

CARDIFF
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PRIFYSGOL
CAERDYDD

Centre for Innovation
Policy Research

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Progressive localism: social innovation and the foundational economy

RESINNREG WEBINAR SERIES

21 SEPTEMBER 2021

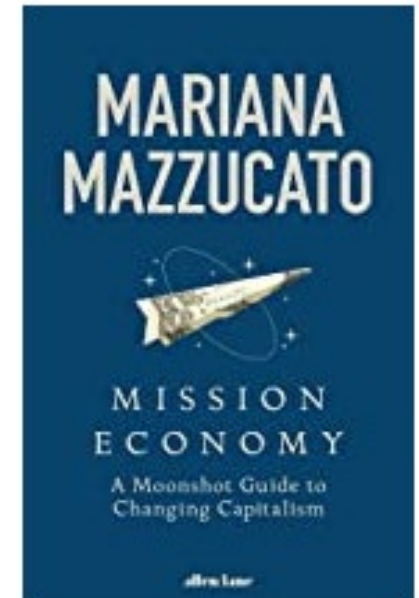
Kevin Morgan

Overview

- (Re)framing innovation
- Bringing the state back in?
- (Mis)reading Mazzucato
- Foundational Economy
- Polycentric/experimental polities
- Experimental governance in Wales
 - Cardiff Capital Region
 - Micro-missions
- Lessons/challenges
 - policy, practice & theory

(Re)framing innovation in a new cognitive landscape

- Innovation is being re-framed in more capacious social and sectoral terms
- **Mission economy** theory frames the state and the public sector as more benign actors in the innovation process
- **Foundational economy** theory brings social innovation into the frame by focusing on sectors that constitute the infrastructure of everyday life, meeting human needs directly



UNDP accelerator labs

Social innovation labs



Innovating in an Uncertain
World: One Year of Learning
and Breakthroughs

2020 Annual Report

A new breed of challenges

Migration, water scarcity, violent extremism, economic dislocations due to automation, diseases that spread more quickly due to increasing draughts. These are the types of real-world problems that undermine global development. They are problems that aren't simple to solve. They are compounded by billions of actions and interactions. They change by the minute. They are complex. They are interconnected.

These problems don't respond to well-laid economic growth and development plans. They don't respond to social mobilization alone. They can't be analysed with five -year-old datasets. And they won't be solved by a singular technological breakthrough.

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OECD observatory of public sector innovation

	Capability to Innovate	Motivation to Innovate
Regulation	<p>Are rules, processes and procedures blocking innovation?</p> <p>Are hierarchy and bureaucratic conventions impeding innovation?</p>	Will challenging accepted practices be beneficial?
Budgeting	<p>Funds for piloting and scaling up</p> <p>Flexibility to move resources</p>	<p>What happens to innovation dividends?</p> <p>How is innovation prioritised in budget allocation?</p>
Human Resources	<p>Discretion</p> <p>Autonomy</p> <p>Skills</p> <p>Professional and competency development</p> <p>Leadership support</p>	<p>Is there a system of rewards in place?</p> <p>Are innovation efforts systematically recognised?</p> <p>Is innovation included as criteria for career progression?</p>
Innovation Organisations	<p>Space to experiment</p> <p>Funds for investment</p> <p>Developing skills for innovation</p> <p>Support for using new techniques and methodologies</p>	<p>Is innovation a recognised priority?</p> <p>Are there fora to share and recognise success?</p>
Risk	<p>Knowledge of processes to manage risk and uncertainty</p> <p>Availability of required resources (skills and financial) for innovation to happen</p>	How is innovation valued e.g. is there a recognise mandate for innovation?

Bringing the state back in?

- “It has become impossible to think straight about the state. The only permissible discourse is to talk of shrinking, fragmenting and privatising it – opening it up to competition and market forces. It is accepted as axiomatic that a public institution will be bureaucratic, self-serving and...lazy” (Will Hutton, *The Observer* 18 October 2015)
- But a common thread of recent research on **public sector innovation** is to change the way we talk about the state and the public sector – by stressing the roles of the state as co-creator, market-maker, risk-taker, innovation catalyst, network convenor, lender of first (rather than last) resort (Mazzucato etc)
- So no - it’s not bringing back the state of old (where it was the command + control centre sitting atop a hierarchy) but the state as part of a multiscalar network of actors (an embedded state)

(Mis)reading Mazzucato

“to think in a mission-oriented way is revolutionary because it requires **rethinking the role of government** in the economy, putting purpose first and solving problems that are important to citizens” (Mission Economy, p123)

Many criticisms of MM are **political** rather than intellectual (eg that her work licenses a Big State/sanctions a top-down approach). These criticisms are not necessary features of mission-led innovation even if her own work is blind to the dangers of centralism

More valid criticisms of MM concern (a) the neglect of **power** in her analysis of state/economy relationships (b) the relative absence of a **spatial sensibility** and (c) an over-estimation of **state capacity** to fulfil the exacting tasks of mission design and delivery

Foundational economy

Tradeable
competitive
economy

Foundational
economy of
daily essentials
e.g. housing,
health care

Domestic
economy of
family and
community

- Part of a zonal way of thinking about economies + how different zones matter – so not one but many economies
- Regional + industrial policy focus almost exclusively on the tradeable economy
- The foundational zone can help cities and regions with the challenges of inclusive growth and wellbeing
- The foundational economy provides the infrastructure of everyday life

Why the FE matters?

