

THE PUBLIC ANIMATEUR: PLACE-BASED INNOVATION AND THE SMART STATE

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OVERVIEW

Reprising the state in political economy

- classical and contemporary conceptions

Place-based innovation in Europe

- the smart state presumption of RIS3

Plight of public sector/lagging regions

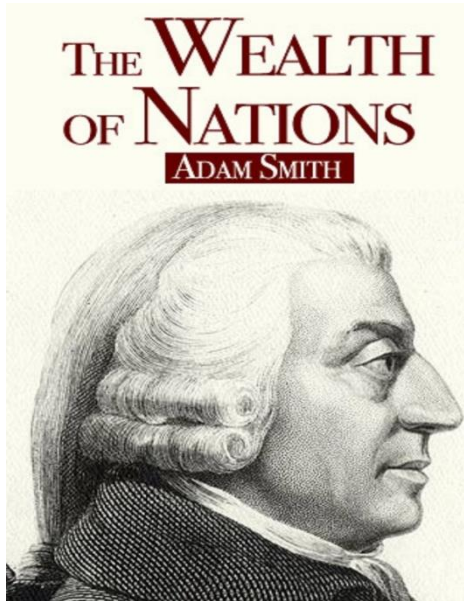
- challenge of lagging regions

STATE DISCOURSE

“It has become impossible to think straight about the state. The only permissible discourse is to talk of shrinking, fragmenting and privatising it – opening it up to competition and market forces. It is accepted as axiomatic that a public institution will be bureaucratic, self-serving and...lazy.”

(Will Hutton, *The Observer* 18 October 2015)

CORRECTIVE - ADAM SMITH ON THE STATE



The *Wealth of Nations* is today a reference point for neoliberal critics of the state because it is often (misconstrued) as a plea for a small/passive state

But it is really a plea for a *smart* state - to temper the noxious effects of the market, social privilege and especially the division of labour

Apart from securing peace, security and justice, the smart state was duty bound to promote **public works** and especially **public education**.

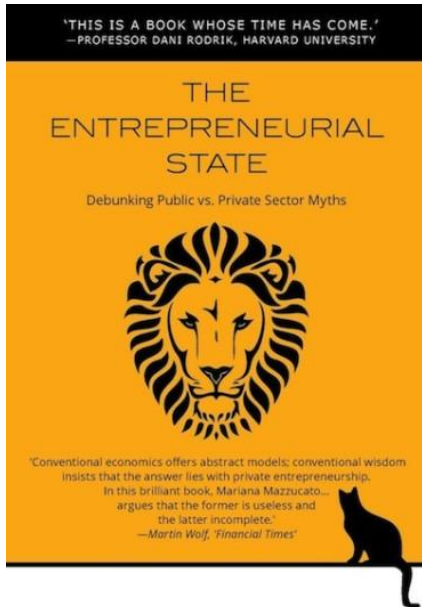
THE ENTREPRENEURIAL STATE

A recent critique of the neo-liberal critique is Mazzucato's book, *The Entrepreneurial State*, which aims to:

- change the way we talk about the state
- prove the state can be innovative and risk-taking
- show how the smart technologies of the iPhone were all funded by the state

But DARPA is used to illustrate the thesis - a unique mission-driven US defence agency .

Underplays the creativity of Apple/overplays the creativity of the public sector.



THE EXPERIMENTALIST STATE

INDUSTRIAL POLICY FOR THE TWENTY-FIRST CENTURY*

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The most persuasive critique of the critique is the experimentalist approach (Rodrik/Sabel)

- the state lacks information, but so does the private sector!
- firms and states need to collaborate to learn together in a trial-and-error process of experimentation
- the aim is to elicit information, find joint solutions, and evaluate outcomes through diagnostic monitoring
- this is the smart state thesis adopted by Foray and presumed in RIS3

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EXPERIMENTALIST GOVERNANCE

EG is “a recursive process of provisional goal-setting and revision based on learning from the comparison of alternative approaches...”
(Sabel and Zeitlin).

It involves joint goal setting between central and local units where the latter have broad discretion to meet the goals of the project.

Projects are subject to a continuous process of ***diagnostic monitoring*** - the primary aim of which is to build problem-solving capacity not to police compliance

DM is a tool for learning not control!

BARRIERS TO EXPERIMENTALIST STATE

EG is compelling in principle but challenging in practice because...

Feedback is critical - but stymied by **fear, power** and **hierarchy**.

Failure is not tolerated - but the public sector is invited to be **more experimental** and **less risk averse**.

