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Territorial Benchmarking in EU Regional Innovation Policy**

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# Innovation by Imitation?

## Territorial Benchmarking in EU Regional Innovation Policy

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### 1. Territorial benchmarking in the European Union

At the moment, regional innovation policy is at the top of the EU agenda. Broadly speaking, regional policy – of which regional innovation policy is an important part – is directed at solving the problems of uneven development between territories in the EU, including regions, localities and cities. Nowadays, over one third of the budget of the European Communities is allocated to this field. For the 2000-2006 period 213 billion euros have been reserved for transfer to Europe's regions (EC, 2001). A large part of this amount, 195 billion euros, is spent by the four Structural Funds, while the rest, 18 billion, is allocated to the Cohesion Fund. 94% of the Structural Funds goes to so-called 'Objective' regions: Objective 1-regions (areas whose development is lagging behind), Objective 2-regions (industrial, rural, urban or coastal areas that face difficulties in socio-economic restructuring) and Objective 3-regions (areas where people face difficulties in the labour market). To improve the situation of these three categories of 'less-favoured' regions, the European Commission finances multi-annual regional development programmes with four funding instruments: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Financial Instrument for Fisheries Guidance (FIGG) and the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF-Guidance). The Structural Funds are not restricted to support for these priority areas though; 6% of the budget is dedicated to four Community Initiatives meant to seek common solutions to problems that affect the whole Union. These funds are financing projects aimed at promoting interregional cooperation (Interreg III), regenerating cities and urban areas in decline (Urban II), developing rural areas through local initiatives (Leader+) and combating inequalities and discrimination in access to the labour market (Equal). Next to the Structural Funds there is a special fund to assist Spain, Greece, Ireland and Portugal. This is the Cohesion Fund that finances major projects in the field of environment and transport. Finally, the Central and Eastern European Countries (CEEC's) that recently entered the EU received special assistance in the form of pre-accession aid over the last years, including funds such as PHARE, SAPARD and ISPA.

It is within this complex structure of EU policy objectives and funds that national and local authorities have to find their way and should try to get their own regional policies co-financed and pursued. It must be said, however, that the European Commission realizes that the successful implementation of regional policy ultimately depends upon close cooperation between European, national and sub-national levels. After all, only in this way formidable information problems on the situation 'on the spot' in the European regions can be overcome. Therefore, the EC adheres to the 'partnership principle', requiring coordination between the European funds and the instruments used by national and local bodies (Vanhove, 1999). According to this principle, Member States wishing to be considered for EU-funding should present proposals that fit within the broad policy guidelines set by the European Commission. Among the 'strategic suggestions' the Commission does in this respect, the most important one is that these proposals should focus on improving 'regional competitiveness'

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(European Commission, 2001). Whether or not this concept makes sense for a region – as opposed to a company – has been heavily debated (cf. e.g. Reinert (1995) and Krugman (1996)). Without going into this debate, we want to highlight that ‘regional competitiveness’ is a relative concept, implying the need to compare with others. This is exactly what the European Commission wants (sub-)national governments to do: to benchmark themselves with other regions, to take example from so-called ‘best practices’ and to learn from them. The dissemination of these best practices is promoted by means of all kinds of score boards, case studies of successful regions and interregional benchmarks.