(1)

*wellbeing
critical for
households*

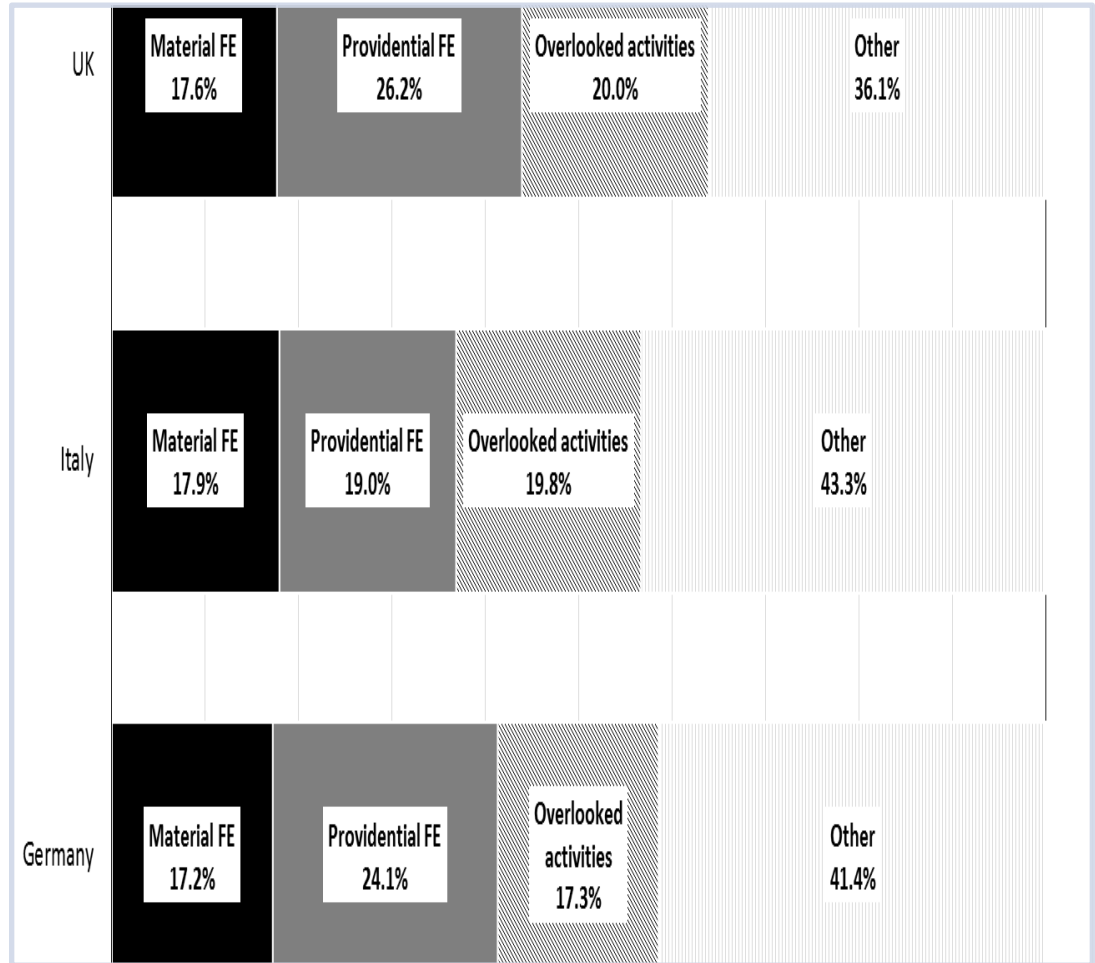
Household wellbeing depends daily on foundational essentials where interruption of provision = immediate crisis

Providential services like health services and care, universal primary and secondary schooling = the badges of our civilisation

Material infrastructure of pipes and cables connecting households to systems which make everyday life safe, sound and civilised

Why the FE matters?

