

DIRECT REGIONAL DEVELOPMENT MEASURES:
AN INVESTIGATION OF THEIR INCIDENCE IN SELECTED
WEST EUROPEAN COUNTRIES

BY

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A REPORT TO THE DEPARTMENT OF REGIONAL ECONOMIC
EXPANSION OF THE FEDERAL GOVERNMENT.

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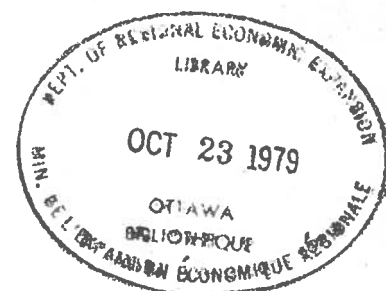
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THE FINDINGS AND CONCLUSIONS OF THIS STUDY REFLECT
THE AUTHOR'S OPINION AND DO NOT NECESSARILY REFLECT
THE POLICIES, OBJECTIVES OR VIEWS OF THE GOVERNMENT
OF CANADA. THE STUDY FINDINGS ARE PROVIDED AS A
CONTRIBUTION TO THE LEVEL OF GENERAL KNOWLEDGE AND
DISCUSSION OF REGIONAL DEVELOPMENT POLICY IN CANADA.

AUGUST, 1979

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SUMMARY

1. THE PERSISTENCE OF DISPARITIES IN LIVING STANDARDS BETWEEN DEVELOPED AND DISADVANTAGED REGIONS AND BETWEEN GROUPS OF PEOPLE WITHIN THEM, INDICATES THAT STRONGER REGIONAL DEVELOPMENT MEASURES SHOULD BE TAKEN. THE DISADVANTAGED PEOPLE FOR WHOM JOB CREATION PROGRAMMES WERE INITIATED THROUGH INCENTIVES TO FIRMS, ARE BEING BYPASSED.
2. IT IS SUGGESTED THAT A MORE DIRECT APPROACH IS REQUIRED, IN ADDITION TO THE TRADITIONAL REGIONAL DEVELOPMENT MEASURES. THIS APPROACH WOULD ENTAIL THE SPATIAL DISCRIMINATION OF DIRECT BENEFITS TO PEOPLE SUCH AS FAMILY ALLOWANCES, UNEMPLOYMENT PAYMENTS, HEALTH PAYMENTS, HOUSING ASSISTANCE, INCOME TAX RATES, ETC. DEPRIVED GROUPS OF PEOPLE IN DISADVANTAGED PLACES WOULD RECEIVE A PREMIUM FOR A SPECIFIC PERIOD.
3. INFORMATION WAS COLLECTED PERSONALLY FROM SENIOR CIVIL SERVANTS IN SELECTED WEST EUROPEAN COUNTRIES AS WELL AS THE OECD AND EEC ORGANISATIONS.
4. IT WAS DISCOVERED THAT THERE WERE FEW PAST OR PRESENT EXAMPLES OF SPATIAL DISCRIMINATION WITH DIRECT BENEFITS. HOWEVER, THERE WERE MANY EXAMPLES OF INDIRECT SPATIAL DISCRIMINATION.
5. THE STUDY FOCUSSES, THEREFORE, ON RECENT TRENDS IN REGIONAL DEVELOPMENT POLICIES AND EXAMPLES WHERE INDIRECT SPATIAL DISCRIMINATION CAN BE IDENTIFIED.

6. IN TERMS OF GOALS, GOVERNMENTS HAVE WIDENED THEM TO INCLUDE, NOT ONLY UNEMPLOYMENT AND INCOME DISPARITIES STEMMING FROM REGIONAL INDUSTRIAL STRUCTURE PROBLEMS, BUT ALSO THE DIFFERENCES IN THE QUALITY OF LIFE BETWEEN REGIONS. TO PROVIDE PEOPLE EVERYWHERE WITH EQUAL ACCESS TO THE NECESSITIES OF LIFE AND HENCE, EQUAL LIVING STANDARDS IS A MAJOR GOAL OF MOST GOVERNMENTS.
7. INSTITUTIONALLY, REGIONAL DEVELOPMENT DEPARTMENTS HAVE BECOME MOST IMPORTANT IN THE GOVERNMENT HEIRARCHY OF MINISTERIES, BEING DIRECTLY RESPONSIBLE TO THE PRIME MINISTER IN SEVERAL COUNTRIES. AT THE SAME TIME INTER-MINISTERIAL COMMITTEES HAVE BEEN STRUCK TO COORDINATE NATIONAL AND REGIONAL POLICIES AND PUBLIC EXPENDITURES IN REGIONS.
8. LOCAL GOVERNMENT AT COMMUNE AND COUNTY LEVELS, IN MANY COUNTRIES HAS BEEN STRENGTHENED BY REFORM, CREATING LARGER AND FEWER UNITS. TRANSFERS OF FUNDS AND RESPONSIBILITIES FROM THE CENTRAL GOVERNMENT HAVE ALSO BEEN INCREASED. SOCIAL PROVISION AT THE LOCAL SCALE HAS, THUS, BEEN CONSIDERABLY EXPANDED.
9. PUBLIC EXPENDITURES BY MINISTERIES AND TRANSFERS TO LOCAL GOVERNMENTS, ARE RECOGNIZED AS BEING SUBSTANTIAL INITIATORS OF REGIONAL DEVELOPMENT. HENCE, THEIR COORDINATION IS IMPORTANT ALONG WITH THE TRADITIONAL INCENTIVES OF REGIONAL DEVELOPMENT.
10. OVERALL NATIONAL SETTLEMENT STRATEGIES DESIGNATING SPECIFIC SETTLEMENTS FOR DIFFERENT DEGREES OF PUBLIC INVESTMENTS ARE BECOMING MORE EVIDENT WHILE SPECIFIC GROWTH CENTRE POLICIES ALSO EXIST IN SOME COUNTRIES.

11. POPULATION DISTRIBUTION POLICIES, ASSOCIATED WITH SETTLEMENT STRATEGY PLANNING AND THE CONTROL IN GROWTH OF MAJOR METROPOLITAN CITIES, ARE ALSO INCREASINGLY EVIDENT. SMALL AND MEDIUM SIZED TOWNS ESPECIALLY, ARE BEING ENCOURAGED TO GROW.

12. AMONG SPECIFIC INSTRUMENTS USED FOR REGIONAL DEVELOPMENT THE FOLLOWING ARE INCREASINGLY IMPORTANT: AUTOMATIC GRANTS; SUBSIDIZED LOANS; EMPLOYMENT PREMIUMS; AID TO SMALL AND MEDIUM SIZED FIRMS; AID TO SERVICE ESTABLISHMENTS ESPECIALLY IN RURAL AREAS; DISINCENTIVES ON INDUSTRIAL AND SERVICE EXPANSIONS IN CONGESTED CITIES; DECENTRALIZATION OF GOVERNMENT EMPLOYEES; USE OF GOVERNMENT COMPANIES FOR RESOURCE PROJECTS; NEW TOWNS AND INNER CITY REDEVELOPMENT; INDUSTRIAL PARKS BUILT BY GOVERNMENT AND THESE PREMISES SOLD OR LEASED; TRANSPORTATION SUBSIDIES AND CUTS AIR FARE, RURAL BUS FARE AND LONG DISTANCE TELEPHONE RATES FOR RESIDENTS AND FIRMS IN PERIPHERAL REGIONS; AID TO RECREATION AND TOURIST ENTERPRISES; MAJOR PRIORITY ACTION PROGRAMMES ON A NATIONAL AND A REGIONAL BASIS.

13. DISPARITIES CONTINUE TO EXIST AND HENCE, FUNDS FOR REGIONAL POLICIES ARE BEING DRASTICALLY EXPANDED IN MOST COUNTRIES AND IN THE EEC AS WELL. IN FACT, THE EEC PLACES REGIONAL POLICY IN THE FOREFRONT OF ITS PROGRAMMES BECAUSE OF ITS NECESSITY FOR THE FUTURE SUCCESS OF ITS ECONOMIC AND POLITICAL INTEGRATION. THE SAME REALISM PREVAILS IN THE GOVERNMENTS OF WEST EUROPEAN COUNTRIES.

14. IMPROVED INFORMATION AT THE REGIONAL LEVEL IS BEING OBTAINED BY REGIONALIZATION OF BUDGETS, IMPROVEMENT OF CENSUSES, AND REGIONAL POLICY RESEARCH.

I. The Problem

The federal government's regional development policy in Canada using the strategy of designated Special Areas, has focused on inter-regional disparities revealed by statistics collected on a regional basis. Although this particular approach to aid the poorer regions, is valid at the macro scale, it ignores intra-regional equity problems between people living in growth centres and their hinterlands respectively. In Canada and elsewhere, there has been a distinct failure to measure the relative success of programmes in benefitting the people for whom they were established originally. The allocation of public funds to designated regions or firms in growth centres, does not necessarily mean that the people who are the most disadvantaged benefit the most or even at all from such expenditures. The whole tenor of the recent report of the Economic Council of Canada, 'Living Together: A Study of Regional Disparities', reflects this concern. 'Briefly the Council believes that equity among people rather than equity among regions should be the prime concern of policy-makers'.¹

The spatial and group orientation of benefits are important for two major reasons:

(1) a programme in a depressed region which induces heavy in-migration may raise the per capita income of the region concerned but leave the welfare of the original inhabitants unchanged. In fact, local welfare may be reduced within a region with limited potential to expand its output of goods and services. Increased demand for accommodation may raise the price of housing to the local population, a heavy strain may be placed on existing social overhead capital and public services and with regard to the increased marginal cost of expanding local public sector output, the in-migrant pays only the average cost. Therefore, since labour is to some degree mobile between regions, it is important to distinguish between the region and the people involved when considering equity effects.

(2) a policy of developing growth centres in depressed regions, which has been adopted widely by many governments as the most effective approach to reducing inter-regional disparities, may increase income inequalities within regions as a result of geographical and

occupational accessibility problems faced by residents from the hinterland in filling employment positions created in the growth centres. Migration from the hinterland to the growth centre may be limited further if place preference and kinship ties rank high in the social values of the hinterland population. This is particularly relevant to native peoples and frontier locations. In addition, linkages between industry located at the growth centre and activities in the hinterland, may be limited. Therefore, little expansion may be induced in the hinterland by concentrating developmental effects in growth centres (Mellor and Ironside, 1978).

Indeed, the spread effects of growth centres, whether they have been developed in sparsely populated frontier or rural regions, or regions with higher population densities and access to metropolitan centres, have been disappointing. They have been restricted to the commuter with the impact being transmitted to the hinterland through the incomes earned by commuters and their local expenditure patterns. A recent study for the government of Alberta found that almost 50 percent of commuter expenditures were spent in the small towns with dormitory suburbs in the metropolitan Edmonton region and 50 percent in the city itself, which was treated as a 'Spontaneous' growth centre (Ironside and Williams, 1978). In frontier regions, however, commuting is more difficult and costly because of the greater distances involved, lower per capita incomes and poorer provision of roads and public transport. Many people, particularly Indians, do not own vehicles.

One other aspect, which is discussed more fully in a recent paper (Mellor and Ironside, 1978), deserves mention. That is the problem of relying on the multiplier effect to 'carry' the impact through the disadvantaged population. Because of the circulation of income within the community and the expenditure patterns, the higher income groups benefit indirectly through the direct gains from employment of the lower income groups and the spending of their income. The structure of the income distribution in the community and the expenditure behaviour of people ensures

that there is very little local change in the relationship between the income groups in the community. The gap between the wealthy and the poor, may indeed even widen as a result of a regional development programme which benefits the latter but at the same time results in benefits to the former, perhaps disproportionately.

If these are the implications of reliance on the multiplier in a free market system to distribute the benefits of a programme, then it is suggested that more direct measures should be employed to narrow the income gap between the rich and the poor, and between those in growth centres and those in the hinterlands. Direct transfer mechanisms such as a negative income tax or tax credits, a guaranteed income, unemployment insurance payments, welfare and education or skill training grants, rental and mortgage assistance, family allowance, differentiated spatially as well as by groups of people, should be introduced in conjunction with the traditional indirect vehicles such as incentive measures for firms. Such direct assistance to individuals which is spatially as well as group discriminatory, should help to alter the local structure of income distribution and spread the impact of development further within a region. The traditional subsidies to firms have not succeeded in closing the gap significantly between the richer central parts of Canada and the poor peripheral regions as measured by aggregate statistics. Jobs created by firms publicly assisted, do not necessarily go to a region's poor. Hence, more direct measures, it is argued, many of which can reach the citizen through the mail box, should be examined as a possible new approach. Many of these returns to the citizen exist already though not on a spatially discriminatory basis in a direct sense. However, it could be maintained that the interprovincial transfers which occur, stemming from the Rowell-Sirois Commissions' recommendations, have the

main objective of equalising the standard of provision of various public services across the country, in rich and poor provinces. This macro-transfer of financial aid between provincial governments, is clearly spatially discriminatory as 8 out of 11 provinces are 'receivers' and 3 are 'givers'. The federal government through its DREE and other programmes, also provides funds to only certain designated regions or places. At a more regional scale within provinces, disparities exist in the provision of public services between urban municipalities and rural counties. Again provincial governments in effect, spatially discriminate in the allocation of funds to overcome such disparities in access to public services. Spatial discrimination between provinces and within provinces does exist then, in the allocation of public funds reaching the individual in an indirect fashion via governments or firms. Discrimination also exists in the income tax system, family allowance and other forms of assistance on a group basis in Canada, only allowing specific groups of people on the basis of some characteristic or need, to receive the funds. To some extent this group discrimination could have, in time, an indirect spatial discriminatory effect. However, the thrust of the argument presented here, is that for truly effective assistance to people, not only the indirect routes have to be followed but also the direct routes of sending aid to the people directly, by-passing the intermediate distributors such as provincial governments, local municipal governments, and private firms. Such assistance could be given as premiums on existing programmes, which may or not be group discriminatory, to people living in designated regions or places. The assistance might also be group discriminatory within such regions. Some examples of such assistance programmes might be:

- (a) Higher unemployment premiums for people residing in a designated

development region or growth centre.

(b) A negative income tax, tax credits or guaranteed income for residents in such locations as above, with below certain family income levels in relation to the poverty level for Canada, size of family and local living costs.

(c) Mortgage and rent subsidies to unemployed people in development areas.

(d) Journey to work cost assistance or to seek employment and housing.

(e) Retraining and educational up-grading programmes with all living costs paid for the applicant and family at place of re-education/re-training or residence.

Some of these instruments of redistribution do not exist yet in Canada while some do exist and are applied to either everyone or specific groups of people on a country-wide basis. However, it is clear that they do not go far enough in maintaining living standards for low income and impoverished families whether they be in the Maritimes, Toronto or on Indian reserves on the Alberta frontier, where they are unable to find work often through no fault of their own. Certainly various qualifying requirements could be placed on applicants for these measures of assistance. They would have to be long term residents in the development area to prevent people coming to reside in the area specifically to receive the extra benefits; the assistance would be made available for specific time periods only, for example during the winter or during periods of unemployment of the head of the household and other members of the family. One particular factor could be applied to these measures, that is the local or regional cost of living. A good case can be made out today for indexing existing transfers to individuals such as old age pensioners, welfare and unemployment payments on this basis regionally. It would only be one step further to index them against the cost of living in the designated region. A pre-requisite for such indexing is obviously adequate regional statistics on the cost of living. These may be difficult

to collect for designated regions smaller than a province and may have to be provided by local survey.

A number of advantages and disadvantages concerning direct transfers to individuals on a spatially discriminatory basis certainly can be identified. For example, the local multiplier effects stemming from increased spending by low income residents, who spend usually most of their income locally as many studies have indicated, would have in itself indirect and induced impacts on the local economy. Such assistance would enable unemployed people or those families in need, to live through periods of hardship of little income, with an acceptable standard of living. To some extent premiums on these social assistance measures because of residence in a specific location, would be compensation for having endured many years of intermittent unemployment in often a poor physical environment. The standard argument in response is that a person can always migrate. Most people, it has been shown in migration studies, however, remain as 'stayers' in one location for a considerable period of time. Regional development programmes to take workers to the work via relocation assistance and other payments, have been noticeably unsuccessful. In democracies such as Canada, then, the question has to be posed that if people are able to live, where they wish to live within reason, why should they be subject to severe economic and environmental hardships compared with the circumstances of people in the more prosperous economic places? With higher payments for unemployment, welfare, rental assistance and so on, the worry of maintaining the family can be lessened

while a person is retraining or seeking employment. Such payments could end or be lessened when work is obtained depending on its location and the income derived from it. The overall advantage to the national economy could be an increase in the retraining of workers and an increase in the number employed. Usually the long term financial benefits resulting from employment, outweigh the costs of retraining and also the social assistance payments during the period of unemployment. The higher direct transfers to people in designated disadvantaged regions, could help to narrow the gap in income and standard of living between the low income people and the high income residents of these regions as well as between the former and residents in other parts of Canada.

The most frequently cited disadvantages to increased social expenditures, apart from that of political acceptance, are the increased cost to the national Treasury as well as the potential disincentive effects to seek further employment. In the light of the present size of Canada's public debt the extra costs of such programme measures is undoubtedly of concern. The defense is that in the long term, these costs will be repaid to the country in terms of more retrained workers, higher employment participation and higher tax revenues. Other positive effects include the fact that poverty reduces the ability of people to work, to re-educate or retrain themselves. It also leads to increase in crime, property deterioration, both public and private, and overall larger public costs in the long term. Other public expenditures should be cut than those which directly help families to earn income or to support themselves with the basic necessities of life -- food, shelter and clothing. As the Auditor-General pointed out in his last annual report, the opportunities for effective cost cutting and monitoring are abundant, for capital and current expenditures of the federal government.

The potential disincentive effects arising from increased public social assistance expenditures is an old argument which has not been resolved yet. All industrialized countries have adopted old age pensions, unemployment insurance, welfare payments and other schemes to improve the welfare of individuals. The benefits resulting from these are considered to completely outweigh the costs arising from a small minority of recipients who have no further incentive to seek employment. Little empirical evidence exists to show that disincentive effects arising from income tax, unemployment and welfare programmes diminish incentives to work on a widespread basis, although the popular view is that they do. 'The only direct empirical evidence that is available on the effect of introducing an NIT (negative income tax) programme -- that of the New Jersey experiment -- tentatively suggests that work incentives are not adversely affected.' (O.E.C.D. 1974; Watts, 1971). The additional observation made by the OECD is that such a conclusion is not surprising in a society where leisure increasingly requires expenditures, where social status depends on income and where a stigma is attached to those unemployed. It is also questionable how relevant the argument about disincentives is, when a large proportion of the poor are people who are outside the labour force in any case by reason of age, disablement, ill-health, family child-caring responsibilities and so on. In the USA the President's Commission on Income Maintenance Programmes, showed that over 60% of the officially deprived poor were either below 13 years or above 65 years old, and that 82% were members of a family - 20% heads of families, 13% spouses, 7% other adults, and 42% children under 18 years (O.E.C.D., 1974, President's Commission on Income Maintenance Programmes, 1969). Thus, some 60% of the poor may not be able to participate in the labour market and therefore there would be no substitution of leisure for

work arising from disincentive effects. Where there is no work available it may also be pointed out that the employable poor may have difficulties finding it!

It should be noted that other findings from studies on the labour supply impact of a negative income tax show that 'there was a reduction in the hours worked by the family consequent upon the introduction of NIT which was predominantly the result of a reduction in the hours by family members other than the head of household' (OECD, 1976). The magnitude of the reduction was 5 to 10 per cent of hours worked. Also, it has been calculated that in Canada, the impact of the unemployment insurance legislation of 1971 which raised benefits, relative to average earning, by over 40 percent, increased the reported rate of unemployment from 5.5 percent to 6.3 percent (OECD, 1976; Grubel, Maki and Sax, 1975). Compared with the general benefits gained by the unemployed, this marginal increase in unemployment seems a small price to pay for the country as a whole. Such calculations are also bedevilled by many qualifications, the impact of external economic forces on the economy and business cycles which all affect the economy and rate of unemployment and make precision in isolating the impact of one government programme very difficult to achieve. Another case in point in this context, is estimating the impact of industrial incentives administered by DREE .

The problem of negative feed-back effects from income maintenance programmes, may be, however, the less important explanation why in industrialized countries, which spend some 8 - 9 percent of GDP on income maintenance programmes, there is still between 3 to 15 percent of the population below the standardized relative poverty line (a rough average of national poverty lines), OECD, 1976. An explanation for this paradoxical situation is that only one third of income maintenance

expenditures go to the lowest income groups -- that is only about two to three percent of GDP. Income maintenance programmes have not been designed in fact solely to relieve poverty. It would appear, therefore, that even before applying any spatial discrimination in the application of such programmes giving poor people in disadvantaged regions premiums on their payments, there should be much sharper focusing of these measures on people in need on a national scale. A recent example of belated recognition in redistribution policies is the proposal to link family allowance payments to family income, a measure long overdue in retargetting this social assistance to groups who really need it.

The problems of spatially discriminating with social assistance measures in terms of designating the region or place, have been alluded to above. It is clear that improvement in the collection of regional statistics on living costs, unemployment, incomes, public expenditures and revenues of all kinds is necessary to provide an adequate basis for finer 'spatial' tuning of redistribution policies within the country. As far as it is possible, areas for which premiums would be given, should coincide with designated regional development areas. To what extent this should be the case at present, for example, where areas eligible for DREE programmes have expanded to cover two thirds of Canada including complete provinces, is another matter. Such broad brush application of the proposal being discussed here would seem to the writer to defeat its purpose. Regional pockets of poor low income people would not be the specific target of the measures. The deprived would be, as has been usually the case in nationally administered programmes, lumped together with those who do not need assistance. The need for regional and local area statistics may require that designated regions be coincident with the boundaries of administrative units -- county or other kinds of

municipalities, for which data can be collected more readily.

II. Objectives of the Study

The objective of the study was to distill, from information obtained from selected west European governments, on direct transfer programmes which spatially discriminate in favour of certain groups of people in specific locations, those elements which might be beneficial to Canadian regional development policy. In the context of regional development theory, the study aims to develop the argument that the inclusion of this direct 'people' approach together with the indirect industry incentives or firm approach, is more valid in terms of effectiveness in helping disadvantaged people, than the orthodox industrial incentives approach by itself. This is a viewpoint endorsed, but not supported by much empirical evidence, in the recent report 'Living Together' of the Economic Council of Canada.

More specific objectives were to:

Examine the contribution of the direct financial transfers programming of European governments to regional development policy and their relationship with other instruments of regional policy by identifying and reviewing:

- (i) Such direct regional transfer programming as unemployment insurance, negative income tax and guaranteed incomes and others and assessing the degrees of spatial discrimination in their application; and
- (ii) The relationship between direct and indirect regional programming by:
 - (a) selectively assessing direct and indirect program mixes in regions targeted for regional development;
 - (b) selectively examining the budgeting relationship between direct and indirect regional development funding; and
 - (c) locating government departmental responsibilities for direct and indirect programming and assessing degrees of program co-ordination.

Any studies undertaken into the effectiveness for regional development

purposes of direct programming, and combinations of direct and indirect programming had also to be reviewed.

Information from the following European jurisdictions was to be obtained:

- a) European Economic Community
- b) The Netherlands
- c) France
- d) United Kingdom
- e) West Germany
- f) Norway
- g) Sweden
- h) Finland

The future direction of application of direct regional development measures in Europe and their changing relationship with indirect development programming were also to be discussed.

At this juncture, the reader is advised that although an attempt was made to obtain information which would meet these specific objectives, with few exceptions, it was found to be impossible to do so for the simple reason that the governments of the countries included above, have not instigated any direct transfers programming on a spatial basis or even considered it. The idea is, it might be suggested, 'ahead' of west European legislation on social assistance and regional development issues. This report, therefore, necessarily concerns reactions to the proposal by civil servants in relevant ministries of different governments or what comprises the present trends in their regional development policy and programmes. A number of useful examples of indirect benefit allocations via regional policy programmes were identified.

III. Methodology and Data

In order to collect at first hand, information to meet the specified objectives of the study, the writer visited and interviewed senior civil servants in ministries responsible for regional development, manpower

or labour, and social assistance programmes in the following capital cities: The Hague, Brussels, London, Paris, Bonn, Copenhagen, Oslo, Stockholm, Helsinki, and Rome. Several academic contacts were also interviewed. The field interviews lasted from mid January to mid April.

The very nature of the task made it exceedingly difficult who to see and interview in the relevant government departments. This was the major problem encountered in the field work. Initial names obtained by the writer from academic colleagues in the countries concerned, together with some individuals suggested by Canadian Embassy personnel, allowed meetings to be arranged by the Canadian Embassies. It was found that often the officials being interviewed would then helpfully suggest and arrange other interviews for the writer as the discussions proceeded. Apart from difficulties of language at times, some interviews necessarily being conducted in French, the major problem of the field work, namely identifying and arranging appointments with key individuals, was largely overcome in most countries and in the EEC organization. A list of the individuals interviewed is found in Appendix I. The writer has nothing but praise for the efficient assistance of Canadian Embassy personnel. Indeed, this proved vital to the success in meeting with many of the people interviewed.

The questions asked during the interviews were directed first towards the specific objectives of the study and then to current policy programmes or research concerned with a number of topics of current interest to regional development. No questionnaire or tape recorder was used. Notes were taken during the interviews and were made following the interviews. In addition, a number of documents and reports acquired during the visits to government departments were read and have been utilized in the preparation of this report in addition to other published

and unpublished material.

IV. The European Economic Community

The consultant found that although the European Regional Development (ERDF) and the European Social Fund (ESF) were relevant to regional development in member states, it was the latter which was of direct relevance to the study's objectives.

The European Social Fund was established in 1958 under the E.E.C. Treaty with the objective of 'rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community' (Article 123 of the E.E.C. Treaty). The ESF, therefore, had as a major aim the improvement of employment opportunities for workers and thus to raise their standard of living.

The ESF began operating in 1960 and since then there have been several amendments to the regulations governing its implementation, culminating in a major reform in 1971 when its areas of intervention were substantially extended and a review in 1977 to increase its effectiveness in helping to alleviate serious unemployment in the EEC.

'As originally constituted, the ESF was little more than a passive 'clearing house' for money spent by Member States on retraining and resettling workers made redundant as a result of economic and industrial readjustments within the Community. The Fund considered vocational retraining and resettlement projects submitted by the Member States and could then reimburse up to half the cost of those projects' (The European Community's Social Policy, 1978).

Unfortunately, in practice, the Fund benefited those Member States such as Germany whose governments were more efficient in filing their claims and because reimbursement of training costs depended upon workers

having been re-employed, which was not so easy in Italy, for example. Funds were provided then, only retrospectively and only if workers remained in their jobs for a minimum of six months.

As the weakness of this first ESF became apparent, plans were made for a new ESF which went into operation on May 1st, 1972. This reform made the ESF more flexible because it was able to select projects on the basis of criteria established at the Community level rather than those selected by Member State governments. It was a more active ESF because decisions could be made how to spend its resources in advance and where the need was greatest and not retrospectively. The new ESF also had more money at its disposal -- 440.5 million units of account* were spent compared with 264 million allocated by the first ESF throughout the period 1960-1972. The new ESF was also financed directly from the Community's own resources rather than by direct contributions from Member States. This circumvented the problem of member States wanting to be reimbursed roughly in proportion to their contributions. Some 73 percent of the 1976 allocations, for example, went to the underdeveloped regions of the Community.

The present scope of the ESF is as follows:

* In 1978 the Community began using a new 'European Unit of Account' (EUA) which reflects exchange-rate fluctuations. For example the following equivalent EUA prevailed as of 24.5.1977.

	<u>Millions of Currency Units: 100</u>	
FB	4,000	
Dkr	680	£= 65
DM	270	Lit 100,000
FF	500	Fl 280

'The Social Fund can intervene in support of Community policies when these policies affect or threaten to affect the level of employment. Aid from the Fund can also be provided where there is an imbalance between supply and demand in the Community labour market. If the employment situation in a given sector warrants special attention, the Council can extend the scope of the Fund to that sector; this has already happened, for example, in the case of migrant workers, young people, women, and persons leaving agriculture etc. (Article 4).

The Fund can assist operations carried out in the Member States aimed at solving the problems which arise in those regions which, because they are less developed or there is a decline in their main activities suffer from serious and prolonged structural unemployment (Article 5).

It can also intervene to help industries affected by technological progress, or can even grant aid to groups of undertakings forced to cease, reduce, or transform their activities (Article 5). (Grants and Loans from the European Community, 1978, p. 12).

Included among projects which are eligible for assistance are those which:

'facilitate the training of persons who wish to acquire, widen, adapt or improve their professional knowledge or skills. Assistance in this case for example, would cover the preparation, operation and management of training courses, including training of instructors, the cost of participating in training courses etc;

facilitate the transfer and integration into their new social and working environment of persons who, together with their families, are obliged to change their place of residence for reasons connected with work. Assistance in this case is intended to cover all reception expenses;

eliminate obstacles which make it difficult for handicapped persons and workers over 50 years of age to take up available unemployment. In the case of handicapped persons, the assistance covers the cost of adapting jobs to their requirements, whilst for workers over 50 years of age its purpose is to maintain their level of earnings over the first six months of their retraining;

promote better working conditions in less-developed areas. Assistance here is given to help provide allowances paid by firms to newly engaged workers to enable them to remain on full pay. (Grants and Loans from the Community, 1978, p. 14).

Under Article 4 beneficiaries of the ESF include:

'persons leaving agriculture to take up non-agricultural activities;
persons working in the textile or clothing sector or leaving it,
migrant workers;

handicapped persons;
women aged 25 or over;
unemployed young people under 25 years of age.'

Under Article 5:

'person who are unemployed, threatened with unemployment, underemployed, or forced to give up a self-employed job;

workers whose qualifications must be adapted to enable them to engage in highly skilled occupations;

handicapped persons.' (Grants and Loans from the European Community, 1978, p. 15).

In terms of the amount of assistance from the ESF, for public sector activities, 50% of the eligible expenditure is covered by the ESF. In the case of private sector operations, it is an amount equal to any expenditure borne by the public authorities on condition that they or the Member States concerned, guarantee the completion of such projects.

In regions with particularly serious and prolonged unemployment problems, the fund's contribution can be increased by 10%. The regions designated to be eligible for this increase are: Greenland, the French Overseas Department, Ireland, Northern Ireland and the Mezzogiorno.

Amendments to the operation of the new ESF in January, 1978, emphasize more the regional orientation of the fund. In future, 50% of its resources will be set aside for projects within Article 5 designed to alleviate employment problems in backward regions. At the same time a higher rate of assistance will be given to such projects, up to 55% of the total amount. 'Generally speaking the backward regions benefitting will be those also singled out for aid from the European Regional Fund which will enable the Community to bring both its main instruments of structural aid to bear in the areas that need it most' (The European Community's Social Policy, 1978, p. 15).

This is a considerable increase in its direct allocations of resources to the regions, and will lead to a higher proportion of funds, both in terms of direct and indirect effects, allocated to the regions. In 1976 and 1977 the estimated 'total regional impact' in financial terms of the ESF was 73% and 76% respectively. Table 1 indicates the breakdown by regional groups for specific assistance measures.

Several observations can now be made about the scope and orientation of assistance of the ESF. During its origin there were many arguments about how the resources of the ESF should be used. The poorer countries argued that they must be applied to equalising the standard of living between poor and rich countries. The richer countries argued the need for helping disadvantaged individuals anywhere. The result of this controversy was a compromise with the fund's resources being committed to retraining groups of people and secondly emphasizing assistance to groups within underdeveloped regions. It is clear that 'the regional lobby is winning' (Mr. Fitzgibbon, 1979) with an increasing proportion of funds being allocated specifically to the poorer regions.

This is a reflection of the seriousness with which the regional disparities existing in the EEC are viewed, disparities which have not disappeared as the abolition of barriers to trade and economic development, allowing a rising standard of living for the majority of the EEC population during the 1960s, have occurred. Indeed, the disparities between rich and poor regions will become exacerbated as the EEC expands, admitting new full member states from the Mediterranean littoral, such as Portugal, Spain and Greece. The following statement makes it clear why regional policy is considered to be a cornerstone of the EEC:

'In an economy whose growth rate has so declined, the development of the weaker regions is seriously affected and the persistence of regional imbalances even threatens the proper functioning of the

Table 1:

European Social Fund: Interventions Approved 1976, 1977.

(In M.U.A.)

Intervention Sector	Regions of Absolute Priority 1.	Rest of ERDF ^{2.} Regions		Remainder of Community Regions	
	1977	1976 ^{3.}	1977	1976	1977
Persons Leaving Agriculture	3.1	25	23.9	20	3.9
Persons working in the textile & clothing sector	0.5	6	10.8	10	8.4
Migrant workers	0.9	2	0.2	19	25.0
Young people	31.9	42	63.8	27	78.3
Handicapped Article 4	2.7	12.5	2.6	32	16.6
Handicapped Article 5	8.6		10.6		13.8
Regions Article 5	103.6	229	200.2		----
Technical Progress	-	5	1.2	15	2.8
Groups of Undertakings	-		0.3		1.9
	151.3	321.5	313.6	123	150.7

Source: Fifth Report and Sixth Reports on the Activities of the European Social Fund for the 1976 and 1977 Financial Year to the Council and the European Parliament, V/1078/77-E and Com (78) 476 Final 6th Oct. 1978.

