

The Public Animateur: mission-led innovation and the smart state in Europe

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Overview

- **Reprising the state in political economy**
 - classical and contemporary conceptions
- **RIS3 as mission-led innovation**
 - scope of/limits to the RIS3 programme
- **Lagging regions & the “smart state” thesis**
 - intra-regional challenge
 - trans-regional challenge
 - multi-scalar challenge

Neoliberal state discourse

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

Adam Smith on the State

- The *Wealth of Nations* is misconstrued as the source of an anti-state political economy
- But it contains a strong plea for a “**smart state**” - to temper the noxious effects of the market, social privilege and the division of labour
- Apart from peace, security and justice, the state was duty bound to promote public works, especially public education to temper the “mental mutilation” of the division of labour

The neo-liberal critique

- Originally based on Hayekian insights:
 - the state cannot be a surrogate for the decentralised information processing capacity of markets
 - industrial policy will induce rent-seeking, so states should not engage in “picking winners”
- Buttressed by public choice theorists (like Buchanan) who emphasised:
 - state failure rather than market failure, not least because politicians/officials are corrupt/selfish

The entrepreneurial state

- A recent critique of the neo-liberal critique is *The Entrepreneurial State*, which seeks to:
 - change the way we talk about the state
 - claims the state is innovative and risk-taking
 - shows how the smart technologies of the iPhone were all funded by the state; but...
 - uses DARPA (a unique mission-driven agency) to illustrate her thesis
 - underplays Apple/overplays smart state

The experimentalist state

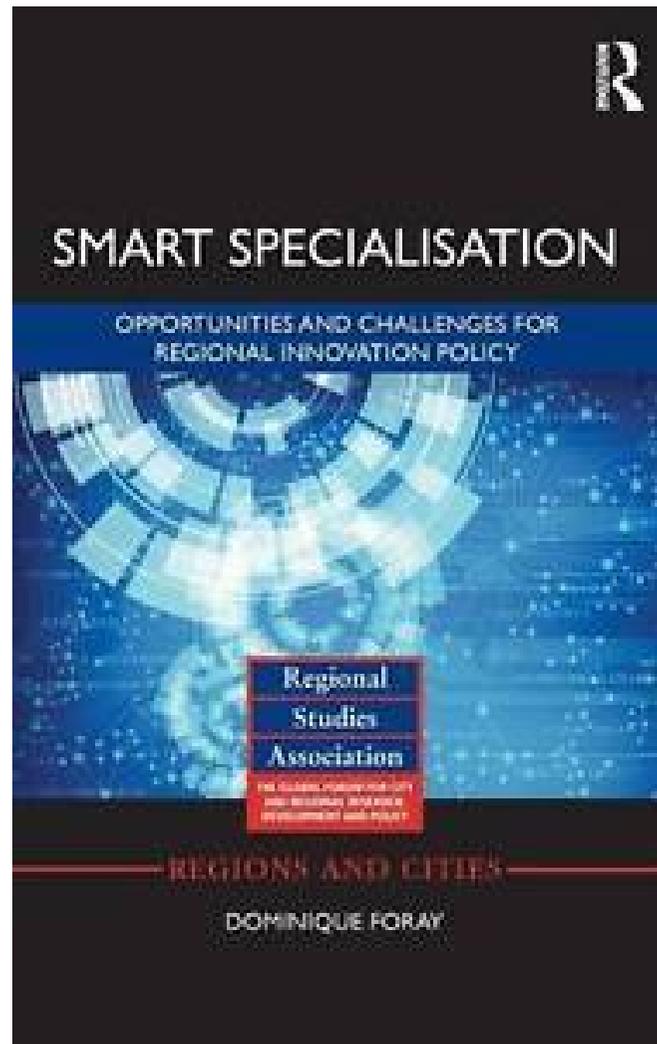
- A persuasive critique of the critique is the *experimental governance* (EG) approach of Rodrik/Sabel
 - the state lacks information, but so does the private sector
 - firms/states need to collaborate to jointly learn in a trial-and-error process of experimentation
 - the aim is to elicit information, find joint solutions, and evaluate outcomes as they emerge
 - this is the “smart state” thesis adopted by Foray and presumed by RIS3 policy