(2) 40% or more of the economy in employment terms



Not just income but multiple drivers of well being

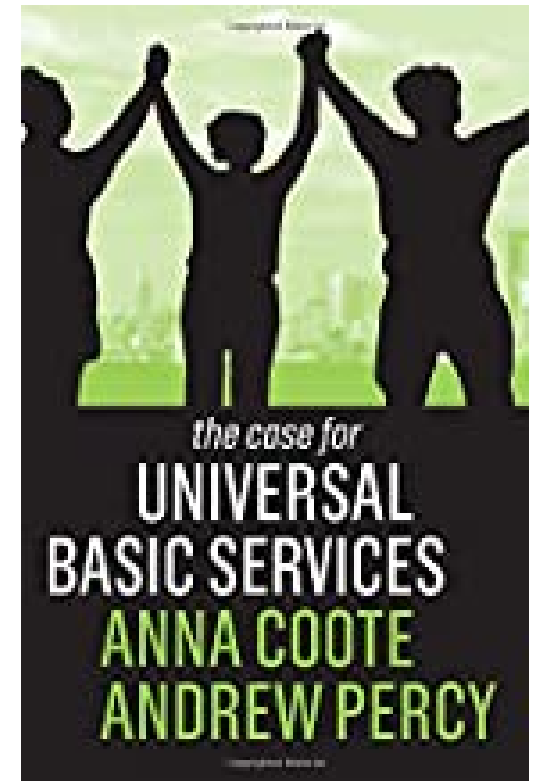
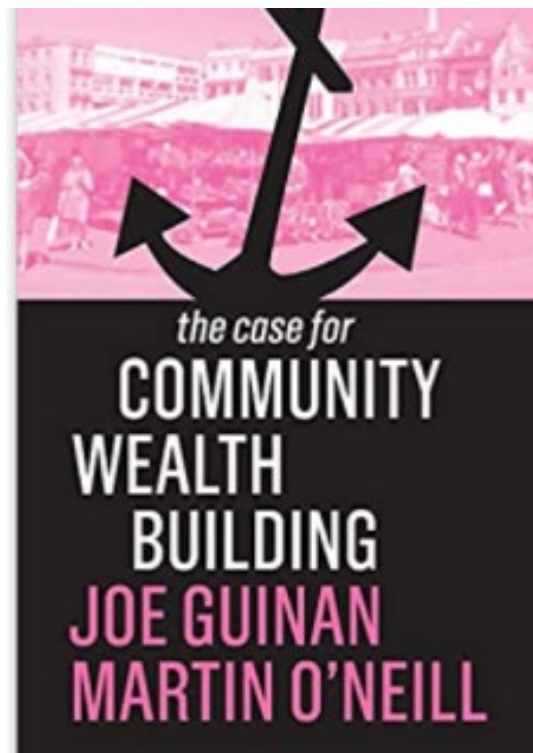
- We live in an income based society but wellbeing depends on 3 other drivers: grounded, mobility and social infrastructures
- Access and quality of much in 2, 3 and 4 depend on **social** investment (public or private); i.e. what you cannot buy from private income
- So a balanced approach to all four drivers is needed for an inclusive and sustainable society

1. Income from jobs, pensions + welfare

2. Grounded infrastructure: housing, utilities, health, edn + care

3. Mobility infrastructure: cars + public transport systems

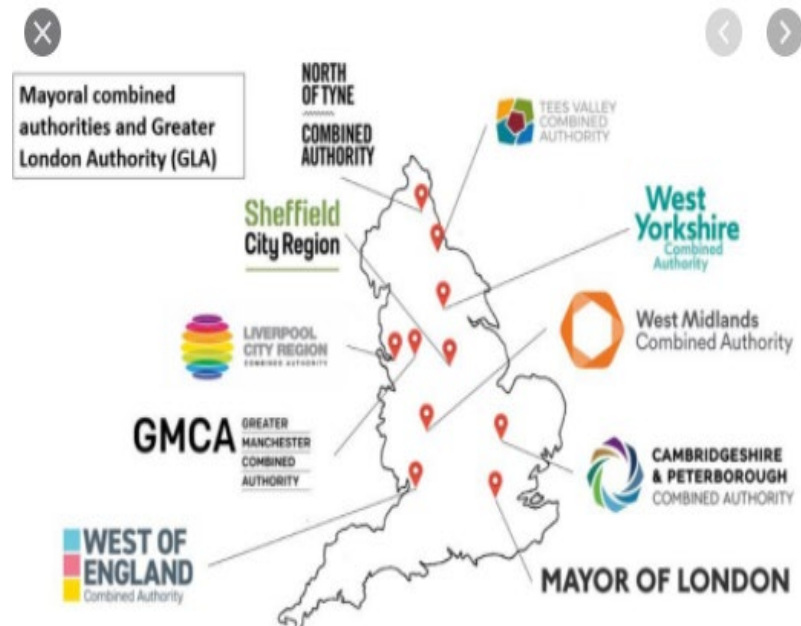
4. Social infrastructure: parks, libraries, community centres + their activities



Social need/ecological integrity/wellbeing

Polycentric polities/ experimental spaces

- Devolution is spawning more polycentric polities, creating more experimental spaces
- For all its shortcomings in the UK, devolution is firmly underway and helps counter political centralism
- Celtic nations and city-regions aim to secure more powers to launch place-based policy experiments that address local problems in a **multiscalar** fashion (to avoid the trap of hyper-localism)