1. Under Council Regulations (EEC) No. 2895/77 these are Greenland, French Overseas Departments, Ireland, Northern Ireland and the Mezzogiorno.
2. ERDF is the European Regional Development Fund.
3. The 1976 figures for the Absolute Priority regions were not available.

common market itself. Indeed, not only do the less-developed regions fail to integrate fully within the Community, but the problems to which they give rise become an increasingly heavy burden on national economies and thus increase the pressure on the public authorities concerned to refuse the constraints inherent in the mechanism of Community integration. It is, moreover, an illusion to hope for the convergence of Member States' economies so long as regional problems continue to weigh so heavily on certain economies. 'It follows from this situation that Community regional policy must be strengthened and its field of application expanded. This is not only desirable; it is now one of the conditions of continuing European economic integration! (Community Regional Policy, 1977 p. 6).

Regional development is now being regarded as a framework for the intervention and coordination of national and Community regional policies. An important initiative passed at the Hague Summit Conference in December, 1969 was the creation of a European Social Budget. The first one -- 'an analysis of Member State's Spending during the 1970 - 75 period on social insurance benefits (including family allowances and medical care) private occupational benefits, war pensions and means-tested assistance -- was drawn up in 1974'. (The European Community's Social Policy 1978/2). Such a budget is an essential prerequisite for coordinated social policies in the EEC. It has been recognized that of all the Community policies in fact, regional policy is perhaps the closest to social policy. The increasing regionalization of the disbursement of the ESF revenues, indicates that the spatial dimension is being introduced into the EEC's problem-solving in a fundamental way. 'Coordination of the Social and Regional Funds is, in fact, essential if the two are to be used to their optimum, for in many ways the two funds are complementary: the Regional Fund can help create new jobs while the Social Fund can help train workers for them' (The European Community's Social Policy, 1978/2).

In the context of this strong regionalization of EEC policy and programmes, and also in the context of this study, the recent remarks of the new Minister for DREE, Mr. Elmer MacKay are particularly pertinent.

In statements made to the press on June 5th he said 'I think that one of the keys to increasing the success and influence of DREE as an instrument to reduce regional disparity will be to try and get increased co-operation from other related departments so their policy can be tailored to reducing disparity in certain areas.' He continued, 'If regional development is to really make an impact it has to be supplemented by policies of the departments that would be favourable to developing regions' (The Edmonton Journal, June 7th, 1979). This is precisely the thrust of EEC policies and also the argument of this report. In association with orthodox industrial incentives aid to private firms, there should be, particularly in the social field, discrimination in programmes to make them 'favourable' to specific disadvantaged people in specific disadvantaged regions. As Mr. MacKay also pointed out, the budget of DREE is not large enough to alleviate disparities all by itself (See also Mellor and Ironside, 1978, p. 247). Co-ordination of the expenditures by other departments of the Federal government, as well as of the provincial governments on a regional basis, is essential to tackle the disparities problem. The EEC is adopting the same philosophy of regional development, which it strongly links to its political survival. There have been past statements made by Pierre Trudeau in a similar vein with respect to the need for federal regional development policy in Canada.

The emphasis, then, in EEC regional policy is to continue to strengthen the attack on disparities. The establishment of the European Regional Development Fund (ERDF) in March 1975 was a major step in this direction. Yet it is recognized that, as with DREE in Canada, the ERDF, supplementing national programmes of regional development, needs to coordinate with the ESF and other EEC agencies assisting regions. 'An increased coordination of all Community financial instruments which

provide assistance in the less-favoured regions, of all Community policies with regional implications, and of national regional development policies, is necessary (European Regional Development Fund, 1978, p. 8).

V. The O.E.C.D.

Mr. E. Ezra, the Secretary of the Working Party on Regional Development Policies, was interviewed.* Although displaying considerable interest in the study's objectives, he indicated that he was unaware of specific examples of spatially discriminatory direct benefits in west European countries, members of OECD. He did point out, however, OECD's interest in subjects such as income maintenance programmes, negative income tax and public expenditure trends on which they have published several reports. None of these subjects is treated, however, in the context of regional development policy. The OECD, like the EEC, is, nevertheless, concerned about discovering new ways of generating regional development. Lately, both organisations have turned their attention to the service sector, to recreation and for some time they have been interested in small and medium-sized business (Regional Policies and the Service Sector, OECD, 1978; Problems and Policies Relating to Small and Medium-Sized Business, OECD, 1971). Although it was concluded that there was scope in locating public facilities and some services in accordance with regional policy, particularly in terms of health, education and infrastructure, they found that for direct financial benefits to individuals (unemployment and social security payments), the service is provided usually in accordance with nationally applicable scales and principles. Employment in administration of these services, and hence in

* An attempt was made to see a Canadian representative to the OECD but time did not allow it.

turn, the multiplier impact, depends upon the number requiring benefits rather than regional policy criteria (Regional Policies and the Services Sector, OECD, 1978, p. 31). To this extent, there can be an indirect impact of direct benefits on regional development because, of course, those disadvantaged low income people requiring for example, welfare payments, are often located in a specific disadvantaged region. As we will see later in the report, this indirect effect is something increased by direct government action. It appears from the OECD literature that the potential link between direct benefits or transfers to individuals and regional policy has not been seen and that what exists as policy now in member States has only been described.

In the following country-by-country discussion, it is noted that where any evidence occurs that there is thinking or even tentative policy proposals for spatial discrimination of direct benefits in association with regional development, it has been presented. Most countries, unfortunately, did not have any policies or programmes along these lines. However, indirect effects stemming from the provision of direct transfers to people were noted while in some countries, France in particular, there was evidence that regional or spatial discrimination was being considered in relation to direct transfers. The writer will, therefore, in the absence of material which is directly related to the objectives of the study, endeavour to report where possible, on the current trends in regional development policy and practice in the countries visited.

VI. The Netherlands

Only indirect examples of regional discrimination of benefits to individuals can be found in the Netherlands, which, together with Belgium and Austria, devotes the highest proportion of GDP among OECD countries to income maintenance expenditures (Public Expenditures on Income Maintenance Programmes, OECD, 1976, p. 17). Although the provision of social assistance programmes is extensive, and the gap between rich and poor groups is narrow relative to the experience of other countries, there is concern with redistribution sectorally within society between groups defined by, for example, income, age, health, marital status, and spatially between regions.

In the budget year of 1975, the Dutch Government spent about 34 billion guilders on subsidies for goods and services of a 'private good' nature, like housing, health care, public transportation and education. Slightly less than half this amount, 16 billion, was spent in the housing and education sectors. For the amount, the incidence of impact on households has been estimated in a report by the Social and Cultural Planning Office of the Government, entitled 'Profijt van de overheid' (Benefits from Government). The data base was a random sample of 4,074 households (approximately one in a thousand in the Netherlands) which cooperated in the Housing Need Survey of 1975. In the study, the income redistributive effect of four types of subsidies and one type of taxation in the field of housing, were analysed. For education, current expenditures for formal education, study grants, family allowances for students aged 16 - 26 years and tax subsidies were analyzed as to their incidence on income groups.

The results of the study showed that the distribution of benefits resulting from government expenditures was distinctly unequal. Only 22%

of the expenditures reach the poorest half of the households; 24% are received by households with the top 10% of income. For housing alone, 27% of expenditures benefit the highest 10% and the same proportion of expenditures benefit the lowest 50% of households by income. For education, 23% of expenditures are made for the top 10% and 21% for the lowest 50% of households by income. The main causes of inequalities are (a) in the case of housing, the tax benefits for owner-occupiers in the present income tax laws because a very low proportion of the value of a house is imputed as a rent (unpaid) and hence an income benefit to be included in income. This is a major benefit to home owners and higher income groups; (b) for education, the inequality can be explained by differences in the family structure in households across income groups, there being more households with dependent children in the higher income groups and differences in educational careers between children of households with different incomes.

The same report, 'Profijt van de overheid', also points out some of the regional differences by households and income groups and also by the degree of urbanisation or settlement type. Table 2 indicates clearly the dominance of the western region of the Netherlands (the most urbanised, industrialized region with a strong tertiary sector), in terms of income, particularly, in the decile groups. In Table 3, the large town, the rural settlement and the rural-urban fringe settlement stand out as having the highest proportion of households in most decile groups including the highest decile income groups. However, in discussion with Mr. Roelse and Mr. Knol of the Cultural and Social Planning Office, which prepared the report, they made the point that only gross absolute differences were shown between decile groups which were not corrected for age, education, health and other characteristics of the households. If

Table 2: Household by Region and Income Group: The Netherlands
(By Percentage)

Main Regions	Deciles										Total
	1	2	3	4	5	6	7	8	9	10	
West	37.4	44.1	41.3	45.9	40.0	44.7	46.7	47.7	48.8	52.9	45.0
North	11.7	8.9	11.8	15.1	13.7	14.9	10.4	9.3	10.1	9.3	11.5
East	25.9	21.2	24.9	13.8	22.4	18.4	21.4	22.8	18.6	17.9	20.7
South	24.9	25.8	22.0	25.3	23.9	22.0	21.5	20.1	22.5	19.8	22.8
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Profijt van de overheid (Benefits from Government) 1975,
Report of the Social and Cultural Planning Office, Rijswijk,
p. 40.

Table 3: Households by Degree of Urbanisation and Income Groups:

The Netherlands

(By Percentage)

Settlement Type	Deciles										Total
	1	2	3	4	5	6	7	8	9	10	
Rural	21.1	27.8	27.3	25.1	23.8	20.4	24.3	21.9	19.7	24.8	23.6
Rural/ Urban Fringe	18.9	18.9	20.4	15.0	18.4	17.7	18.9	17.4	17.2	17.9	18.1
Dormi- tory	7.4	6.9	6.9	6.1	5.7	7.6	6.4	9.6	11.5	16.0	8.4
Small Town	8.8	12.0	6.9	11.1	10.8	13.0	12.5	12.0	11.8	8.1	10.7
Medium Town	14.3	11.5	13.3	17.7	15.2	16.7	16.0	15.5	18.7	13.3	15.2
Large Town	29.5	22.9	25.3	25.1	26.0	24.6	22.1	23.8	21.1	19.9	24.1
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Profijt van overheid (Benefits from Government) 1975, Report of the Social and Cultural Planning Office, Rijswijk, p. 40.

standardisation is done then, they said that differences between the regions of the Netherlands in terms of living standards are not that significant. Although incomes, for example, in the North, a designated region, are 10 to 15 percent lower than the national average, living costs are also lower. One explanation for this difference, they suggested, was that there are more blue-collar workers in the north. Nevertheless these statistical attempts to refine measures of regional differences, cannot conceal the fact that incomes are lower in the North and in the southern Limburg designated region, that unemployment is higher reaching 11% in the northern province of Drenthe compared with a national average of 5.5% in 1975, and 9.5% in Limburg, and that the incidence of such differences within the country is a major *raison d'etre* of Dutch region development policy. Mr. de Jong of the Regional Development Office of the Economic Ministry, in fact, said to the writer that the problem of the regions was really an employment problem and not one of personal income. The trade unions in collective bargaining since 1968, have not accepted the argument that there should be differences in wage rates because of differences in the cost of living between regions, particularly because of housing costs. If one is unemployed, however, inevitably lower annual incomes result!

The writer would now like to review, briefly, recent developments in the policies and programmes of the Dutch government with respect to eradicating the problems of lower income groups and regional differences. Two areas will be treated: The Special Regional Welfare Policy 1977-80 and the Regional Development Programmes of the Netherlands 1977-80, prefaced by a review of the development of Dutch regional policy.

A) The Special Regional Welfare Policy 1977-80:

It was reported in a 1976 OECD document (Public Expenditures on

Income Maintenance Programmes, OECD, 1976, p. 83) that '.... many countries (notably Denmark, Italy, and the Netherlands) are now considering, or have already made, moves towards some form of area management of all programmes designed to relieve poverty, which would involve some decentralisation in order to ensure a better coordination with programmes which are probably best operated by local bodies.' Indeed, in 1977 a new Regional Welfare Policy was implemented with an emphasis on assistance to priority areas, some of which had not been previously included. Money has been allocated to: Government designated growth centres, many of which were experiencing shortages of facilities in new neighbourhoods; older large city districts in Amsterdam, Rotterdam, The Hague and Utrecht; three old industrial cities - Zaanstad, Leiden, Helmond which have shortages in housing, living facilities and environment and which have potential growth centre effects; rural agricultural areas with fragmented land tenure problems; a small centre experiment in the province of Zeeland and the North where local residents in declining small centres can organise to help themselves improve their living environment; and to community social-cultural activities to take place within the context of the integrated regional plans for the North and the South Limburg regions.

The key features of this new Regional Welfare Policy are plan formation, decentralisation, democratization and simplification.

a) Plan formation: The Commission administering the new policy undertakes to monitor the plans made by local governments with respect to the expenditure of the funds allocated.

b) Decentralization: The Minister of Culture, Recreation and Social Work, approves plans accepted by the Commission and monies are released to the municipalities. The local municipal government's have therefore, considerable control over the content of the the plans and the expenditures made during a year's plan.

c) Democratization : As a result of local government responsibility for executing the new regional welfare policy, closer contact with the population is achieved. The residents themselves, decide on the projects and which ones have priority. The participation process developed needs further testing because there are administrative obstacles which still obstruct public participation in decision-making.

d) Simplification: With the approval of the Plan, the administrative channels and bureaucracy is reduced to that of the local government. Every year on submission of a list of proposals which have been realised, new funds are released by the Ministry. The inter-departmental Committee in the Hague which previously executed the Regional Welfare Policy, has been limited in its role to long term planning and the monitoring of welfare plans.

Apart from this Special Regional Welfare Policy, there are numerous programmes distributing funds from Central Government ministries to local governments, both municipal and provincial. The Minister of Home Affairs is in charge of the Municipality Fund which finances some 800 communities; the Provincial Fund does the same for the 11 provincial authorities; the Minister of Culture, Recreation and Social Affairs finances municipalities to employ 60,000 handicapped people up to 30 hours per week; under the 1965 Social Allowances Act every material need not covered by national social assistance allowances, is provided for by the Act's funding with 90% of this support going to local authorities for distribution (an example is kindergarten payments by local authorities to mothers who wish to work). The act is a closing element of the Dutch Social Security System. The Ministry for Culture, Recreation and Social Affairs also administers the resettlement reimbursement scheme which applies to workers who move house for reasons covered by the Government's labour market policy. The costs of travel, removal and resettlement are partially met. This programme applies, particularly, to workers moving in or to the north and south designated regions and is being assisted by the European Social Fund. The Ministry of Housing also will pay a rental subsidy for low income people (with less than 30,000 guilders per annum/

\$17,330, a rate approximately of 1.75 to the Canadian \$) if the rent is above 400 guilders per month. Subsidies are also paid to owners with low cost new houses. A recent proposal being experimented with by the government is a subsidy for shopkeepers in small villages to discourage their out-migration. As key service people in a settlement, their departure can encourage strongly the cycle of depopulation. As a consequence, these payments are being viewed as investment subsidies rather than income subsidies, to strengthen the fabric of rural society. The government wants to encourage young men to invest in retail village outlets. About 40 small villages are participating in the initial temporary experiment. The subsidy amounts to 25% of the total investment in the shop with a maximum of 25,000 guilders. Shopkeepers have to apply for the subsidy with support from their municipality. This is a small example of a spatially discriminatory programme which applies only to small, and thus mainly rural villages.

B) Regional Development Programmes 1977-80

First, it would be useful to briefly review the origins and character of Dutch regional development. The beginning of regional policy can be found in a regional plan for S.E. Drenthe in 1951. This region had the highest unemployment in the Netherlands resulting from a decline in the demand for labour for traditional activities such as agriculture and peat cutting, combined with a high natural increase in population. The same policy was applied to 8 other development areas where high unemployment rates prevailed, by a law passed in 1952. Infrastructural improvements were used at first to tackle the problem but they proved insufficient. In 1953, therefore, an investment grant scheme for industrial establishments (25% of cost of building) applied in 42 places designated as development centres, was introduced. The construction of industrial

buildings and worker training were also measures of assistance in development areas. Regional policy began, therefore, as a social and employment policy intended to help the most disadvantaged people and regions (Hendriks, 1974).

In 1959, what might be termed the second phase of regional policy started. The structural unemployment focus was widened to include the dispersion of economic activities from the crowded west. Areas showing population losses were aided more, thus a larger number of peripheral areas qualified for assistance. A Spatial Planning Act was passed in 1962 so that physical planning and regional industrialization became increasingly interrelated concerns. For example, the Ministry of Housing and Spatial Planning assigns extra housing to development or growth centres in order to support their industrial growth and works closely with the Ministry of Economic Affairs responsible for industrial location policy. In addition the Minister's of Agriculture, Social Affairs, Labour and Economic Affairs are represented on an interministerial committee to coordinate their regional policies.

In 1971, the government decided to postpone the incentives indefinitely for all the development areas except North and South Limburg. Limited resources had to be concentrated on these two main problem regions, particularly, as the other regions seemed to have been successful in attracting industrial development. At the same time, there was concern to restrict growth in the congested western provinces. The need for a long term comprehensive strategy for economic and physical planning in the country was becoming realized. To implement this strategy, a number of specific measures were introduced which could be called the third phase of Dutch regional policy.

The most important regional financial incentive is the Investment Premium Regulation (IPR) introduced in 1967 to encourage firms to migrate

to or develop in the two main development areas of the North and South Limburg. It applies to industry as well as services of a regional exporting character, and to new or expanded projects. The grant is up to 25% of acquisition costs for new establishments and 15% for expansions. The maximum award is fl. 4 million for the former and fl. 2.4 in for the latter. The IPR was introduced not only to create employment but more especially to induce capital intensive industries, which would develop market linkages with other industries, in the development areas. The IPR is considered to have been a successful measure.

There is also a specific discriminatory premium since 1968 for projects establishing in the new polder town of Lelystad. It involves a premium of Fl. 10,000 per permanent employee in firms creating 10 or more jobs in the town.

The major 'stick' used to constrain investments in the congested west is the Selective Investment Regulation (SIR) passed in 1974. Only a few sectors are exempt: agriculture, residential construction, public transport, local and regional service industries. The Regulations work through a system of licenses, levies (now suspended), and notifications in respect of new industrial buildings, installations and offices. Compulsory notification of planned investments is required and a license is required to proceed with them. The levy was to be 10% on building costs of new buildings for industries and 5% on offices and warehouses. A moderate start was made with the SIR in the Rhinemouth (Rijnmond) area. Initial problems have been the considerable major investment contracted for or underway at the time of the introduction of the IPR. Other measures aiding the IPR are tax allowances involving accelerated depreciation on one third of the buildings and 40% of investment in those contracted for before November 18th, 1975, can be written off in the two year following purchase.

The decentralisation of government employment involving 16,000 jobs by around 1986 to the North and South Limburg, is also part of the strategy to redistribute population and economic activities. An example of this policy is the relocation of part of the Post Office from The Hague to Groningen in the North.

The State also acts directly to develop economic activities. The Netherlands restructuring company (NETHEM) and the State owned Development Company in the North (NOM) and the Limburg Institute for Development and Finance (LIOF), can take equity positions in firms in weak regions.

Other instruments include The Migration Rule of 1971 and The Migration Rule of the North. They are administered by the Ministry of Social Affairs and apply to people in a firm moved from the west or one which is establishing a subsidiary outside this region; a business moved to the Northern designated region is only eligible under the latter rule. These programmes also apply to unemployed or soon to be redundant people in the West and the North, and South Limburg regions. Assistance to migrants is given under these programmes which have been strengthened since 1973.

The present, and near future, regional development policy was outlined in a White Paper - Regional Social and Economic Policy 1977-80. Although some of the following review has already been mentioned, it is considered useful to re-emphasize the changes in Dutch Policy and current thinking. There are four major features of this policy in recent years.

a) Regional policy was aimed formerly at reducing the effects of structural unemployment particularly in the North and South regions with agricultural and coal mining employment respectively. A government study on the north in 1972 stated that the aim of strengthening the North's economy could no longer be based solely on a policy tackling economic problems but should also include the environmental, social and cultural context in which these problems occurred. This was the first indication of a broadening of the objectives of regional economic policy. A shift in objective to reducing disparities in trends of population, employment and income within and between regions is now the main policy focus. This change has been aided by the introduction of the Selective Investment Control Act in 1974 which is limited to environmental physical planning policy through its discouragement of investments in the congested western region. Until

this act was passed, regional policy could only stimulate investment via incentives in certain regions; the Act now provides a lever to check and steer investment to specific regions.

b) There are now more measures of assistance available so that the individual requirements of sub-regions can be met. Aid for constructing industrial estates, the relocation of industry and a contingency fund are new measures adopted. The policy can thus be described as more differentiated than in previous periods.

c) Intensification of the policy is based on the supplementary regional measures introduced and the overall increased budget for regional aid of 25%. It should be noted, however, that a larger area is now covered. Expansion of the regional development companies has also occurred. They are the Northern Development Company (NOM) and the Limburg Institute for Development and Finance (LIOF). They assist firms to find finance especially from the central government and can undertake capital investments themselves. Increasingly they play an important role of intermediaries between government and industry

d) Recent efforts have been made to integrate the economic component of regional development with the cultural and physical planning components. The Integrated Structure Plan for the North (ISP) has begun and an integration study in 1974 for Limburg's Prospects (PNL), was done. It has been realized that the objectives for regional development must be increasingly coordinated as 'policy intensifies and inter-connections became more complex.'

In this context the Dutch government has declared that the EEC's regional policy can only be effectively and logically implemented if the three components of government action -- the economic, cultural and physical planning components of a specific area are integrated. This is in line with the thinking of the Regional Policy Committee of the EEC, the operation of the European Regional Development Fund, and the European Social Fund. An example of the Dutch Government's achievement of such integration is the release of funds for regional economic policy to implement physical planning proposals particularly for the development of growth centres. Responsibility for integration in the designated North and South regions lies between the central government and the provincial authorities within each region. This is regarded as an interesting administrative experiment.

Special procedures have been developed to allow the local population and groups to be consulted on a large scale, with respect to the future of these North and South regions. Also in the preparation of the ISP for the Northern Region, considerable progress was obtained in developing regional data and methods of integrated planning which had previously been absent or weak. (Nota Regionaal Sociaal-economisch beleid, 1977 - 80; Regional Development Programmes; The Netherlands, 1977 - 80).

The Dutch Government to avoid conflict between national sectoral policies and regional policies, has established agreements between authorities, particularly NETHEM (The Netherlands Restructuring Company) with

responsibility for sectoral policy and the regional development companies. This is necessary, when, increasingly, the complex interrelated effects between regional or national investments or restraints on investments, are apparent. Both the careful establishment of jobs and the adoption of specific policy instruments are necessary in this context.

Regional policy in the future will continue past programmes to

- decrease congestion in the Randstaad or west
- to protect open space and ecology
- to reduce regional economic and social disparities
- to reduce commuting

Growth centres, now much fewer in number, outside the Randstaad are being relied on to direct jobs and people to the North and South. The provision of a 'harmonious work-life balance' throughout the country, a goal similar to Swedish and German ones, has been set. To achieve it, the national and regional policies which influence economic structure, the labour market and physical land use, are the main levers of government. Noticeable also, is the Dutch emphasis on obtaining regional data. Regional accounts (input-output for 40 regions) and basic statistics are being developed; an employment model is operational. Models for forecasting, are also being used as the regional level. The Dutch wholistic approach, then, is a far cry from the original adhoc attempt to overcome regional structural unemployment. Together with an integration of physical and economic planning on a regional basis for all the country, there is also a regional basis for social policies. It is, therefore, clear that although most Dutch policies for benefiting people are not direct, the indirect ones are increasingly embracing wider areas of aid, economic as well as social, while at the same time being spatially discriminatory.

VII. Belgium

In meetings with officials at the Ministries of Employment and Labour and Social Insurance, it was discovered that there were no direct benefits in the employment/unemployment or social assistance fields which are paid on a discriminatory spatial basis. There was formerly, however, an example of such discrimination in the case of unemployment insurance payments. During the post war years until 1964, payments were 10% higher for the unemployed residing in large cities, and 10% lower for those in small rural communities. The reasoning underlying this difference in payment was the higher cost of living in the cities and the lower cost of living in rural areas. The lower rate was actually cancelled in 1960 and the higher rate for city unemployed ended in 1964. Payment was a flat rate for 20 occupation groups. In 1971 payment was tied to the salary or wage of the applicant for unemployment payment. No reason was suggested by government officials as to why the spatial discrimination ended and a search in the *Revue du Travail* which publishes government legislation, was unsuccessful. It might be suggested, however, that the increasing growth of a commuter labor force in Belgium made it very difficult to estimate the net benefits of people living in rural areas and working in large cities. In 1970, for example, out of a labor force of 3.5 million in Belgium, 1.6 million commuted to work, often considerable distances by car, train or bus. Also, the payment of unemployment insurance, being linked now with the salary or wage last earned, means that the relationship between cost of living and earning's is taken into account to some extent.

In the absence of any further information on direct benefits in a spatial context, recent trends in Belgian regional development planning will be reviewed. Overshadowed by the focus of regional theorists and

practitioners on the UK, France or Sweden, Belgium presents some interesting, relatively recent decisions in regional development to counter the problems of a country faced with regional industrial decline and cultural divisions.

It was in 1959 that regional policy legislation was first introduced to counter serious economic and social problems which were causing high unemployment levels, out-migration or commuting, declining profits of firms and standards of public services, in specific regions. Two pilot regions, the Borinage and Zuider-Kempen were designated for regional programmes (OECD, 1977). The July, 1959 legislation was complemented by July 1966 legislation, which extended benefits in rural, coal mining and textile regions in particular. On December 30th, these two previous acts were replaced by a single act which defined the problems at the regional scale in the following terms:

- Structural under-employment, both present and foreseeable, in particular unemployment, potential labour supply, permanent or temporary migration, appreciable losses of jobs;
- actual or imminent decline in important economic activities in the region;
- abnormally low standard of living;
- slow economic growth. (OECD, 1977, and Programmes de développement régional, Belgique, 1978-80).

There was a wider range of incentives offered. The government's aid also extended to service activities (retail, tourist, management, research and development). Employment premiums to firms were also available to encourage investment to create jobs.

The development zones are integrated within 'blocs prioritaires' established by data analysis at the 'arrondissement' scale, the smallest unit for which data are available. Basically the blocks cover areas with unfavourable socio-economic conditions: declining industries, weakly

developed new industry, high rate of unemployment, lower than average personal incomes or an unbalanced economic structure such as the agricultural dominated rural south Luxemburg province, or the decline of existing industry such as steel, or the absence of new industry (Programmes de développement régionale, Belgique, 1978 - 80).

The 1970 Act also established a new decentralised regional organisation. The country was divided into three regions -- Flanders, Walloon and Brussels, the basis being particularly cultural and linguistic. Each region has a Secretary of State for the Regional Economy who were appointed in 1968 for the first two regions and in 1975 for Brussels. Under the 1970 Act, also, a system of consultation between employer and worker groups, was extended to the regions. Three regional economic councils (CERs) were established, being formed by delegates appointed by the King and representing all the economic interests of the region through their official organisations and political parties. The task of the CER is to advise and it is involved through contact with the Regional Directorate of the Bureau du Plan in the process of preparing the National Plan. In addition, regional development companies, (SDRs) have been established. Their duties involve preparing regional studies on the promotion of regional measures, they advise the CERs, and they are supervised by a Commissioner appointed by the Secretary of State for the Regional Economy. There are 7 SDRs: one for each of the Flemish provinces of Antwerp, Limbourg, and East and West Flanders, one for Flemish Brabant, one for the whole Walloon part of the country and one for the Brussels capital district.

Despite the progress made by the 1970 Act, it was under the 1974 Act of August 1st, that the regionalization of many responsibilities of the central government, all of which have great importance for regional policy, occurred. Sectors such as economic growth, regional

planning, water supply, various public health policies, which require differentiated regional policies, are managed by a Ministerial Committee for Regional Affairs (CMAR) chaired by the Minister of Regional Affairs to which all Ministers and Secretaries with specific regional responsibilities belong. The three regions also have Cultural Councils responsible for cultural affairs such as language use and teaching. In 1974, the responsibilities of the Cultural Community Councils were extended to cover health (clinics, hospitals, preventative medicine), housing and social psychological, educational assistance. Financial aid to the communes for forestry, game and fishing activities, land consolidation and water supply has also been regionalized. Since 1975 regional budgets have been drawn up. By 1976 these regions were allocated 7% of the national budget. The criteria used for regional allocations are based on population, land surface and income tax revenue from individuals.

The extent of the responsibilities of each of the 3 Regional Councils is worth noting to indicate the degree to which decentralisation and devolvement of decision-making, has proceeded in Belgium. The responsibilities are:

1. The creation and organisation of business and services relevant to the region.
2. The regional budget.
3. Borrowing in agreement with the Ministry of Finance.
4. Criteria for the distribution of the regional share in the Community and Provincial Funds.
5. Physical Planning.
6. Environmental protection.
7. The forests, wild life, fish
8. Urbanisation, urban renovation and organisation of industrial sites.

9. The political function, the power to collect taxes, to expropriate.
10. Housing slum renovation, assistance, family housing, the financing and the sale contracts and public housing).
11. Regional economic development (industry, energy, public sector initiatives, regional planning, infrastructure, searching for investors, the functioning of the regional economic councils, of development firms and investment groups).
12. Natural Resource development.
13. Water production, and infrastructure.
14. Water distribution including the pricing of water.
15. Water purification, its uses.
16. Non-navigable waterways.
17. Agricultural irrigation.
18. Worker placement in public organisation and private ones.
19. Assistance to worker's income where job's are difficult to find for them.
20. Intercommunal affairs.
21. Taking care of all appeals
22. Subsidy of provincial and communal works
23. Rural renovation and re-parcelling of land.
24. Drainage and solids treatment.
25. Major public infrastructure projects.

The functions of the original 9 provinces, therefore, have been transferred completely to the regions and their political and other powers have been supplanted. It is foreseen that sub-regions will be created -- 11 in Flanders and 13 in Walloon of which one will be in the German speaking area.

It was not considered necessary to describe in detail the specific instruments of development to firms or municipalities for each region. They are basically the same as those used elsewhere. It is noted that

Belgium does rely more on interest rebates, guarantees and tax exemptions rather than on investment grants. Also the general level of direct assistance to firms from the state, which are spatially discriminatory i.e. higher in the development zones, is low because most financial industrial incentives from the government do not have a regional dimension but are country-wide in application. State guarantees covering the public credit institute loans, financial assistance to encourage the geographical mobility of unemployed workers, provision of interest free advances for management consultancy and research and development and the availability of equity finance, are given to applicants throughout Belgium.

The three regional financial incentives available are labour grants, interest subsidies and capital grants. The labour grants, introduced in 1970, are payable since 1975 only in the Development Areas to firms employing less than 10 people. The interest subsidies and capital grants are project based, discretionary inter-related incentives. About three quarter of projects receive an interest subsidy rather than a grant. For a grant, aid investment must be at least 50 percent internally financed. The main regional fiscal concession is the accelerated depreciation allowance. This is a discretionary, project-related concession on the cost price of plant, equipment and industrial buildings and involves a doubling, for three consecutive years, of the national allowance of 20 years for industrial buildings and 10 years for plant.

Although the regional development direct industrial assistance is, perhaps, not as extensive or substantial as in other countries, what is clear is that there has been a comprehensive regionalization of many of the government's responsibilities, an expensive but politically expedient exercise in a culturally divided state. The decentralisation of social programmes and instruments existing to aid people in the regions should

allow those who really need assistance to be able to receive it more readily than they did previously from a central government bureaucracy.

VIII. The United Kingdom

It was established during interviews with a number of senior civil servants in the Departments of Industry, Environment, Employment, and the Manpower Services Commission, that there are virtually no spatially discriminatory direct benefits to people in British regional development or other government programmes. There were, however, some examples of indirect benefits received by people which were characterised to some extent, by a spatial dimension. Consequently, these will be discussed first followed by a review of recent trends of regional development policy in the U.K.

1) The Manpower Services Commission: This is an agency established on January 1st, 1974 under the Employment and Training Act of 1973, to run the public employment and training services. The Commission is separate from the government but accountable to the Secretary of State for Employment and to the Secretaries of State for Scotland and Wales. The Commission has three operating divisions -- Employment Service Division, Training Service Division and Special Programmes Division -- and two support divisions -- Corporate Services and Manpower Intelligence and Planning Divisions. Representatives from the Trade Unions, private companies and the Government sit on the Executive.