European authorities propagate this method of territorial benchmarking as a new open means of coordination of regional policies with the underlying idea that it will result in European-wide convergence in incomes and living standards (Getimis, 2003). Borrowing successful policies is seen as a means to speed up regional development or achieve it at lower cost. Accordingly, to foster regional competitiveness, policy makers increasingly base their policy efforts on interregional-comparisons and thus what worked somewhere else. In practice, this EU-driven trend of territorial benchmarking mostly leads to the set-up of regional policies with similar objectives, policy concepts and instruments (Lagendijk and Cornford, 2000). Everywhere in Europe regions claim to aim for ‘competitive advantage’ by creating ‘framework conditions’ for the formation of ‘high-tech clusters’ and ‘innovation systems’. Thus, the authorities hope to turn their area into a ‘learning region’ that rivals the success of ‘Silicon Valley’. Among the test bench regions authorities look for, this California high-tech hub has reached the status of one of the most successful ‘best practice’ regions in the world. The area was the birthplace of the computer and its semiconductor cluster has been leading in the development of many applications of modern information technology. All over Europe it is tried to create such ‘Silicon Somewheres’ (Florida, 2002). Some areas even frankly admit it that they want to become the next Silicon Valley, as they brand themselves as Silicon Glen (Scotland (UK)), Language Valley (Flanders (B)), Silicon Saxony (Eastern-Germany (D)), Dommel Valley (Eindhoven (NL)) and Silicon Seaside (Steinkjer (N)). Besides Silicon Valley popular European examples of ‘best practice’ regions are Emilia-Romagna (I), Baden-Württemberg (D), Sophia Antipolis (F) and the Öresund (DK/S). Inspired by such regional ‘laboratories of modernity’ governments at all scale levels tend to focus on high-tech activities in their attempts to raise regional competitiveness. In short, the particular set-up of today’s European regional policy leads to attempts of regions across the continent to turn themselves into the next ‘Silicon Somewhere’.

The aim of this paper is to assess the usefulness of territorial benchmarking in EU regional innovation policy and to find out what lessons can be drawn from regional success stories. For this purpose, we combine insights from three bodies of knowledge: Schumpeterian theory, economic geography and comparative public policy studies. First, we will show that the work of Schumpeter, an author who is mostly cited by governments in justifying their regional innovation policies, is not only relevant in matters of innovation: his theory also can be used to explain the copycat behavior among authorities in a political context (section 2). Then, we briefly list the factors that are generally seen in the economic-geographical literature as the determinants of regional competitiveness (section 3). After that, insights from comparative public policy are used to identify the ‘contingencies of lesson-drawing’, i.e. the preconditions that affect whether a policy measure can be transferred from one place to another (section 4). Section 5 concludes and provides recommendations for EU regional innovation policy.

## **2. Territorial benchmarking and Schumpeterian theory**

In general, governments use scientific insights only when they can help them in achieving political aims. This applies for regional policy as well. Especially since the 1990s the traditional efficiency and equity arguments for EU regional policy – see e.g. Martin (1999) and Vanhove (1999) for a concise overview – have been criticized and supplemented with policy rationales derived from the literature on (regional) innovation systems (Lundvall, 1992; Cooke et al., 1998). In this perspective, the geographically concentrated development of new products and processes (innovations) is seen as the engine behind regional economic growth. Regional innovation is regarded as a cumulative learning

process whose success depends upon the close cooperation between private and public organizations. Together these market- and non-market parties make up a regional system of innovation. If there are mismatches between its constituting parts (e.g. lack of cooperation between firms and universities), it is argued, the innovation system performs below its potential and regional policy may be needed to correct these so-called 'system failures'. Especially in the 1990s this systemic view has become popular both in the literature and in policy circles (see e.g. Edquist, 1997 and OECD, 1999). In nearly all recent papers and policy documents on regional innovation systems, reference is made to the work of the famous economist Joseph Alois Schumpeter (1883-1950). Due to his path-breaking work on innovation-led economic development he is often cited as the 'champion of the economics of innovation' (Hospers, 2003a).