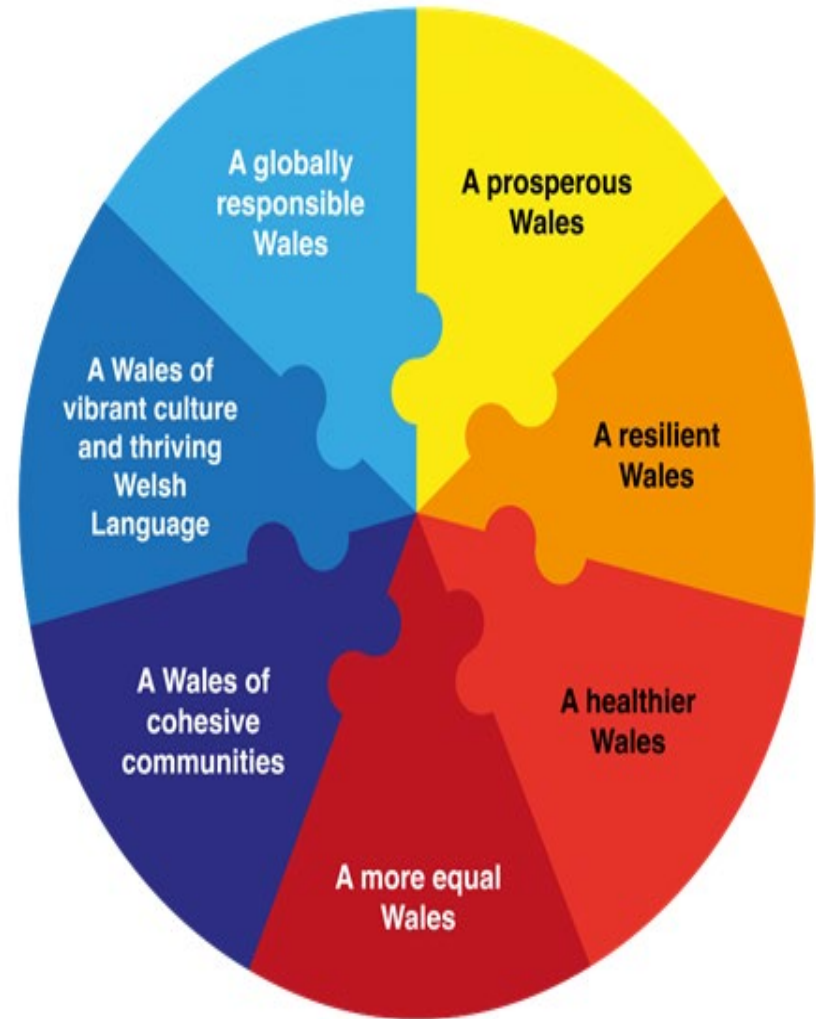


Experimental governance in Wales

- Wales is currently struggling to come to terms with the co-evolution of 2 models of devolution
- **National model** – the traditional model of devolution from London **to** Wales, foregrounding the role of the Welsh Government
- **Subnational model** – the more recent model involves devolution **within** Wales, foregrounding the role of regional consortia of municipalities (like the Cardiff Capital Region in South East Wales)

Well-being of Future Generations Act

- The single most important piece of legislation in the first 21 years of devolution
- Public bodies in Wales are obliged to address 7 well-being goals
- The WFG Act sets the overarching framework and the metrics for all public policies
- Creates a more capacious conception of development that is far more multi-dimensional than GDP per capita