The Area Boards of the MSC, on the basis of their regional needs, plan the programmes to take place locally. Thus requests for funding differ between the areas and for different schemes operated by the MSC. There is, therefore, an indirect discriminatory effect in these allocations of funds for these benefits to individuals. One of the schemes

worthy of a more detailed review here, is the Employment Transfer Scheme. As in other west European countries, there is in Britain concern about the problems of people moving or wishing to move to seek work, becoming redundant within 6 months, or being transferred by a firm. These problems are part of the overall difficulties facing regional development policy planners occasioned by the lack of demand for labour in economically depressed regions which result in unemployed and underemployed people, a situation also aggravated by the natural increase of population. People with few financial resources at their command such as school-leavers or the unemployed, wish to seek work in regions of high labour demand but find it difficult to do so because of the costs entailed. Conversely those people being transferred, often considerable distances, to jobs in depressed Development Areas, may require some kind of assistance in the absence of aid from the firm or organisation involved, to facilitate the move. The Employment Transfer Scheme (ETS) was introduced in April, 1972 and replaced the Resettlement Transfer Scheme operated since 1962. This incurs the bulk of all government expenditures on schemes assisting mobility. As with previous schemes, the ETS was justified in terms of the Government's manpower responsibilities towards the unemployed to assist them to find work, particularly, where redundancy has occurred, and towards employees to help them find labour, and more generally in terms of the regional policy objective of achieving a more even distribution of employment opportunities (M.S.C. Working Party Report, 1977). It incorporates a degree of spatial discrimination in its implementation. As a result of the high degree of unemployment in Development and Intermediate Areas in the U.K., the scheme was made very attractive to residents there, through the introduction of new and increased allowances and a relaxation of eligibility conditions which are more strict for those people

Table 4: Grants and Allowances Currently Payable under the
Employment Transfer Scheme

Type and coverage	Assistance
- Settling - in - grant	£ 15
- Temporary Separation Allowance (paid to workers who continue to support dependents in home area)	£ 15 per week up to 2 years
- Assisted Fares for Home Visits (Young people under 18 years paying £ 1 per return fare)	4 assisted visits per year
(those entitled to the temporary separation allowance paying £ 1 per return fare)	12 assisted visits per year
- Disturbance Allowance (paid to workers not entitled to temporary separation allowance but (i) whose move originated in an assistance areas and (ii) who moved into lodgings)	£ 12 per week for the first 3 months and £ 6 per week for the following 9 months.
- Continuing Liability Allowance (paid to workers not receiving temporary separation allowance or disturbance allowance but have rent, mortgage interest etc. Commitments in the new area)	£ 15 maximum per week for 2 years.
- Rehousing Grant (paid to workers with dependents who move into unfurnished accomodation)	£ 150 if move originated in an assisted area; £ 100 if completed a Training opportunities Scheme (TOPS)
- Legal costs Associated with Buying or Selling House	
3/4 of legal costs of buying	£ 170 maximum
3/4 of legal costs of selling	£ 250 maximum

Source: Manpower Services Commission Working Party Report on Geographical Mobility, 1977.

residing in the remainder of the country. In November, 1975, the grants and allowances payable under the scheme were doubled and the salary limit to eligible applicants increased.

Except for moves originating in assisted areas, workers are ineligible if there are prospects of employment in their home areas or if there is suitable unemployed local labour for the job to which he was moving. The salary maximum for eligible workers in the prospective jobs is £4,400 p.a. The new jobs must also be full-time seasonal work, the applicant must be previously resident in the U.K. and the employer must not offer similar assistance. Table 4 indicates the range of financial assistance available. The scale of assistance is seen from two hypothetical examples: a worker from an assisted area who maintains his dependents in the home area, would be entitled to receive £1,560 over 2 years (approximately \$3,820 at \$2.45 to £) under the temporary separation allowance provision plus the £15 settling-in-grant and travel fares; a worker from an assisted area moving to rented unfurnished accommodation, could receive £ 1,560 under the continuing liability allowance provision, the £500 rehousing grant and the £15 settling-in-grant. Numbers moved under the previous Resettlement Transfer Scheme and the ETS have increased from 3,864 - 1963/64 to 8,368 - 1971/72, 18,557 in 1972/73 when ETS began, to 26,536 - 1977/78. During this last year, the cost of the scheme was £ 11.2 million (MSC working Party Report, 1977).

The Manpower Services Commission has evaluated critically the success of ETS by the following criteria:

- (a) has the policy independently encouraged the migration of people who would not otherwise have moved?
- (b) has the policy promoted greater regional equality in employment opportunities by encouraging workers to move from areas of high unemployment to areas of low unemployment and not to return?

- (c) has the policy been effective in alleviating the dislocation effects of large scale redundancies?
- (d) has the policy assisted employers to overcome severe labour shortages.
- (e) has the ETS formed a significant part of ESA's* placement activities (MSC Working Party Report, 1977).

* Employment Service Areas

A survey was undertaken in 1976 while there were two previous studies taken into account in the evaluation. It was clear that the assisted moves per annum are only a very small proportion of the estimated 600,000 inter-regional moves which occur. The two previous studies found that a large number of people would have moved anyway, many being in jobs where there is a normal pattern of mobility. In one study, only 13% of respondents said that they would not have moved unless they had received the grant. The studies found that those really assisted by the ETS were the older, married and less skilled workers. They also showed that more than a third of applications were from students in one survey moving to first jobs and 1/3 were made after the move which might indicate that they had not actually needed the assistance in hand to make the move. Overall only a minority of those assisted moved as a direct result of the schemes.

In terms of lessening the impact of unemployment in 1976/77, ETS applications were only a small proportion of placings of employment offices. The ETS, in other words, has little influence on the mobility patterns of the unemployed. About 1/3 of the moves in 1975/76 were from assisted to non-assisted areas and just under 1/2 were intra-assisted area moves. Thus movement out of assisted areas where unemployment rates are higher, to non-assisted areas, were not dominant in overall moves.

Another way of evaluating the effectiveness of the move is public cost. With an estimated 70 - 85% of the moves occurring in any

case, the cost of each of the 3300 - 6600 moves which would not have been taken without assistance, is between £700 - £3400. An unknown number of the people assisted also return to the place of origin which would again reduce the impact of the scheme. In Sweden, studies have shown that over 6 years, a high proportion return to the home area or move elsewhere. This suggests that any evaluation in the short term is likely to give a too biased, optimistic result (Per. Comm. Messrs. Rodmell and Avery, 1979; Ake Dahlberg, 1977). If 25% returned, then this increases the cost per effective move to £2250 - 4500, in comparison to the average cost of each job created or maintained by regional development policy in the U.K., estimated at £6000. This can be offset by over £2500 per annum which is the cost to the Exchequer of unemployment benefits payments, loss of national insurance contributions and lower tax revenues for the average adult male. Realization of the maximum offsets will occur, if an unemployed with dependents moves from an area of high unemployment to one of low unemployment where the possibility of him displacing another worker is low. The opposite occurs when there is movement between two areas of high unemployment. The assisted move will probably fill a vacancy to the detriment of local unemployed and this lowers the offset possible.

The ETS has also had only limited success in inducing workers made redundant, to move to a new area. The receipt of redundancy and unemployment payments, including the earning's related supplement, allow workers to make a more intensive local job search, which is partially an objective of such payments.

Few cases could be found where the ETS had made a tangible contribution to alleviating labor shortages. One notable exception was its assistance in helping workers move to the oil development area of Scotland.

Only some 25% of those assisted by ETS found employment in the new area via the Employment Service Agencies which suggests the latter do not influence very much the choice of destination areas.

The ETS has been also a difficult scheme to administer because of the great variety of individual circumstances. The small number of cases handled locally has made it difficult to develop expertise in making judgements on issues such as what is a normal daily travelling distance, the availability of suitable employment in the home area or whether the terms of any training associated with a new job are compatible with its treatment as 'employment'. Some 125 staff are employed in local offices and about 34 in the Area District Offices. Five full time Officers are at the Head Office. Many of the difficulties are thought to be inherent to operating any scheme of mobility assistance.

Other schemes introduced have been the Speculative Temporary Transfer Scheme in November, 1975. It gives travelling costs and overnight allowances to people searching for work in other areas. The employment offices in the receiving areas have first to confirm that there is potential employment available. Often, they have been reluctant to do so and hence, the scheme has only had a restricted use.

There are also the Key Workers Scheme and the Nucleus Labour Force Scheme. The former concerns employed workers transferred to key posts in establishments being located in Assisted Areas. It has had a small but beneficial impact. The latter scheme helps unemployed people from areas of high unemployment, to transfer temporarily to a company for a limited period of training and then to return to the subsidiary of the company in the worker's home area. This scheme has had little response from workers.

Overall the mobility schemes are seen as cumbersome, costly and

limited in effectiveness in achieving the objectives cited above in the criteria used for evaluation. It might be worthwhile to assess their psychological benefit, however, in encouraging people to move. Furthermore, despite their apparent cost, there does not seem to have been any attempt to find out what levels of payment would be necessary to induce people to move and use the schemes. Their performance to date, however, has been disappointing and expenditures on the schemes have been cut back in 1978. Only some 60% of the total assisted moves of previous years will be funded.

2) Housing: An example of indirect (not direct) benefits going to individuals, which are spatially discriminatory by reason of need as well as their administration, are the subsidies to local authorities from the Central Government for housing. Included is assistance for rent rebates in the public sector and rent allowances in the private sector provided for under the 1972 Housing Finance Act. There is no direct spatial discrimination practiced by the Central Government in the allocation of funds, but it was made clear to the writer that specific groups of people in specific areas were certainly taken care of, for example the Welsh, while spatial discrimination could not be excluded in the future. Such benefits as rent rebates and allowances to individuals, are not viewed as part of regional development policy but as just another weapon in the attack on poverty. In actual practice, most local authorities who take advantage of the funds for this purpose, are in the Greater London region. The maximum rent rebates and allowances allowed, are slightly higher in Greater London than elsewhere. The Secretary of State can increase the maximum allowed in the case of local authorities where exceptionally high rents prevail.

The housing subsidy scheme has also been revised following the

Green Paper, Housing Policy - A Consultative Document (Cmd. 6851, 1977).

The broad intention of the new system is to distribute the housing subsidy more in accordance with the needs of local authorities. The new system would be a form of annual deficit system, on an incremental basis using a formula worked out to carefully calculate the subsidy. Each local authority will receive a subsidy per annum on its net increase in expenditures which qualify for subsidy. The general effect would be to give less subsidy to authorities whose housing costs were falling and more to those where costs were rising. Flexibility is, therefore, a keynote of the new system which will enable the geographical allocation of funds to vary in relation to need. This is essentially then, an example of an indirect benefit to individuals via the local authorities and one which could vary substantially spatially. The Bill is not yet published but it includes the power to alter the basis of calculating the subsidy to Local Authorities.

As referred to at the beginning of the housing section, specific regional allocations are made on the overall Central government funds released to the Local Authorities for their expenditures on housing. The regional allocations for 1979/80 are:

	£ millions
Northern	194
Yorks &	234
North West	365
East Midlands	200
West Midlands	300
Eastern	190
South East	248
Greater London	995
South West	<u>136</u>
Total	2,862

Source: Department of Environment Press Notice 641, November 30th, 1978.

The difference in the regional allocations are therefore, considerable. In determining them, account was taken of the contractual commitments of local authorities, and the Government's declared policy of directing resources to areas with a concentration of housing problems, particularly Inner City areas. Distribution of the balance of the funds, has been based on an index of general housing needs and cash requests by local authorities. The allocations by the regional offices to individual local authorities follow closely the pattern used at the regional level. Funds are allocated on the basis of local basic housing needs, to suitably qualifying areas where need is concentrated, taking into account national policies, the individual housing investment programmes, the need to cover commitments and past performance in relation to allocations. There has been some discussion within the government, that more should be done with the housing subsidy grant to attract key workers to certain towns (MacCreadie, Per. Comm., 1979). But, essentially, there has been no discussion between departments on the personal benefits side of housing subsidies or on the integration of such programmes in the context of regional development.

3) New Towns: One area where there is a distinctive and direct government effort, which is spatially targetted, is in the allocation of finances for new towns. This programme really has important relationships with regional development policy and is another example of the indirect routing of benefits to individuals on a spatially discriminatory basis. New towns, for example, are eligible in assisted areas, for regional development grants in the same way as anyone developing industrial premises.

Since 1946, 32 new towns have been built with a current population of over 2 million. The policy underlying their creation was one of attracting industry and population to disperse from congested cities to rural areas planned in advance to become self-contained towns with adequate services and amenities accessible to the whole community and providing favourable conditions for industrial expansion. (Fact Sheets on Britain: New Towns, March 1978).

The New Towns Acts of 1946, 1965 and 1968 gave the Government ministers responsible for planning, power to designate any area as the site of a new town. A development corporation was established to create and plan each town. The legislation provided that as each town was completed, the development corporation should be dissolved and its assets and liabilities handed over to the Commission for the New Towns, a government agency. In practice, arrangements for Wales, Northern Ireland and Scotland have developed differently while the New Towns (Amendment) Act of 1976, enabled the transfer to appropriate local authorities of housing and related assets of the development corporation and the Commission for New Towns, within 15 years, in England and Wales. It is noted, however, that the development corporation for new towns in Wales was dissolved in 1977 and its work taken over by the Development Board for Rural Wales, again emphasizing the close relationship existing between New Towns and regional policy.

The development corporations are bodies with members drawn from all walks of life. Each corporation is responsible for drawing up a master plan for the town. They have powers to acquire by agreement or compulsorily, any property within the area of the new town. They can provide houses, offices, factories, shops and other buildings, as well as services essential for the development of the town. (Fact Sheets of Britain, New Towns, 1978).

Capital works undertaken by the development corporations and the Commission for the New Towns are financed by borrowing from the National Loans Fund within limits approved by Parliament. These loans are repayable over 60 years mainly out of income from property. Several of the earlier new towns are already in surplus, representing a highly profitable public investment. The development corporations though are subject to corporation tax like any other firms of 52% on surpluses.

In terms of direct benefits to their residents, often from congested, slum or poor city districts, are the 400,000 new dwellings which have been constructed, over 700 new schools, and over 4,500 new shops. Public buildings include health centres, libraries, town halls, law courts. Roads, water supplies, sewage, gas and electricity, police, fire and bus stations, and postal and telephone facilities have also been provided and most of the towns are equipped with parks, playing fields and youth clubs. Many are noted for the design of their churches. A number of the larger new towns have become regional centres thus enabling hotels and department stores to be built, art centres and major recreation facilities such as skating rinks, swimming pools, sports stadia (Fact Sheet on Britain, New Towns, March, 1978).

Most new houses are built by the development corporation, 60% of their investment being in housing, although some are provided by local authorities or private builders. A trend towards ownership is being encouraged by the government. This is being facilitated by the increasing number of jobs being located in factories and offices in new towns, over 1 million now having been created.

Following a review of new town policy in 1977/78, it was decided in the light of reduced national and regional population forecasts, and a need to pay more attention to the regeneration of inner city areas, that

Stonehouse new town, planned in Scotland, should be discontinued and the size of the six most recent new towns in England be reduced by a total population of 380,000. The inner city problems are being tackled by encouraging new town authorities to accept large numbers of the elderly, the unskilled and unemployed or other disadvantaged groups. Mixed communities are, however, the aim of new town policy.

It is clear, then, that the social and economic benefits, spatially designated in the form of new towns, are being channelled to individuals by government policy. In the words of one civil servant interviewed, 'it is organised queue jumping' providing people with facilities well ahead of access to them elsewhere. Facilities are provided, in other words, ahead of demand or population thresholds which normally would be required before their provision. In this context, the Licensed Premises Committees in New Towns, do not forget to provide that most essential British institution, the pub, in each community of 1,000 houses, along with a primary school, shops and a community centre!

4) The Inner City Areas: The problems facing inner-city areas were alluded to above. Policy and programmes being devised to tackle them represent one further recent example of governmental action which is spatially oriented and is certainly indirectly beneficial to the individual. The following review relies heavily on an in-house document of the Department of the Environment prepared by the Inner City Directorate, 1978, called Inner Cities: General Briefing.

The problem of the Inner City areas is a composite one of economic decline, deteriorating physical environment and major social and economic deprivation of people.

Traditional inner city industries such as the docks and railways have declined, while slum clearance has often forced firms to leave.

There is a mismatch of the skills of the population and the needs of new jobs created in city centers in offices or service industries. One result is an increase in low income and unemployed people, particularly recent coloured immigrants.

Dereliction and vacant building sites are the result also of economic decline, low tax revenues for local authorities and population and firm out-migration. Sub-standard housing is common. Migration out of the inner city has been selective leaving the old, the ill, the poor behind. Their social needs are substantial. Even those still actively working can be affected by a collective deprivation in the form of vandalism and crime, the lack of neighbourhood facilities or community spirit, the taint of an area name which makes it difficult to obtain a job or a mortgage.

To deal with these problems, since the 1960s a number of programmes have been undertaken. The Urban Programme began in 1968, supports social projects in deprived urban areas; Community Development Projects and Educational Priority Areas also helped. Experience with these programmes however, indicated the need for more compulsive action. Consequently during 1972-76 the Inner Area Studies were carried out in Lambeth, Birmingham and Liverpool. The government's new policy is partly a response to their findings.

The most important new decision was to give the inner city areas priority in social and economic policy. This was set out in a White Paper, Policy for the Inner Cities (Cmnd. 6845) published in June, 1977. The economic roots of the problems have to be tackled now, the previous policies only having 'gilded the ghetto! A system of partnerships and programme authorities has been established to target resources on areas of need; and the Urban Programme is being expanded with extra resources. A long term, 10 years or more commitment, has been made by the

government and involves a large number of central government departments and local authorities.

Selection of areas and cities needing help most, has been necessary, because resources are not limitless. The local authorities, where the scale and intensity of the problems are extreme, qualify for the partnership status programme. The choice of those qualifying for programme authority status was less easy as most urban areas suffer to some degree from one or more of the problems cited. A number of indicators of job loss, population migration, housing and other conditions have been used, therefore, as well as evidence from local authorities. There are 7 partnership and 15 programme authorities selected by the government.

The Partnerships involve arrangements between the central government and local authorities in Newcastle/Gateshead; Liverpool; Manchester/Salford; Birmingham and in London - The London Docklands; Hackney/Islington and Lambeth. Each receives between £5 and £15 million from the Urban Programme resources. The partnerships are designed to concentrate resources, coordinate action and tailor it to local needs. Three year plans are prepared to attack the problem integrating the Urban Programme funds with the main expenditure programmes of the Central and Local Governments.

The joint machinery established for each partnership is impressive. It consists of a Partnership Committee (PC), chaired by a Department of Environment Minister and attended by Ministers from other departments as well as local authority representatives. Under the PC, an Officer Steering Group (OSG) meets monthly, supported, usually, by a full-time inner city team staffed by Local Authority Officers, coordinating the programme. The Partnerships are not a new layer of government, the powers and resources for the implementation of the Inner Area Programme

remaining with the local authorities and government departments. Inner Area programmes for 1979 - 82 are now ready and have been implemented from April, 1979.

The 15 Programme Authorities are North Tyneside, South Tyneside, Sunderland, Middlesbrough, Bolton, Oldham, Wirral, Bradford, Hull, Leeds, Sheffield, Wolverhampton, Leicester, Nottingham and Hammersmith. They have been invited to draw up Inner Area Programmes and can expect between £1 million and £2 million annually from the expanded Urban Programme from 1979. These programmes will indicate how these local authorities intend to develop a comprehensive approach to the inner area problems.

The Urban Programme, in existence since 1968, is vastly expanded now with its funding raised from less than £30 million in 1977/78 to approximately £125 million in 1979/80. Up to £5 million will be used in Wales, about £66 million is allocated to the partnership and £25 million to the programme authorities, the rest going to other local authorities. Of these total amounts, the Exchequer Grant from the Central Government is usually 75% with the local authority funding the other 25%. These funds are supplementary to major expenditures already being undertaken in the inner city areas. The scope of projects funded has increased also to include the acquisition of land for industrial development and building of advance factories; access and site works; training and special employment schemes with the Manpower Services Commission; clearance of derelict sites and land; traffic management; provision of open space and recreation facilities; housing improvements and environment modifications; improving school facilities and programmes in literacy and numeracy; day nursery and youth facilities; day care for the elderly; improvements to health centres and community art objects.

The success of these programmes in the long term, depends on how

the total government effort through expenditures of main programmes such as housing, transport, health and social security and education, can be focused on the inner city. Already a proportion of main expenditures is being thus allocated. In addition, planning and industrial development control, including the policy with respect to Industrial Development Certificates, should be examined. The Secretary of State for the Environment has announced that the partnership areas in London and Birmingham would benefit from an IDC preference after the Assisted Areas and before the new and expanding towns, when applications for IDC's for mobile projects from the relevant regions were being considered. This means that applications for projects in the South East and the West Midlands which are not mobile to the Assisted Areas and which are not tied to specific locations, are examined to see if they can be steered to the partnership areas of London and Birmingham. The Location of Offices Bureau has been asked to promote office employment in inner areas and the Special Temporary Employment programme of the Manpower Services Commission, gives preference to these areas. The national policy of increased aid to small firms should benefit Inner City areas too.

One further action of the government which is important, is the Inner Urban Areas Act of 1978. This legislation increased the power of local authorities to assist industry and commerce by

- a) declaring Improvement Areas in which loans or grants for environmental improvements, grants for the conversion and improvement of industrial or commercial buildings of up to 50% or cost of £1000 per job created or preserved, can be given.
- b) giving loans up to 90% on commercial terms for land acquisition and building and site work.
- c) giving loans or grants towards the cost of setting up common ownership or cooperative enterprises.

The Act also allows local authorities in the 7 partnership areas to give in defined areas:

- a) grants to assist with rents paid by firms taking new leases on premises
- b) loans, interest free, for up to 2 years for site preparation including installation of services
- c) interest relief grants to small firms employing under 50 staff for loans on land and buildings.

The Inner City programmes have thus become multifaceted compared with their previous emphasis on community and social problems. The complex interrelationship between cause and effect in the societal problems of these areas has now been recognized. Individuals inevitably benefit to varying degrees indirectly from this current example of a spatially discriminatory policy.

Regional Development Policy

1. Background: The lineaments of formal regional development policy in the U.K. have been reviewed in many publications, (notably in those of McCrone, 1969, Cameron, 1974, OECD, 1976, Sant, 1974, Moore and Rhodes, 1974, Alden and Morgan, 1974) and it is not intended to go over the same ground here. What may be useful, however, is an indication of contemporary trends in policy or recent changes in programmes. To some extent a brief review of the present policy is necessary.

Despite 40 years of corrective action toward regional policy the continuation of serious problems faced by depressed industrial regions, the inner city areas and extensive rural areas, is reflected in the following figures. In 1965, 42.4% of all employment was in the main assisted areas of the U.K. (Northern Ireland, Scotland, Wales and the Northern, North West and Yorkshire and Humberside regions); between 1965 and 1975 employment fell by 373,000 of which 300,000 lost jobs were in these Areas. The industries showing the greatest contraction were coal mining (207,000 jobs), textiles and clothing (221,000) and metal manufacture (91,000). As Moore and Rhodes (1977) and Ashcroft (1978) have shown,

regional policy has been effective in reducing the potential number of jobs lost. However, the regional problem in terms of its basic pattern of disparities, has not changed substantially in the U.K. Average unemployment rates in the Special Development Areas and the Development Areas have been 1 1/2 to 2 times the national average in recent years. GDP per capita has tended to be at least 10% below the national average (Regional Development Programme, United Kingdom, 1978-80).

In the post war period, the main vehicle for assisting industrial development has been the provision of financial incentives for the establishment of manufacturing in the Assisted Areas. For a long time the principal incentive has been a capital grant which is available as a percentage of specified types of investment expenditure. The second most important incentive, in terms of total expenditure, has been the Regional Employment Premium from 1966 - 77 to employers in manufacturing industry. They could claim the premium for each employee in a firm in the Development or Special Development Areas. Doubts as to its effectiveness, forced its withdrawal in January, 1977 except in Northern Ireland. Other measures have included the Regional Selective Financial Assistance, now the second most important incentive and factory space is rented out by government with lower rents in initial years. The use of Industrial Development Certificates complements these carrots as they are used as a stick to vet proposals for new industrial buildings and to steer those above a prescribed floorspace limit to the Assisted Areas, away from the congested South East region. In addition, infrastructure is provided by public funds to encourage industry to develop in Assisted Areas.

The recession during the 1970s has meant that unemployment levels will only slowly decline. Employment in services will increase but at an insufficient rate to absorb jobs lost in other sectors. The decline

in manufacturing employment indicates that this sector is not likely to be a significant source of additional employment in the Assisted Areas in the near future. In fact, experience has shown that the improving fortunes of depressed regions can be influenced more by upturn in the national economy than by specific regional policy measures. Consequently, it is considered impractical and inaccurate to attempt to set targets of jobs created or to measure the effects of regional policy because over any realistic extended period of time, national influences can influence the regional economies and hence mask the effects of regional policy. There are also major conceptual definitional problems as well as those of techniques. These include:

'defining a job in such a manner that it is clear' when a new job has materialized or a previously existing one has disappeared; distinguishing between gross and net job creation; distinguishing between the rise and fall in employment as a result of macro-economic factors without necessarily any changes in the number of equipped workplaces; distinguishing between changes in the number of equipped workplaces which occur in a fully autonomous manner and those which are associated with Governmental micro - economic interventions such as the awarding of regional incentives to firms, and distinguishing between the total of changes associated with micro-economic interventions which would, and the total of changes which would not, have occurred without those interventions.

Thus, according to what definition was employed, in a steady employment state something like 2 1/2 - 3 1/2 percent of equipped job - places in manufacturing might be deemed to cease to exist and to be replaced by a similar number of new ones in the course of a year. (As evidence on this point it might be observed that even in more prosperous times about 2 1/2 per cent of manufacturing plants operating at the beginning of a year closed within that year; also that the average life of capital assets is treated as being of the order of 30 years in the compilation of United Kingdom capital stock figures). This represents 200 - 280,000 jobs p.a. in the country as a whole. Fluctuations in employment in the course of a trade cycle might be of a similar order of magnitude without the dissolution of corresponding job-places. Employment to be furnished by the equipping of new job places by individual investment projects given Selective Regional Assistance might typically be forecast to amount to 90,000 pa. in assisted areas of the United Kingdom. By contrast, economic analysis suggests that assisted area manufacturing employment levels have been raised above what they would have been in the absence of all regional policy instruments (not simply Selective Assistance) by about 25,000 pa. (cumulative) in the 1960s and by no

more than 10,000 in the 1970s. There is considerable overlapping between the concepts here referred to. It seems futile to state a figure for "job gap", particularly as a guide to the number of new jobs to be provided, without knowing the number of jobs already being provided per annum, and without knowing much about the relationship between one new job-place equipped and the change in the number of persons seeking a job but not having one.' (Regional Development Programme, United Kingdom, 1978-80, Annex 4).

2) Present Measures for Regional Development: Measures are available in Northern Ireland, and those Assisted Areas designated as Special Development Areas, Development Areas and Intermediate Areas. All except the Intermediate Areas are national priority areas for the purposes of the European Regional Development Fund.

There are three groups of measures:

- a) measures to encourage the location and growth of manufacturing and service industry in Assisted Areas.
- b) provision of infrastructure to support industrial investment.
- c) measures to assist the development of tourism in the Special Development and Development Areas and in Northern Ireland.

Industrial Measures: Incentives are automatic as well as discretionary to encourage new or expanded industry in Assisted Areas. The main ones are:

- a) The Regional Development Grant, an automatic grant for fixed capital expenditure on new plant, machinery, buildings and works in the Special Development Areas and Development Areas at rates of 22% and 20% respectively. In the Intermediate Areas only, buildings and works are eligible for this assistance, the rate of subsidy being 20%. Recently the grant has been cut back to cover broadly manufacturing excluding mining and construction previously eligible.
- b) Selective financial assistance in the form of loans at concessionary terms or interest relief grants; a special scheme of grants is available for service activities.
- c) Removal grants for firms moving to Assisted Areas, covering up to 80% of costs of moving plant and stocks as well as the net redundancy payments arising from the move.
- d) Provision of factories in advance of need which are rented or sold; rent free periods up to 2 years in Development Areas and 5 years in Special Development Areas are given subject to cost/job constraints. The incentive effect lies more in availability of factory

space ready for occupation.

- e) Assistance with the transfer and training of employees.
- f) Employment premia paid on a per capita basis to employees in manufacturing in Northern Ireland.

The Regional Development Grant is by far the most important form of aid with some 40,000 applications for it in 1975/76 and an expenditure of £325 million by government. This is double the Selective Financial Assistance. With respect to the Selective Financial Assistance soft loans and Interest Relief Grants, the emphasis, through popularity, has shifted to the latter.

The Service Industry Grant scheme is relatively new being introduced in 1973. It represents a significant new emphasis in regional policy to encourage office, warehouse, research and development activities in Assisted Areas. Service firms are eligible if they have a genuine choice of location between Assisted Areas and elsewhere and if they produce a minimum of 10 jobs in the case of projects moving to those Areas or 25 jobs in the case of new or expanding projects. In the period up to March 31st 1978, 167 projects had been offered assistance totalling an estimated £19 million which were expected to produce 11,700 jobs in the Assisted Areas. However, a review is in hand of the effectiveness of this programme because original hopes have not been fulfilled.

In addition, in July 1974, the Government announced a programme for the decentralisation of government employment with 31,000 jobs to be relocated from the South East, 90% of these going to Assisted Areas.

In terms of advance factories, from 1945 the Government has authorized the construction of some 1,000 advance factories, the companies occupying them providing about 50,000 jobs. The 28th programme for them was announced in February 1977. The focus will be on shipbuilding areas to provide work for redundant labour. A special programme of advance

factories for small firms is also planned. Programmes by the Scottish and Welsh Development Agencies have also been announced for rural areas and high unemployment areas respectively. Space for indigenous small companies will be the aim of the Welsh programmes.

Two other measures could be mentioned. The first is the Small Firms Employment subsidy scheme. Introduced experimentally from July 1st, 1977, small firms in the Special Development Areas of the North East, North West, Wales and Scotland were able to claim £20 a week for each fulltime job and £10 per week for each extra part-time job they provided. Payments were to be made for up to 26 weeks. The total number employed by the firm had to be less than 50. Evaluation of the scheme, using a control group of firms which were unassisted as well as subsidised firms, showed that the subsidy stimulated employment, 2 in 5 of the subsidised jobs being induced by the subsidy (Department of Employment Gazette, May, 1978). Consequently, the scheme has been expanded and covers now all small manufacturing firms in Great Britain and small non-manufacturing firms in the Special Development Areas, the Development Areas and the Inner City Partnership Areas.

The second one, an important measure to combat recession and redundancy, has been the Temporary Employment Subsidy paid to firms to retain labour. It amounts to £20 per capita per week and was applied in a spatially discriminating way with its introduction as a pilot scheme first in Assisted Areas. It has had a substantial impact in the textiles, clothing and footwear industries, being credited with keeping 150,000, at the peak of proposed redundancies, off the unemployment register.

Infrastructure Measures: Out-of-date infrastructure needs to be replaced in older towns and cities and new infrastructure needs to be provided for the first time in many rural areas. Tourism, particularly in the

latter areas can benefit from such investment. The government can provide basic service grants to the appropriate infrastructure authority to upgrade or provide services in transport, power, lighting, heating, water and sewage where this will assist the development of jobs in the area.

Tourism Measures: Since 1974 there has been increased emphasis placed on tourism particularly on publicising those areas outside the main tourist centres or which can be visited outside the main tourist season. Increased expenditures in the Development and Special Development Areas, have been made by the English, Welsh and Scottish Tourist Boards under the Development of Tourism Act of 1969. Grants or loans for tourist accommodation, catering facilities, conference centres, car parks etc., are made. In May 1977, the Government also awarded pilot proposals to establish new tourism growth points within the Development Areas in the High Pennines, Scarborough district and part of North Devon and Cornwall and in Scotland and Wales. A package of inter-related and mutually supportive investments for tourism is foreseen.

The overall industrial policy of the Government (Labour), was based on a Industrial Strategy prepared through discussion with employers and trade unions and focused on improving the productivity and competitiveness of 40 industrial sectors. There are working parties reporting on each sector setting out medium term strategies to improve market penetration. Regional policy is part of the framework in which this industrial strategy is being developed.

A major part of the framework is also provided by the subdivision since 1965 of the U.K. into 11 economic planning regions: Scotland, Wales, Northern Ireland and 8 regions in England. In each region an Economic Planning Council and an Economic Planning Board have been established (except in Northern Ireland). The former consists of members

drawn from industry, the trade unions, the local authorities, the social services, agriculture, etc. The councils have no executive functions. Their function is to collaborate with regional groups of local authorities and central government in the preparation of regional strategies which provide a long term framework for national and local planning. They also advise on the regional implications of national policies. The Economic Planning Board consist of officials from the Regional Offices of government departments. They coordinate the regional policies and planning of Departments and assist the Councils in work on strategy. The regional strategies are intended as frameworks in turn for local authority structure plans which deal with the land use needs of different activities. In neither case, are any requirements laid down that specific development must take place. Both strategies and structure plans provide, essentially, guidelines for investments by public agencies and private firms. In fact, one can agree with Cameron (1974), that the Councils and Boards have not really led to much decentralisation of decision-making from London. They are another level of bureaucracy with little power, finances, and non-elected representatives on the Councils, slowing down, rather than increasing the efficiency of regional policy implementation.