Why is the work of Schumpeter embraced so widely in today's regional science and policy? After all, Schumpeter's main message that new products and processes drive economic development may sound trivial. For static neoclassical theory on which economic policies traditionally are based, however, this insight is new. In contrast to neoclassical economists, Schumpeter sees economic life as an 'evolutionary process'. According to Schumpeter, the main force that brings about this change is the 'perennial gale of creative destruction' (Schumpeter, 1942). This process refers to the waves of innovative activity that hit the economic system in different points of time, resulting in the destruction of the old economic structure and the creation of a new one. Thus, in *The Theory of Economic Development* (1912) Schumpeter sees the introduction of innovations, that is 'the carrying out of new combinations' as the key process of economic change. Innovations do not just occur, but always have their basis in the pre-existing economic structure. The force that induces the system to drift is entrepreneurial innovation, asking for acts of entrepreneurship, i.e. heroic efforts of 'new men' to break the circular flow of existing activity. As an entrepreneur innovates rather than invents, he is a 'first mover', a position rendering him temporary monopoly power with associated huge monopoly profits. In turn, the profits the entrepreneur makes attract imitators. This tendency of economic actors to imitate successful entrepreneurs also explains the wave-like movements of innovative activity in 'competitive capitalism', Schumpeter argues. Since the appearance of a risk-loving entrepreneur creates a favourable climate for others who are less venturesome, an upswing in economic development occurs. But not forever: as the chances for making profits are eroded by imitation of the original innovation, an economic boom is followed by a downswing. In other words, innovations tend to appear and disappear in 'swarms' or 'clusters'. The length of the cycles of innovative activity depends upon the degree of creative destruction the innovations in question induce. Making use of a mass of historical material Schumpeter shows in his *Business Cycles* (1939) the existence of three types of cycles in 'competitive capitalism': the three year Kitchin cycle (inventory (de)accumulation), the Juglar cycle lasting 8-11 years (individual innovations such as the dynamo) and the 50-60 year Kondratieff cycle (major innovations such as the railroad). In short, in the Schumpeterian vision economic ups and downs just represent processes of adaptation of the capitalist engine to new circumstances.

To understand capitalism, studying economic theory and economic history do not suffice, Schumpeter asserts. Notably in *Capitalism, Socialism and Democracy* (1942) he shows that complex interactions between economic change and the economy's institutional framework. Schumpeter (1942) argues that institutions tend to persist after they have lost their rationale. Institutional change is difficult and may slow down the process of economic change. However, to Schumpeter, there is no one-way causality between institutions and economic processes; the reverse is also true. The political process and democracy are cases in point as they are institutions mainly shaped by economic processes. Schumpeter states that politicians can be best conceptualized as 'political entrepreneurs' that do not strive for the common good, but rather aim to govern the masses. Seen from this economic perspective, 'the democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote' (Schumpeter, 1942). For the purposes of our research this insight on the parallels between economic and political life is more important than Schumpeter's emphasis on the importance of innovation for economic development. In our view, it is exactly this analogy that may explain the trend among policy makers to create the next Silicon Somewhere. If we accept Schumpeter's statement that politics is business politicians may be seen as taking part in a competitive struggle with the people's

vote as the profitable result. Political entrepreneurs search for 'policy innovations', i.e. successful policies meeting the interests of groups in society, with the ultimate aim to win the political game. Thus, business men trade in goods, politicians in votes. At this point, Schumpeter stopped his analogy. However, we want to draw the parallel further and argue for the existence of swarms of innovative activity in the political sphere as well. In this line of reasoning, the trend of public authorities to copy 'best practices' is a political variant of the tendency among economic actors to imitate innovations of successful entrepreneurs. Applied in the case of regional policy this means the following: the favourable climate created by the appearance of a 'first mover' (say, Silicon Valley) evokes an upswing of reactions by other regions who are less creative and venturesome. By imitating the original 'policy innovation', they hope to share in the profits – and for some time they can. But as the pie has to be shared among more and more imitators, the chances to make profits from adopting the success story erode. At some point, there will be an overcapacity of regions burdened with the same activity and a shake-out sets in, while politicians, hoping to turn the tide, search for new 'best practices' (say, the Öresund) to be followed.

Thus, from a Schumpeterian view, by relying too much on innovative 'best practices', regions ultimately undermine their potential competitiveness. To be sure, competition is only possible if there are at least some similarities between rivalling regions. But which region will win this territorial competition and gain the prize in terms of extra economic activity, jobs and income, ultimately depends upon the degree in which regions are able to make the difference. When it comes to real regional competitive advantage, it is about trying to be different, not from doing the same things other regions do (Nootboom, 1999; Hospers, 2001). Conversely, by giving themselves profiles such as 'Silicon' or 'Valley', European regions do not make it clear how they differ from one another. Moreover, by mirroring themselves with Silicon Valley, they recognize the superior position of this area and its 'first mover advantage'; thus, they contribute to the entrepreneur's reputation as a success story. Next, from a (supra)-national perspective, the bandwagon effect in regional policy involves the risk of excessive investment (duplication) in the same economic activities, with information technology as today's most prominent example. What might happen here in the field of regions, is illustrated well by the development of the European airline industry at the moment. In fact, the wish of each country to have its own airline company ('national champion') has led to overcapacity in the airline market on a European scale – with the sector's decline and a Schumpeterian competitive destruction process and shake out as the inevitable result.