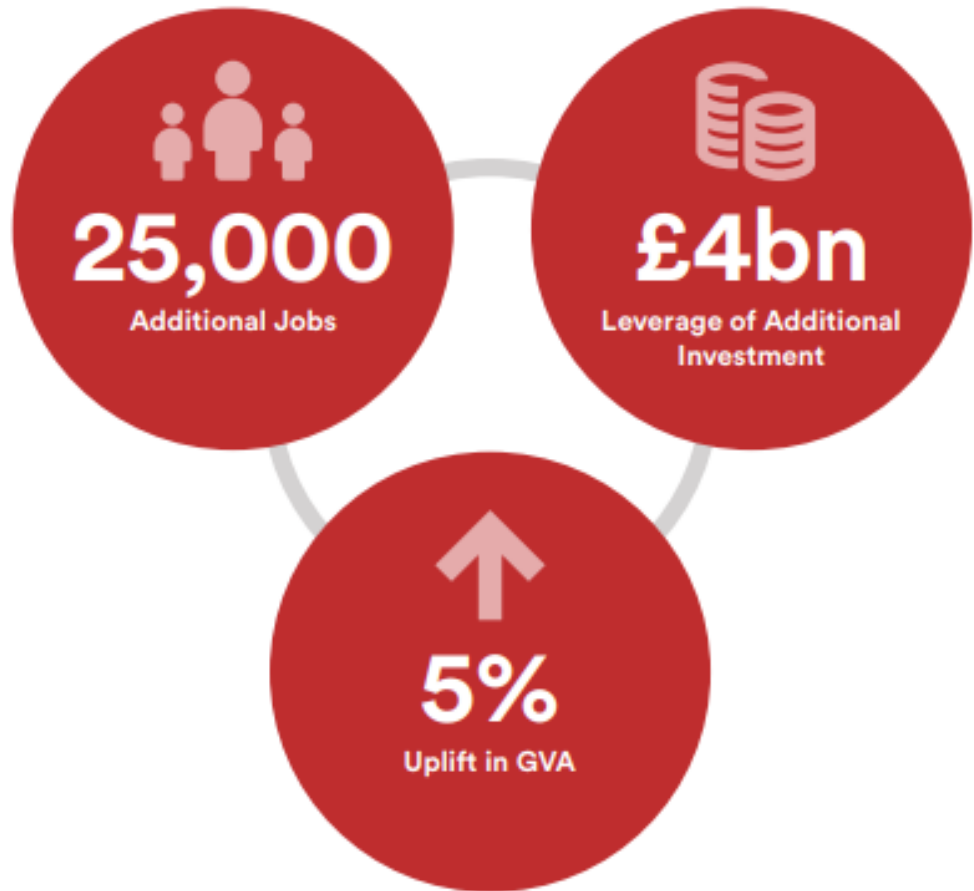


Cardiff Capital Region

- 2 main cities : Cardiff/Newport
- 3 zones: heads of the valleys; lower valleys; coastal zone
- Cardiff Capital Region in SE Wales created in 2013
- South East Wales: 10 municipalities, 1.5 million population



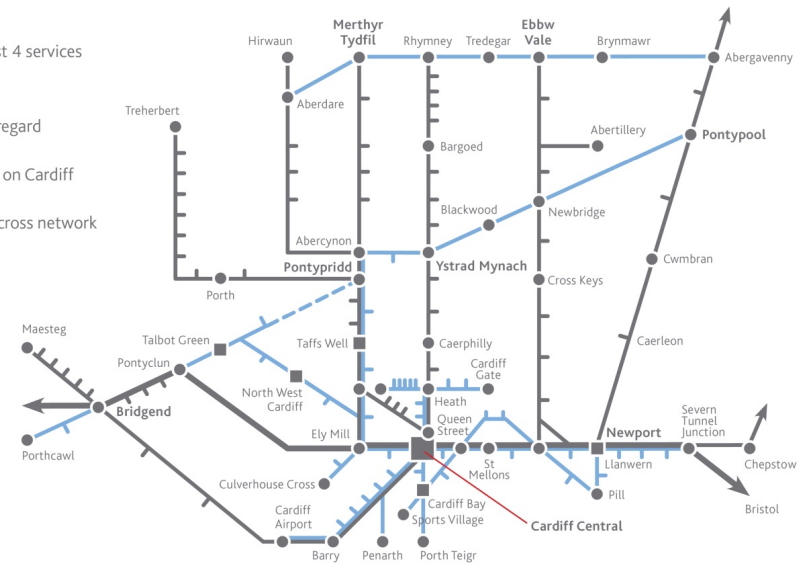
Core objectives of the Cardiff Capital Region City Deal – a new regional development mission



CCR Metro - connecting the city-region for sustainable mobility

Metro Key Features:

- Mixed mode system with at least 4 services per hour
- Widespread park & ride
- All modes fully integrated with regard to tickets and timetables
- Economic development focused on Cardiff Central and strategic sites
- Station focussed regeneration across network



Metro will help stimulate a region wide economic regeneration:


- A connected, polycentric city region of 1.6m people
- A strategic city region plan for housing, transport and the economy
- A major modal shift delivering reduced congestion and CO₂ emissions







Key:


- Major Station/Interchange
- Strategic Development Site
- Electrified Heavy Rail or LRT
- Tram/Tram-Train/Bus Rapid Transit

CCR cluster building

- At £39 million this is the biggest investment outside the Metro that CCR has made to date
- By forging backward and forward linkages CCR hopes to avoid the fate of earlier forays into semiconductors - when LG Electronics and Inmos ended in failure due to their branch-plant status








					
Water Production	Chip Processing	Packaging specialists	Producer of manufacturing equipment	High Volume silicon photonics	Wireless communications devices



A complete supply chain in a concentrated geographical area...