Although British regional policy does not provide any example of spatially discriminatory direct transfers to people, the number of indirect programmes which have been effective, some more than others, in benefitting individuals, seem to be legion. Only some have been presented here. New programmes are constantly being tried and there is a comprehensive regional administrative structure of Councils and Boards liasing with government departments at Central and Local Authority levels. There is also a wide coverage of the U.K. in designated Assisted Areas. Some of these may be changed again in the near future to smaller scale areas so

as to narrow the choice of location for firms induced to move to Assisted Areas. Problems of regional development planning are widespread when, essentially, an indicative approach is being used, with virtually no targets being set because of pragmatic considerations, as mentioned above. There is the added problem that the Department of Industry, responsible for much regional policy, does not in the words of one official 'think spatially very much', despite its decentralized regional offices. The many changes which have occurred in British regional policy, which can be found in reviews elsewhere, indicate dissatisfaction with what has been achieved. Perhaps, the time is due for a review of British regional policy from top to bottom which would integrate the considerable investments more thoroughly by appointing a department of government with specific responsibility for regional policy and a more national and systematic approach to its formulation and execution. In fact, an inter-party Parliamentary Committee has suggested the need for such reform some time ago (OECD, 1976, and Second Report from the Expenditure Committee: Regional Development Incentives, House of Commons, 13th December, 1973).

IX. The Scandinavian Countries

It was anticipated that the best evidence of government programmes which spatially discriminated and directly benefitted people, would be found in the four Scandinavian countries. This expectation was not fulfilled although in the following review of recent regional development policy, the persistent concern of these societies and governments with equality of opportunity in a spatial as well as a group sense, is again revealed, as are the particular mechanisms of regional development policy which are utilised to enable such a goal to be realized.

Denmark: The principle of equality runs throughout Danish social, economic and planning legislation. The country is regarded commonly as a 'welfare' state which is dedicated to care for the old, the sick, the children and low income people in general. Virtually all benefits to individuals are on a country-wide basis. However, another major principle of Danish government is devolution, with local municipalities receiving more responsibility and finances through transfers from the central government. This is part of a major reform of municipalities and the public sector since 1970, and is the most important measure to redistribute income in the country and equalize living standards through access to public services. Some benefits go directly to individuals from municipalities, others are channelled indirectly via public services or infrastructure. A degree of spatial discrimination is involved as monies are received by municipalities from the state on the basis of need.

Other measures, relevant to the incomes of individuals and the equalization of job opportunities, have been the regional development acts since 1958.

In the following discussion, the evolution of regional development will be reviewed first because the reforms concerning the municipalities are more recent and should be seen in the context of the trends in government policy.

Regional Development: The first Danish Regional Development Act was passed June 16th, 1958. It was experimental legislation which was aimed at revising the imbalance in employment opportunities in different parts of the country, particularly in rural areas where agriculture was losing workers as it became more efficient and urban areas with over-concentration of industry, particularly Copenhagen. No delimitation of areas was made and the main aid was guarantees for construction loans

to firms. In 1962 an Act provided for loans to municipalities or private organizations, to aid the purchase of industrial land and the construction of advance factories. Also assisted were certain trading and service enterprises such as hotels. The government wished, by these measures, to broaden the scope of regional development policy in the context of general industrial policy. There was spatial discrimination introduced for the first time with respect to the loans which were reserved for industrially under-developed parts of the country.

By 1967, some regions had made such considerable progress in terms of employment that revision was again required in the regional policy measures. Formal designation of development regions was made on the basis of commonly accepted criteria characterising problem regions. Another innovation was the guarantee of loans for operating capital for firms. In 1969, further amendments to the Act allowed financially strong enterprises to obtain support for their location in development areas, and for investment grants up to 25% of initial costs to be given. In 1972 a new Act was passed. The previous guarantee scheme for construction loans lapsed while the Act allowed grants or loans for certain basic investments. It also provided for a decrease in loans to municipalities for advance factories and an increase in loans to industries and services as well as for the removal costs of firms and key-employees. Five major regional development boards were also established which allowed more decentralised decision-making with respect to applications for aid.

Until 1972 the granting of government guarantees for loans was the main type of aid to firms. The municipality advance plants and the investment grants introduced in 1969, widened the assistance available. In 1972 direct state loans at below market interest rates replaced the

guarantees and moving grants were also offered. The investment grant is considered the most effective value for a firm's initial investment compared with the loans, which were insufficient to attract firms to problem regions. However, the grants are payable in only the Special Development area (16% of Denmark's population) and not the Development Areas (31%). Mobility grants for firm's or individuals are used little.

As in the Netherlands, there is a long-standing concern for physical planning with the country's population being strongly urbanised, one third residing in Greater Copenhagen. The problems presented by the spatial imbalance in the population distribution, and the land uses taken up by urban and industrial activities, culminated in a new Act on National and Regional Planning which went into force on April 1st, 1974. This was the first legislation which allowed national physical planning to occur. The management of Copenhagen's expansion, in particular, was made feasible. Now it is the statutory responsibility of each County Council in conjunction with the municipalities in the country, to compile a draft regional plan. After approval by the County Council, the draft passes to the Ministry of the Environment. The Act allows maximum participation in the planning process via public hearings by the general public. Continuity in the planning process and comprehensiveness in land use control throughout the country are keynotes of the act.

In 1975 the Municipal Planning Act was passed. This provided an instrument to give municipalities sole responsibility for producing their own master plans. The County Council ascertains whether or not they are in accordance with the regional plans and consequently becomes a much stronger authority in the planning process. Again, this is an example of the substantial decentralisation of decision-making in physical planning

and public participation. It has been found that rural residents are more interested in active participation than urban. Altogether, some 90 groups with about 225,000 people are engaged in debate over planning issues! This decentralisation was facilitated by the 1970 reform of Municipalities when 1400 local government areas were reduced in number to 275 larger municipalities and 14 counties. To ensure some integration of physical planning and regional development, the Ministry of the Environment responsible for physical planning, is represented on the Regional Development Board of Denmark together with representatives from local government and other national organizations.

This brief review of the main aspects of regional development and physical planning in Denmark does not include details of major supporting acts related to zoning or conservation. It does indicate the major effort which the Danish government is making to ensure that its citizens have equal opportunity of jobs and quality in their living environment anywhere in the country. Although there is no growth centre policy, economies of scale mean that certain sized settlements are chosen by firms for location which are supported in the development areas by the government. Also, a recent Government study indicated that a growth centre strategy limited to the decentralization of metropolitan Copenhagen, with some centres providing special infrastructure, related to health and education, might be useful to consider. There was no evidence of any studies to measure the effectiveness of regional development policy except by the use of gross indicators of jobs and population data. As in other countries, government employees are being decentralised from Copenhagen, a notable example being the Regional Development office to Silkeborg in Jutland. Such job and population transfers will help alleviate to a small extent, the problems facing Great Copenhagen.

In a country so dependent on exports, and thus its own competitive edge, entrepreneurship and skilled workers are key elements in its economic prosperity. Thus, a notable feature of Danish labour training is that many trainees are from an employed situation, who may be changing jobs within a firm which might be meeting new export challenges. Unemployed, of course, are retrained as well. It is significant that employers and trade union representatives sit on the boards running vocational and trade skill training schools and that their philosophy is that trained people get a job. It is ironic, thus, when, apparently, the Local Initiatives Assistance Programme (LIP) in Canada has been influential in Scandinavia, we do not learn from them in that our assistance to labour ends with the training programme. Jobs are then, often unavailable for newly retrained workers.

As important as the above legislation in the Danish objective of equality in opportunity and environment, is the distribution of general grants to local governments. As in Canada at the provincial level, Denmark has at the local government level, a tax base equalization scheme which compensates for the revenue loss or part of it caused by a tax base smaller than average. The compensation is based on the average tax rate, not on the actual rate as in other countries. It is financed partly by local governments with above average tax base and partly by central government. (Lotz, 1978).

The important feature about the Danish transfer system, which is the main one to take care of social equalization in society, is that the grants are distributed proportionately to the needs of local governments. At present, there is a project underway to reorganize these transfers by the Institute for the Municipalities - Antskommunernes og Kommunernes Forsknings - which was initiated by the local authorities. In accordance

with a political policy to decentralise government in Denmark, it is considered that the local and county authorities should be directly responsible for family care and other social measures and not the State which should concentrate on the national economy, finances and defense.

General ('block') grants were introduced in 1973/74 and have replaced most of the special grants to local governments, a similar reform to that of 1958 in the U.K. One problem has been that the system of allocation did not include indicators of social needs. The result was that for larger cities, taxes have increased compared with rural municipalities and small cities. The City of Copenhagen, therefore, in May 1977, presented a new method of "needs equalization" based on a statistical regression estimation of cities' expenditure needs. It is, in fact, a method similar to that used in the British "Rate Support Grant since 1974.

A key element of the municipal local expenditures in Denmark, is that they include not only those for servicing infrastructure, such as roads, or public services such as fire, police, garbage collection, but also provision of social services and direct benefit to residents. The former may not vary too much by per capita between municipalities; the latter can do when services such as education, health, social welfare and old age pensions are financed in this way (Lotz, 1978).

One objective of the transfer system is to achieve a desired vertical income redistribution which can be enhanced by using not only the national tax system, but also transfers to municipalities on the basis of need. A spatial element is thus built into this redistribution. It was mentioned that equalisation can be made directly to families or via local authorities. Both methods are used now in the sense that monies can go direct to families from the State or direct from local authorities.

There has, as yet, however, been no discussion of the merits of either route although it would seem the municipalities have become more important than the state almost, in the redistribution process, even though they receive a large proportion of their monies from the State. (Per. Comm. Palle Mikkelsen, 1979). It is also not known, for example, what the equalising effects are of State expenditures on justice, the railways and defence etc. Although three quarters of public services are provided by local government, only one quarter of public finances goes directly to them. However, nearly half of the state budget is subsequently given to the local and regional authorities. In fact, 60% of their total expenditures is paid by the State. In the case of the Public Old Age Pension, the State pays 100% of this to the local government which distributes it. This is the largest specific component of most transfers. Other examples include the family allowance, originally given as a negative income tax, sickness benefits, housing subsidies, etc.

It is clear that the number of children and aged people in a municipality will affect its needs and costs of services considerably. Indeed, the proportion of age groups, hospital beds, rental apartments, kilometres of road, area, and population as a share of the national total are key criteria used in calculating the Grant for municipality. The Copenhagen reform using statistical expenditure-equations calculates the 'normal expenditure' per capita each municipality would have if they behaved in an average way and the quality of service was of a common standard. Grants would be distributed on this basis which would lead to larger cities receiving more because of their needs and smaller cities and rural areas less. Surprisingly there are major statistical data gaps for social criteria in Denmark so that it has been difficult to include these criteria in the above calculations. The best social indicator has

been found to be the number of families with single parents. It is statistically documented in all municipalities because children in these families are eligible for increased children's allowances. It is a good proxy for social expenditures because such families are low-income and living in low-rental units. Other criteria introduced by Copenhagen's proposal are the degree of urbanization, the number of old age pensioners living alone, the share of population 45 years or older and income per capita (Lotz, 1978).

The Copenhagen proposal has been debated substantially in Scandinavian Countries. A major problem is whether or not past expenditures are a good measure of needs and whether a statistical regression approach is necessarily the best one. The principal problem remains one of accounting for local differences in the unit costs of public services compared with the national average. The Copenhagen proposal has not yet been accepted as far as the writer is aware, but it does indicate the increasing concern with fairer or more accurate measures of need on which to allocate general grants to municipalities.

Disparities in living standards were much more apparent during the 1960s in Denmark. The combination of comprehensive physical planning, regional development policy for designated regions, a reform of the number of municipalities and their powers, and progress in improving the equalization transfer of monies from the central government to municipalities and counties, have undoubtedly been responsible in improving the equality in living standards between different groups of people in different locations in Denmark, during the 1970s.

Although there is no evidence of thinking that social policy and regional development policy could be integrated on a spatial basis, it is clear that the former, through the equalization transfer of grants,

is, defacto, operated on a spatial basis already, though not one of development regions.

Finland: The case of Finland's economy presents similar characteristics to that of Denmark being dependent heavily on exports for about 28% of GDP in the 1970s (OECD, 1976). Finland, however, has probably a narrower industrial base with the wood products, chemical and metal industries being dominant. There is also severe structural unemployment problems with the late modernization of primary industry, both agriculture and forestry, which has released labour from these sectors in the north and east of Finland, towards the end of the 1960s. At the same time, growth in manufacturing and the services was in the south and south west. Unemployment rates have steadily mounted with an average national rate of some 7%. In the north the average rate today is 15% compared to 5 - 6% in the south. These structural economic changes, coupled with external recessional influences on export-markets, have led to substantial migration of Finns both within the country from the north and east to the south and south west, and out of Finland to Sweden in particular, a flow which has amounted to 280,000 since 1945. The migration streams have emphasised even more the primate city nature of Helsinki, a situation which, as in Denmark, has called for counter-balancing decentralisation policies. Recently, migration from rural areas to the Greater Helsinki area has declined and since 1969, Helsinki has been experiencing a migration deficit, though this conceals the fact that new towns and other centres in close proximity to the city are now receiving the growth.

To counter these sectoral structural problems which have a particular regional impact, the government has implemented a regional development policy since 1958. It has aimed to secure balanced development

throughout Finland in order to provide the population of each region permanent employment, improved income levels and greater equality, also, in access to public services. These objectives are very similar to those in Denmark and other Scandinavian countries and the Netherlands. Also similar to Denmark, is that the framework of physical planning is comprehensive, assisting the achievement of these essentially social and political aims; the provision of public services and their financing is rather similar, as it is through the municipality, which receives substantial financial transfers from the central government. The discussion following, therefore, will proceed with the same organisation as that used for Denmark, the evolution of regional policy and to a lesser degree physical planning, being first reviewed, followed by the social provision system via the municipalities.

Regional Development Policy: In the late 1960s, government measures were ad hoc attempts to aid depressed regions. With the North Finland Industrial Tax Relief Act of 1958, tax relief was granted to industries in the northern provinces of Oulu and Lapland, regional production subsidies for agriculture were introduced, as were extra payments to civil servants in remote areas, municipalities with serious problems, subsidies to extend electricity to isolated rural areas, public investment for infrastructure, loans and other measures to maintain employment, subsidies for transportation and location of state enterprises in disadvantaged regions (Rikkenen 1978; Kultalahti, 1979, OECD, 1976). The first comprehensive legislation was enacted in 1966 and lasted until 1969. It introduced tax relief on national income and property tax and subsidies on interest charges on loans for two designated development zones. Development Area Zone I included the most under-developed part of Finland, the North and east; Zone II covered mainly central Finland.

It is estimated a total of 3404 new jobs were created between 1966 and 1969 in projects receiving investment loans and 8028 in those receiving tax relief.

The designation of the zones, reflected, particularly, a thorough approach by the Finns to their regional policy. A multi-variate analysis was undertaken using 18 socio-economic variables for each Commune the smallest administrative unit. This was the most detailed and comprehensive delimitation of development areas in Scandinavia (Stenstadvold, 1975).

As in other countries, the initial legislation was thought to be insufficient so that new legislation was passed in 1969 for the period 1970 - 74. Measures to raise production and the standard of living and not merely to secure employment and income in depressed regions, were introduced. Zone I was diminished and Zone II was expanded in size and in 1971 the Development Area Fund (KERA) was established. It is a limited company with the State being the majority share-holder. Financing is provided for mainly small and medium-sized labour intensive firms in the form of loans, subsidies for product development and sales promotion, equity participation. So far, KERA has been responsible for creating 40,000 jobs in the development areas, 90% of them, being provided by firms originating within the development areas. Only the best firms are assisted, about 100 of the 1950 firms which have received assistance, having failed. Credit losses have been 2.2% of 1,200 million Finnmarks advanced to firms. (Pers. Comm. Mr. Anko, 1979; The Times, 1978). About one third of the applications (1500 in 1977) are rejected on an initial evaluation and of those left, another 50% are subsequently refused. The ability of KERA's staff, most of whom are young with business experience and qualifications, is credited with the high rate of success in 'picking winners'. Innovation and local entrepreneurship are

particularly sought as the lack of entrepreneurs is a major problem of development regions. Although there was initial concern over plant relocation or branch plant expansion from southern Finland, in the development regions to take advantage of assistance, this was proved unfounded as only 20 or so firms relocated and less than 100 branch plants have been established. This is in sharp contrast to the situation in Britain or several other countries. Some concern is, however, being raised over firms moving from Development Zone I to II which is further south. Indeed, the very designation of zones has been discussed to a considerable extent because of anomalies and problems even in southern Finland, where no assistance is given. The Minister for Trade and Industry has been reported as saying in fact, that in the planning for the 1980s, zones may have to be replaced by development centres. It is difficult to combine regional policy with industrial structure problems since many of the towns in the south and south west, which do not qualify for assistance are mono-economy towns dependent on the old industries of shipbuilding and wood processing.

It should be noted before leaving KERA, that a number of other financial institutions specifically aid industry in Finland's development areas. They include the Nordic Investment Bank promoting ventures of benefit to two or more Nordic countries, the Industrialization Fund of Finland, the Industrial Bank of Finland, and INRA which is a government investment fund operated by the Post Office Bank. Not all the credit, therefore, belongs to KERA in promoting jobs in these areas.

The regional development legislation was again revised in 1975, widening the range of measures available and the industries eligible to receive them. This legislation is still in force. The importance of services and the distribution of income between people in different

places, are emphasised. Development regions are still divided into two zones. In addition, though, the government can designate Communes with the most serious problem, as special support areas. These include for example, the Communes in Lappi Province, the town of Oulu, and the Aaland Island archipelago in the south west. Communes outside the zones may also be designated in the same category.

Under the 1975 legislation, there are three types of grants: investment, start-up and training grants. The investment grant can be given to a firm which sets up or expands or buys new machinery in a development area. The main sectors eligible for aid are industry, fishing, pisciculture, breeding of fur-bearing animals, nurseries, market gardening, tourism, workshop enterprises, handicrafts, extraction of primary material, particularly peat. The rate of the grant is 20 - 40% in the Special Support Area, 5 - 30% in Zone I and 5 - 10% in Zone II. The start-up grant as a percentage of wages, salaries and the social costs of new employees, varies by development area and year after start-up. It can be as high as 40% in the first year in a Special Support Area. The maximum training grant can be 75% of acceptable training costs. Thus, as in other countries, direct money grants have been introduced to aid firms, replacing the interest subsidies thus allowing stronger support to be given to labour intensive firms. Interest subsidies are still paid, however, to projects started before 1975 and to municipalities for the construction of industrial buildings. Tax relief for 10 years occurs as free depreciation allowances on fixed assets and exemption from property tax, extra local municipal taxes and stamp duties. Firms in Zone I may also reduce taxable profit by an extra 3% per year of the purchase value of the working assets. Also, in effect since 1973, transport subsidies have been paid to compensate for the extra costs in

haulage from development area firms. Rail freight is favoured to some extent over road transport and is quite effective. Firms in Oulu, for example, estimate that 20% of the extra costs incurred by their northern location were covered by freight subsidies which can be as high as 46% at 1600 kilometres.

'Industrial villages' providing premises at low rents have also been an important regional policy measure since 1973. Although there was discussion in the 60s whether or not to adopt a growth centre strategy which resulted in the rejection of one, it is clear that the location of industrial estates(11 constructed, 12 planned) and the categorisation of centres for physical planning, as in Sweden, does encourage growth in some settlements, more than in others. An important feature is that common facilities are used by firms such as computer, secretariat, marketing and social facilities. This could encourage their interaction, as suggested by the writer in a previous paper (Ironsides, 1977).

Labour training is also a part of regional policy. Since 1970 communal vocational schools in development areas have been assisted according to the prosperity of the commune. Such training is increasingly important as unemployment of school-leavers increases.

Other diverse measures taken have included a Location Advisory Secretariat established by the Ministry of Labour in 1974 to aid firms; a Ministry of Finance Committee suggestion that 26 offices with 8200 - 8500 jobs be decentralized from Helsinki; a regional gradation of price supports for agricultural products and gradation for repayment terms on farm improvement loans.

Although the Ministry of Commerce and Industry administers the investment and transport and other incentives, the Ministry of Finance, handles tax relief and investment taxes, the Ministry of Labour

having responsibility for the location Advisory Secretariat, the key administrators are found in the Planning Department at the Office of the Council of State, that is the Ministry of the Prime Minister. The Planning Department was established in 1973 with the main task of coordinating and integrating regional and other social policy planning. So far, it has been concerned with matters of regional policy. The Office of the Council of State has also the responsibility for directing and coordinating the regional physical planning process in association with the Ministry of the Interior. At the scale of the planning areas, of which there are 19 in Finland, the Municipalities form a Regional Planning Association with a planning staff who work on the plans, begun in 1976, under the supervision of the Provincial administrators and the Ministry of the Interior. In addition to this physical planning, the central government's ministers also each prepare sectoral regional plans, for health, education, housing and so on. These sectoral regional plans for aspects of social policy important to regional development, present a real challenge to the Planning Department of the Office of the Council of State in the areas of integration and coordination with the regional physical plans. The latter offers guidelines on how the plans should be structured but, nevertheless, the problems of coordination are substantial. To aid this process, which is basically an iterative one in that no one final document giving the regional plan for Finland will be produced, the country will have to have better quantified regional policy targets. Consequently, to prepare population and job target estimates, the country has been divided into three economic sectors and four macro-regions. Assumptions used to derive target figures for population and jobs, are that the north and south migration of working-age population is excessive and that the population of the metropolitan Helsinki area should be reduced; secondly

that locational incentives to direct regional development are insufficient and that direct location deterrents or restrictions may have to be introduced. A 1977 Government Committee has investigated this latter aspect but the writer has no information about their findings. The Helsinki area is, however, being studied intensively as to its elements of growth and the effects of alternative plans on its future.

Regional development in Finland has evolved, then, from a concern with ad hoc measures to deal with structural unemployment and migration, to a more comprehensive regional development policy involving the standard of living, income, as well as job guarantees. It embraces the whole country now, not just the development areas, and is the focus of much intense political debate. Resources for regional aid are increasing and for the research required for policy and programme formulation. In this context, the government is particularly interested in research into the qualitative factors underlying the quality of life in different regions, self-help project initiation at the Commune scale, regional productivity causes and the effects on the welfare of people in the broad sense, the birth, stability and death of enterprises, the spatial flows of public monies in relation to regional development, the interdependence of regions and regional information systems. These are a few of the research areas mentioned by Kultalahti in a recent publication (Kultalahti, 1979). It is interesting to note that although quality of life studies and migration preferences have been worked on substantially now by geographers, economists and sociologists in the USA and Britain, many of these other topics have not been and are particularly causes espoused by the present writer as well. Regional accounting, particularly of public expenditures, seems to be an essential area of regional data, yet is not available in Canada. It was with the utmost difficulty, for

example, that the present writer was able to obtain any idea of a crude balance of payments picture for the Peace River region in a previous study (Ironside and Fairbairn, 1977). The Finns would seem to have a considerably headstart on us, with input-output tables at the provincial level existing since 1977. Although a 1978 principal component analysis of all the 475 municipalities of Finland using 47 variables, showed that disparities between the north and the south diminished somewhat in the early 1970s, eastern and northern Finland still remained the least developed parts of the country in contrast to the south and southwest. At the county level most improvement occurred in the County of Lapland. The provincial centres and some other small towns also showed improvements (Planning Department, Prime Ministers' Office, 1979). The scale and scope, therefore, of regional policy measures seem to have a long way to go before major changes can be made in the country's population and employment distribution. There is clearly conflict between national economic planning policies to aid the economic growth and which inevitably help the industrial south, and regional development policy, which aims to create better balance in the country. There are also problems of administrative coordination of ministerial sectoral regional plans and regional development plans produced by the provinces and their municipalities.

Regional Social Provisions: Whenever changes in regional legislation are discussed in Finland, the possibilities of using direct benefits in a spatially discriminatory way are reviewed (Pers. Comm. Mr. Anko, 1979). As yet, there are no direct benefits being used in this way. A suggested policy in this context, is that income taxes in Zone I could be reduced by 10%. There is not sufficient political pressure to enable this to be adopted yet and legislated, while the Ministry

of Finance feels it would certainly complicate the tax revenue system. However, it is noted that there are cases in Finland of spatially discriminating direct benefits, though not ones which are part and parcel of regional policy, although they are obviously related to it. Civil servants, including teachers, for example, in peripheral border regions, receive higher incomes. At present, policy for the 1980s is being discussed and there have been some suggestions that such income premiums be changed to a tax reduction for everyone's salary on the basis of the distance of their residence from a major centre, and perhaps by Zone or Special Support Area. Also, there have been suggestions that the social costs paid for by firms for insurance and pensions, might be reduced in Zones I and II. It is rather difficult to do this because of unemployment levels. People in southern Finland are also asking why could it not apply in the south as well. To some extent also, the provision of loans for house purchase and rental subsidies, based on income and the selection of people by municipalities, is affected by regional policy. The population and manpower forecasts in a regional policy context influences the need for housing loans and the provision of monies for them. The loan system has developed taking into account these aspects of regional policy.

A direct benefit which has a kind of negative spatial impact, is the unemployment payment. Because it is not taxable as income, Communes which have the power to raise income through income taxes on residents, lose revenue where unemployment levels are high, as in the north and east of the country. To what extent being unemployed really hurts the family in the material sense, particularly in these areas of the country, is difficult to say. Unemployment benefits are substantial at 75/80% of salary, while a respondent who was a senior civil servant, expressed the

view that often there was considerable self-sufficiency in rural areas and why should these people receive further subsidy in, for example, housing costs. This was certainly not true of a Helsinki, unemployed, family. He thought there was a move towards sales or consumption taxation to counter people trying to reduce direct taxation by taking seasonal work and then benefitting from unemployment payments. He thought that there was a considerable disincentive effect resulting from present tax and unemployment benefits and that no further increase in direct benefits should be made. Retraining of a plant's older workers for new jobs in rural regions, for example, was far more difficult to do because of the existing benefits, than starting with new workers from start. They were reluctant to learn a new skill and would rather collect redundancy pay and unemployment benefits.

Although there has been discussion, therefore, of some of the possibilities for discriminating with direct benefits, mentioned above, nothing has been implemented yet. The main achievement of social security in Finland has been through the State's financing of the 464 municipalities to provide social services. The tasks and responsibilities of municipalities have continually increased through time so that now they have responsibility for practically every aspect of daily life of their residents. Municipal expenditures in fact comprise over 60% of the public sector's economy. The goals of social security are very much some of those included in regional policy -- 'the elimination of poverty, levelling differences in income, the right to housing, reducing economic risks, threatening livelihood, an equitable distribution of services as well as health and contentment (Report of the Committee on the Principles of Social Welfare, 1971; The Development of Social Security in Finland from 1950 to 1977, 1978).

The Finnish social security system has three administrative levels: the countrywide central government administration, regional or district administration and local administration within the municipalities. Overall responsibility rests with the Ministry of Social Affairs and Health. As in other countries, there are different departments with responsibility for insurance, social welfare, health and so on. It is the regional and municipal provision, however, which is more relevant in this review.

The regional or district administration includes the social affairs and health departments of the Provincial Boards. Their task is to plan and supervise social welfare care, health and illness care, for example. There is no statutory regional administration for sickness insurance and national pensions insurance. At the municipality level, responsibility rests with the social welfare and health committees in each municipality. Social insurance implementation is the responsibility of the local sickness insurance offices, the pension agents, pension committees as well as the local branches of banks and insurance companies (The Development of Social Security in Finland from 1950 to 1977, 1978).

In terms of financing, the Finnish social security system is funded mainly out of employer's and employee's contributions from the pay packet or in the form of social insurance contributions bound to the taxation unit. The State also participates, in addition, to financing unemployment insurance, pensions' insurance and sickness insurance. A part of the financing of the national pensions scheme is also done by the municipalities. With the exception of social insurance, the remainder of social security is the responsibility of the State and the municipalities with their tax funds.

In terms of specific social provision, most of the hospital care

is arranged by municipalities or federations of municipalities with state aid for operating and capital costs. Open care and preventative care instead of institutional care is being promoted. Municipal health centres provide health counselling, doctor services and other services at low fees.

A new national pensions system came into force in 1957 affecting the total population. A basic amount is paid to all, as well as supplements, dependent on wealth or income of insured people. Most receipts by low income people consist of these means-tested supplements: assistance amount, assistance supplement, housing allowance, first grade helplessness supplement, second grade helplessness supplement and front veteran supplement. The national or folk pension system, includes also the old-age, invalidity, survivor and unemployment pensions. The system is financed by employer, insured persons, the State and municipalities.

The provision of social services and security to the municipality then, is extensive. Certainly the State provides monies according to the needs of the municipalities and their financial ability to meet these needs. The Social Assistance Act of 1956 obliges communes to take care of anyone unable to justify his needs by his own work or resources, from another person or in any other way. Self-sufficiency is encouraged so it is not merely a welfare oriented system. Home care and not institutional care is encouraged. Enlightened programmes such as holidays for mothers of families and aged persons of limited means, and holidays for farmers, and a holiday allowance for the self-employed, are all available. Communes also run institutions such as old-age homes, nursing and communal homes. Thus, indirectly from the State, and directly from Communes or municipalities, people receive benefits. A strong degree of equalization exists in State financial transfers to the municipalities as the

wealthy ones in terms of tax revenues, receive less than the poor. It is clear, therefore, that more State funds, in aggregate, will be flowing to the poorer communes in northern and eastern Finland which are embraced by the Special Support Area and Zones I and II. Equalization of life style, it seems, and not merely the guarantee of a job and income, is the goal of Finnish social and regional policy. The regional view is increasing in importance according to Mr. Anko of the Office of the Council of State. It would seem that, despite the problems of national economic growth, the fundamental importance of the commune or municipality and of their relative ability to provide social services, housing, jobs and other aspects impinging directly on living standards, will strengthen the importance of regional policy in the future.

Sweden: The goals of Swedish society and the means by which they are being fulfilled, perhaps, more than in the case of any other country, have claimed the attention of politicians and professionals of various disciplines relevant to planning. The literature is extensive and includes useful reviews by Sundqvist, 1975; EFTA, 1968; ERU, 1978; Bourne, 1975; OECD, 1976; Pred, 1973; Swedish Ministry of Labour and Housing and the Ministry of Physical Planning and Local Government, 1973. Consequently, there is no attempt to present a comprehensive review here. During the 1960s, there has emerged from the public debates within Sweden, the consensus that there should be one fundamental goal underpinning the fabric of Swedish Society -- that is equality between people. The sectoral and spatial planning policies of the State have been in the last decade oriented towards achieving this goal.

The overall goal of equality is broken down into subsidiary objectives necessary to achieve equality. It is considered that everyone has a fundamental need and right to work. In March, 1974, the Swedish Minister

of Labour appointed a Royal Commission on long-term employment policy. It is considered that any society not based on full employment of its members must cause a restriction of living standards and a 'squandering of human resources'. (Employment Tomorrow, 1974). This has led to the government assuming greater responsibility for providing employment and consequently for the development of a Modern Labour Market Policy in Sweden.

Another subsidiary objective, is that everyone, even if they are unemployed by reason of age, health, disability, sex, should not be discriminated against in terms of their standard of living. They should receive, therefore, sufficient income as state assistance, to sustain an adequate life style. Income equalization is, therefore, an important target for policy to narrow the gap between those working and those who cannot work, and between occupations.

In addition, a person's access to private and public goods and services should be equalized as much as possible throughout Sweden. This access entails not only having the financial resources to purchase goods and services, but also, to having physical access to them which implies the ability to travel to obtain them as well as being in reasonably close proximity to them.

A final aspect considered important to the standard of living is that everyone should have satisfactory environments in which to work, live and recreate.

These three objectives of equal opportunity for work, access to private and public goods and services including housing, health care, education and a satisfactory physical environment, are considered to be the main components of Swedish welfare policy. The welfare of the individual in society is, indeed, the end for Swedish political decision-making.

To meet these objectives underlying the overall equality goal, are a series of interrelated and interacting public policies and programmes. The concern with sectoral policy is paramount, as in most countries. Without stable national economic growth there will not be sufficient profits of the private sector firms to tax in order to pay for the welfare provision to individuals. This is why 5% of the population still holds 50% of the national wealth (Holmberg, 1976). Despite a strong socialist philosophy, Swedish political parties have learned not to kill the goose that lays the golden egg. The private sector survives and flourishes, therefore, despite an increasing number of controls and requirements by government which are necessary to fulfill its egalitarian goals. However, because of the unequal wealth distribution in Sweden and the need to preserve the private sector in order to compete effectively in its export markets, there are obviously major obstacles to these goals ever being met. There is, consequently, considerable debate over suggestions to distribute the benefits of the Swedish economy more equally, a recent one being from the Trade Unions to turn over part of a firm's profits to an employee's fund.

The spatial distribution of population, resources and income, presents other obvious difficulties for the government's equality policy. Indeed, it was the structural unemployment in the central and northern forest and agricultural regions of Sweden, creating massive migration flows to the south and particularly the three metropolitan cities — Stockholm, Malmo and Göteborg in the 1960s which stimulated the Rikstag or Parliament, into passing ad hoc legislation to counter the problem. Parallels can be drawn with Finland and other countries in these beginnings of regional policy. In the late 1960s, it became clear that the uneven distribution of population and employment opportunities, required a specifically

focussed regional development policy to assist industry to provide jobs in the north, in particular.