### **3. Territorial benchmarking and economic-geography**

Building on the pioneering work of Marshall (1890) prominent writers such as Krugman and Porter have tried to explain the strong tendency of economic activities to concentrate in space. Their work has been influential both in regional science and policy making since the 1990s. Krugman (1990) has developed models in the field of 'new economic geography' that regard large-scale firms with increasing returns to scale as a source of clustering at a particular location. In this view, regional clustering is usually seen as a 'good thing' as it attracts new firms that want to profit from specialized labour, specialized intermediate inputs and knowledge spillovers. Once established, however, the initial clustering inevitably follows a place-specific path in time that may become quite rigid ('locked-in'). Thus, this 'path dependency' may induce spatial lock-in effects that paralyse entrepreneurship and innovation. The role such a spatial concentration process can play in an area's competitiveness is analyzed by the business economist Porter (1990). The central concept in his analysis of competitive advantage is a 'cluster', i.e. 'a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities' (Porter, 1998, p. 199). In his view, (regional) clusters boost an area's competitive advantage for at least three reasons. First, participating in a cluster allows firms to operate more productively. They have a better access to means needed for carrying out their activities (such as technology, information, inputs, customers and channels) than they would have when operating in isolation. Second, this easier access will not only enhance the participants' productivity, but also their ability to innovate. Third, an

existing cluster may provide a sound base for new business formation, as its relationships and institutions will confront entrepreneurs with lower barriers of entry than they will meet elsewhere.

Even more than economists, geographers highlight the importance of unique local conditions to explain clustering of economic activity. Revitalizing a concept originally introduced by Marshall (1890) in particular Italian scholars have put forward the notion of 'industrial districts' since the mid-1980s (Piore and Sabel, 1984; Belussi, 1996). In explaining agglomerations of regional industry, they argue, not only technology-related input-output relations should be taken into account. The local institutional structure is important as well. To support their point, industrial district scholars often refer to the successful economic development of Northern-Italy. In 'industrial districts' in Emilia-Romagna, for example, close inter-personal interaction and cooperation on a local scale are said to have created 'factories without walls' and an 'industrial atmosphere'. This local collective orientation has led to high growth rates in such artisan sectors as clothing, leather and ceramics. More recently, the concept of 'innovative milieu' has come to the fore (Maillat, 1995; Malmberg et al., 1996). This concept can be regarded as the French variant of the Italian notion on industrial districts. Innovative milieux are 'islands of innovation' in which local actors such as firms and (semi)public bodies have learned to combine their material and immaterial resources to bring about new products and services. Thus, innovation is seen as the result of a collective learning process within the spatial borders of the milieu. An often-cited example of an innovative milieu is the Swiss watch industry in the Jura d'Arc. The centuries-old networks in this area have facilitated collective learning in watch making and the development of new types of watches (e.g. Swatch). Innovation and learning are also central notions in the work on regional innovation systems and learning regions (Florida, 1995; Cooke, 2002). This strand of the literature regards innovation as a cumulative and interactive learning process and argues that innovating firms profit from complementary private and public parties (e.g. universities) in their neighbourhood. Close proximity may not only lower transport costs, but also facilitate trust and mutual learning and thus innovation. Together, the web of relations between innovating parties constitutes a 'regional system of innovation' that – if functioning properly – may grow into a 'learning region' (Boekema et al., 2000).