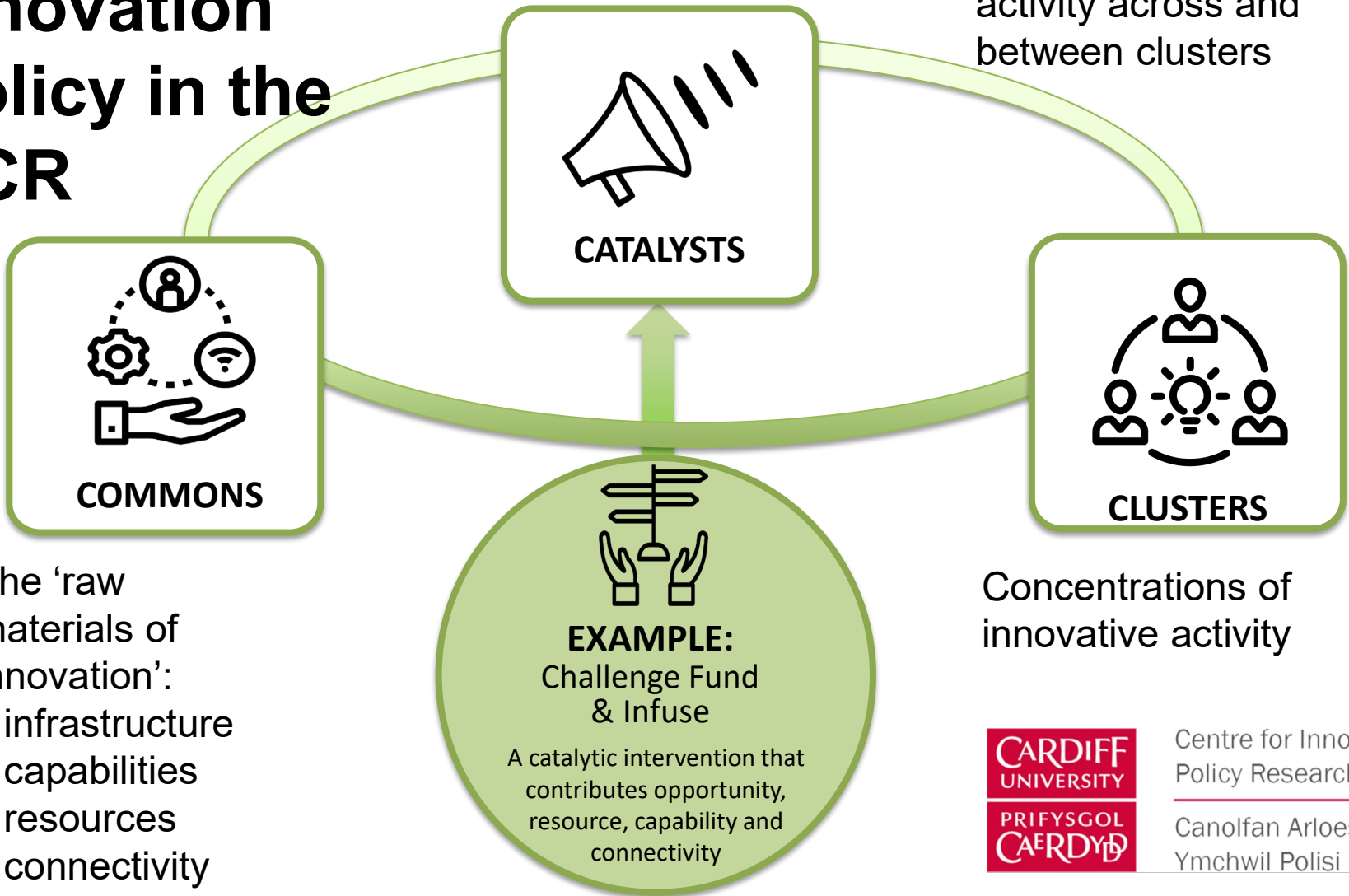
- > £300m strategic investment
- Spans research to high volume manufacturing
- ... next-gen materials and devices to applications

				
£75m	£30m	£42m	£50m	£38m
Institute for Compound Semiconductors	Centre for Integrative Semiconductor Materials	Compound Semiconductor Centre	Compound Semiconductor Applications Catapult	Foundry and Research Centre

...backed by leading research capability and collaborative practice

The 3Cs of innovation Policy in the CCR

Interventions to promote innovation activity across and between clusters



The 'raw materials of innovation':

- infrastructure
- capabilities
- resources
- connectivity

Concentrations of innovative activity

Cardiff Capital Region Challenge Fund

What is the CCR Challenge Fund?

£10m Challenge Fund is aimed at building local wealth and creating jobs

Bringing together the region's public and private sectors to develop and deliver novel solutions, and provide a route to market for the solution

Three priority themes:

- Decarbonisation
- Improving health and wellbeing
- Transforming communities

CCR Challenge Fund aims:



Solve big societal challenges



Co-create innovative solutions



Deliver economic impact for the region



Drive commercially scalable opportunities

Applying for the Challenge Fund:

Download an Expression of Interest from the link below and be the catalyst for change in the Cardiff Capital Region

CCR Challenge Fund website: <https://www.cardiffcapitalregion.wales/project-hub/>