This regional development policy, necessarily, became complemented by a more rigorous physical planning policy as well as restrictive economic development measures which aimed to develop the medium and small sized settlements of Sweden and to restrict the growth, particularly of Stockholm.

The evolution of physical planning gave greater responsibility to the county and commune authorities which through tax equalization and other financial transfers from the State, were given expanded resources to provide services for people. These transfers are, as elsewhere, an underestimated and overlooked vehicle of government in the quest for equality in opportunities for people.

These are the means, then, to meet the goal of equality and the specific objectives mentioned above. In the context of this study, the discussion will be first of regional development policy measures and physical planning; the importance of local governments and the provision by them of direct benefits to their people, will then be reviewed. As in Finland and Denmark, there are certainly benefits which go to people directly from the municipalities and to some extent from regional policy programmes. Spatial discrimination in these, however, can only be said to be incidental in the case of the local authorities and associated with benefits to firms in the case of regional development measures.

Regional Development Policy: It can be argued that regional policy in Sweden really commenced in 1955, when the Labour Market Board gained the financial resources to subsidize the geographical, occupational and sectoral mobility of labour. This was a programme to implement the Modern Labour Market Policy. Entailed in this policy to equalize wages throughout Sweden by centralised wage bargaining, is the need to either subsidize firms, which

are forced to release labour because of resulting high costs or to assist workers to move to areas where they can be employed. The latter avenue was favoured politically and led to the programme to assist labour mobility (Andersson, 1974). It was in fact a kind of regional policy. By 1964 it was clear that there were still major discrepancies in the labour market by region, with high levels of unemployment in rural and northern regions, and low levels in the larger centres. Out-migration from them continued. It was then that a specific industrial location policy was introduced with loans, grants, guarantees and refunds for removal costs of firms, training and employment grants. Two areas were established -- a general aid area covering most of central and northern coastal Sweden and later an inner aid area within it, including the more isolated rural inland regions of northern Sweden. Location grants for building investments are up to 50% of costs in the General Aid Area and up to 65% in the Inner Aid Area (Planning Sweden, 1973). From 1970 employment grants payable for three years, were introduced for firms locating or expanding in the Inner Aid Areas which maintained or increased employment. Location aid was extended in 1973 also to wholesaling, business services and consultants.

Transport subsidies were introduced in 1971 to subsidize the costs of long distance haulage from the General Aid Area. From 1973 the subsidies were payable for road and rail transport over 250 kilometres on manufactured and processed goods. They also include subsidies on goods 'imported' to the General Aid Area from elsewhere in Sweden, but only in the case of industries not competing with products of the firms in the Area. Subsidies vary between 15 and 35% and have proved successful, resulting in firm expansion and more employment. Inland airline fares have also

been drastically reduced on long distance routes, rural bus transport has received much larger State grants and long distance telephone charges have been cut by up to 50%. These measures have particularly benefitted firms and individuals in the north.

Other measures include removal grants for those migrating to employment, industrial centres in the Inner Aid Area to be created with State aid and Special Support aid for sparsely populated areas which occur particularly in the Inner Aid Areas. These measures are to reduce migration, particularly to the coastal centres in the north. With respect to the last form of aid mentioned, since 1970, financial support is given to communes which have potential to create employment under the Intensive Commune Employment Planning Programme. Small projects are assisted in 12 communes in Norrland, such as painting Community halls and walking path signs. It proved successful in terms of temporarily employing people, particularly women. Although it is essentially a make-work programme, it is regarded as successful in isolated areas as being an integration of work and living. Farmers in Norrland can also obtain subsidies too for off-farm employment, perhaps constructing holiday cottages to rent, with a 25% cost subsidy. The programme is being expanded to other income areas.

In addition to these positive measures to which firms and communes react (that is they have to initiate the aid themselves), there are some restrictive measures. They comprise compulsory consultation on the location of premises in any of the three metropolitan areas, in order to obtain a building or expansion permit. This has been implemented since 1971 and has been a very mild type of restriction on the expansion of these cities, in practice. In addition, the government has transferred its employees to other centres from Stockholm. In 1971 this programme

was approved and now involves some 11,000 employees. Although resisted at first, many are now satisfied with living in medium sized centres.

The success of Swedish regional policy is debatable. Certainly the situation of unemployment, migration and greater imbalance in jobs and population distribution, would have been worse in its absence. But set against an estimated requirement of 300 to 400,000 jobs to meet the goal of providing equal employment opportunities over and above jobs existing at the beginning of the seventies (Employment Tomorrow, 1974), the creation of 20,000 net job opportunities in the aid areas between 1965 and 1975, does not appear to be sufficient (Promotion of Regional Development, 1978). In the long term, many more jobs will be needed and hence, the aid programmes will have to be increased. Indeed, increasing resources have been applied to the promotion of regional development, loans and grants increasing by 50% over 1970 - 75, compared with the 1965 - 70 period. Employment and transport subsidies were also added during the 70s. Obviously a long term, probably permanent, regional development programme is required in Sweden, as elsewhere, if equality goals are to be met. There is a proposal soon to be made to Parliament for an expansion in regional policy requiring a 60% increase in funding (Per. Comm. Lindstrom, 1979). At present, only 3% of industrial investment is being made in the context of regional aid. One opinion expressed was that there seems to be no lack of money, but a lack of ideas which can increase the effects of regional policy. The Expert Group on Regional Studies (ERU) at the Ministry of Industry, has found that most of the aid has gone to the most profitable, competitive, strong firms. Small and medium sized enterprises in the Inner Aid Area, firms which have received employment subsidies but no localization grants and enterprises based on raw materials, have special

problems (Promotion of Regional Development, 1978). The recent report by ERU found that two-thirds of new jobs created by aid are being taken up by people already employed, and aid is not reaching (albeit indirectly via the firm) the unemployed and low income people (Per. Comm. Guteland, 1979). Only 10% of the new employees had been unemployed before. Twenty percent were school-leavers. (This is precisely a main argument underlying the original purpose of this study for DREE). It is proposed that there will be a discussion with firms planning to ask for grants on the employment of unemployed people. The job chain reaction involving three people to every one taking up a new job, nevertheless, leads to overall reduction of unemployed numbers. The Inner Aid Area will also be divided into two Areas with an increase in the employment grant for new workers to 140,000 Swedish Kroner (\$37,660) over a 7 year period. This reflects the fact that loans and grants have been found to be more effective relatively than transport and employment subsidies. The latter, though, are being continued. Also, it should be noted that opposite conclusions were reached by a Norwegian econometric study which indicated that employment subsidies were 3 to 15 times more efficient than capital subsidies depending on the production function of the industry (Andersson, 1974). Other problems include the inevitably increasing proportion of capital as opposed to labour in new plant, locating in aided areas where job creation is the *raison d'etre* for the aid. Also, ERU has found in the past that the average wage paid in supported firms is lower than in existing or other firms. Although there may be external reasons for this difference, such as the national wage rates for white collar versus blue collar workers, this wage gap poses a further problem for egalitarian government policy (Assessing Swedish Regional Policy, 1976). An inherent conflict, then, in region policy exists in this case.

As in other countries, it would seem that assistance to private firms to create jobs and assistance to labour to move to jobs, have not had the results needed to offset structural industrial decline, unemployment, or in the case of Sweden and other Scandinavian countries, to move towards the goal of equal opportunities to jobs and other aspects of the 'level of living'. In Sweden, the important role of the communes and counties in service provision and public employment provision, should be considered now in this context. In association with this, is the physical planning system covering the whole country which has direct relevance to the location of new firms and jobs, both private and public.

Physical Planning and Regional Policy: Although urban physical planning has existed for at least 300 years in Sweden, a comprehensive system of national physical planning with responsibilities divided between the government and counties and communes, is relatively recent, dating only from 1973. It is, however, becoming dominant in the search for policy instruments to effect an egalitarian society. Thus a national settlement strategy is now being developed under which will be subsumed regional development policy for industry and Government support for municipalities (Guteland, 1976).

During the 1960s, the growth centre idea had become a political issue in Sweden and other west European countries. In 1969, a proposal was made for the designation of 15 towns in northern Sweden as 'priority centres'. But this idea was soon abandoned in favour of a planned settlement system to provide better access to goods and services, larger and more varied regional labour markets and an improved basis to locate public investment which might attract private investment. It was the brain-child of ERU and was to be implemented through county planning authorities, which have become the lynch-pin of regional policy in Sweden. Planning in Sweden is divided into the general categories of physical, economic and

regional. It is conducted at three levels of government: communes, counties and the national government. Bourne provides a good synthesis of their responsibilities--

'Each level of government is responsible for different but overlapping components of the planning process: physical planning, as noted earlier, is primarily a municipal responsibility; economic planning is vested in the counties, under central government budget restraints; and regional planning policy originates with the central government. In the latter, agencies (and boards) are responsible for sectoral planning and ministries for intersectoral planning. The counties, particularly the County Administrative Boards, hold a pivotal role in coordinating municipal plans for physical development and investment, and in translating national policy goals into effective intersectoral planning at the local level'. (Bourne, 1975).

Following a decision by Parliament in 1970, the County Administrative Boards became the main vehicles to implement planning. In the initial phase, they worked out pilot plans, the first known as County Planning 1967, with a 15 year time horizon, to specify districts and communes where regional development measures should be concentrated first. Regional programmes for counties were then worked out, this stage, with a 5 - 10 year horizon, being known as County Programme, 1970. In addition, since 1969 there has been an annual survey of long-term communal economic planning (KELP).

On the basis of the initial planning work, a programme by ERU provided the government with a Regional Structure Plan which contained a classification of all urban settlements in Sweden. Four types of centres were designated in the plan, the purpose of which was to specify the function which different types of municipalities and regions should perform with respect to services and employment opportunities needed to remedy their problems (OECD, 1976). The final version of the settlement classification had 4 types of centres:

- (1) The three metropolitan areas - Stockholm, Göteborg and Malmö. The aim was to curb their growth.
- (2) Primary centres (23) - mainly one in each county to provide nuclei for services and economic activities in order to attract people,

especially migrants. The services were intended to be equivalent to those offered in metropolitan areas. Relocation of central government offices away from Stockholm to these centres was approved in 1971 involving now over 11,000 employees.

- (3) Regional centres (70 proposed) - important to the local and one or more adjacent municipalities. The small size of their labour markets makes them vulnerable to problems. Need to be built up with employment for females, qualified manpower. Services were also to be strengthened.
- (4) Municipal centres (150 proposed) - which served their own inhabitants mainly.

In 1974 a proposal was also made to designate sub-centres in municipalities which covered large areas and regional centres in the formerly homogeneous metropolitan areas. It was the intention of the government to concentrate public investment in the primary and regional centres particularly, including the relocation of civil servants from Stockholm.

Population forecasts to 1990 for the counties and each of the centre types, are being made as frameworks for planning both by the County Administrative Boards, the communes and the Central Government Agencies and Boards. At first the government presented estimates of future population totals to the counties which were asked to revise them in the light of their own forecasts based on employment trends and infrastructural projects. Inevitably, county forecasts were optimistic as no one wants to lose politically through population decline.

It is clear that the designated centres, a bold political step in western planning, reflect the existing urban settlement hierarchy. New towns, as in Britain, are not evident, except as new commuter suburbs to metropolitan areas or as expanded resource centres. The new town concept has not been used to change the hierarchy, because of the small national and regional populations. This may present in future, therefore, some problems for achieving equality in opportunities for people if the hierarchy is at all rigid. The writer finds it difficult to conceptualise

how in Hagestrand's words an "equitable urban structure" could evolve in terms of settlement size and function. The only possible way in which it could be achieved would be, not in the physical provision of services or jobs, but in the net qualitative, psychological factors which satisfy people. Research on this aspect in Sweden is regarded as being very important and is proceeding.

In a recent new proposal to the government for regional policy, the County Administrative Boards will have more responsibility to coordinate government ministry expenditures in the counties. Boards in the Inner and Outer Aid Areas will also receive more funding to assist regional policy. At present, ad hoc coordinating agencies exist for inter-ministerial sectoral and spatial planning. In fact, it was mentioned to the writer that there is no overall coordinating planning committee in Sweden, which presents some difficulties for regional policy. County Planning does not quite fit the role because a top-level committee is required with national perspective (Guteland, 1979). ERU comes basically under the county planning system while the Labour Market Board is a very independent, though critical, special agency in terms of national societal and planning goals. On the County Administration Boards there are only political appointees; on the National Agencies and Boards there are representatives of different organisations. It was suggested that it is necessary to change the membership of County Administration Boards to include more professional people including representatives of different organisations.

Although physical and economic aspects are covered by the regional plans devised by the County Administration Boards, there is no analysis of the effects of public investment on private, or the overall multiplier impacts. It has also not been possible to differentiate the impact of

concentrating investment in the primary and regional centres from the rest of the aid areas in Swedish regional policy' (Guteland, 1979). Perhaps, as part of the public office decentralisation programme, the location of ERU in six College regions will assist more regional impact research to be done, as certainly, communication with ~~commune~~ and county authorities as well as private firms, will improve. More organizational contacts between planners and researchers are necessary which will also be accomplished by this move (Guteland, 1979).

State Transfers to Communes: It is enlightening to realize that the most substantial measures to redistribute Swedish national wealth and create equality, arise from the transfer of state funds to communes. Table 5 reveals that this form of regional aid, arriving as tax equalization grants, and thus indirectly via another level of government, is nearly four times the amount spent on regional aid to firms. It is directly associated with the sharp increase in public employment at the county and commune levels and has been responsible for a large advance towards equalising employment opportunities. During the 1960s, out of a total increase of 400,000 in employment in services, 300,000 were in health, education, administration and other public services. (OECD, 1976).

The commune in Sweden, is marked by a high degree of local autonomy. The Municipal Council of the Commune is elected every three years at the same time as elections for the County Council and Riksdag or National Parliament, are held. The responsibility of planning and building, recreation facilities, schools, local transport, physical planning and social assistance, lies with the commune. The responsibility for medical care including hospital provision, rests with the County Councils. The commune then, essentially has the responsibility for the

Table 5: Summary of economic instruments for purposes of regional policy,
1972/73

	All Sweden		Whereof forest counties Skr millions
	Skr millions	%	
Location aid, 1972/73	394	73	291
loans	289	54	193
grants	89	17	86
loan guarantees	12	2	10
removal grants	4	1	2
Employment grants, 1972	14	3	14
Training grants, 1972/73	75	14	43
Transport subsidies, 1972/73	51	9	48
Support for sparsely populated areas, 1972/73	5	1	5
<u>Total regional development aid</u>	559	100	401
Labour training, 1972/73	769 ¹⁾	18	128 ²⁾
Removal grants, 1972/73	55	1	25
Relief work projects	1,610	37	786
Tax equalization grants, 1972	1,938	44	1,058
Total of other forms of support with an important bearing on regional policy	4,372	100	1,997
Investment funds, 1972 (reported investment costs for which withdrawals from funds were permitted. There was a general release of investment funds in 1972).	1,038		166

1) National Labour Market Board & National Board of Education

2) National Labour Market Board

Source: ERU, Follow Up of Regional Incentives in Sweden, Dec. 1974.
Stockholm.

individual. It provides unemployment pay after the State's term of payment ends and guarantees that no resident will ever be destitute and lack means to support his family.

To provide funds to meet these responsibilities, the commune has the power to tax income taking an average of 30% of a person's income. This, in no way, along with other tax revenues from property, is sufficient to cover total costs. Hence the State transfers tax equalization grants to communes to guarantee equal amenities to people in different regions. A substantial degree of spatial discrimination is built-in to the ways in which the grants are given, resulting in communes in the northern County of Norrbotten in 1973, receiving 1,097 Swedish Kroner per capita while those in the County of Stockholm were awarded only 12. The average for Sweden was 252 Kroner. In some northern communes, the grants amount to almost 50% of municipal expenditure (Planning Sweden, 1973). The grants have operated in three forms: grants for a deficient basis of revenue, grants for higher local taxation rates (now deleted) and extra tax equalization grants. The latter have been the most important, guaranteeing communes certain revenues in relation to the national average. The bases vary according to the location of the commune: a 90% guarantee for southern and central Sweden while in Norrland the rate varies between 110 and 125%.

The important role of the physical planning of natural resources, has not been discussed as it is reviewed adequately elsewhere (Planning Sweden, 1973). It is also a component in providing equality in provision of environmental standards. In 1972, a new Ministry of Physical Planning was established to prepare a national physical plan. Enhanced powers were given to communes and counties to regulate land use development and to plan their environments.

The experience of Sweden in its planning attempt to achieve national goals, is fascinating because they are 'ahead' of most other western developed states in their idealism. However, their problems are substantial in terms of economic growth and regional disparities in income, employment and consumption levels. The means to assist industry have been similar to those adopted elsewhere while there has been negligible use of restrictive measures to slow metropolitan growth. Some of their measures are innovative while their strong use of local government based on the belief that the people being planned for, should have control over that planning process, is certainly working. Regional industrial development, successful up to a point in job creation, has not been able to offset structural changes in the economy, particularly in agriculture and forestry. In the aided areas, the assistance has been substantial in terms of total industrial investment although whether or not the lower income groups are aided is another matter. Major problems of integration also exist between economic, physical and regional planning by the three levels of government. Data problems exist particularly on qualitative aspects of levels of living. Regional accounts, it is surprising to note, do not exist. The National Bureau of Statistics has not been allowed to establish them although ERU has done some experimental work using two counties. The reason lies in the political fear of revealing precisely to what extent the rich regions are supporting the poor. It was remarked to the writer that politicians are afraid of the 'consumption' side; the development of accounts using input-output on the 'production' side is far more feasible.

Swedish regional policy has evolved from an emphasis on the problem of the North and an expanding Stockholm to a wholistic national settlement strategy to meet the egalitarian goals supported by a broad consensus in Swedish society. The policy dates only from 1973 and is

still changing as Swedish ERU and academic researchers and others, propose more effective measures. The government appears committed to increasing financial support of the labour market policy to provide everyone with a job as well as to greater funding for the communes, the primary and regional centres, in order to provide attractive destinations for migrants. It is probable that public employment will increase even further as well as restrictive planning controls over employment and development to match the local physical planning regulations for housing. The massive population migration from the north almost stopped in the 1970s but intra-regional migration and commuting is on a large scale. The energy cost problems will undoubtedly increase as the primary and regional centres are expanded and their hinterland populations are attracted for work, leisure and shopping. Hagerstrand points out the massive problem of servicing a dispersed population. Of 1800 urban settlements, 1700 have less than 10,000 people and 850 have less than 500. That the government is worried about this energy situation is evident from a new Act in 1977 on municipal planning for energy conservation.

Those people commuting long distances or migrating, also tend to be in the better educated and higher income groups. Thus, to add to the problems of spatial planning, there are those of a social nature directly associated with the means being used to implement equality policy. ERU is presently tackling this problem which presents a serious political challenge. New jobs are not equally socially distributed so that 'regional equalization leads to more social differentiation' (Per. Comm. Grahm, ERU, 1979). Again, this is precisely the point made in the discussion of this study's objectives, though it would seem that even the Swedes are only now starting to study its implications.

Norway: The national goals set by the Norwegian government are similar to those of other Scandinavian countries. The salient points in the government's programme for a qualitatively better society are:

- security and good living conditions
- greater solidarity and equality
- strengthening the family and local community
- employment for everyone
- a better working environment
- sound management of natural resources and the environment
- freedom, democracy and legal protection
- international solidarity

(Norwegian Long-Term Programme 1978 - 1981, 1977).

The government's aim is to equalize living standards between Norwegian's. Norway can be characterized, then, as another welfare state but one which uses its regional development and planning policy in a way rather different to other states. There are no large, depressed, industrial or rural regions in Norway. A background report for an OECD study tour in June, 1978, pointed out that the geographical differences of various indicators of living conditions were not very large in Norway (Summary Paper on Norwegian Economy, 1978), and that tax statistics show regional personal income differences are narrowing. In 1950 the average assessed income per resident personal taxpayer in the North, was 37% below that of the East, but in 1971 the difference had become 15%. (OECD, 1976). This is not to deny that some of the normal types of regional problems do not exist. They include out-migration from peripheral areas and conversely the 'crowding' of the main cities; primary sector problems in agriculture, forestry and fishing upon which many rural residents are dependent; poor communications over long distances, especially important in Norway; regional differences in access to employment, services and income. However, although the North still can be termed the main problem region, the regional problems of Norway are viewed more as special pockets of disparity and disadvantages within regions. The overall aim of regional planning is to

provide measures to maintain the viability of all settlements, particularly the smaller, isolated communities. Herein, lies both the essential interrelation between regional planning and national welfare goals, as well as the difference between Norwegian regional planning and that existing elsewhere. The Norwegians have been very reluctant to create designated regions or specified growth centres, in contrast to, for example, the Swedes and Finns, who have similar national welfare goals. The aim in Norway has been to help the poorest, the less secure, those less able to command resources, whether they be individuals or whole communities. Some of the regional problems have been lessened in recent years through a decline in out-migration from the North and other peripheral areas and the consequent decline in city growth; as in Sweden, migration in the 1970s has become more intra-regional. It is clear, also, that disparities in living standards have narrowed between city and rural and between centre and periphery residents. But the continued structural economic changes causing a decline in employment in the primary sectors, are severely affecting communities with a mono-economic base.

Regional planning, therefore, which is used to embrace physical -- economic planning at different scales, aims to preserve the existing settlement pattern as much as possible, while recognizing that the changes in employment base from primary to the secondary and tertiary sectors, which has occurred, is reflected in increasing urbanization and an inevitable growth of some communities and a relative decline or stabilization of others. The idea of 'decentralized concentration' underlies regional policy, with an emphasis on strengthening, particularly, those centres with a diversified economic base. It should be noted that the initial designation by a labour government of 6 experimental growth centres in the spring of 1965, was changed in September of that year by a non-socialist

coalition government, to one of six 'development regions' consisting of farming or fishing communes. 'Test' centres were named where investment would be concentrated (Stenstadvold, 1975). The difference might appear semantic but it is clear that strong political support exists in Norway for as much equitable sharing of public and other investment among the communities as possible, even though inevitably, some economic and public activities have to be concentrated in one community because of efficiency.

There has not yet appeared any evidence of spatially discriminatory direct benefits to people, although it has been proposed by a County Administrator in North Norway with respect to government concessions on income tax, cost of heating fuel and groceries for northern residents. Such a proposal if adopted, however, would have its political dangers, at the same time underlying the fact in an egalitarian society, a description philosophically, if not completely factually true, that second class communities did exist.

As in other Scandinavian countries, the role of central government expenditures and those of the communes and counties which provide more direct benefits to residents, is more important, probably, in achieving a balance in regional opportunities to jobs and services, than the specific measures undertaken through the formal regional development policy for firms. The following discussion will, therefore, be divided into first, a review of regional development and second, a discussion of the role of local and central government expenditures.

Regional Development Measures: The war-devastated region of North Norway was the recipient of the first specific regional development measures undertaken. The Development Programme for North Norway lasted from 1952 to 1961 with aid for infrastructure, a North Norway development

fund granting credit to firms, tax incentives and other stimuli (OECD, 1976). In addition, direct government industrial development was undertaken to develop national resources, exports and local economies in remote locations. During the fifties, the State directly established steel and aluminium plants and iron ore mining and coal processing.

In 1961, the North Norway Fund was changed into a general Regional Development Fund (RDF) in recognition of the fact that regional problems occurred in all parts of the country. The main instrument for regional development have been the loans, guarantees and grants provided by the RDF. They are for investment in buildings and machinery in areas with high unemployment or underdeveloped industrially. Municipalities, that is communes, can obtain them to build factories and other buildings. Assistance was extended in 1966 through grants to move production out of congested urban areas, for training employees and starting-up costs. Direct investment grants for new establishments or expansion of certain basic industries, were introduced in 1971. They can be up to 35% of costs in the three counties of North Norway and one county and 13 neighbouring municipalities in the west main region. Rates of 25% and 15% apply in two other regions. The specific amount is determined on a scale based on regional differences in economy, settlement structure, employment and income levels. The grants for labour training apply to new enterprises as well as relocation. They may include up to 50% of wages, travel, board and lodging costs for key personnel. Costs of consultant services may also be borne by a grant. No hard and fast boundary lines were fixed for the 1961-69 period of operation of the RDF but when tax free funds were allowed in 1969 and investment grants in 1971, areas were designated in which firms became eligible for this aid. This reluctance to classify stems from the political strength of the communes and the national concensus which exists about

supporting as many communities as possible with the existing resources. The RDF is not merely a passive; reacting, agency, however, but can undertake surveys and submit development plans or proposals. By far the widest used form of assistance has been its loans, being almost three times the value of investment grants, with approximately one third of total aid going to North Norway. There has been a reluctance to give grants arising from the fear they will distort competition between firms. Tax free concessions up to 25% of taxable income for industrial investment purposes in designated areas, and regional transport subsidies (since 1971) of between 20 and 40% of cost for manufactured goods over distances greater than 300 kilometres, are also available. In 1968 industrial estates after the British model, were introduced. A state owned Industrial Estates Company (SIVA) has established 14 estates. Close consultation with industry prior to their construction, occurs.

The above measures are positive direct or indirect means to aid firms and equalize living standards between regions. Restrictive measures have also been taken, though in common with its Nordic neighbours, they have not been applied so strongly as in France or Britain. Encompassed by them are compulsory consultation for the developments of firms with more than 15 employees, in the cities, with the Location Guidance Committee. There is also direct 'establishment control' over the location of major industrial and service establishments including petroleum-based operations, throughout Norway. In addition a government decentralisation programme for its own employees away from Oslo, is imminent.

The regional development measures outlined above, apply to service as well as manufacturing firms. The service sector has been the fastest growing sector in employment, as in other western countries. Much of its growth has consisted however of public employment, particularly in the

Oslo region. Nevertheless, the potential for aiding the growth of service outlets in small communities, is not being missed. A plan has been developed to combine services such as grocery shops or social services and post offices so that services can be extended to even ~~smaller~~ communities. There is already a scheme to aid and economically support small grocery shops in sparsely populated areas (Supplement to the long-term programme 1978-1979, 1977).

The above report also makes it clear that, despite the necessity of a cut-back in financial aid all round because of recessionary influences, the government will introduce stronger measures of regional aid in terms, especially, of investment grants. North Norway too, will continue to receive aid to maintain its regional share of population. Agriculture forestry and fishing, will also be helped further with schemes to increase dual occupations in primary industries and other industrial activity in areas weak in industry. An innovative reindeer herding industry, approved in 1976, is being continued. In those single-industry communities, small and medium-sized firms will be encouraged to diversify the economic base and to meet regional social objectives. However, a major problem has been a lack of viable, profitable projects in the long term. Greater emphasis is now being placed by the government on profitability as well as efficient use of natural resources and the prevention of pollution and other environmental damage. The government is hoping that through the regional offices of the State Technological Institute where its future expansion will occur, greater advice and stimulation can be provided to firms so that research and development and entrepreneurship will result. The state also intends in the 1979 Budget to continue the spatially differentiated employers' contributions to the National Insurance Scheme, to aid firms in the disadvantaged areas through lower costs and to maintain

employment and communities. Cyclical manufacturing industries will also be assisted to a greater extent to restructure or establish new competitive industry. Overall, it is clear that the government, despite having to tighten its financial belt, is endeavouring to ensure that its more vulnerable industries, communities and citizens do not suffer unduly. Although there has not been any statutory requirement to measure the results of regional aid to firms and the same difficulties exist for this exercise in Norway as elsewhere, the very low unemployment figures for the country over the years, reflect the relatively successful management of regional policy and the national economy.

Economic-Physical Planning in the Communes and Counties: This section reviews the evolution of present day planning and the importance of government expenditures in and transfers to the municipalities.

Self-government at the local scale has a relatively long tradition in Norway, being based on laws of 1837. The communes may undertake any local functions which are not vested by law in other institutions. Because of isolation during the 19th century, communes, necessarily, had to take responsibility for elementary schools, churches and poor relief. In 1978 there were 454 communes or municipalities of which 47 had urban status. Today they provide a very wide range of social assistance programmes directly to their residents including care for the young and the aged. There are also 19 counties, including Oslo, which has a mixed municipal status. Both the counties and communes have political and administrative bodies as well as the power to tax. The counties are the administrative regional limits of the central government and undertake responsibilities such as schools, public health, roads which require joint solution and planning at the regional level. The councils of communes and counties are directly elected, the latter since 1975. Until then, a central government officer,

the County Governor, similar to a French Prefect, was in charge of each county. Now, a chief County Administrator holds this position and the Governor supervises only State Agencies in the counties. As the responsibilities of the communes and counties have expanded, the need has grown for more regional integration of economic and physical planning by these two levels of municipality as well as the sectoral planning by different central government ministries. The reform of county status with local elections and a local administrator, to some extent, met this need. More important, however, was the revised Building Act of 1965 which provides the legal basis for regional planning embracing both economic and physical planning. The commune and county authorities are now responsible for all planning in their areas. It is interesting to note that in 1965, regional and inter-county planning, guided by government committee and secretariats, was also introduced but proved unsatisfactory in terms of administration and coordination with commune and county planning. These committees were also not politically representative. Hence, in 1973, Parliament approved county planning. 'The basic idea of county planning is to improve the integration and interaction between the national and municipal level and at the same time to improve the horizontal integration among the different sectoral activities at the county level' (Breirem, 1978). The Building Act specifies in the case of the County Plan that it

'...is a comprehensive plan for the coordination of State, County and municipal planning with regard to utilization of the natural resources in a county and other questions of common interest for the promotion of economic growth and welfare in the county.' (The Building Act, 1975).

The plan has to cover such topics as natural resource use, population development and settlement pattern, employment and economic activity, public development projects by the State, the county and communes, and economic evaluation. The Ministry of Environment is responsible for the coordination of County Plans. Likewise, the counties have

responsibility in supervising the General Plans of the communes which are mainly physical land use plans and plans to provide facilities for public needs. These plans are not legally binding though related by-laws are. For detailed land use planning, Detail Plans which are legally binding, are prepared, particularly, in urban areas of communes. Final approval of General plans rests with the Minister of Environment.

The experience to date, has been that only slow progress has been made with the General Plans, proceeding now for over 10 years. Only 25% have been completed to approval stage. There has been a different experience with the County Plans, 17 of 19 being forwarded to the Ministry of Environment by the end of 1975 for the period 1976-79.

Problems, so far, have been limited in county planning because of the generalized nature of recommendations. Some difficulties have arisen when the future of major centres in relation to the rest of the county have been discussed. Also the communes tend to resent the county's intermediary role between them and the State ministries. They do not agree with the Ministry of Environment which wants County Plans to include physical planning. The counties agree rather with the communes, that it is the latter's prerogative. However, commune land use conflicts have to be solved usually at the next level up and this is the county administration. It is partly a political problem and partly one of a shortage of skilled planners in the commune and county administrations (Pers. Comm. Breirem, 1979). This latter point presents a problem particularly for county planners in relation to the sectoral planning of major ministries. There might be, for example, 100 people in State highway planning operations in one county compared with only 3 or 4 county planners.

In terms of top level integration, an interministerial committee has been established to coordinate the County Plans and sectoral expenditures.

So far, however, the material gained from the County Plans has not been used in any systematic spatial planning at the national level. At the county level, because of the quick progress, at least on paper, which has been made, little success in actually adapting government sector plans to the regional scale has been made. Similarly, the counties have not given sufficient attention to the communes' problems.

Overall, conclusions on county planning are that an improved, more uniform, methodology in the preparation of plans and a more efficient administrative framework, are necessary if the objectives of integration of planning at the three levels of government are to be achieved. In a Parliamentary report of September 1977, thorough discussion of the problems occurred. In particular, it was suggested that the county breakdown of investments and new state jobs on an annual basis, introduced in 1976, be extended to the long term fiscal budget. Data regionalization may also be included in the planning of national economic policy based on the use of economic models. The Ministry of Finance proposes giving priority to regionalized model calculations which, together with county information, will aid tremendously long term planning. Interaction between counties and the central government is essential, however, with this approach, to avoid uncritical acceptance of results from the government's models.

The Ministry of Environment has started work on a budget and accounting system of natural resources which will be coordinated with national economic planning. It will also present guidelines for county and commune planning. Their use of this information on state budgets and natural resources, will aid their own financial planning. The government's plans for communications, natural resources and economic activities are directly relevant to county planning while land use, housing and economic activities are pertinent to the commune's plans.

Norwegian planning is still in an early stage of development but it has an impressive orientation to the regional and local scales. This is supported politically and administratively in all levels of government and is also reflected in the regionalization of data collection and analysis. It can be concluded that integration and coordination of planning at all government levels is being adopted in order to achieve desired regional policy goals.

The sectoral expenditure of the central government and its transfer to the communes and counties will now be discussed because these have, as in Sweden, substantial regional effects. They comprise the main measures by which equalization of welfare among the Norwegian population is being achieved.

The differences in economic base between settlements and regions, create major variations in their economic capabilities to support public services. To obtain common standards of provision, tax equalization transfers are made by the government to the communes and counties. Total transfers in 1977, including those through the Tax Distribution Fund were over 8,000 million Kroner (approximately \$1,840 million) or one quarter of the total expenditures on municipal administration. Up to 60 to 70% of the budget of northern communes, is derived from transfers. In addition, a large amount is transferred through the national insurance budget for the reduction of operating expenses of county health institutions. The tax transfers are based particularly on the economic viability of communes. The most marked equalization effects lie in the grants for the operation of elementary and secondary schools, adult education and cultural work.