Barriers to experimentalist state

- EG is compelling in principle but challenging in practice because...
- **Feedback** is critical - but stymied by fear, power and hierarchy.
- **Failure** is not tolerated - but the public sector is invited to be more experimental and less risk averse.
- **Learning** is vital – but time and space are not afforded to monitoring, evaluation and revision
- **Monitoring & evaluation** – low status activities but the keys to robust feedback & learning

Regional innovation policy

- Regional innovation policy formally starts in 1990
- In the current ESIF programme (2014-2020) innovation measures account for some 30% of the total and RIS3 is the key concept
- RIS3 mission is to promote innovation capacity in less developed regions (LDRs)
- But RIS3 constitutes a big absorption challenges for LDRs – due to regional innovation paradox



Hyper-fast policy

- RIS3 concept has been rapidly embraced by the EC, OECD and the World Bank
- “the brilliant career of a relatively simple idea...produced at the right moment”
- EC support helped the concept to avoid “the fate of being buried in the great cemetery of good ideas that were never tested or applied”

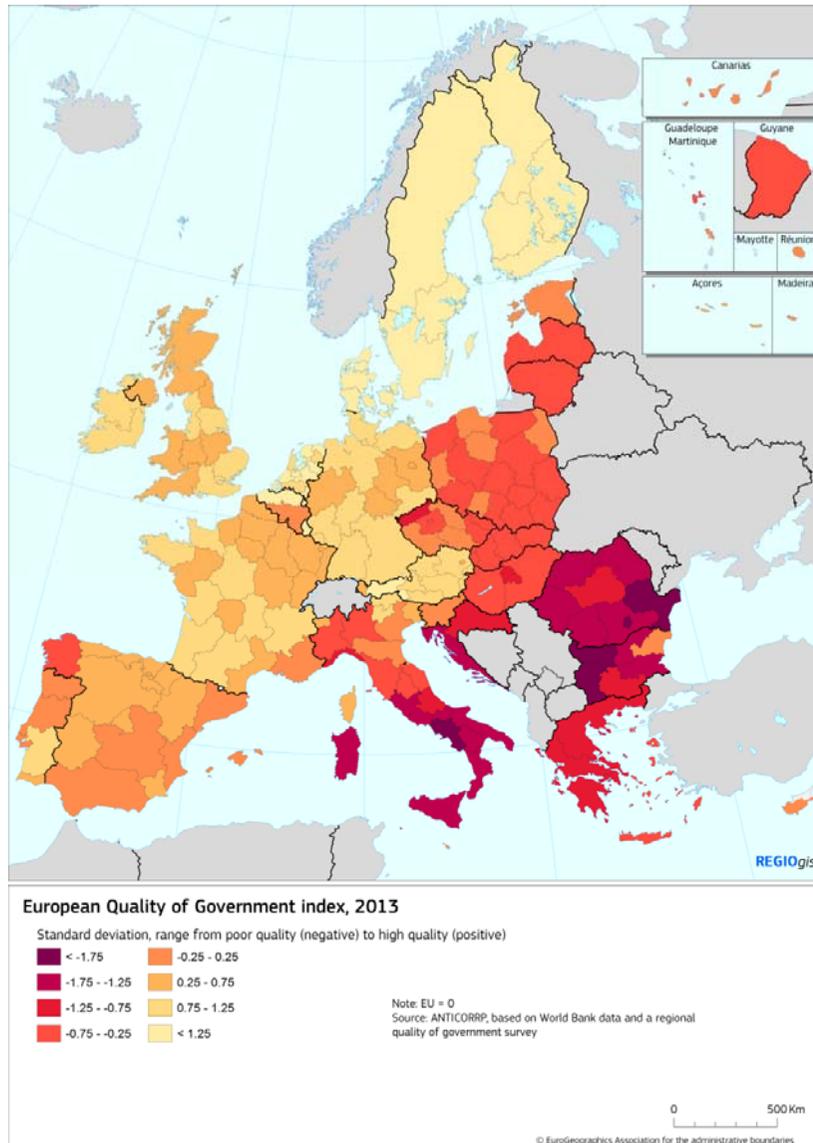
Key issues in RIS3 practice

- A big tension in RIS3 practice is between **policy rhetoric** and **regulatory reality**
- The audit/compliance culture is intolerant of failure – be experimental as long as you don't make mistakes!
- “The volume of rules for Cohesion Policy alone, including more than 600 pages of legislation published in the Official Journal (more than double that in the period 2007-2013) and over 5000 pages of guidance, has long passed the point of being able to be grasped either by beneficiaries or by the authorities involved” (**High Level Group on Simplification, 2017:2**).

Smart state presumption

- RIS3 presumes the existence of a smart state because it asks a lot of the regional state and other public bodies (eg universities)
- Key markers of a “smart state” include
 - quality of government
 - public sector competence
 - public procurement capacity
 - “entrepreneurial discovery process”
 - responsive political elites (assumed to be) committed to innovation

Quality of Government Index



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

Public procurement capacity



- Low cost still dominates the practice even though the guidelines allow public bodies to seek **values for money** - not just value for money
- The power of purchase is stymied by a lack of whole life costing skills & low political commitment
- After Carillion report exposed the woeful state of public procurement capacity in UK civil service – and spoke of a “depressing inability of central government to learn from repeated mistakes”.