CCR Challenge Fund email: CCRChallengeFund@cardiff.ac.uk



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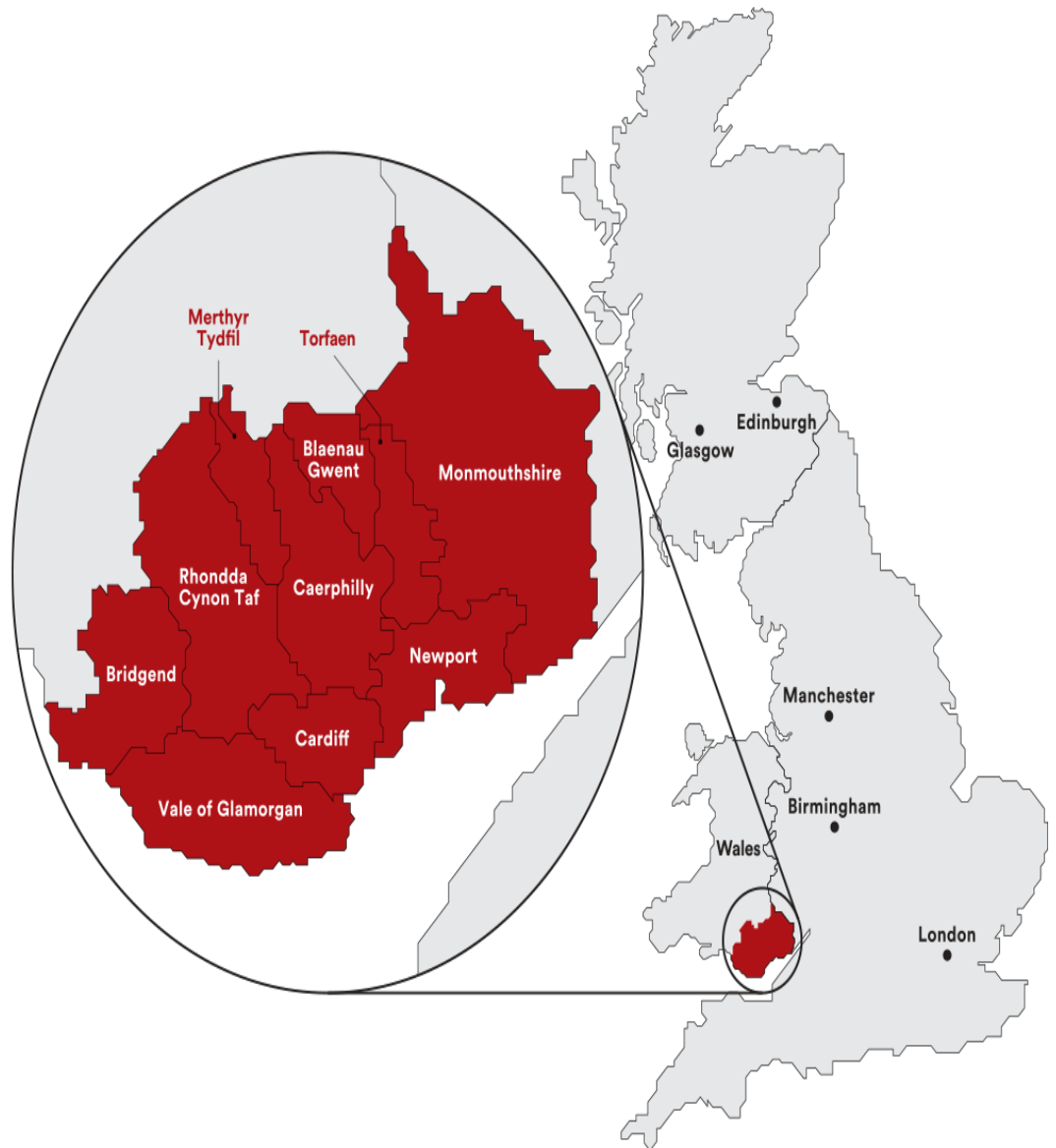
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Who is Eligible to Apply?

Public Sector organisations active in the Cardiff Capital Region wishing to develop and run challenges.

For challenges to receive funding each project should demonstrate collaboration with relevant organisations or projects, and must:

- Solve a societal challenge or improve public service delivery
- Co-create innovative solutions
- Deliver economic impact for the region
- Drive commercial scalable opportunities