Learning is vital – but time and space are not afforded to **monitoring, evaluation and revision**

Monitoring & evaluation – a low status but the keys to feedback & learning

SHARE OF INNOVATION-RELATED INVESTMENT IN EU COHESION POLICY

Programming Period	%	Value (€bn)
1988-1993	4	2
1994-1999	7.6	7
2000-2006	11	21.5
2007-2013	25	86
2014-2020	45	166

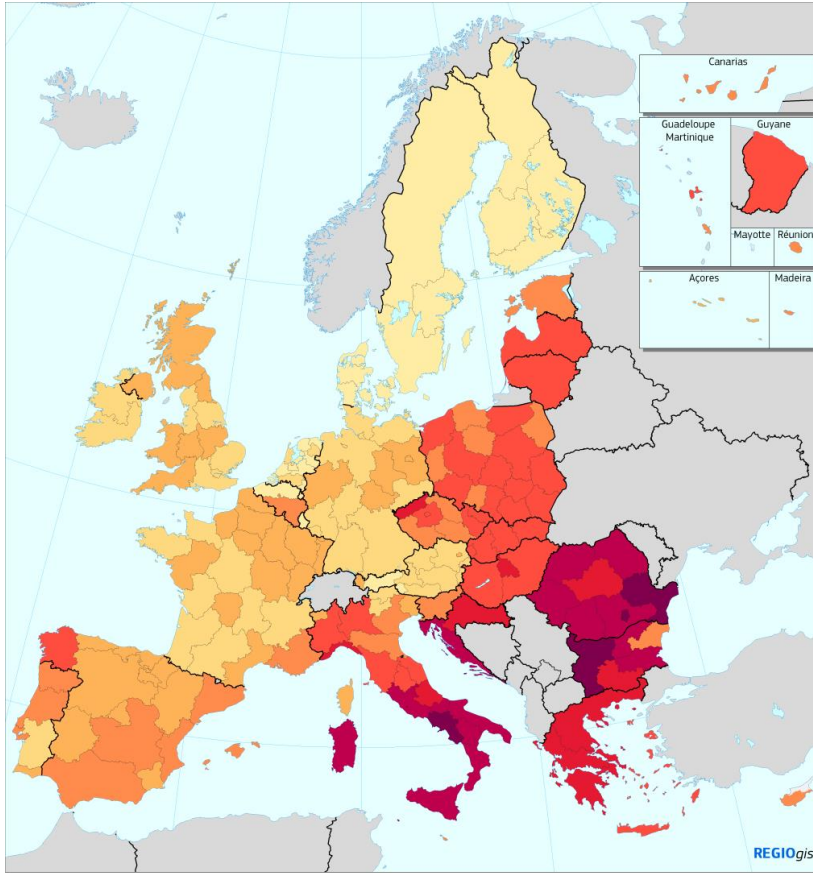
SMART STATE PRESUMPTION

RIS3 presumes the existence of a smart state because it asks a lot of the regional state and other public bodies (eg universities).

Key aspects of the “smart state” include:

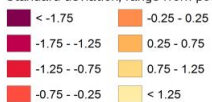
- quality of government
- public sector competence
- public procurement capacity
- entrepreneurial discovery process
- responsive political elites committed to innovation

QUALITY OF GOVERNMENT INDEX



European Quality of Government index, 2013

Standard deviation, range from poor quality (negative) to high quality (positive)



Note: EU = 0
Source: ANTI-CORRP, based on World Bank data and a regional quality of government survey

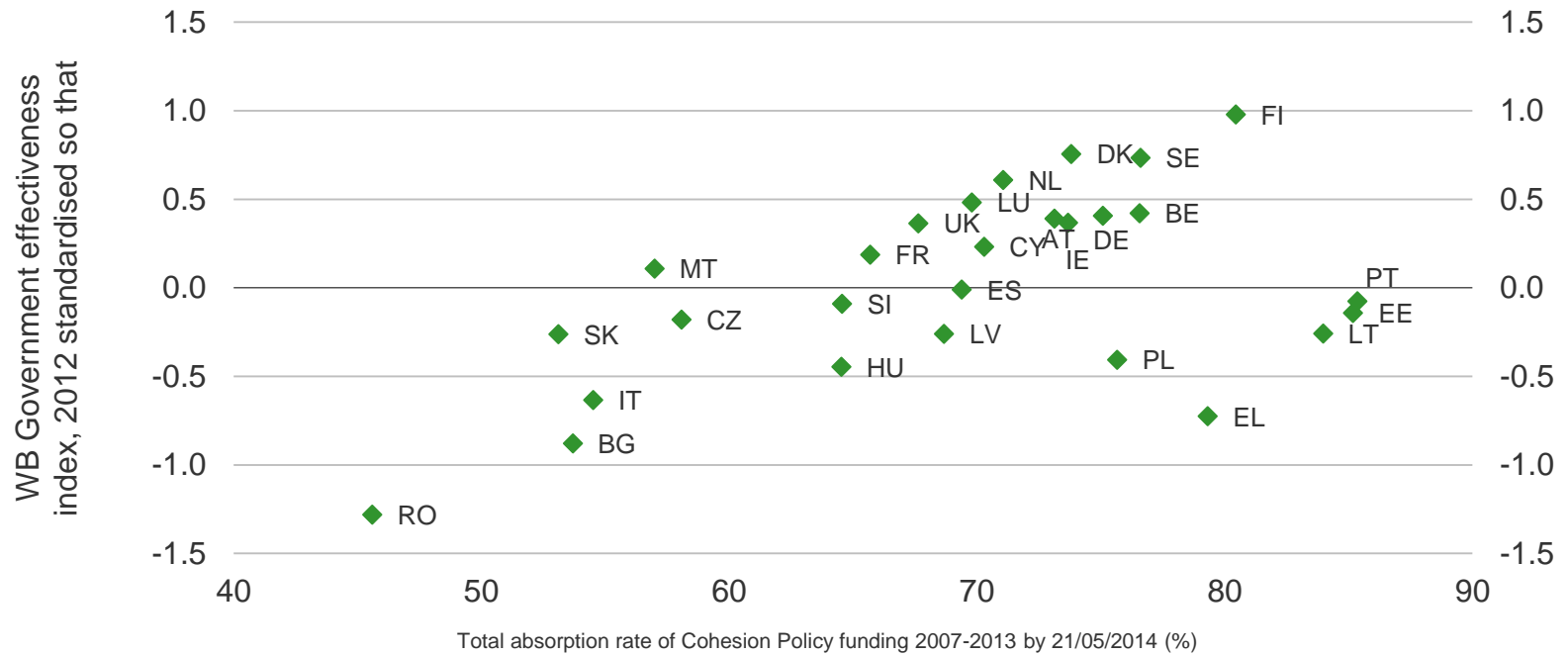
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- Poor governance can stymie innovation and economic growth and trap regions in a “low growth equilibrium.”
- Poor governance makes for poor and unresponsive public services.
- Poor governance is cause and consequence of fraud and corruption.
- Poor governance compromises the impact of Cohesion Policies as it reduces absorptive capacity.

