community of 30 or 40 households, the closing of the corner shop can be a major economic upheaval. The individual strands of communication can be significantly disrupted, the fabric torn. In a larger community of many thousands of households, one or two corner shops coming or going could not be said to be a major upheaval. It follows that a shopkeeper in the smaller community could be said to have a higher level of obligation to that community than a shopkeeper in the larger community. However, within the dominant western economic model, shopkeepers are free to do what they wish with their shops regardless of what communities they may find themselves in. They are, in fact, obligation free. In a more co-operatively oriented economy, it is less likely that the shopkeeper would ignore these obligations.

Likewise in a community, large or small, where a percentage of the workforce is reliant upon a single employer, the plans and intentions of that employer become important to the fabric of the community in direct proportion to the percentage of the workforce so reliant. The higher the percentage of the workforce employed; the greater the importance of that employer to the fabric of that community.

If that employer employs a high percentage of the workforce and is owned by a multi-national through a string of off-shore accounts, it could safely be said that fabric of community is not a consideration for that employer and that it (the fabric) is in double jeopardy.

A rough matrix begins to emerge with percentage of local workforce reliance along one side and distance (say in miles, but also in units of indifference) from locality of the ownership of the enterprise along the other. If you take zero to be lower left, straight lines progressing close to the edges can be seen to be less threatening to community fabric. Lines progressing up toward the top right-hand corner can be seen to be getting chancier and chancier as far as fabric is concerned.