Entrepreneurial discovery

- The core of RIS3 (for Foray) is the process of “**entrepreneurial discovery**” in which the smart state identifies new R&I priorities in concert with firms and universities
- But many countries/regions cling to the **linear model** of innovation in the (mistaken) belief that university research inputs = innovation outputs
- Big disconnect here with the academy, where theorists buried the linear model over 20 years ago

Intra-regional challenge

- Forging intra-regional synergies between key actors is the biggest challenge for LDRs
- Especially with respect to the Triple Helix: the RIS3 assumes that TH synergies either exist or are readily assembled
- But the TH metaphor is problematical because...“the three actors do not align their goals, overlap their meanings, and move together. They constitute separate *corners of a triangle*, not strains in a dynamically active helix. Actors stay at their own corner and pull forces in their direction” (Bonaccorsi, 2009: 6).

Trans-regional challenge

- Promoting cross-border collaboration is a key goal of RIS3 and CPR Article 70 (which allows out of area spending) is designed to promote this
- But little or no take-up of Article 70 provisions
- Vanguard Initiative – regional alliance for cross-border value chains – is best example, but faces problems scaling demonstration projects
- Barriers to cross-border working include political opposition and knowledge constraints

Multi-scalar challenge

- RIS3 is a multi-scalar strategy and not a purely regional strategy
- Two dimensions that are proving especially challenging are
 - **horizontal** policy silos at the EC level (eg between DG Research v DG Regio)
 - **vertical** policy silos between member states, regions and their cities (cities were not part of the original RIS3 design)

Conclusions...

- Smart states can make a difference to innovation and developmental trajectories (if they have the institutional capacity & skills sets to do so)
- RIS3 presupposes a smart state but latter is far from the norm (because public sector innovation is stymied by fiscal austerity, lack of feedback, weak learning, fear of failure and an intolerant audit culture)
- Neoliberal thrust to shrink the state is counter-productive as the public sector is a key actor in the era of mission-led innovation, societal challenges and socio-spatial cohesion

References

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- Collective Entrepreneurship: The Basque Model of Innovation, *European Planning Studies*, 24(8), 2016
- The Heroic Assumptions of Smart Specialisation: A sympathetic critique of regional innovation policy, in A. Isaksen et al (eds) *New Avenues for Regional Innovation Systems*, Springer, 2018 (with P. Marques)