By way of illustration, let us briefly examine the economic geography of three popular 'best practices' (Silicon-Valley, Emilia-Romagna and Baden-Württemberg) whose success has been explained by the theoretical ideas and concepts we reviewed above (Sternberg, 1996; Boekema et al., 2000; Cooke, 2002). Perhaps the most famous example of regional clustering is Silicon Valley in the heart of California's Santa Clara Country. In this micro-electronics-based region, firms jointly develop and produce semiconductors and computer chips that are sold world-wide. In particular the innovative attitude of the many immigrant entrepreneurs in the region has led to a fruitful combination of competition and cooperation, a factor that is mostly held responsible for Silicon Valley's strong economic performance (Saxenian, 1994). The same is true for the already mentioned Italian example of a best practice, that of Emilia-Romagna. This region is located in the northern part of Italy ('Third Italy') and hosts clusters producing machine tools, ceramic tiles, knitting and footwear. Regularly, the fact that Emilia-Romagna has developed to one of the richest areas in Europe is associated with the local tradition of cooperation and collective action. This unique cooperative culture dates back to the Renaissance and has rendered the region high levels of social capital (Putnam et al., 1993). Moreover, the local government in Emilia-Romagna has supported the development of local clusters by providing social and business services, so-called 'real services'. Besides Emilia-Romagna the German region of Baden-Württemberg is widely seen as one of the biggest industrial success stories within Europe over the past 30 years (Hassink, 1997). The region's success is based on the presence of a strong engineering cluster dating back to a pre-industrial tradition in crafts and a strong regional pride among the inhabitants and their political representatives. Since the 1980s the christian-democratic federal Land-government, represented by the directly elected former minister-president Lothar Späth, has been entrepreneurial and pro-active in promoting cooperation between 'state, industry and science'. Thus, a lot of state-sponsored programmes could be designed to help market parties in the process of clustering, such as a technology transfer system known as the Steinbeis Stiftung. If anything, the success of these three regional best practices point to the importance on historically-grown local specificities, both in economic and institutional terms.

All and all, economic geographers remind us that the adoption of 'best practices' may be tricky due to interregional differences in starting-position, economic structure and institutional particularities. Besides the fact that success stories may be overstated by the representatives of the donor region, it is often unclear what exactly has made the region to be seen as a successful one. That success may have to do with simple chance events (path dependency) or the unique structure or culture of the region in question. The contribution of these locality-specific factors in regional success is often overlooked. Thus, in trying to copy a regional test bench, regions often ignore the question whether they dispose of similar favourable preconditions. If these conditions are largely absent and the differences between the donor and host area are large, policy borrowing may be a naive and wasteful effort. Akademgorodok in Russia provides an extreme example of policy failure in this field (Castells and Hall, 1994). After the model of Silicon Valley this Siberian 'city of science' was built 'ex nihilo' in the 1950s. Since then, the place has been languishing for decades. The obvious lesson to be learnt from such 'great planning disasters' is that regional success cannot be produced from scratch. The need to care for the compatibility of a policy transplantation from 'donor regions' to 'host regions' also appears from the cases of the Italian island of Sardinia and the Ruhr Area in Germany's west (Hospers, 2003b; Hospers, 2004). In both regions, the large-scale re-industrialization initiatives of government during the 1960s were simply rejected by the local environment. Both the industrial complexes in Sardinia and the high-tech sectors in the Ruhr Area turned out to be disembedded and consequently ended as 'cathedrals in the desert'.

#### **4. Territorial benchmarking and comparative public policy studies**

Apart from Schumpeterian theory and economic geography, we think, also the literature on comparative public policy may be relevant to assess the usefulness of best practices in regional policy. One of the leading texts in this branch of policy studies defines comparative public policy as 'the study of how, why, and to what effect different governments pursue particular courses of action and inaction' (Heidenheimer et al., 1990, p. 3). Broadly, the goal of such a comparative approach is to find similarities and differences in policies between countries. Studying public policy comparatively may have several advantages (Heidenheimer et al., 1990; Hague et al., 1998). First, comparative research can be a helpful tool for drawing lessons for policy makers. Second, comparing public policies may be useful to find out how government institutions and political processes operate. Third, by studying policy strategies in other countries problems that are not bound to national borders (e.g. environmental problems) may be solved more easily. In other words, through comparing, policy makers may broaden their understanding of a current situation as well as of the constraints and options they face. Basically, these advantages hold for the study of regional 'best practices' as well. However, it can be argued that the possibility of learning by looking abroad ('learning-by-comparing') is always a matter of degree. In his famous book *Lesson-Drawing in Public Policy* (1993) Rose identifies seven so-called 'contingent' influences on lesson-drawing. These contingencies can be seen as preconditions that affect whether a policy initiative can be transferred from one place to another. In general, the fewer conditions are fulfilled, the more difficult it may be for policy makers to learn from policies pursued by governments in other areas. Rose (1993) lists the following contingences of lesson-drawing in public policy:

- (1) *Uniqueness*. The policy does not address a unique problem.
- (2) *Resources*. There are sufficient resources (money, public personnel, laws) available.
- (3) *Institutions*. The delivery of the programme is not dependent on unusual institutions.
- (4) *Complexity*. The policy initiative is not too complex.
- (5) *Scale of change*. The scale of change the policy implies is small.
- (6) *Interdependency*. The programmes are interdependent in some way.
- (7) *Values*. The policy is consistent with the values of policy makers.

The likelihood that all these seven conditions are met highly depends upon the characteristics of the respective policy action authorities want to learn from (Rose, 1993). To make things manageable for

our purposes, we think it is useful to reformulate these contingencies to three groups of conditions that jointly determine to what extent policy makers can learn from experiences elsewhere. These re-grouped 'contingencies' may be listed as follows:

- (A) *Necessary contingencies*. These are the conditions that must be fulfilled if policy makers want to draw any lessons from a policy initiative at all. In our view, they contain the contingencies of uniqueness, resources and interdependency. Firstly, the fewer the elements of uniqueness a policy initiative has, the more transferable it is. Secondly, governments have to dispose of sufficient resources in order to adopt a policy that worked somewhere else. The greater the equivalence of these resources between locations, the more fungible an initiative is. Thirdly, the areas compared have to be interdependent in some way. The greater the interdependency between these territories, the more likely it is that lessons can be drawn.
- (B) *Structure-based contingencies*. They refer to Rose's contingencies of complexity and scale of change. The condition of complexity indicates that the policy initiative should not be too complex. The clearer its cause-and-effect structure, the more transferable it is. Moreover, the scale of change the policy implies in an area has to be relatively small to be fungible. The smaller the scale of change the adoption of a programme involves, the more likely it is that policy makers can learn from it.
- (C) *Culture-based contingencies*. These factors encompass Rose's contingencies of values and institutions. Both refer to the cultural characteristics of an area, like its norms, conventions, customs, degree of trust and political ideology. These soft factors make up the institutional tissue of an area. In general, to learn from a policy initiative, it must not depend on unusual institutions or values. The more similar the institutions and values in the areas compared, the more fungible a policy action is.

Relating these three groups of contingencies to regional policy in Europe yields the following results. Generally speaking, the necessary (but still insufficient) conditions are likely to be fulfilled. To start, regional policy programmes are not one of a kind, as they have become pervasive at all levels of government. Next, most European regions wishing to learn from success stories are advanced: usually, they are wealthy, employ qualified civil servants and have a continental or common law system. Thus, they are likely to have similar resources as popular 'benchmark' regions like Silicon Valley and Baden-Württemberg. Furthermore, the trend of globalisation has created interdependency between regional policies, which has increased cross-region learning. The emergence of Structural and Cohesion Funds has made regional policy to a common concern in all regions across the EU. This interdependency can be observed too when hearing politicians speaking about the need to 'match' policy efforts of other governments (Jacobs and De Man, 1996). Thus, we expect that the first group of contingencies of lesson-drawing will be met in the case of regional policy.