The future financing of counties and communes was improved, when the former were given the right to tax in 1977 while the latter have held this right for a much longer period. The government intends to

guarantee a fixed proportion of state transfers to the authorities but in addition, they are considering ways to increase revenues by higher fees for various utilities and services, and higher taxes on income and property. Such action might work against the national equality goals between communities and people. However, it is forecasted that expenditure needs in health services, secondary schools, day nurseries, refuse disposal and sewage will expand sharply. Some services will, therefore, be financed through general taxation and others will be tied more tightly to demand through a fee system.

Apart from these direct governmental transfer, the sectoral support by the government to agriculture, forestry, fishing, manufacturing industry (covered in the first section), transportation, helps to maintain incomes and thus communities as well. Successive price rises, for example, have brought farmers' incomes into line with those of the rest of the population. Agriculture is an ineffective sector because of terrain, climate, and scale of production and is, therefore, highly protected. Intensification of production is being encouraged and also the provision of off-farm employment for farmers. There are also considerable regional variations in product subsidies, particularly for milk. Similar assistance is given to fishing and forestry by various regulations and support schemes.

The overall conclusion which can be made about Norwegian regional policy is that so far, it has been fairly successful. Income and other gaps are not large between people or places. The settlement strategy, where every place is considered a growth centre if there is potential, is a pragmatic, defensive policy. It may be vulnerable in times of recession. But the structural sectoral problems of the national economy are increasingly viewed as regional problems as well. National policy is

becoming regional policy and increased responsibilities are being devolved downwards in the government hierarchy. The emphasis on the main objective of maintaining a dispersed settlement pattern with equality in living standards, makes the Norwegian approach rather different to that of other countries. It was suggested by OECD that trying to maintain regional shares of population may conflict in the long term with the productivity and profitability of industries and the need to restructure them to meet international competition. Innovation, technological change and rising profits and wages may, therefore, be constrained by subsidies of insufficient firms or sectors for regional policy reasons (OECD, 1978). But it is apparent that the Norwegians favour, in the light of the present recession, more efficiency and long term profitability in private and public projects. After all, they realize that their welfare society requires profits to pay for it.

Norway presents, then, more than the other Scandinavian countries, national and regional policies to reinforce the home ties of its citizens to the family farm, the home community, those aspects of the 'green revolution' such as access to nature and open spaces which have been traditional parts of Norwegian life. Whether it can maintain the dispersed communities in the long term, will depend not only on the ingenuity of its scientists and politicians but probably on the willingness of people to substitute more rural qualities of life which satisfy them for high income urban life styles.

X. West Germany

It is ironic that in a country, where differences in living standards between people in different locations are among the smallest in the world, there has been developed, at least superficially, one of the most logical

and systematic regional planning systems. One might add that it is not unexpected, taking into account the orderly approach to problems expected of Germans and their historical academic concern with the central place hierarchy and physical planning. However, although the physical planning and regional policy framework seems impressive, there are substantial problems implicit in its conceptualisation and implementation.

The German economy has been operated under the principle of a 'social market economy', with the objectives of growth, full employment, price-stability, and an even distribution of wealth and competition. The federal government has followed a non-intervention policy. The economic success in giving full employment and the favourable distribution of large cities, have created a situation where there is only a 5 to 10% difference in per capita GDP growth in proportion to the national average, between the Lander (OECD, 1976). The gap between rural and urban living standards has steadily narrowed since 1945. Consequently there are no major large problem regions in Germany of a structural economic nature, or which can be called isolated, backward regions. Nevertheless, relative to the national average, there are areas where the economy, infrastructure and incomes are weak and below the national average. In 1971, as many as 20 million or one third of the population living in over 60% of the federal territory, was shown by statistical indicators, to be in such a relatively deprived situation. Average income per head was estimated to be one third below the federal average income. They encompassed 'economically weak' rural areas, including the Iron Curtain border zone and structurally weak areas, such as the iron and steel and coal mining areas of the Ruhr and Saar. To eradicate these differences in living standards is a basic requirement of the German Federal constitution which requires that there should be 'equal living standards' throughout the federal territory. Thus, a

similar idealistic goal to that of Scandinavian states, exists in Germany, idealistic because it evades the problems present everywhere of unequal distribution of resources, the differing mobilities of factors of production and the different abilities of people. The immobility of labour, for example, has increasingly forced firms during the 1960s to locate in smaller and smaller rural settlements, some with even less than 3,000 population. This was a reverse of the agglomeration of employment and manufacturing in an around major cities during the 1950s which forced rural workers to migrate or commute long distances. In contrast, recently a mobility assistance scheme has failed, reflecting the large proportion of 'stayers' who wish to remain in their home environment (Pers. Comm. Selke and Stein, 1979).

The provision of equally good living conditions 'means that a quantitatively and qualitatively adequate supply of housing, employment opportunities and public infrastructure facilities at a reasonable distance, plus a decent environment, are available to the population in all parts of the Federal Republic'. (Federal Regional Planning Programme, 1975). To ensure that this is accomplished, regional policy is being conducted in three ways, an approach which is essentially similar to that in other west European countries:

- 1) regional development policy
- 2) physical planning policy
- 3) sectoral regional transfers and investments

Three levels of government (Federal, Lander and Gemeinde) are involved and thus increasingly a high degree of coordination and integration of policies and programmes has become necessary. The following review will, therefore, follow closely these components of German planning and regional policy to unravel what is a complex planning system.

Regional Development Policy: General Federal Government objectives include the creation of an optimal economic structure to ensure all factors of production are being used to promote economic growth. Thus, there have been certain areas where Federal aid has been concentrated in cooperation with the State or Lander Governments: these are growth industries, infrastructure and tourism. In terms of specific regions or centres aided, Federal regional economic policy can be divided into the following categories:

- a) Since 1951 depressed rural areas to which emergency aid programmes were applied to counter unemployment caused by mechanisation in agriculture -- the Ems region, Eifel, Bavarian Forest. Infrastructure was the main form of public assistance, although low interest loans or investment subsidies were given for industrial investment and tourist facilities. They have been termed emergency, recovery and since 1965, Federal Expansion areas (Krumme, 1972).
- b) The development of the Zonal Border Area since the 'Iron Curtain' cut the country into two parts in 1953. This zone is a 40 kilometre wide band along the 'Iron Curtain.' An Act of 1971 guaranteed continuing special status for the area with the highest rates of assistance prevailing as well as supplementary aid (OECD, 1976).
- c) Since 1959 a growth centre policy was devised by the federal government to protect the rural areas from the haphazard location of industrial firms in order to obtain rural labour. Rational use of infrastructure and the growth of central places in 'structurally weak' rural areas was an objective. In 1970 there were 81 of these 'Federal Development Centres.' Selection was made, however, by the Lander Governments with Federal minimal requirements being a large local labour market, local social, education and cultural facilities and some existing industry. The total

number changed as de-designation of centres occurred when assistance was deemed no longer necessary; new centres were also added. The Lander tended to select those Gemeinde (Communes or municipalities) with the best industrial potential, most having a population of around 10,000.

Assistance is given for developing industrial land, infrastructure and as loans to new firms. Until 1963, the basis for subsidies were the number of jobs created. This changed then, to become the amount of total capital invested (Krumme, 1972).

By 1969, it had become apparent that there was a need for revision in the variety of assistance measures being extended to a multitude of areas. The need to make policies more effective, as indicators were continuing to show disparities in living standards between places, by concentrating the impact of programmes, led to the creation of 'Regional Action Programmes' (RAP), and the adoption of a 'Joint Scheme' approach by the Federal and Lander Governments. There are now 21 RAPs which last for 5 years. They cover contiguous urban and rural areas designated by the Federal and Lander Governments as development areas. Each programme is tailored to the specific needs and potentials of the region (Per. Comm. Schmidt-Ott, 1979). Creation of new jobs and maintenance of existing ones, are the main concerns with job targets being quantitatively set. Aid is given to industry, crafts and tourism and is concentrated on growth nuclei with catchment areas (within commuting distance of an hour) containing at least 20,000. At present there are 312 towns which have been selected as the 'hub of regional development policy.' (Schmidt-Ott, 1972). They replace the previous Federal and Lander growth centres. The selection of these centres has presented some difficulties as every Lander wished to have designated centres. Every mayor knew that such a decision would mean his community would grow with industry or would not. The

scheme was to decisively create agglomeration economies and to ensure the growth of smaller centres. 'If aid to industry outside the key areas is permitted, the labour force which is thereby absorbed, is not available for the further development of the key areas, with the result that these may even fall below the desired minimum size' (Schmidt-Ott, 1972).

The four tier preference system for grants and loans to firms and towns is as follows:

- (i) Border zones - 25% of total cost (only 12 towns)
- (ii) Special key areas elsewhere - 20% (20 towns)
- (iii) Normal key areas - 15% (229 towns)
- (iv) Less handicapped key areas - 10% (51 towns)

Subsidies are for the establishment or extension of factories and their reorganization and rationalization. Special depreciation allowances, freight subsidies and priority in government contacts, also exist for firms in the border zone. Investments have to contribute to the flow of additional revenue in a region from 'exports' so that branch plant or office operations may receive less aid. A bank would receive no assistance for a local branch but would if a major administrative office was located in a RAP area. The same gradations in assistance in principle, apply to infrastructure but subsidies to municipalities can cover 100% of costs in cases of extreme need. Industrial estates, water, power, sewage schemes, further education and re-training centres, also receive funds.

In terms of experience so far, it has been found that firms generally prefer a simple grant scheme with certainty, that is automatic eligibility, and early knowledge of its details (Pers. Comm. Schmidt-Ott, 1979). Until 1968 loans were the common incentive offered to firms. In that year they were superceded by grants which have been used to top up a basic investment allowance of 7.5% of costs, which was introduced in 1969.

In addition, there is the European Recovery Programme soft loan which goes to small and medium-sized firms ineligible for the grants or allowances because of their local market orientation. The loans are at a 6% interest rate which is fixed for the 10 years of the loan for plant and machinery and up to 15 years for building and land. The loan maximum is 200,000 DM and can cover up to 2/3 of the investment. The special depreciation allowance available only in the border zone, can be up to 50% on plant and machinery and up to 30% on buildings. The order of importance of these incentives, in terms of projects approved is the investment allowance followed by the ERP soft loan and then the investment grant. The depreciation allowance cannot be compared on this basis because it is item related.

According to one informant, there have been only a small number of failures among promoted firms including branch plant closures in assisted areas, a rebuttal to criticism that regional policy was creating too many branch plants susceptible to closure. It is true, however, that this is a controversial area and some research findings show different results. Certainly the 'boom' economy and recent recession, might interfere with such a measurement of regional policy effects. Some 70 of the 312 growth centres do not receive any aid from the government because it is not needed. On the other hand, even with assistance, some do not grow at all. It was mentioned to the writer that, surprisingly in Germany, there is a countrywide lack of entrepreneurs because of an over-administered, bureaucratic, state-supported system. One case, however, which came to light is a superb example of entrepreneurship. It involves a peripherally located rural plant, which, using an unskilled, largely female, labour force, would change products over-night. Machines were adjusted by mechanics, who, in some cases were the husbands of the

workers. Thus a variety of markets could be served by the different products produced -- spectacle frames, radio sets, pharmaceutical boxes. (Pers. Comm. Schmidt-Ott, 1979).

Under the 1969 amendment to the Constitution, the 'Joint Scheme' improvement of regional economic structures, involved both Federal and Lander Governments and led to a substantial increase in funding. Regional policy was to be planned jointly and implemented by the Lander. 'Framework plans, the first in 1972, have been formulated to ensure integration of measures promoting regional policy. They act as guidelines to Federal and Lander sectoral planning in housing, transport and urban renewal. The 4th Framework Plan implemented in 1975, introduced some major changes in the support system for the RAP areas. The new delimitation of development areas was the first to base them on units of economic activity. Using commuter data, the concept of a standard maximum commuter time (half an hour by car) and a density index to indicate the labour market, the country is now divided into 170 regional labour markets following Gemeinde boundaries (OECD, 1976). For statistical reasons, it was necessary that these labour markets correspond closely to the Kreise or Counties. To monitor the performance of these labour markets the following were calculated: Gross wages and salaries per person employed or GDP per employed person; labour potential as forecasted from analyzing the relation of the supply and demand for jobs in 43 economic sectors; infrastructure was weighted with respect to surface area, population and availability in relation to the federal average. The three criteria were quantified and the 170 areas were ranked. Regional income, labour and infrastructure targets, can now be established. In the future only labour market centres will be chosen as growth points which are now very much part of German regional policy.

Physical Planning Policy: This type of planning has been approached with a much broader perspective than regional development policy. 'The term Raumordnung' has the double, interrelated meaning of 'spatial arrangement' or 'spatial organization' as well as 'spatial orderliness' ----'. (Krumme, 1972). University regional scientists in Germany accept that the Federal Government through the Constitution has a mandate to study the spatial structure of society; government planners, however, tend to interpret 'Raumordnung' as a normative concept implying orderly use of social, cultural and economic space (Krumme, 1972). They see it as part of the general welfare task of government in meeting the Constitutional goal of equal living standards for all.

In 1965 the Spatial Planning Law was passed. Until then, there had been proliferation of vague concepts, images, terminology relating to spatial structures. The Federal Government also wished to act because of the multiplication of state or Lander planning laws passed. The necessity to operationalize most of these value-laden terms, led Government research to identify equality in provision of infrastructure with equalized living standards in Germany. Only in the Border Zone did the economic potential appear in the forefront of this goal (Krumme, 1972). Nevertheless, the Spatial Planning Law did not define the role of the Federal Government very clearly or specify sufficiently precise guidelines for the Lander which have interpreted them, as a consequence, in different ways. Furthermore, as Krumme writes:

"A remarkably large number of fuzzy terms without operational or even conceptual meaning, found their way into this law, leading to a scientifically awkward situation where vague formulations (such as "healthy living conditions," "convalescence of unbalanced structures," "spatial condensation", etc.) had to be justified and substantiated ex post facto; they not only had to be made operational, but often forced first into some theoretical jacket" (Krumme, 1974).

Central places were identified as a crucial vehicle

for spatial planning. Lander were asked to specify central places at acceptable intervening distances for all inhabitants and to provide adequate infrastructure in them. A Federal-Lander administrative agreement was made in 1967 establishing the State and Federal Inter-Governmental Cabinet Commission for Spatial Planning (MKRO). At the Federal Government level, coordination occurs in the Intracabinet Committee for Spatial Planning (IMARO). In 1968, MKRO established a four level hierarchy of central places and various infrastructure was allocated to each level. Desirable travelling times to each level of central place were also established and this has been embodied in State or Lander legislation. As mentioned above, the states have interpreted and implemented the guidelines of MKRO differently. Some have made comprehensive surveys to designate central places, to add to the MKRO classification and to make it less rigid and to introduce the concept of a 'development axis' linking major cities, development centres and low order central places, a concept which has become very important in Federal spatial planning.

As with the revision of regional economic policy in 1975, by 1969 it was realized that a more comprehensive and coordinated framework was necessary for spatial planning. Thus, on July 3rd, 1969, the Parliament called upon the Federal Government

'to stipulate the regional allocation of federal funds affecting the spatial structure in a Federal Regional Planning Programme based on a concrete spatial development strategy for the territory of the Federal Republic of Germany' (Federal Regional Planning Programme, 1975).

In this programme, vertical planning carried out by the Federal Government Ministries and the Lander Government, has to be related to spatial objectives so that more effective planning can be achieved. Development centres and axes can be selected with more accuracy then, and the quality of life improved for all. Spatial disparities have to be evened out and

out-migration from disadvantaged areas discouraged. Access to an equal amenity level in all regions has to be produced. In particular, in this context, environmental protection is important.

To undertake this large scale strategy planning for the whole country, 38 new regional units have been established. Disparities of employment, infrastructure and the analysis of the distribution of Federal funds, it is thought, can best be monitored at this scale and lead to planning policies. The Federal Government and Lander Government jointly established these regions on the basis of the following principles:

- areas which functionally complement each other eg. cities and rural hinterlands.
- each region should have a major centre and a population of 100,000 or more, and a number of medium sized centres.
- more remote areas of 400,000 people in an area of 8,000 square kilometres or more, and at least one main centre, have also been designated.
- the Kreis or county boundaries have been adhered to as of the census of 1970.
- regional planning areas of the Lander have been considered as much as possible.
- linkages between the border zone and the rest of the Federal Republic have been considered.

A variety of social indicators for infrastructure have been used to compare the provision in the 38 regions. Wide differences were revealed by an initial survey in 1975. For employment structure comparisons, GDP per capita and wages and salaries were used. For comparing settlement structures, population densities, migration and the identification of centres and axes were used.

What has become clear from the large scale analysis of population and labour market trends, is that the growth regions of Germany are continuing to grow and that this will make it all the more difficult to

meet the constitutional goal of equal living standards for everyone (Federal Regional Planning Programme, 1975). There is an inherent contradiction in the policy that out-migration should be counteracted everywhere by encouraging development in the RAP growth centres and migration to them. There are just not enough people to go around to accomplish Federal planning goals (Krumme, 1974). Indeed, major cities are now experiencing population declines and satellite towns are gaining their population, a trend similar to the 'super-suburbanisation' occurring in the USA, Canada and documented recently in Alberta (Ironside and McVey, 1978). The rural periphery also continues to lose people but not necessarily to the large city, more often it is to the small or medium sized town in proximity to the large city. Overall population growth is stagnating so that unless foreign immigrants are 'imported' on a larger scale than at present, these goals of population retention, cannot be met.

According to the programme, increased allocations of Federal funds, matched by Lander funds, should be made to the regions with population, employment and infrastructure weaknesses. Concentration of these investments in the development centres, particularly on transportation axes, has to be increased.

Sectoral Regional Transfers: The Federal structure of the State ensures that the Lander and Gemeinde raise their own taxes directly from property, industrial production and income sources. They have in total from such revenue, two thirds or more of the Federal budget. However, as in other countries, regional variations exist in tax raising potential and this requires equalization transfers between the Federal Government Lander and the Gemeinde. An example is the fundamental division between urban and rural Gemeinden because of their dependence on the Industrial Trade Tax on production. Low levels of production in rural areas mean

that their tax base is reduced which limits their investment in infrastructure which in turn lessens their attractiveness to industry (Blacksell, 1975). To offset such problems under the Basic Law of Germany, income and corporation taxes are redistributed in the fixed proportions of 47:47:6 to the Federal, Lander and Gemeinden governments respectively. (OECD, 1976). In addition, there are transfers from rich to poor Lander and supplementary grants from the Federal government to specific lander.

The sectoral investment, therefore, by different ministries of the Federal government as well as tax equalization transfers between the different levels of government, are very important for regional development policy. Indeed, regional development assistance to firm's as a proportion of national income, GNP or the equalization payments, is very small (Pers. Comm. Selke and Stein, 1979). The 1976 OECD report revealed that for the period 1972-75, 850 million DM were allocated for industrial investment promotion. This was 0.13% of the 1972 national income of 635 billion DM!

The regional distribution of Federal funds, some 40 billion DM per annum, was first studied in 1969/70 under the Federal Regional Planning Programme. However, only location of the funds on the basis of the large 38 regional units was made. Certainly, the sectors in which these expenditures occurred could be identified but the degree to which they have been effective in changing the spatial distribution of economic activity, population and central place function, in a manner favourable to the equality goals of the state, is another matter. Research techniques have not yet been developed to measure more precisely the impacts of different public expenditures in Germany. Heavy reliance on infrastructure expenditures in schools, roads, hospitals, and other public facilities is shown by the 1969-70 total of 33.3 billion DM spent compared with 7 billion

DM for the development of the economic structure of regions. Private investments induced, however, were estimated at 100 billion DM. By 1975, there had been no substantial evening out of disparities resulting from the annual expenditures on infrastructure and job creation. This is not surprising as regional development is a long term, if not a permanent, form of redistribution, particularly in a 'free' market economy.

In addition, of course, the sectoral investments in shipbuilding, coal mining, agriculture, forestry and fisheries, have to be considered from the viewpoint of their regional impact. Because these economic activities are concentrated in certain locations, Federal aid has helped the relevant regions. For example, the Department of Agriculture, has operated since 1951, integrated regional plans called respectively the Küstenplan (North Sea coastal areas), Emsland programm, Programm Nord in Schleswig-Holstein and Alpenplan. Agricultural improvements, particularly in drainage, flood and tide control, and the attraction of industry to provide off-farm employment were special features of these programmes.

The Federal government also supports growth industries with high capital needs such as data processing, atomic energy and aerospace firms. However, they are usually located in the major urban concentrations, so that such Federal aid conflicts with a policy of 'evening out' disparities in growth.

In summary, the outstanding features of German regional policy are included in the following points:

- a) The problems of coordination and integration presented by the Federal structure of the state are immense. Some programmes, for example, have to be approved by over 100 ministries! (Per. Comm. Selke and Stein, 1979). The Federal Government, however, has been forced into a more active planning role by the planning action of the Lander Governments, as well as major problem areas arising from industrial structural change or political division of the country producing a deprived border zone. Today sectoral policy and expenditures are analysed from the viewpoint

of their regional impact in the context of the overall Federal Regional Planning Programme, while specific economic aid programmes to firms in growth centres in the Regional Action Programme areas are being increased. At the same time, the Lander Governments are very serious about planning and want their own representatives for example, to accompany federal ones, to E.E.C. meetings on the European Regional Development Fund!

- b) The long delay in introducing regional policy resulted from the anti-planning political bias rooted in the social market economy with its dependence on competition and no government interference. The initial regional physical planning strategy had muddled conceptual origins which to some extent still appear as contradictory objectives to meet the idealistic goal, enshrined in the Constitution, of equal living standards for all, everywhere, in the country. So far there has been an inability to translate this mandate into effective operational programmes. For example a major problem exists in the a priori assumption that optimal central place hierarchies can be produced including the necessary 'markets' for public service and private economic activities. And implicit in the hierarchical concept are differences between places which may affect equality of living standards. Nevertheless, the 1969 Federal Regional Planning Programme represents an advance on the 1965 Spatial Planning Law, while the more pragmatic specific aid programmes to firms and the Joint Scheme Regional Action Programmes provide a clearer and more effective policy. The 4th Framework Plan in 1975 producing regional labour markets, appears a significant functional planning advance on what preceded it.
- c) Social and economic indicators used for the 38 regions of the Federal Regional Planning Programme reveal that central and southern parts of Germany continue to grow strongly and peripheral areas continue to remain weak. Retention of population everywhere is unrealistic because of low, total population growth by natural increase, lack of jobs in certain regions and preferred residential location with access to major cities. Indeed, there is recently an all-party feeling that a retention policy of population in peripheral rural areas may have to be made more flexible in favour of the major cities which are losing population. However, redistribution is occurring mainly to central places within their commuting hinterlands.

Conflicting German research on place preferences has pointed out on the one hand, the importance of personal factors, jobs and housing availability as being significant in the migration decision (Wieting and Hubschle, 1968; Krumme, 1974) and on the other hand, the attraction of residential satisfaction which correlates with local infrastructure, (Zimmerman, 1972). Behavioural research in analyzing migration motives to aid policy formulation, is being encouraged. One initial recommendation made for example, by the above researchers, was the importance of housing subsidies to influence migration flows.

- d) In terms of incentive aids to firms, the Federal and Lander

government focus on direct subsidies to industrial rather than service establishments, which bring in an 'export' earned income to the region (i.e. they are basic in the basic-non-basic sense). Any distorting effect on competition is avoided, and there is of course, no restrictive measures in effect, disallowing location in congested urban agglomerations.

- e) A major weakness, recognised by the German planners, is the reliance on macro aggregate statistics to monitor regional trends. These do not really take into account the "normal" differences in population structure, location factors for certain types of industry, people's preferences for different living environments and the geography of occupations with differing economies (OECD, 1976). There has not been effective analysis of the impact of regional incentives to firms or the impact of the massive public investment in infrastructure. Such topics as firm interlinkages, the emergence of industrial complexes, regional input-output ties, the alternative jobs to workers or workers to jobs strategies in a densely populated country with good transport services available, the branch plant problem producing low wage jobs in rural areas and possibly being susceptible to closure, all need substantive research. The facts are not known and results so far are too conflicting for adequate policy formulation.
- f) There is evidence, as in other countries of western Europe, that the equalization transfer and sectoral expenditures in regions are far more important in supporting social provision, even jobs in the public sector, than the small amount of aid giving to firms. Admittedly, the latter does not take into account, the additional private investment induced. But the massive nature of intergovernmental transfers and expenditures play a major role in equalizing living standards in Germany. Increasingly, their regional relevance is considered and planning to integrate them, in association with direct incentive measures to firms, is undertaken. Such sectoral expenditures include social assistance measures of all kinds. No spatial discrimination in these could be found, however, as they are country-wide in application.
- g) Despite idealistic goals, the evolution of German physical and economic planning, has resulted in a much more systematic, data based approach, which integrates work done by all levels of government. The ultimate goal of equality in living standards may not be attainable for everybody, everywhere, but it seems that the Germans, because of economy, the lack of especially remote areas in what is now a more compact country, a high population density with good mobility, may reach nearer to this goal than perhaps even the Scandinavians. Regional policy has emerged to permeate overall Federal Government strategic, spatial and economic planning and also the planning of the Lander governments.

XI. Italy

The classic case of regional development problems in Europe is found in Italy. The disparities between the underdeveloped Mezzogiorno and the developed centre and northern regions of Italy, are so marked, that there has developed a long-standing dual economy, more characteristic of a 'third world' country, than a European state. 'In 1950, the crucial year marking the start of the regional development effort, southern Italy had a mean per capita income below the average for Latin America' (King, 1975). Within Italy, the poorest southern province of Agrigento in Sicily in 1950, had a per capita income only one fifth that of Milan while within the South itself, there were substantial differences between provinces, and towns and countryside, in the standard of living.

The causes for this situation, dating from Italian unification of the State over a 100 years ago, are presented succinctly by the OECD. They are to be found

'in the comparatively unfavourable factors of physical geography, in social structure and traditions, lack of resources other than land, while unification itself favoured the industrial and commercial development of the North' (OECD, 1976).

Fleshing out this casual framework, one can add the retarding effects of the centrality of Italian bureaucracy in Rome, the lack of entrepreneurs and innovation in the South, the medieval attitudes and corruption displayed in a society dominated by regional rulers, the latifundium system of land ownership which was essentially feudalistic and the power of the 'borghesia', the local representatives of the absentee landlords, the climatic extremes of cold winters in the uplands and summer aridity, the lack of road and rail transport and the isolation of settlements. The industrial revolution since Italy's unification in 1861, allowed the North

to industrialise and with improved transport to the South, to exploit its markets and destroy what little local industry existed. The removal of tariff walls, also, adversely affected southern agriculture and industry. The regressive situation of the South grew worse in the 1920s and 30s and finally reached what could be termed the critical peak in the immediate post war years. The South's infrastructure and economy had been destroyed during the second World War while that of the North was left intact. Population pressure, however, which had not been relieved since the massive emigration to the America's during the 1885 - 1915 period, the repressive local society, and the continuing poverty, led to an explosive political situation. Peasant occupation of farmlands and riots, galvanised the government into implementing a land reform and to initiate a major development programme for the South.

The following discussion is concerned with this programme, particularly its contemporary features. Because there is virtually no Italian local or regional physical planning in the formal sense, existing in other countries in Western Europe, the organisation of the review is different to those preceding Italy. It is more an historical treatment of a regional problem which is of a severity and on a scale different to that of any other west European country. Little information was obtained by the writer on social programmes. As in other countries, they are country-wide in application although assistance to the South through the EEC's Social Fund (as discussed in the Section on the EEC) and via Italian government aid to the South, represents discrimination in favour of social programmes in the South.

The lessons to be learned from the regional development approach for Southern Italy are not irrelevant to Canada, and are in many respects similar to those which can be drawn from the experience of other west

European Countries. No more than a brief review can be made here, however. There have been numerous excellent past studies to which the reader can refer. (Sundquist, 1975; Allen and MacLennan, 1970; Cao-Pinna, 1974; Podbielski, 1978).

1. The 1950 - 57 Pre-industrialization Period

The war-damaged economy, high inflation, two million unemployed and a large balance of payments deficit, restrained Italy from entering into a national plan including regional aid, even if it had had the qualified personnel and data to carry it out. The growth of northern industries could not be weakened by diverting funds to the South as this would threaten the national economy. Hence, the traditional forms of relief to the South were relied on, albeit with the added urgency of land reform and agricultural assistance, occasioned by left-wing movements in the South. Loans came from the World Bank and also the idea, thought to be based on that of the Tennessee Valley Authority, of an agency with a broad mandate to develop the entire Mezzogiorno region. In August 1950, therefore, the Cassa per il Mezzogiorno (Fund and the South) was created. The Cassa was an autonomous public agency, financed from the national budget which had to prepare an 'organic pluriennial 10 year plan' for the South. It was to provide financial and technical assistance for the land reform and agricultural and other infrastructure. Major fields of action included land reclamation, irrigation, mountain land consolidation, farm development and infrastructure such as roads aqueducts, railway lines, drains. The promotion of industry was accorded a minor role though in 1953, three special credit agencies to aid small and medium sized firms were created: ISVELMER - Institute for the economic development of Southern Italy, IRFIS - Regional institute for the financing of small and medium sized industries in Sicily and CIS -

Sardinian industrial credit. These institutions were funded 40% by the Cassa which only had limited funds available.

The reasons for the emphasis on agriculture and infrastructure, lay in the argument that agriculture provided 34% of GDP in the South and 57% of employment and its potential for increased productivity was substantial; no other major resources existed except tourism. Higher agricultural income would expand southern markets for manufactured products, reduce food imports and increase exports of traditional products. Infrastructural improvements were absolutely essential for this initial stage of development to commence.

Of the original 1,000 billion lire (approx. \$14 billion C. present rates) 77% went to agriculture, 11.5% to water supply and drainage, 9% to roads and 2.5% to tourism (Podbielski, 1978).

Institutionally, the Cassa was a supra-ministerial body controlled by the Committee of Ministers for the South including those from the Treasury, Agriculture and Forestry, Industry and Commerce, Public Works, Labour and Social Security. The Minister for extraordinary intervention in the South presided over the Committee and was responsible to Parliament. The Cassa, therefore, was meant to be free of bureaucracy rampant in the Ministries; it was to be inter-sectoral and to coordinate projects which would normally engage the activities of several ministers.

The reality turned out to be somewhat different. The following difficulties appeared:

- (i) coordination with expenditures and plans of ministries proved difficult; independent action by the latter occurred without consultation with the Cassa; there was no plan to integrate and coordinate projects.
- (ii) there was criticism that expenditures on projects depended as much on political pressure as on need; that the spatial distribution of projects was irrational and that many were left unfinished; that the Cassa's expenditures became not an addition but a substitute for the normal expenditures of ministries.

- (iii) the land reform and other projects hardly scraped the surface of unemployment, the development of the Mezzogiorno could not be accomplished solely by agriculture because of rapid population growth. 'At best, the ten-year plan would create 5,000 additional permanent jobs in agriculture and 10,000 to 15,000 in hydro-electric plants, food processing plants, and so forth. At the end of the decade there would be 1.8 million unemployed - reduced somewhat, but not decisively, by emigration' (Sundquist, 1975).
- (iv) the positive effects of land reform were felt mainly in central and northern Italy where there were better soils and less farmers. In the south, small uneconomic farms resulted. The reform was expensive, productivity levels remained low, particularly in cereals and it was too political in its implementation.
- (v) the multiplier effects of massive public expenditures were lower than expected because of leakages to the North, on which the South was increasingly dependent.
- (vi) higher incomes did not stimulate local industries in the South.

The need for an industrial strategy for the South was presented to Parliament in 1955 by Minister Vanoni and reflected a more quantitative spatial analysis of potential development in Italy by SVIMEZ (the Association for the Industrial Development of Southern Italy). Although the 10 year 'Plan' presented, was unrealistic in its time framework, the objectives, including equalizing per capita income between the North and the South, full employment and correcting the national balance of trade, became main guidelines for subsequent government action. If 40% of new industrial investment was in the south, then the per capita income gap would close between North and South. The 'Plan' was not adopted but in 1957 the Cassa's mandate was widened to include an industrial development programme.

The 1957 - 1965 Period of Industrial Development in the South

A series of Acts between 1957 and 1959 increased the Cassa's funding to some \$3.65 billion (US) and extended its operations until 1965. A wide-range of incentives for firms was introduced, starting the process which has created in Italy one of the, if not the, most generous industrial assistance programmes of any country.

The salient points of the new programme were:

- (1) the adoption of a growth centre policy (ahead of British or French planners) through the designation of growth centres by local consortia and the development of industrial parks. The consortia were to be composed of local public groups. The Cassa's expenditures were to be concentrated in the industrial parks and financial incentives were to be discriminatory in their favour.
- (ii) the provision of industrial incentives - capital grants, loans at low interest rates, tax concessions and equity participation by public agencies.
- (iii) an obligation that public and semi-public enterprises locate 60% of their new investments in the South and 40% of their total investment.
- (iv) Cassa construction of vocational schools and aid to public works for tourism.