ABSORPTIVE CAPACITY

Absorption of Cohesion Policy funding and Government effectiveness,



Source: World Bank and SFC

PUBLIC SECTOR COMPETENCE

Public procurement accounts for nearly 20% of EU GDP and has untold potential to effect social/economic/ecological change.

But it is the biggest source of irregularities in EU regional policy and this weakens the power of public purchase.

The academy has done too little work on the scope for/barriers to the *power of purchase*.

PUBLIC PROCUREMENT GUIDE



- Low cost still dominates the practice even though the guidelines allow public bodies to seek **values for money** and not just value for money.

- Power of purchase is stymied by **poor skills** and **low political commitment**.

- Public procurement is the **sleeping giant** of regional innovation policy.

ENTREPRENEURIAL DISCOVERY

The core of RIS3 (for Foray) is the process of “entrepreneurial discovery” in which the smart state identifies new R&I priorities alongside firms and universities etc

But many regions still cling to the linear model of innovation in the (mistaken) belief that university research inputs = innovation outputs.

Big disconnect here with the academy, where the linear model was buried over 20 years ago

What can be done about university science silos if the linear model of innovation is alive and well in policy and practice?

REGIONAL ELITES/USUAL SUSPECTS

RIS3 needs to address under-performing elites because they correlate with low QoG and poor innovation

Need to hold elites to account through local and extra-local means:

- through local **civil society** (eg the Integrity Pacts pioneered by Transparency International).
- through national/supra-national **conditionalities** (eg the ex-ante conditionality of RIS3).
- the “double movement” **Barca formula** for place-based development.

EVISCERATED PUBLIC SECTOR

Many governments still in thrall to a pre-Keynesian creed that aims to eliminate the deficit and shrink the state.

A shrunken state is a disempowered state that lacks the capacity to offer smart state solutions

Public sector becoming more important to innovation in sectors – health, social care, education, energy, transport, agri-food, built environment – that contribute to *smart, sustainable and inclusive growth (ie Societal Challenge sectors)*

PUBLIC SECTOR IN LAGGING REGIONS

Lagging regions are the biggest challenge to Cohesion Policy and the smart state presumption.

New cohesion policy trends – from infrastructure to innovation and from absorption to results etc - are very challenging for lagging regions.

Quality of institutions and calibre of networks are critical to the success of RIS3.

Credibility/legitimacy of the state needs to be enhanced - especially in lagging regions.

LAGGING REGIONS

The EC's Lagging Regions project presumes a smarter public sector because it aims to foster “knowledge triangle” linkages in 2 types of lagging region:

- low growth regions in Southern Europe
- underdeveloped regions in CEE countries

Case of North East Romania:

- lack of regional powers
- lack of university engagement
- EC projects (like P2P and HESS) can help, but ...
- devolution of power is key to the valorisation of local knowledge

STATE AS ANIMATEUR & CURATOR

Regional state must play a more catalytic role in RIS3 process

- by building ***organisational capacity*** across the public sector
- by using its ***convening power*** to broker new networks within the region (to promote triple and quadruple helix partnerships).
- by using its ***curating capacity*** to foster translocal networks and value chains (like the Vanguard Initiative).

Smart state bodies are valued for their ***competence*** in the network not for their ***status*** in the hierarchy (and for deploying *soft powers* in concert with hard powers like tax, regulation, procurement etc)

SUMMARY – FOR POLICY & POLITICS

Smart states can make a big difference to innovation and development (if they have the institutional capacity/political leadership).

RIS3 presupposes a smart state but latter is far from the norm (and *public sector innovation* is stymied by lack of M&E, feedback, learning and fear of failure).

Shrinking the state is counter-productive as a (*smart*) public sector is a key actor in the era of place-based innovation and societal challenges – especially in our lagging regions