The likelihood that the other conditions are fulfilled in the case of benchmarks of regional policy is still rather questionable though. As a matter of fact, in line with the economic-geographical literature the comparative public policy approach argues that the success of 'best practices' often can be related to place-specific factors (section 3). Translating this argument in terms of Rose's contingencies, we fear that regional success stories (e.g. Silicon Valley and Emilia-Romagna) are often so much based on structure- and culture-based contingencies that transferring policies from these regions to other places is at best difficult. Mostly, regional success is the result of a complex interplay of factors that are hard to isolate or even to identify. Policy action is only one of the possible determinants of the performance of an area. Moreover, regional policy programmes are complex in that they do not have a simple cause-and-effect structure. As such they differ from, say, a speed limit that can be monitored and enforced by the state directly. The goals of regional policy are vague, while its effects are diffuse and hard to measure empirically. Besides, the scale of structural change needed for an area to be able to profit from a foreign success story may be too large. Copying a successful policy, such as the provision of real services in Emilia-Romagna or a pro-active approach of the autonomous government in Baden-Württemberg, may require a new way of thinking of government officials and ask for radical administrative changes. When turning to the culture based contingencies, we note that successful

policy initiatives often are based on the unique, historically-grown cultural climate and political ideology of the region at hand. In short, for effective learning we think that there has to be a large degree of compatibility between the donor and host region. In particular, a strong congruence between territories in terms of their economic and institutional structure is needed. As we see it, what applies for regions in general, applies even more for 'best practice' areas: the particular structural and cultural tissue found in these regions renders their area-based policies in fact a unique flavour that cannot be transferred easily to other places. It is for these structure- and culture-based contingencies that the literature on comparative public policy warns: regions may draw inspiration from Silicon Valley, but simply cannot turn themselves in a second one.

## **5. Conclusion: don't imitate - innovate**

In these days, the EU explicitly promotes the dissemination of so-called 'best practices' in regional innovation policy. With the help of score boards, case studies of successful regions, interregional benchmarks European regions are encouraged to raise their competitiveness. In practice, however, this trend of territorial benchmarking has led to the imitation of a limited number of alleged success stories like Silicon Valley. Regions marketing themselves as Silicon Glen (Scotland), Language Valley (Flanders) and Dommel Valley (Eindhoven) point to the dreams many areas have to turn themselves into the next 'Silicon Somewhere'. In the present paper, we tried to assess the usefulness of such 'best practices' in EU regional innovation policy and to find what lessons really can be drawn from regional success stories. For this purpose, we used insights from Schumpeter and the literature on economic geography and comparative public policy studies. From a Schumpeterian view, the copycat behaviour among authorities suggests the existence of a political 'business cycle': politicians are just like entrepreneurs in that they tend to imitate a first mover in the hope to share in its success – but as more imitators enter the scene, the profit opportunities of the innovative policy fade away and a shake out is likely to set in. The economic-geographical body of literature offers us some concepts (e.g. clusters, industrial districts, innovative milieux and learning regions) that stress the importance for a region to build upon unique, place-based conditions in order to gain competitive advantage. After all, real competitiveness always is about being different. Finally, the branch of comparative public policy studies points to the 'contingencies of lesson-drawing', i.e. the preconditions that affect whether a policy measure can be transferred from one place to another. Notably the contingencies related to the degree of uniqueness of an area's structure and culture may hamper the possibility of 'learning by comparing'. If we combine the three bodies of literature, we may conclude that the possibilities of lesson-drawing from 'best practices' in regional innovation policy is only limited. Even more, the very conditions that explain the success of a particular region will be the most difficult elements to learn from. By relying too heavily upon them, we fear, areas may undermine their competitive advantage and become victims of a territorial 'race to the bottom'.

What does this rather pessimistic conclusion imply for the contents and organization of EU regional innovation policy? In our view, the most important recommendation for European policy makers is this: try to stimulate authorities to develop as much as possible strategies that are based on an assessment of the region's specific characteristics instead of dreaming to copy successful programmes from abroad. In our view, the starting-point for an effective area-based policy has to be found in the existing structure and culture of the regional economy. In that respect, regional 'best practices' should be seen as inspiration sources rather than as recipes for successful regional economic development. Within the structural and cultural specificities of a region governments may try to identify activities with opportunities for innovation and growth. We think that opportunities for that can be found in - paraphrasing Schumpeter's (1912) term for innovations - 'new combinations' of local traditions and global trends. To be sure, this integration of new into old is quite a job and requires much creativity. At first glance, it is hard to conceive how heroes of the old economy could fulfil a new role in the future. However, there is room for policy learning in this field – without, of course, the possibility of copying the success of these regions, a warning that we want to repeat again and again. In Europe several regions can be found that show how regional policy may bridge the gap between