Improved coordination was also instituted with ministeries being required to present to the Interministerial Committee controlling the Cassa, programmes for each budget period. These were integrated with those of the Cassa, particularly the regional allocations of the Minister controlling state holdings.

There was also an emphasis on the potential human contribution to development by the establishment of IASM (Institute for the assistance to the development of the South) in 1961. It supplied entrepreneurs with information and advice on investment and incentives. It provided technical and feasibility studies. Also established was FORMEZ (Training and Study Centre for the South), financed by the Cassa, to improve managerial and public administrator's qualifications, and CIA-PI (Inter-enterprise centres for professional training in industry) to train young people and retrain others (Podbielski, 1978).

A number of problems with the industrialization thrust, soon appeared. They were:

- (i) Consortia proposed growth centres but many were not large enough. The Cassa therefore designated two types of growth poles - areas with an existing industrial base and a population of 200,000; nuclei with populations of 75,000 and where smaller firms would

be established. By 1963, 12 areas and 23 nuclei were recognized. They covered 24% of the area of the South and included 45% of the population. In short, there were too many of them for the Cassa's resources to be effective. The principle of concentration in growth poles was being isolated for political expediency. Yet, the government could not abandon those communities not designated.

- (ii) the types of industry located in the South were large-scale, capital intensive industries such as basic metallurgy, chemicals, petroleum refining which did not produce local inter-industry linkages. The purchasing and marketing arrangements of the State enterprises were still via the Head Offices in Rome.
- (iii) the new aid for the South was diluted in its impact by its simultaneous extension to depressed zones in central and northern Italy, albeit with less funds being allocated.
- (iv) there was no organization of the wider regional linkages between what the consortia were doing and no distinction in the industrial incentives between the 'areas' and 'nuclei' aided. There was also no interrelation between physical planning and economic development.
- (v) the majority of the high income new jobs in the large-scale new industries went to skilled northerners with managerial and technical training.
- (vi) the Cassa's programme in relation to the problem was under-funded.
- (vii) there was insufficient coordination between the interministerial committee and the ministries and regional administrations. The ministers were first responsible for their own ministries which each had their own planning cycles, laws and budgets not synchronised with those of the Cassa. The Committee did not have the power to produce a single comprehensive scheme for southern development with over-riding authority.
- (viii) regular funds were diverted to the North by Ministries because of the existence of Cassa responsibility for the South, so that the South fell behind in normal expenditures for infrastructure etc. Legislation in 1962, to improve the situation, extended to the Cassa, responsibility for the construction and financing of housing, harbours, airports, hospitals and nursery schools, in areas of industrialization in the South, rather than to the regular ministries.

These disappointments, therefore, led to further reform in the planning measures for the South, to produce better coordination and a faster rate of industrial growth. A national, rather than a purely regional policy was thought to be the answer.

1965 - 1970: National Economic Regional Planning

The expiry of the Plan for Southern Italy in 1965, necessitated a revised plan being legislated in that year, consistent with the anticipated objectives of the National Plan, which was established by an act of 1967. These acts introduced as a first necessity, coordination of development intervention at national, regional and sectoral levels in medium term 5 year plans, the first of which ran from 1966 to 1970. The Cassa's mandate was extended to 1980 and it became more specialised concentrating on fewer and more strategic economic projects with again, an increased allotment of funds. The first National Economic Programme (the Plan) set quantitative targets for growth rate, employment, income etc. Plurennial coordination plans to coordinate all activities and expenditures by public authorities, were a major innovation of the 1965 legislation. This was achieved through the integration of the former Committee of Ministers for the South with an expanded Committee for National Economic Planning (CIPE). The Ministers of the Budget, Education, Transport and Civil Aviation, Health and Tourism and Entertainment were now included directly. The Committee was charged with the formulation of plurennial plans elaborated with cooperation by public administrations and on the basis of proposals submitted by regional authorities. The coordination plans were then approved by the CIPE and the Ministeries. The Cassa was then duty bound, to implement them. The plans were imperative in nature. However, a major weakness in the new approach, was that the first coordinating plan had to be drawn up ahead of the first National Plan's objectives and of regional plans. When the National Plan was implemented, its results fell short of most targets for the economy as a whole and for the South. The Second National Plan never even materialized because of the lack of control over market and non-market forces in Italy, which made further short term plans futile.

There were, however, some positive results from the 1965-70 changes. The expenditures of ministries in the South began to rise again. The Cassa's work became spatially more concentrated with 42 industrial areas and nuclei, 82 agricultural and 29 tourist development areas. Irrigation areas and zones for more intensive cultivation were designated for receipt of Cassa funds. The Cassa was also authorized to aid the formation of cooperatives and small and medium-sized farms, food processing plants and agricultural product distribution. The focus seemed to be much more on the maximum concentration of public and, indeed, private investments and the dispersion of the results.

The industrial sector received a massive boost in funds from under \$20 million per year to \$260 million or 42% of the Cassa's total budget. A 20% capital grant for industrial investment covering buildings, machinery and equipment up to \$10 million, favoured large and technologically advanced industries. The principal change in aid was to substitute a criterion of size for the previous one of investment per employee. In the case of loans, this gave large firms an advantage according to the formula used; in the case of grants small firms were favoured. Grants and loans at different rates were also available for tourist facilities and subsidies were offered to research organizations. Large firms were also assisted further by an investment grant of 12% of total investment and a low interest loan covering up to 50%. Another major benefit given in 1968, relieved industrial firms of their social security tax obligation for 5 years (Sundquist, 1975). This would help to offset action to equalize wage rates between the North and South in Italy, which has subsequently resulted in the loss of a major cost advantage to Southern firms. Firms were also exempted from company tax if their head offices located in the South for a 10 year period.

Industrial activities were also assisted by all central government agencies being required to allocate 40% of their investments in the South and 30% of their contracts for goods purchased were to go to the South (Cao-Pinna, 1974).

Again, Italy did not introduce any restrictive measures to discourage industrial locations in the Centre and North. The government feared that firms would simply go to other countries in the EEC. Indeed, they extended to depressed areas in the North and Centre, most of the financing measures which the South enjoyed so that the impact on the latter was weakened. As Saraceno has pointed out, '--industrial promotion is the modern substitute for the protectionism that many European countries implemented during the last half of the past century, to help the newborn industries to compete with those of the more developed countries' (Saraceno, 1968; Cao-Pinna, 1974). If aid is given to firms to locate in or near the developed areas, then the policy does not work.

A major administrative innovation fell within this period. According to the 1948 constitution of the Italian Republic, it is divided into regions, provinces and communes. Before 1972, only five peripheral regions (Sicily, Sardinia, Val d'Aosta, Trentino-Alto Adige and Friuli-Venzia Giulia) had semi-autonomous self-government. Embryonic regional authorities, however, appeared with the economic planning experiment in 1964. Italy had, in fact, attempted to regionalize its national plan from the outset, while France only slowly evolved this policy. Temporary regional committees were set up in 1964 composed of representatives of local authorities, employer, labour, industrial development consortia etc. They were charged with recommending regional targets for integration into the national plan. An analysis of regional conditions was to support the recommendations. Regional development schemes were thus prepared. These committees were

disbanded after their work had been used by the central planners in Rome, to develop aggregate objectives for the national economy, the northeast, northwest, centre and Mezzogiorno regions of Italy. Their place was taken by new regional governments with elected officials, in 1969. These regional governments, mandated by the 1948 Constitution, had been long delayed because the government feared they would be dominated by left-wing parties. A fund for regional development was created for use by the regional governments to carry out the measures defined in their plans. A government commissioner, similar to the French prefect, retained supervisory power over all government bodies and activities within the region. By 1972, all regions were given functions previously exercised by the State and the other local administrations, in sectors with a regional interest. However, a basic weakness remains, compared with, for example, regional devolution in Scandinavia; the sub-national governments have only limited ability to raise their own funds by taxation. They depend on allocations, therefore, from the State, which have been inadequate. Yet they have responsibilities in certain production sectors, particularly agriculture, and social policy, area redevelopment, and physical planning.

The recipe of 'more funds, more power, more planning' (Sundquist, 1975), however, during the period 1965-70, was still insufficient to make much headway against the South's problems. To achieve the employment goal of allocating 40% of the net national growth in nonagricultural jobs to the South, meant reversing downtrends in employment and a sharp rise in industrial investment. While 33% of the non-agricultural jobs were located in the South in the 1954-60 period, only 16% were in 1960-64 (Sundquist, 1975). The state firms were already locating all new projects in the South. In addition, it became clear that the private sector was not responding to the new industrial incentives of the 1965-70 period. CIPE, therefore,

in 1968, introduced a consultative procedure with management and labour (Contrattazione programmata) to find out what private firms needed to induce them to locate or expand in the South. This begs the question, of course, why this was not done in the first place. In this 'negotiated planning', the government sought to develop 'block investments', grouping interrelated projects of separate firms. This industrial complex approach resulted in a huge steel and metal working development at Taranto and the location of an Alfa plant near Naples. Other complexes followed elsewhere.

As was predicted, the South's economic position relative to the North, did not improve. Instead of 40% of the national increase in non-agricultural jobs, it received 27%. The decline in agricultural employment was higher than expected and out-migration from the region continued. The influx into northern cities was unplanned, leading to crowded living conditions, high rents and discrimination. Riots and strikes resulted. The Mezzogiorno problem was now seen as a national survival issue and not just a regional problem. Revision was again the order of the day, in the governments' approach to the South.

1971 to the Present: A New Approach

The important thrust of the 1971 Act for the South, was to integrate more action for the South into national economic programming and to give the Cassa a more distinct 'agency' function (OECD, 1976). The ministerial committee for the South (and its pluriennial plans) was abolished and its functions transferred to CIPE, the Central Economic Planning Committee (Sundquist, 1975). Based on the "80 Project" and the Preliminary Draft of the Second National Plan for the Period 1971 - 1975", the new strategy was more a rational, spatial approach. The unplanned nature of the previous growth pole approach, the dispersion of funds to too many places, the rigidities of the bureaucracy and the too long process of

legislating the first national economic plan, were all recognized in the '80 Project' which forecasted trends and goals to 1980. The preliminary draft of the Second Five Year Plan, incorporated very modest targets for job creation and income growth in the South. It did, however, provide a more organized framework for the country's development strategy and also that for the South. Public programmes for social, promotion and special projects were to be established.

The new law of 1971 changed the scope and mechanisms of public intervention in the South. The Cassa's responsibilities in agriculture, fishing, tourism, handicrafts and vocational training were transferred to the new regional administrations. Also transferred were responsibilities of the interministerial committee and ministries related to the industrial areas and nuclei and related physical planning activities. They also provided health and hospital services and local transport. To finance their new responsibilities, the southern regional authorities were given 60% of the national fund for financing regional economic plans. The Cassa could carry out their programmes if requested to do so. The regional authorities also participated in the planning process for the South by being represented on a Committee by their Chairmen, with power to make proposals and advice on matters submitted to them by CIPE (OECD, 1976). The Minister for Special Intervention in the South, however, still has almost unlimited power of initiative, especially in the selection of multisectoral or multiregional special projects which the Cassa has to implement (Cao-Pinna, 1974).

Two important measures were also made operational by the 1971 Act, to control the location of industry. CIPE now has the power to control the location of large new private plants or their extension (assets over \$8 million). Firms can be penalized 25% of the total investment if CIPE's

ruling is ignored. Public enterprises also have to submit their investment plans to the Minister of the Budget and Economic Planning. Public authorities will refuse to license the implementation of programmes on which CIPE has a negative opinion.

The share of new public enterprise investment reserved for the South, was again raised this time from 60 to 80%, and the South's share of their total investment was raised from 40 to 60%. Each year these public companies have to submit their 5 year investment programmes to the national planners, specifying values, locations and employment targets and plans for decentralizing their headquarters and sales departments.

The government was also concerned about disparities developing within the South. Inland areas were losing more population and could not support public services. Therefore, CIPE was instructed to encourage industrial location there. The growth centre approach was thus modified by encouraging small factories (assets under \$2.5 million) to locate in 2,500 eligible communities where depopulation was severe. Politics again over-ruled the economic realities of this new directive.

The incentives to firms provided in the 1971 legislation, confirmed that Italy now had the most generous in Europe. They were rendered simpler, less selective and aimed at small and medium sized firms. Today, there are four main incentives. The first is a largely automatic, project related grant with fixed rates determined by project size awarded by the Cassa. The rates vary from 40% for projects up to \$2.3 million (US) to 15% for projects over \$16.9 million. In addition premia are given to projects in priority sectors or areas (one fifth in each or two fifths if both conditions are met. The second incentive is the national soft loan scheme, again automatic and project related but containing a strong spatial element. In the south, the period is for 15 years, the interest

subsidy is 70% of the market rate and repayment holidays of up to 5 years are available. The third incentive is major profit tax concessions on two taxes with rates of 14.7% and 25% respectively for up to 10 years on the first tax and a 70% exemption on profits reinvested in industry in the South, on the second tax. The fourth incentive is the concession on employer social security liability amounting to 27% of wage costs, which will be paid by the State until 1968. There are also some smaller national regional incentives as well as some given by the autonomous regions and various other forms of assistance including transport subsidies. Of the above incentives, the capital grant is the most beneficial being worth in effective value up to 33.8% of costs compared with 12.5% for the soft loan. Project size is the crucial determinant of the value of incentives. The extension of the social security subsidy, belatedly, reflects the need to introduce more labour intensive industry into the South.

To cover its heavy responsibilities, the Cassa's funding was again increased. Between 1950 and 1975, \$36 million (1976 prices) had been allotted to government expenditure in the South. The 1976 - 80 Five Year Program allots \$21 million to additional government spending, including \$6.8 billion on industrial incentives. The availability of public funds thus, appears now to be ample. Yet this is not the case. The resources put at the disposal of the Cassa have been modest in relation to national income and in fact, remained stationary in relative terms during the first 20 years of Cassa operations (Podbielski, 1978). Although the establishment of the EEC Regional Development Fund has brought more funds to Italy's South, there is some scepticism of EEC aid. In 11 years, only 4.7% (12 milliards) of 254 milliard lire which came to Italy, went to the Mezzogiorno (Programme de developpement regional Mezzogiorno, 1977-80, EEC, 1978). Moreover, EEC funds have been heavily concentrated on agriculture. In terms of social

funds, Italy's share in 1973 was the same as Germany probably because the latter was more efficient in applying for aid to projects. Nevertheless, the EEC is certainly, now, through the Regional Development and Social Funds, allocating much more to the Mezzogiorno. In the case of the Regional Development Fund, it is 40% of its resources.

To what extent have the disparities been closed between the north and south of Italy? Despite the enormous effort which has been made, the answer is -- not very much. Certainly in terms of the quality of life, the provision of infrastructure, jobs for the fortunate and social services, there has been much accomplished. The aggregate picture is rather different relative to Italy as a whole. The OECD in 1976 gave the following comparison:

Table 6 The South Relative to Italy: GNP and Income

	% GDP	% Net per capita income of national average
1951	24.1	62.7
1958	24.0	61.5
1963	24.0	61.9
1966	24.2	62.7
1970	24.0	62.5
1971	24.3	64.3

OECD, 1976.

While the region has kept pace with Italy, the gap has not noticeably been diminished. In 1975, the share of the South as a % of GDP was only 25.0% compared with 24.3% in 1971. It has been pointed out, however, that the region might be compared more fairly with other Mediterranean areas such

as Greece or Portugal. In comparison, its growth rate has been excellent. Not denying the truth of this fact, its relevance to the internal regional disparity and structural problem of the Italian state, is questionable. What is relevant are the lessons of experience of nearly 30 years of regional policy. They are listed below in no specific order of importance as available measures to rank them do not exist:

1. There was belated recognition of the need to plan the South in the context of national economic development planning; to integrate and coordinate investment plans of the public and private sectors in the South as well as in other regions; to restrict development in the already advantaged regions of the Centre and North.
2. There was belated recognition of the need for a diversified incentives programme to aid industry and service establishments, not only agriculture and infrastructure development, and that incentives are effective only in combination with each other.
3. Much larger funds should have been made available earlier and should have been increased relative to national income progressively as the programme developed. Only 1% of national income (\$20 billion) was spent between 1950-70.
4. Data availability to monitor the performance of the programme is based only on individual projects and a 4 region set of accounts for Italy. Much improved data, particularly on inflows and outflows of funds and the value of goods and services to the South is needed. Improved forecasting is also needed with ex ante planning.
5. Fundamental improvements in the quality and professionalism of public officials at all levels is required to ensure smooth coordination of central and regional government planning for the South; political and bureaucratic corruption has to be eradicated. An informant, indicated that sinecures at the regional level and poor quality people, jeopardised devolution..
6. The slow realization that capital intensive large-scale industry with few local linkages, was not the best policy to follow; and that branch plants can be transferred from the South to places as Taiwan and South Korea where even lower labour costs are available.
7. The misuse of resources because of the extreme politicization of local authorities (Cao-Pinna, 1975); the weak national governments, and, their short term nature have not assisted the South's position.
8. The slow realization of the lack of entrepreneurship and innovation in the South and the development of programmes to meet this challenge.
9. The leakage of savings to the North via the commercial banking

system (Cao-Pinna, 1975). Conversely, an informant indicated that the disposable income in the South was 20-25% higher than locally produced income, representing a substantial net inflow from the rest of the country (Per. Comm. Baratta, 1979).

10. The restriction of disincentives on northern development to only large industrial enterprises, rather than to medium sized and small firms and service industries.

Unless the means to stimulate the internal development of the South can be found, in order to provide its own capital from savings for investment, its own entrepreneurs and firms, then, a still larger proportion of national resources will have to be diverted to the South (OECD, 1976). The optimists, on the other hand, can point to the progress made in changing a pre-industrial society to one including modern industrial and service components within 30 years. However, if living standards do not improve at a faster rate, it is likely that the leftward drift of the South and the eruption occasionally of political violence, will continue. National and regional plans are still not sufficiently specific, while political instability of the Italian government, does not provide suitable conditions for tackling national and regional economic problems. All observers agree that the solution for the South can only be viewed in the long term. No matter what income redistribution occurs between the regions in the State through government programmes, until self-sustaining development occurs in the South, it will remain a colony, albeit a welfare one.

XII. France

It is, perhaps, appropriate, that the review of France has been left to last, because, although its post-war governments have not had the almost, evangelestic egalitarian policies of Scandinavian governments, there has been installed in France, the most comprehensive, and systematic regional planning programme of any western developed state. It is comprehensive in terms of scope, covering the entire territory of France as well as all aspects of life -- work, home environment and recreation. It is systematic by integrating different sectoral activities of government on a spatial basis. Consequently, France like Italy, Britain and Sweden, has attracted many observers of regional development practice who have reported extensively as French experience (Hansen, 1968; Sundquist, 1975; Clout, 1975; Prud'homme, 1974; OECD, 1976;). In contrast, this brief review can touch on only a few major aspects of the French programmes. The emphasis will be placed on overall regional development experience because physical planning of major infrastructure is an integral part of it and the writer's focus only obliquely includes physical planning. Another reason is that little evidence was found in France of spatial discrimination with direct benefits to people. All programmes such as welfare, unemployment payments and health, are country-wide in application. There was, nevertheless, some evidence in thinking at the highest level, in the planning office of DATAR (Delegation a l'Aménagement du Territoire et a l'Action Régionale), responsible to the Prime Minister, that spatially discriminatory direct benefits may be tried in some circumstances. The writer was informed of two schemes being prepared by DATAR for the governments' consideration: to encourage and aid people leaving the Paris region, a new subsidy scheme assisting purchase of new houses; to improve mobility and reduce accessibility problems for rural families in isolated

upland areas, a subsidy scheme to purchase a second car. Often, families are immobilised with the wage earner using the family car for the journey to work. Where public transport does not exist or would be too expensive to introduce, such subsidies for private transport may prove cheaper and feasible, to reduce inequalities in the standard of living. Subsidies could be given via reduced gasoline tax, car purchase tax or as direct subsidies on a low priced car (Pers. Comm. Latarjet, 1959).

There are, also, as in other countries, indirect examples of spatially discriminatory benefits. For example, in north east France many steel workers have been made redundant by the restructuring of the industry. Special unemployment measures, in addition to those normally prevailing, have been given recently to those workers in this region (Pers. Comm. Bodman, 1979). It is likely that shipbuilding and textile workers in other regions where these industries are localised, will also benefit. Similarly, training programme and social insurance premium payments being made by the government, are predominantly to employers in western France because of the higher levels of unemployment there, particularly among women and young people.

In addition, there are benefits derived directly from local government, the Communes and Departements, and indirectly from the Government of France. Although the degree of local autonomy is less than that enjoyed in Scandinavia, local governments provide the normal range of public services. Of total public investments in France, 75% are undertaken by local government with one quarter financed by transfers from the central government (Prud'homme, 1974). The remainder is obtained by borrowing and from revenues raised locally, for example, by the local business tax by each Commune and Département. This tax varies between local governments and through time, according to their revenue needs. The control by the central government over public investments is extensive,

however, through rules such as no local government can obtain a loan for a project unless a central government grant has first been obtained. Nevertheless, there has been substantial assistance to local governments for services and infrastructure made through the National Plans run on a five year basis, since the war, and in accordance with regional policy for the whole country.

The specific problems facing the successive governments of France since the war, have been both of a sectoral and spatial nature. Urban and industrial reconstruction in the immediate post-war years were accomplished in a constantly expanding economy, helped, particularly, by the initiation of national plans, the cooperation of the private sector and participation in the EEC. Throughout the post-war growth years, there have been major structural changes in the economy with agricultural and coal mining employment declining drastically, some manufacturing industries such as textiles being severely affected by foreign competition and at the same time, jobs being replaced in expanding secondary industries, and a massive growth in tertiary service sector employment. These changes were not evenly distributed in France, the first and last mentioned, in particular, highlighting the country's unevenly balanced population distribution. Rural areas continued to experience out-migration with declining job opportunities in agriculture, and the Greater Paris region continued to grow by natural increase and in-migration to service and manufacturing jobs. Indeed, the dominance of metropolitan Paris over the country in terms of almost any indicator used -- population, per capita income, company headquarter offices, educational institutions -- was so large that it stimulated a geographer to write 'Paris et le désert français'. (Gravier, 1947). He depicted a France being killed by the overgrowth of Paris, of the country being in decline without work or people. Although concern had been voiced before Gravier, this was the

trigger which set in motion in 1950, French regional policy with decentralisation from Paris as a main aim. Today, wide disparities still exist between Paris and other regions in income per capita, job opportunities and social provision, but the gaps have been narrowed to some extent by the evolution of French regional policy.

The 1950 - 1960 Period: Initial Programmes: Regional policy began modestly. A fund was established to finance industrial parks and worker's housing in the provinces but its resources were limited. In 1953 a second fund was provided to give loans for firms in the engineering industry relocating from Paris and to give tax rebates to decentralizing firms. By 1954 only 9 industrial parks had been built. Although some 52 plants with 19,500 workers had been induced to locate in the provinces, there had been 270 plant expansions in the Paris region in the early 1950s. (Sundquist, 1975). Firms were decentralising but mostly to within 150 kilometres of the capital. In addition, a recession struck hard at the traditional industries, textiles, footwear and iron and steel in the provinces while the expanding industries of the Paris region, such as electronics, and chemicals, were not so affected. The government, therefore, decided that the ad hoc attempts at regional policy needed to be changed to a more comprehensive and systematic policy. A number of acts were passed in 1954 and 1955 which introduced an array of incentives for the location of restructuring of industry. They comprised investment grants up to 20% in 'critical zones' where there was high unemployment or where plants or mines were due to close and where there was surplus rural labour; loans for firms decentralizing from the Paris region with an interest subsidy and a 2/3 year repayment holiday; tax relief up to 12% on the cost of an industrial building for firms decentralizing to the 'critical zones' while Communes would exempt firms for up to 5 years of local taxes; rehousing and retraining programmes and transportation and relocation allowances were enacted for

workers in firms decentralizing from Paris; the assistance given to communes and private groups to create industrial parks was extended to cover the erection of plant buildings after the British model. For the first time, restrictive controls were introduced for firms wanting to locate or expand in the Paris area. From 1955, firms could not develop over 500 square metres of floorspace more than 10%, without authorization. These were the main components of industrial incentives and disincentives policy. The incentives were extended in the late 1950s to give grants to firms in 'Special conversion Zones' -- the Nantes - St. Nazaire shipbuilding area, the Béthune coal fields, the cotton towns in the Vosges, and in 1960, aid was given to rural areas where high unemployment rates prevailed (Clout, 1975).

At the same time as this was occurring in industrial policy, there were changes being made in the spatial administrative structure necessary for economic and physical planning. There had been considerable debate since before the 1939-45 war, about the need for more efficient administrative units than the 90 Départements into which the country had been divided since 1791. Reform was particularly necessary for regional planning purposes. After examination of urban hinterlands, areas covered by administrative services and other factors, 22 regions (including Corsica) were created in 1954 called 'regional action areas' and soon renamed 'Programme Regions.' Département boundaries were essentially amalgamated to form these regions which were not initially political units or local governments. They were regions for which plans could be drawn up by the central government. In 1961 the regions became more significant with the appointment of a regional prefect as Head of each region, usually the Prefect in charge of the largest populated Département in the region. There had also developed, spontaneously in the 1940s and 50s, Economic Expansion Committees composed of local business, trade unions, agricultural and other representatives, to tackle the

regional problems of unemployment and economic development. By 1954, the government decided to formalize these bodies to study local problems and advise the Prefect.

One other important piece of legislation occurred in the 1950s. This was an Act of June 30th, 1955, creating Regional Development Companies, in order to provide equity and other financing for industrial and commercial firms to promote regional development. They have also participated in major rural renovation projects involving agricultural and water resource development.

The 1960 - 70 Period: Installation of A Regional Policy System: It became apparent by the end of the 1950s that the strength of the centripetal financial, political and administrative forces encouraging the growth of Paris had been underestimated, as had the effectiveness of incentives for economic development in the west and south of France. The direct control, of firms did have substantial effects, however, in that plant construction and expansion in the Paris area were reduced considerably. Also, in 1959, authorization for large office buildings was also required and a special fee per metre on all new construction came into effect in 1960. It would appear that direct controls for the Paris region and the close consultative relationship stemming from the similar educational background of bureaucrats and industrialists in France, had resulted in effective restrictions on the growth of manufacturing employment. The very small financial resources allotted to industrial programmes, relative to other west European states, did not provide substantial incentives to locate elsewhere.

Even the decentralization of cultural and educational institutions during the Third Plan (1955-61), such as the transfer from Paris to Toulouse of an aeronautical research centre, of mining and engineering schools to the Lyon-Grenoble-St. Etienne area, telecommunications to

Nantes, maritime engineering to Brest, did not stem the growth of Paris. It delivered a psychological shock to the country and reflected the government's determination to have a more effective decentralization - regional development policy. But it was clear that stronger measures were still required.

They appeared in the Fourth Plan (1962-65), the first to explicitly tackle the regional aspects of economic development. With the creation of DATAR in 1963, in the office of Premier Pompidou, coordination of the whole regional planning system was achieved. It was a small office of 20 - 30 elite civil servants whose task according to its founding decree was:

'to prepare and coordinate the information required for government decisions in regional planning and action, and to see that the various technical administrations would adjust their actions and use the means at their disposal in view of objectives beyond their respective responsibility--an interministerial task that requires the authority of the prime minister' (Prud'homme, 1974).

DATAR had a small regional planning fund (FIAT) for key projects and has been led always by politically influential directors. It was the executive arm of the Premier and had authority over the interministerial committee and the Planning Commission (Commissariat du plan) whose role was to integrate regional into national planning. It also became a much more effective body than the National Committee for Regional Planning (CNAT), a body of 77 members from all regions and professions, who advised the Planning Commission. Needless to say, their advice was to do everything, everywhere! DATAR dominated, therefore, because it had political influence and authority, its own funds and a small research organization.

The Fourth Plan also included the first real step to regionalize the National Plan and the budget. The Prefect in charge of each Programme Region, was to complete regional investment programmes to be incorporated

in the Fourth Plan. His report had to include a 20 year forecast of population and employment, and an analysis of economic development and a development strategy. Priorities in public investment to bring public services up to national standards, were also required. Although these recommendations were not synthesized with those of the ministries until the Fifth Plan (1966-70), it was a substantial advance of the 'plans' of the Regional Action Programmes begun in 1955, which were little more than resource and problem inventories of the regions.

The Prefect was assisted in his task by a Regional Administrative Committee with the other Département Prefects, regional Paymaster - General and Inspector-General being its members. Ministerial representatives also sit as members, for matters relevant to their ministries. He also has a Mission of civil servants appointed by the Prime Minister, and formerly was advised by a Regional Economic Development Commission (CODER) consisting of leading regional figures from public and private sectors such as mayors, Chambers of Commerce, industry, from agriculture and the trade unions. All members were appointed to this strictly advisory body of between 20 and 50 members.

Throughout the Fourth Plan, real regionalization of the National Plan was retarded by Ministerial reluctance to relinquish decision-making for regional projects and the lack of regional data. Some effective decentralization did occur in that in the budget of each ministry, there was an 'envelope' of credits available to the Prefect to invest for projects whose location and nature did not have to be decided in Paris! In 1964, however, the National budget was also regionalized which allowed a much clearer picture to be derived of the allocation between the regions for all purposes of State funds.

The Fourth Plan also strengthened the development aid for the West.

The previous 'critical' and 'reconversion' zones had been too narrowly defined as small groups of Communes, some in the North and East of France. It became clear that a massive programme to aid the South and West was needed to overcome unemployment and population imbalance due to migration. The Fourth Plan, therefore, recognized the whole of the West as a problem region. The first signs of a growth pole or centre strategy appeared (Sundquist, 1975). Previous 'special conversion' zones in the west had included several cities. Investment in infrastructure would be increased in those cities to attract industry. They would be renovated with new highways, ports, universities and other training centres. Higher investment grants to firms would be available there. In fact in 1964 incentives became graduated throughout the country, as in Britain. Five zones were established: Zone 1, the West where 10% grants for development of new plant and 5% for extensions were available (double in growth centres); Zone 2, the declining industrial areas of the North and Est, where the 'adaptation' grants were determined according to jobs created and the industry; the rest of France outside the Paris basin was divided into Zones 3 and 4 where industry should be stimulated to balance national economic growth; Zone 5 was the Paris basin which was ineligible for incentives.

Other forms of assistance such as loans for decentralization costs from Paris, worker training, and tax relief were extended.

Towards the close of the Fourth Plan, controversy developed between DATAR and the proponents of the physical plan for Paris who wanted a population of 18 million by 2000 A.D. DATAR wanted 10 - 12 million. The Délégué-Général for Paris suggested a compromise of 13 - 15 million which was supported by DeGaulle. This was interpreted as a defeat for DATAR's decentralization policy. But at the same time, there had been a

scaling down of the original plan. Also it was growing evident that a particular problem facing France, was how to maintain the international reputation of Paris as a world capital and leading centre in the EEC. It would not, therefore, be completely stunted of growth.

The Fifth National Plan of 1966-70, continued the stronger thrust of regional policies begun in the Fourth Plan. It reflected the Paris growth controversy by emphasizing the proper physical planning of the region rather than restrictive controls on growth (Sundquist, 1975). New towns were introduced for the first time in France, as part of the Paris plan. Also the growth pole policy was formalised with the designation of 8 cities as *métropoles d'équilibre*, particularly in the West and South. Aid for industry and the service sector, as well as public investment in infrastructure, was to be concentrated in them. They were to be built-up as regional capitals to counter-balance Paris. The problems facing this policy are placed in perspective, when it is realized that the populations of all these cities added together do not equal that of metropolitan Paris.

The incentives and disincentives for economic activities during the Fifth Plan were extended by DATAR to also cover the service sector. Its decentralisation from Paris was essentially to curb the growth of the region and to develop the *métropoles d'équilibres*. The approach incorporated (a) an investment grant of 5-15% to firms transferring or establishing outside Paris, administrative or research and development activities in the 8 *métropoles d'équilibre* and other selected urban centres; (b) a permit system was introduced to authorize occupancy of office space in Paris, exceeding 32,000 square feet; (c) DATAR tried to persuade major service employees such as the banks, insurance companies and financial institutions to decentralize. However, it is questionable that these controls were sufficiently effective during the late 1960s, to prevent growth in service

jobs. The applications for relocating tertiary establishments were very few in number while annual office space given planning permission, doubled between 1969 and 1971 (Clout, 1975).

In terms of industrial subsidies, there were few changes in the Fifth Plan. The maximum level of investment grants was raised from 20% to 25% of total capital costs and Communes in declining industrial areas of the North east, and elsewhere, became eligible for the same aid available in Zone 1, the West of France.

What the Fifth Plan did emphasize was increased assistance to agriculture and the designation of zones for rural renovation in 1967. Special funds were given for agriculture development, communications, education, tourism, and industrial development. These zones include the whole of Brittany, the Departements of Limousin and Auvergne in the Massif Central, Corsica, and other mountain areas. In addition, the special resource projects undertaken by the seven regional development companies which had been created in the late 1950s and early 1960s, continued to receive state funds for major land use and water resource development schemes. The work of one of these companies, Le Compagnie d'Aménagement des Landes de Gascogne, which had the task of diversifying the rural economy of the forested 'landes' area in Aquitaine, by developing new farm land which at the same time, acted as fire breaks to protect the forest from fire, has been reported in detail by the writer (Ironside, 1968).

1970-79 Period: New Directions: If the previous decade was one when the major administrative and regional programmes were being innovated, then this decade represents a period of strengthening the relative success of past policies by the introduction of new directions in regional policy and a greater concern for the national economy in a time of low economic growth and rising energy costs. At the same time, there has appeared a fundamental concern for the quality of life which is particularly emphasised in the

current plan, the Seventh National Plan (1976-1980).

The 1970s began with a revised strategy for the national regional policy. The effort to decentralize activities, particularly tertiary, from Paris, was to be strengthened but the 8 growth poles cities in the 'periphery', were to be supplemented by medium sized settlements (50,000 - 200,000 populations). It was agreed that the growth poles should not be allowed to dominate their regions as smaller versions of Paris but that development should be spread downwards in the hierarchy to medium-sized towns which provided better quality living environments. Now, these medium-sized towns became eligible for public investment assistance to improve their housing, transport and job opportunities. Comprehensive redevelopment plans for medium sized towns would be made as they had been for the growth poles. The cost of public facilities per capita there was one third to a half of what it was in Paris. These and other reorientations of public investment, appeared in the Sixth Plan (1971-75). Whether or not this policy change was precipitate, it is too early to tell. Certainly, DATAR claimed by the early 1970s, that regional policy had halted the population drain from the provinces to Paris. It was also true that 7 of the 8 métropoles d'équilibre, had population growth rates greater than Paris and had received considerable public and private investment. But to what extent government regional policy had contributed to this population redistribution, is unknown as studies measuring the effectiveness of programmes have been noticeably lacking. Paris was certainly a congested, costly place to live and people, as in other countries, were preferring provincial cities and medium-sized towns.

The government also claimed that its industrial incentives programmes in the West had been successful. As Sundquist writes:

'The fifth Plan had set a specific target for those regions -- 35/40 percent of all new industrial jobs compared to the previous 25 percent -- and by the beginning of the 1970s that target was being closely approached, if not met. The Sixth Plan (1971-75) reaffirmed the targets.' (Sundquist, 1975).

The government, therefore, decided in the Sixth Plan to strengthen its industrial aid and disincentive policies to encourage the successful trends appearing after 20 years of regional policy. In 1972, for example, industrial activities leaving Paris were not eligible to receive the decentralization assistance if they located within the Paris basin. But by that year, the French system of eligibility for industrial incentives had become so complex and comprehensive in its coverage, that reform was needed to reduce the areas eligible for aid and increase the effectiveness of the relatively small funds available. Therefore, although a zonal division of the country was retained, the zone which received no assistance was enlarged to cover most of north and east France. Zone I with a 25% investment grant for new plants, included selected cities in the West, the mining and steel areas of the north and centre, and border regions in the northwest; Zone II (15% grant) consists of Brittany and the extreme south west corner of Aquitaine; Zone III (12% grant) covers the rest of Western France.

During the 1970s up until today, there have been three main incentives available for industry and tertiary investment. They are the regional development grant mentioned above, the local business tax concession and the special depreciation allowance. The grant is a project related, capital grant accounting for some 45% of incentive spending. Rates range from 12% (or 12,000 Francs per job) to 25% (or 25,000 Francs per job) of investment according to the Zone where plant creation or extension is occurring. The local business tax is raised by each Commune and Département. A firm's liability is determined by the theoretical rental value of its fixed assets as well as taking account of its annual wage bill. The tax rate varies between local governments. The concession, then, is complete or partial exemption for up to 5 years, by the local government. The special depreciation allowance allows firms to write down 25% of the value of their new buildings

in the first year, and is available only in the west and southwest of France.

In addition, there is a services activities grant for the transfer from Paris or establishment of management, administration, consultancy and data-processing activities in the provinces. Thirty new jobs are a minimum requirement. In areas where the regional development grant is available, 20,000 francs per job is awarded. There is also a research activities grant for pure and applied research activities transferred from Paris or newly established elsewhere. Ten new jobs are required and awards are up to 25,000 francs per new job. For land purchase, there is a grant of up to half the price of a site for a plant in an industrial park; and a decentralization grant (up to 0.5 million francs) to cover at least 60% of the costs of transfer of industrial firms from the Paris region which vacate 500 square metres of floor space.

Other incentives of a minor nature, are soft loans for regional industrial development from the government, a reduction in the rate of transfer tax on the sale of industrial assets and the reduction of capital gains tax. Since 1974, four new grants have been added to provide incentives for small scale, worker owned, firms. They include a decentralisation grant for sub-contractors from the Paris region who follow the relocated firms for whom they normally work; a grant of 16% and 30% in the Massif Central, for workers setting up enterprises in rural areas; a grant to extend business in the Massif Central; and a rural grant in Communes with less than 5,000 population, for industry and service enterprises. Labour training and removal grants are also available in France but not for moves to the Paris or Layon regions. The removal grants cover second-class rail fare, part of the household removal costs and a re-settlement grant.

This wide range of incentives available, overlooks the fact that

funds allocated to regional policy are small compared with other countries, being only one-tenth of the British expenditures in the early 1970s! (Clout, 1975). The effective value of the aid package to firms is about average, however, compared with other countries of West Europe.

The negative or disincentive policy measures used to restrict growth in the Paris region are now substantial. The creation or extension of industrial premises exceeding 1,500 square metres and of office premises exceeding 1,000 square metres, requires authorization and is taxed on a distance basis relative to the centre of Paris. Firms are also required to contribute towards transportation costs in Paris through a tax levied on wages for this purpose. From 1972, there has been also building permit fees levied per square metre, graded by area within the Paris region.

At the regional level, also, the Sixth Plan introduced some major institutional changes. Previously, the Prefects with the advice of CODERS, the regional economic development committees, were required to prepare regional plans. At the same time, the ministries, in association with the National Planning Commission, were preparing segments of the national plan. The two sets of proposals -- from the regions and from the national level -- were then reconciled in stages into the National Plan. The final decisions were made in Paris, where a national perspective was available. As in other countries, the regional plans tended to be over-optimistic in their population forecasts and their public investment requirements. A heavy demand was placed on the Prefect and his region small staff, as well as the CODERS to produce multi-sectoral economic and physical plans for their regions. However, the CODERS were too large, non-elective bodies with no responsibility, no staff and no power. There was not true decentralization of planning power to the regions the Prefect was a central government representative in complete charge. Hence,

there was only deconcentration of power from Paris (Sundquist, 1975). The prefect himself, was also bypassed often by people with direct links to Paris -- the regional civil servants of ministeries, important Mayors and other departmental prefects.

Therefore, in 1974, in each region, a new Regional Council (Conseil Regionale) was established with elected national and regional representatives and also a Conseil Economique et Locale which has representatives, like the Coders had, from different organisation. Both bodies will advise on planning. It is the opinion of one official in DATAR, however, that a new regional level of planning is required because the existing regions (22) are too numerous and small to cover the planning problems existing today. (Per Comm. Latarjet, 1979). Larger regions between the département and province or large natural region, are required, perhaps numbering 8 or 10. There would then be three levels of planning: at the local commune or municipality scale for physical plans with initiatives for assistance coming from them; at the new larger region level; at the macro-region level now used for national forecasting and strategic policy but where no political system exists. This last scale of region used in planning (eg. the North, West, East, South and the Paris Basin) is becoming increasingly important. For example, a ten year plan for the whole South West has to be prepared now because of the imminent entry of Spain to the EEC.

The regional Councils have been given a small taxation power in that they can raise the equivalent of \$5 per capita. Their representatives however, still include people whose elected duty lies first elsewhere, either in the National Assembly or in Commune Councils and its executive office is still a Prefect. But the new changes are a substantial advance in regional devolution in this traditionally centralized state.

The current Seventh National Plan (1976-1980), emphasizes strongly the critical economic situation presently being experienced by France. Its top three priorities are: strengthening of the balance of payments, an adaptation of industry in the face of increasing international competition and creation of employment. The second and third priorities have particular regional relevance. The plan also stresses the need to achieve increasing equality in the standard of living between people in different regions and thus in the quality of life. This is important in long-range regional and social planning. The strategy is to combine economic efficiency and quality of life through reduction of inequalities.

'For instance, giving priority to the upgrading of the lowest wages is not only desirable in terms of justice, it also means that many of the jobs which are least wanted but most readily available will be better paid, which will improve the economic efficiency of income distribution and, in the larger term, lend dynamism to the most promising sectors of the French economy. ----- The growth to be launched by the Seventh Plan will not be characterised by uniformity. Since its aim will be to reconcile simultaneously complementary and competing objectives and resources, its novelty will be to allow individuals a wider range of options when choosing their way of life. This is exemplified by the areas and the improvement of urban living conditions, by means of which the State hopes to cater for the new but already widely felt wish to opt for lower income in exchange for a more rewarding life.' (Strategy for Progress, The French Plan, 1976).

There seems now to be a much more explicit recognition of the equity problems existing in regional disparities, the costs involved to the country and differences in terms of the quality of life for people. Although the welfare approach was specifically rejected by a past director of DATAR, it does appear that France, through its public investment programmes, is trying as much as any country to reduce the welfare gaps between people in different places.

The Seventh Plan reflects the concern mentioned above. A notable feature is its incorporation of 'Priority Action Programmes' which are firm commitments of public capital expenditures. The terminology used here

indicates an urgency in updating France's infrastructure, and indirectly the increased need to reduce regional disparities.

The regions were first asked to express their preferences concerning public expenditures on a restricted list of 12 areas of community service. This was an innovation compared with previous plans. Their clear preferences were for an increase in expenditures on health followed by transport, sporting, socio-educational, cultural activities and urban development. Rural development, tourism, the environment, research and assisted purchase of public housing came next while education and training, other housing assistance, welfare and general services should have less capital expenditures. These preferences were then incorporated into the policy guidelines of the National Plan and were particularly important in subsequent physical planning. The regions subsequently developed their own priority programmes while the state's 25 Priority Action Programmes, in turn, inevitably have regional impact.

On a national scale, the strategy of halting out-migration from rural regions and controlling urban growth are the two main aims of the Plan. They are broader than in the past as major cities, and not just Paris, fall within the policy to restrict urban growth and all rural areas are included. Aid to rural areas will include improving public services, helping young farmers to enter agriculture, encouraging manufacturing and service enterprises to become established. Tourist and craft enterprises will be aided. In contrast, the State will switch subsidies from urban areas and widen the application of control on new service and industry enterprises in the Paris region to other urban areas. The public sector will also experience decentralisation in the move of government departments to the provinces. Urban sprawl will be prevented by improved local and regional government coordination in physical planning. It is expected that the growth of small and medium sized towns

will continue during the Plan's period because of preferred life styles and the encouragement given to firms to locate there. Government incentives should be concentrated more on the West, South West, Massif Central and Langudeoc, to encourage this trend and to create jobs. Preference to applications by firms for incentives will be given if they locate in small and medium sized towns. The Plan also foresees new efficiency in the granting of subsidies because of the decentralisation of procedures for the review of applications. Regional development will also benefit from the measures introduced to help small and medium-sized companies and from the services available to them.

Specific measures are required for certain regions. This is particularly true of the coastal areas threatened by tourist congestion. More protection for sensitive natural areas is needed while pollution abatement policies must be intensified. The mountain regions will benefit from actions to combat depopulation. Specific aid will also be given to border regions, where foreign competition for their industries, is strong. This, particularly, refers to the North and East regions where the steel and coal mining industries are being restructured. In fact the former, has just been nationalised to prevent its total collapse.

Massive sectoral industrial support will continue to be given to agriculture and manufacturing. The present problems of the steel, shipbuilding and textile industries have caused the government to initiate a major fund for restructuring these industries. These expenditures will have of course, a regional impact.

The service and crafts sector is not to be neglected in the 7th Plan. It states:

'The development of distributive trade and service businesses should be so planned as to eliminate the present imbalances between the various departments or regions and between city centres and suburbs. Special assistance will be available to encourage the opening or

continued trading of shops and service businesses in new or rehabilitated urban districts, rural areas and mountainous regions.' (Strategy for Progress, 1976).

It is fully recognized that the service sector will provide many of the new jobs desperately needed. The small crafts enterprises will be encouraged to begin or expand by investment grants and loans as in the Sixth Plan. Local Chambers of Commerce are to be closely involved in the planning and implementation of regional development policies in future, to guide such economic initiatives.

The 25 Priority Action Programmes (PAP) some of which have been alluded to above, are not all related to regional development. Those which do have specific regional influences are mentioned concisely in the recent report by France to the EEC on its regional development programmes for 1976-1980:

Programme No. 5. Opening up the West, the South-West and the Massif Central: The objective is to improve communications in these regions by modernizing the major transverse routes and link the regional centres more effectively with the national road and rail networks.

Programme No. 6. The river link between the North Sea and the Mediterranean: The objective is to develop navigation on the Rhone and Saone for larger ships.

Programme No. 23. Enhancing Rural Areas: The aim is to improve rural living conditions, economy, and protect the landscape. Recreation and tourism will be encouraged; off-farm work or second jobs, public access will be made easier to areas; infrastructure to be developed.

Programme No. 1. Adapting agricultural and food production to new market conditions: The productivity of cattle raising is to be raised, irrigation and drainage in the South West and Corsica to enable maize and soya bean production to be expanded; the renovation of table wines through the restructuring of southern vineyards and the development of proteins for animal foodstuff.

Programme No. 3. Assisting the development of small and medium size enterprises and handicrafts: to aid their establishment, management and adaptation; to encourage young people to enter the trades; to help handicraft enterprises establish in urban and rural areas. The Agricultural Credit Bank should be allowed to make special loans to them; Local authorities and regional bodies will be more closely associated with handicraft enterprises.

Programme No. 4. Improving the Country's telephone System: A significant impact on regional development is expected.

Programme No. 10. Increasing Public Job Assistance: The National Employment Bureau will be expanded throughout the Country.

Programme No. 21. Enhancing Life in Towns: By completion of 5 new towns in the Paris region and 4 elsewhere; the improvement of old housing and collective neighbourhood services and recreation; to encourage the use of public transport.

Programme No. 24. Conserving Natural Resources: The objective is to combat pollution, to protect coastal areas especially the Mediterranean coast from forest fires, to develop low cost tourism on the coastline.

Only a few of the major policies and programmes included in the Seventh Plan have been mentioned here. The thrust of the Plan to improve living conditions and create jobs is clear. The specific regional strategies have not been reviewed in detail but are more comprehensive and detailed than occur in regional development plans of other countries.

French regional policy has evolved into a systematic formulation of programmes at the regional and national scales and their integration into the National Plan. A certain degree of devolution to the regions of responsibility in planning has occurred, but in practice, the system is still very centralised in the National Planning Commission, DATAR and the Parliament. A wide range of incentives and disincentives are used but in terms of industrial incentives, very modest funding has been apparent. The OECD reports, in fact, that

'In total the cost of all the aid taken together has varied over recent years between 200 and 500 million francs. This may be regarded as comparatively small in relation to the scale of this problem of regional development. It compares with 6,000 million francs per annum in agricultural market support and 2,000 million francs in support of the coal industry (though in a sense these also represent assistance to the regions).' (OECD, 1976).

In addition, it has been found by Prud'homme that public capital expenditures during the Fifth National Plan did not go to the most developed regions of France. The underdeveloped West, in particular, was not favoured despite the intentions of the Plan (Prud'homme, 1974). There have also been controversial research findings on the effectiveness of incentives in inducing

firms to locate in the West. Prud'homme also pointed out that the firms which did 'go West' were often branch plants of major corporations and the employment created was low skilled and paid low wages even in the electronics and light mechanical industry. Probably, the most successful aspect of French regional policy, on the other hand, have been the restrictions on industrial and service growth in Paris. Although the controls have been relaxed at times and have not halted the building of plants or offices, a definite slow down has occurred, while population trends for Paris reflect the decline of in-migration. The consultative procedures developed in the context of the National Plan, between industrial and business leaders and planners, have, no doubt, aided this process, redistributing economic activities away from the Paris Basin to the provinces. Yet, as in the case of incentives, without specific research, it is difficult to say how successful the controls have been (OECD, 1977).

The policies of the current plan and indeed, existing statistics, show that regional income disparities have not been markedly reduced, despite the substantial creation of jobs in the West. Past policies have focused more on industry and not sufficiently on the service sector at a time when it was creating the most jobs of any sector. Incentives and controls will have to be strengthened further to prevent the concentration of services in only Paris and the major provincial cities.

The conclusion of the OECD that the regional structure of France has changed, not so much because of the influence of regional policies but because of those factors which have helped to expand the economy, may be unduly pessimistic for it could be argued that the regional component in infrastructural investment and industrial restructuring should be taken into account. What cannot be denied is the systematic and integrative logic of regional policy and its institutional framework, as part of national planning. The spatial element is an inherent part of the Plan.

It is also clear that in the many programmes which are directed to specific geographical units -- the medium and small sized towns, the rural areas, the industrial reconversion areas -- there are examples of direct and indirect benefits being granted in a spatially discriminatory manner. Although they are not examples of direct benefits which the writer was originally considering in this report, it is evident that a welfare concern has become explicit in the latest National Plan. The qualitative aspects of life and not just the quantitative ones measured by, for example, per capita income, necessarily include the incidence of direct and indirect benefits to people in different locations. It would seem likely, therefore, in order to achieve greater equality in welfare, that regional policy will be strengthened even more in the future in France.

Conclusions

Conclusions: The study was unsuccessful in uncovering examples of spatially discriminatory direct benefits to people as part of the regional policies of west European governments. It was clear that most social and economic benefit programmes for individuals, are applied on a country-wide basis in all countries and discrimination occurs only by groups of people. Of course, this may have a spatial impact where a particular group is located in one place for a long time. The initial objectives of the study, therefore, could not be met because of the lack of evidence. However, some examples of past and possibly future programmes, where spatial discrimination exists, were found in Belgium with unemployment payments and in France with assistance to rural residents. There is also the example of the EEC's European Social Fund which spatially discriminates by giving more aid to specific regions in Europe. It can also be agreed that the many direct benefits provided by local governments in housing assistance with respect to rents or purchase, in welfare and other social services, in pensions, particularly in Scandinavia, may exhibit a degree of spatial discrimination because they may vary according to the local government area in which residence occurs. In most countries, however, tax equalization or other transfers from the central government, even out the local government variations in revenues and hence their ability to provide benefits directly or indirectly to people. In a sense too, these indirect transfers from the central government are basically to equalise, not only the ability of local governments to provide, but also the ability and opportunity of people to receive, more equal public benefits and hence to produce more equality in the general welfare of the population in different locations. Indeed, in the conclusions which follow, based on the review of regional policies

in west European programmes and their current status, it became very clear that egalitarianism was permeating regional policies in most countries particularly with respect to income distributions between groups and regions, and social provision. Yet, it was quite apparent that spatial discrimination in direct benefits to people was premature in the political context because of the opposition it would raise.

Evidence exists in Canada for concern on this issue, not only in terms of the existing DREE programmes but also in a recent report by Gillespie (Gillespie, 1978) entitled 'In Search of Robin Hood'! It points out that 81.7% of DREE benefits have accrued to those people with incomes of \$7,000 or more, 51% going to those in income brackets above \$15,000. This is precisely one of the original concerns which prompted the present investigation and which was touched on in a previous paper (Mellor and Ironside, 1978) and in the report of the Economic Council of Canada, Living Together (1977).

The salient conclusions from the review of past and present regional policies and programmes in West European countries are as follows:

I. Goals:

- 1) The appearance of quality of life goals in recent plans, is indicative of the broadening of objectives to include not only that of overcoming per capita income and unemployment disparities, caused by structural economic problems, but also greater equality in living standards as a whole which embraces the physical, social and economic environments of people. This was particularly, noticeable in policies in Scandinavia, the Netherlands, France and Germany.
- 2) There is a determination to achieve equality between people in different regions, being very strongly emphasised in Scandinavian programmes while the West German Constitution makes this a fundamental goal of the State.
- 3) It is now an axiom of most government policies in Western Europe that no one should want for the basic necessities of life, that people everywhere should have access to adequate job opportunities, social benefits and welfare if it is needed, that people can obtain from their local or national government, assistance to obtain housing, food and clothing.

II. Institutional Frameworks for Regional Policy:

1) National industrial structural problems, involving the decline of uncompetitive old industries and the decrease of labour requirements in modern agriculture, have had severe regional impacts. This has encouraged governments to view national and regional problems and policies to overcome them, as being increasingly interrelated. Again the Scandinavian countries, the Netherlands, France, Germany and Italy, make this explicit in their policy statements, national plans or institutional arrangements for regional policy. It has led to the Departments responsible for regional policy, having a privileged position at the top of the government administrative hierarchy, often directly responsible to the Prime Minister, and controlling interministerial committees to coordinate government expenditures within regions.

Regional policy is becoming more important in most countries, therefore, and is increasingly considered in terms of national policy. It is significant that this is also true in the European Economic Community where coordination of policy by Directorates responsible for Regional and Social policy, is increasing.

2) At the other end of the government hierarchy, there is considerable evidence that local governments are receiving more responsibilities and finances from the central governments, particularly in the areas of social provision and physical planning. In Scandinavia, their responsibilities include a wide array of direct benefits to people, including pensions, using monies transferred to them by the State; physical planning and local development controls; in federal States such as Germany, the Lander also have regional development policies and their own incentives programmes. The principle that the people being planned for, should participate in the planning process, either through local government or citizen groups, is increasingly seen as being fundamental, particularly in Scandinavia. In several countries, there has been a post war reform of the local government map, which has led to the reduction in number and increase in size of administrative units. This has, undoubtedly, increased their efficiency and political power. However, it is clear that major decision-making powers for planning are still retained by the central government in most countries.

3) Related to the growth in importance of local government as a vehicle to deliver services to people and to bring about greater equality, is the conclusion that financial transfers from central to local governments, and the expenditures of different ministries in support of agriculture, industry, the service sector or state built infrastructure, are many times the total of finances allotted to regional development programmes. In most countries, formal regional policies are quite recent and have been supported with very modest financing by the State. Even wide differences between States exists, with France, for example, spending much less on industrial incentives than other countries.

III. The Strategies and Programmes of Regional Development:

1) Labour market policy, as designated in Sweden, is apparent in other Scandinavian countries, France and Britain. The problems posed by

regions with a surplus of labour (and high unemployment) and regions with a deficit (and low unemployment) has caused specific programmes, assisting the transfer of workers, to be introduced. They have had varying degrees of success ranging from disappointment in Britain and Germany to a more successful experience with them in Sweden.

2) Linked with labour market strategy, is that of population distribution. Countries with large primate cities which have overshadowed and out-competed other cities and regions elsewhere, have introduced controls on the growth of these cities. They have included a range of disincentives on industrial and service firms, building or expanding plants and offices, and encouragement to entrepreneurs and workers to move elsewhere by mobility and housing grants, and, of course, by incentives to firms to create employment elsewhere. Disincentives and other controls have been applied, much more reluctantly, however, and have been strongly opposed politically and commercially.

Where governments have been able to take direct action is in relation to their own employees. Hence, there are well advanced programmes to decentralize government departments in Britain, The Netherlands, and Sweden. Programmes are imminent in Norway and France. Belgium presents a special case of regional devolution of many government responsibilities and offices, because of existing cultural divisions.

In association with the need to correct the population imbalances in countries, there has also evolved an emphasis on an overall settlement strategy. This is quite explicit and advanced in Sweden where settlements have been designated into certain functional categories. They then receive the public investments appropriate to that type of settlement. Such a strategy is logical in the face of limited resources, can only be imposed by the national government with overall planning perspective and is anathema to local politicians and businessmen. In Sweden there has been remarkably little opposition, it seems, however, to this strategy, probably because of the remarkable political consensus in the country on major goals for society, and also the devolution to the Communes and Counties of considerable responsibilities.

Other Scandinavian countries display elements of a settlement strategy while Germany has more formally selected specific settlements in the central place hierarchy, to receive different functions and State or Lander funds.

The growth centre/pole concept has, obviously, relevance in the settlement strategy approach and has been fully adopted in Germany, the Netherlands, and France. It also appears implicitly in the Swedish and Finnish regional policy and settlement strategy approaches and to some extent in Italy.

Important in most countries with population redistribution strategies as well as regional development programmes, is the emphasis on attracting jobs and people to their small and medium sized towns where the quality of life is thought to be better than in large cities. Sweden, France, and Germany, all exhibit this approach. Evidence from behavioural studies in western Europe (and in North America) supports the contention that people prefer such settlements, although their close proximity to metropolitan cities is preferred by most.

IV. Specific Instruments:

The investments used in most countries have become fairly standardised. It was considered, therefore, that only the more important conclusions resulting from experience with various instruments should be mentioned.

They are:

- 1) that grants, particularly automatic, project related ones, are more effective and popular with firms than loans.
- 2) that more instruments to encourage labour intensive firms are being introduced such as employment premiums while labour retention subsidies during recession, are common.
- 3) that small and medium sized firms are receiving increased attention by government aid programmes because of the local multiplier impacts they can generate through local linkages. Branch plants, however, pose problems if there are few local ties.
- 4) that a wide range of controls need to be introduced to deter location of service and manufacturing enterprises in congested cities, and as incentives to attract them elsewhere. They include permits, taxes on space and on wages, subsidies on removal costs.
- 5) that decentralisation of government offices and employees is becoming more widespread, the rationale being to reduce congestion in major cities, and to provide regional economic impacts.
- 6) that several governments have also adopted active (and not just reactive policies to applications by firms and local governments for aid) policies by establishing Regional Development Companies to coordinate specific resource schemes and to take equity positions or to give other aid to firms. France, the Netherlands, Finland and Britain, in particular, have examples of such public companies. Italy, in the case of the Cassa, has the largest regional development organization established in western Europe.
- 7) that New Towns and in Britain, Inner City redevelopment programmes, play an important role in physical planning and population distribution policies, and at the same time have an impact in a regional development context.
- 8) that industrial parks with government provided services and advance factories, after the British example, have become popular in regional development programmes.
- 9) that transportation subsidies for northern located firms in Scandinavia or peripherally located firms elsewhere, have been effective in cutting costs; that the reduction of rural bus fares, long distance air fares and telephone rates, as in Sweden, have been effective regional policy measures in providing greater equality in social services between people and in aiding peripheral regions.

10) that a wide range of measures are being introduced to assist rural areas to retain their population: agricultural support schemes; aid to maintain rural shops and other services; infrastructure particularly in the areas of water supply and sewage, roads, telephone provision; jobs or training for young people; aid to rural craft and other industries including tourism and recreational enterprises.

11) that a number of countries (France and Germany especially) have introduced Regional Action or Priority Action Programmes. In France, they include spatial and aspatial programmes of a major, strategic nature in the development of living standards, economic and social provision and infrastructure. In Germany, the Regional Action Programmes enable the federal government and the Lander, to Coordinate their action in alleviating regional problems.

12) that in most countries, zones or areas have been designated between which incentives are graded; in Germany an innovation has been the use of labour market areas involving a city region concept, in devising such areas.

13) that in some countries large regional units are being used for strategic planning. Germany and France, Italy, Norway and Britain are examples.

V. Future Needs:

In virtually every country, the disparities between regions, as measured by statistical indicators, show little change through the years. Norway seems to be an exception. Disparities in some countries, of course, such as The Netherlands and Denmark, are quite small compared with those elsewhere. The gap in living standards, between people in different regions tends to remain the same. What might be concluded is that without regional measures, it might have been worse, giving rise to political protest. There is, therefore, in each country, a determination to continue regional policies and to fund them on a much larger scale than has been the case previously. This is also occurring at the level of the EEC.

In terms of equality and quality of life goals, it is clear that the distribution of wealth and income in society has led to the taxation system being used substantially in some countries, such as The Netherlands, and in Scandinavia, to attempt to meet them goals. It is possible that tax cuts and other measures benefiting people directly, made on a spatially discriminatory basis, may be introduced in the medium term. Already, there are examples of suggestions for such measures, and in the case of local governments, of course, many benefits are being provided direct to people. But deliberate spatial discrimination is still lacking.

What is evident is that in all countries, much better data is needed on a regional basis while there is a widespread lack of research results to guide policy formation. Behavioural research, in particular, is being strongly supported in Scandinavia, in the case of individuals and firms. Information on whether or not public programmes are helping to narrow the disparities between not only regions, but also groups of people, is also urgently required. Although there has been regionalization of the French budget, much more data is needed on public expenditures (and private) at the regional scale to enable adequate planning decisions to be made. Regional accounts are rare, and even in Scandinavia, opposed on political grounds.

Appendix I

People Interviewed by the Writer, January 15th - April 15th,
by Country and Organization

- OECD: Mr. E. Ezra,
Secretary, Working Party on Regional Development
Policies.
- EEC: Professor Paul Romus
Secretary of the Regional Policy Committee
- John Wilson,
British Representative
Regional Policy Directorate
- M. R. Draperie and Mr. Calderbank
Directorate of Social Security and the European
Social Budget.
- Mr. M. McSwiney
Environment and Consumer Protection Commission.
- Mr. Fitzgibbon
Chief of Preparatory Work and Analysis,
European Social Fund
- Belgium: M. Jean Donis
Directeur Generale au Ministere de la Prevoyance
Sociale.
- M. Segras
Ministere de l'Emploi et du Travail.
- The Netherlands: Dr. R. Hendriks
Directeur-General
Ministere van Cultuur, Recreatie en Maatschappelijk
Werk.
- Mr. Roelse and Mr. Knol
Sociaal en Cultureel Planbureau
- Mr. W. C. de Jong
Directie Regionale Economische
Politiek.
- Dr. Le Blanc, Advisor to the Prime Minister,
Ministerie Algemene Zaken
- Mr. De Broeder and Mr. N. Mordhorst
Public Assistance Department
- Dr. A. H. Heering
Ministerie van Sociale Zaken

Dr. J. G. Borchert
Geografisch Instituut
Rijksuniversiteit Utrecht.

The United Kingdom:

Mrs. Judith Marquand
Regional Economics Division
Department of Industry

Mr. Brian Swift
Regional Economics Division
Department of Industry

Mr. John Dixon and Mr. John West
Economic Adviser,
Department of Employment.

Mr. Graham Reid,
Manpower Services Commission.

Mr. D. MacCreedy, Housing, Assistant Secretary,
Department of the Environment

Mr. S. Dow, Housing
Department of the Environment

Mr. G. Plowden, Housing
Department of the Environment

Mr. John Pierson, Inner City Group,
Department of the Environment

Mr. G. Carey, New Towns,
Department of the Environment

Mr. P. Daniel, Assistant Secretary and Mr. A. Simcock,
New Towns,
Department of the Environment.

Mr. A. B. Moore, Assistant Secretary,
Overseas Branch,
Department of Employment.

Denmark:

Mr. J. Bonke, Mr. H.S. Andersen, Mr. J. Mollgaard
and Mr. N. Groth
The Danish Building Research Institute.

Mr. H. Nielsen, Assistant Director,
Ministry of Environment and Regional Planning.

Mr. Anderson
Regional Policy
Ministry of Commerce.

Mr. K. Westergaard
Director,
Labour Directorate.

- Mr. P. Mikkelsen
Research Group on Local Government and Planning.
- Finland:
- Mr. O. Anko, Assistant Head,
Office of the Council of State,
Planning Department.
- Mr. P. Rikkola, Director-General
Ministry of Industry and Commerce.
- Mr. A. Aurola, Head of Department Affairs
Ministry of Social Affairs and Health
- Mr. E. Karjalainen
Secretary of labour,
Ministry of Labour
- Professor K. Rikkinen
University of Helsinki.
- Norway:
- Professor J. S. Hansen
Department of Economics
University of Oslo.
- Mr. R. Mørk
Local Government Department
- Mr. P. Breirem
Department of Environment
- Mr. P. Riekeles
Ministry of Consumer Affairs and
Government Administration.
- Sweden:
- Mr. G. Guteland,
Director, ERU
- Mr. L. Grahn
ERU
- Mr. I. Lindstrom
ERU
- Ms. Soili Aintila
ERU
- Mr. B. Svensson, Housing
Ministry of Housing and Planning
- Mr. L. Svensson, Chief Secretary of the
Regional Policy Parliamentary Working Party
- Professor E. Bylund
University of Umea

West Germany:

Mr. Schmidt-Ott
OECD & EEC Representative
Federal Ministry of Economic Affairs

Dr. Steins
Federal Institute for Applied Geography and
Regional Planning

Dr. Selke,
Federal Ministry of Regional Planning, Building
and Urban Development

Mr. Weber,
Federal Ministry of Regional Planning, Building
and Urban Development.

France:

M. B. Latarjet and J.-C. de Bouteiller
DATAR

M. Lannay
Ministere des Finances

M. Cotten
Ministere de l'Interieurs

Mr. Jean de Bodman
Charge de Mission,
Ministere d'Emploi.

M. G. Carvallier
Chief du Service,
Commissariat du Plan.

Italy:

Professor DeRita
CENSIS- Censtro Studi Investimenti Sociali

Anna Lubbock
CENSIS

Mr. Mazzone
IASM - Istituto per L'Assistenza allo
Sviluppo del Mezzogiorno.

Professor D.A. Orsi
Istituto Centrale di Statistica

Dr. P. Baratta
SVIMEZ.

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