local traditions and global trends. In some cases authorities have rejuvenated traditional local activities by fostering the introduction of high-technology in these sectors' production and marketing. Without an locally attuned regional policy such new combinations probably would not have been realised in the Italian leather and textiles industry and the Swiss watch making industry (Swatch). The same goes for the upgrading of Finnish forestry from the 1990s on, which has resulted in new fields of application like bio-and e-forestry. Other examples illustrate how the expertise of a declining sector may be exploited for new activities. In Landskrona (Sweden), for instance, the state helped employees in shipbuilding to start their own business within the shipyard. Here, new firms emerged in which the workers used their knowledge and skills in shipbuilding for the production of machine spare parts. Likewise, the emergence of the golf equipment industry in San Diego (United States) and the Britpop music cluster in Manchester (England) can be traced back to the prior existence of industries whose know-how on advanced materials proved to be useful for new playing tools. In some cases old industries also have taken advantage of the trend that demand for services is rising. In the former industrial area around Lille (France) several textile factories have been transformed effectively to mail order firms in the field of clothing. In the German Ruhr Area traditional sectors have changed of use as well. Since the 1990s local authorities are promoting the region's industrial tradition actively in the tourism branch. More and more tourists are visiting the area now in order to discover its 'industrial culture'. This original policy has contributed to the successful structural change in the Ruhr Area over the last years. In short, there will be a lot of interesting possibilities for government to realise place-specific 'new combinations' by means of regional innovation policy.

It should be stressed that the above examples of an alternative innovation policy directed at global-local interfaces in a regional setting should be viewed as nothing more than sources of inspiration. The examples of this type of policy are not 'best practices' but 'unique practices' in that they demonstrate that an approach aimed at regional uniqueness rather than regional ubiquitousities is the most feasible way to proceed. And if policy makers want to draw any inspiration from other regions, we advise them rather to look for what we would like to call regional 'worst practices'. After all, we often learn more from failures than from successes. Thus, we feel that studying examples that were unsuccessful might be more productive in terms of possibilities for lesson drawing. Earlier in this paper (section 3) we mentioned already the danger of a region becoming an area that hosts a 'cathedral in the desert' without any connection to the local environment. This lack of embeddedness is a serious pitfall of regional innovation policy aimed at the next 'Silicon Somewhere'. From this perspective, it makes sense to look at failures of regional policy – Akademgorodok in Siberia and Sardinia in Italy's South being extreme examples. In short, we propagate a kind of 'regional Realpolitik' in Europe: policy makers should stimulate and search for what is feasible in the present local context rather than what they deem desirable. In this strategy of 'regional realism', regional 'best practices' such as Silicon Valley may only provide some inspiration for public authorities; they are by no means recipes for successful regional development.

Therefore, we advise European policymakers to take care with the further propagation of benchmarking in regional innovation policy. Only when local authorities are stimulated to attune their policies to area-specific assets as much as possible, a European 'race to the bottom' may be prevented. On a more concrete level, a European policy of 'regional realism' might ask for more decentralization and localization than the current EU policy practice of just dividing funds among Europe's regions. The regional 'new combinations'-policy we have in mind can be best left to the sub-national (local) level: here we can find the 'genius of place' the best opportunities for local empowerment. At the same time, we think, a higher-level government should see to it that the imitative tendencies of policy makers do not induce a European-wide 'race to the bottom'. In the case of EU policy, this mainly localized 'new combinations'-approach can be introduced within the scope of the subsidiarity principle. In concrete terms, it might be worth considering the adoption of an article in the Treaty stating that the Commission shall take care for enough 'policy diversity' among areas on a European-wide scale. By adopting such a practice of 'regional realism', we think, there is hope for real renewal for the benefit of Europe as a whole. In short: don't imitate – innovate!

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