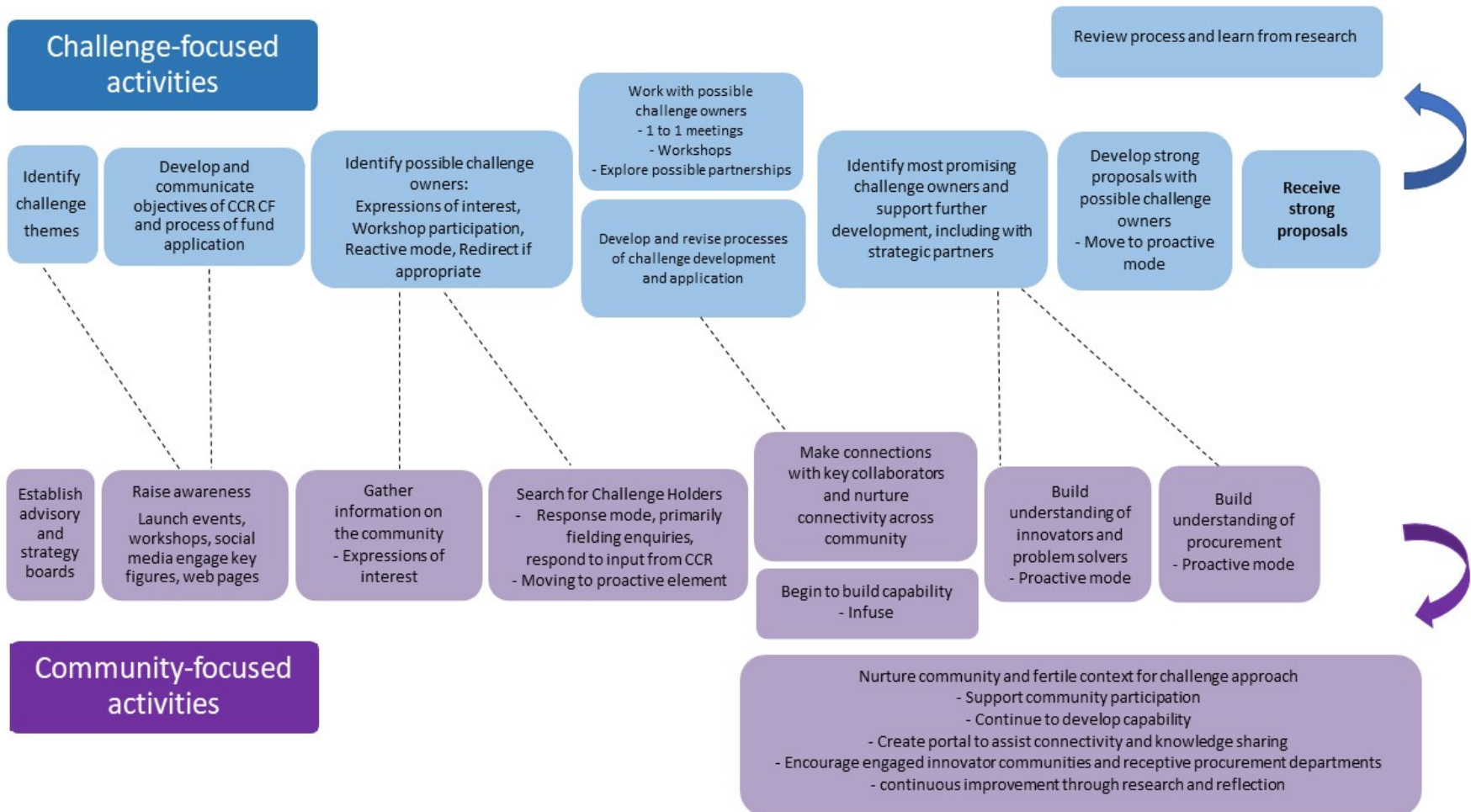
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CCR Challenge Fund – capacity building



Lessons

- **The lessons to date include the following –**
 - don't try and run before you can walk; build capacity and raise awareness
 - take an inclusive approach and nurture a 'community'; listen, learn and look to collaborate
 - people are willing but are short of time, resources, experience...
 - build knowledge of the region; need to understand the potential innovation opportunities as well as the challenges

FE Challenge Fund – a national experiment

£4.5m FE challenge fund invited proposals for novel projects

Over 200 proposals submitted – hugely over-subscribed

52 projects funded in total

The approved projects mainly fell under the following themes

14 in public procurement

12 in social care

10 in social housing

7 in construction

4 in food



Lessons

- **The positive lessons include the following –**
 - first non-prescriptive WG local innovation scheme (WG said it did not have the answers)
 - localities were encouraged to select projects they had reason to value
 - a theory of change that is transferable (top down state resources + bottom up energy and local knowledge)



Lessons

- **Other lessons –**
 - Local projects can generate good practice, but good practice is a bad traveller
 - Key challenge: how do we spread and scale progressive localism?
 - Public procurement has become fashionable, but it is stymied by a combination of professional skills shortages and the lack of political leadership in public bodies

Challenges for policy and practice

These initiatives constitute at best ‘micro-missions’ as part of national and subnational approaches to challenge-oriented innovation policy. Early insights for policy and practice:

- **capacity deficit:** local authorities and other public sector bodies have struggled to find the time and resources to develop challenge proposals; a problem compounded by the demands of the pandemic
- **capability deficit:** knowledge of and experience in challenge-oriented innovation is in short supply on the part of institutions and citizens
- **coordination deficit:** CCR micro-missions are heavily dependent on the commitment and resources of the multilevel polity, which includes the UK Govt in London (but UKG is now re-centralising the powers that were repatriated from Brussels, undermining the devolution settlements in Celtic nations like Wales and Scotland)

Theoretical challenges

- The mission-oriented innovation literature needs to address 3 other deficits:
 - **spatial deficit:** the lack of a spatial sensibility tends to devalue the role of cities, regions and municipalities, all of which are key to the implementation of innovation policy
 - **social deficit:** the lack of citizen engagement creates a democratic deficit in most mission perspectives and local + regional innovation policies are not exempt from this criticism
 - **scalar deficit:** the lack of attention to the “spread + scale” dilemma. What are the mechanisms through which good practice is adopted beyond the local or regional context?

Suggested readings

- Barbera + Rees Jones (eds) (2020) *The Foundational Economy and Citizenship*, Policy Press
- *CCR Challenge Fund*: <https://www.cardiffcapitalregion.wales/project-hub/challenge-fund/>
- Coenen + Morgan (2019) *Evolving Geographies of Innovation*, *Norsk Geografisk Tidsskrift* 74(2)
- Coote and Percy (2020) *The Case for Universal Basic Services*, Polity
- Foundational Economy Collective (2018) *Foundational Economy*, MUP
- Gough (2017) *Heat, Greed and Human Need* Edward Elgar
- Guinan + O'Neill (2020) *The Case for Community Wealth Building*, Polity
- Heslop et al (2019) *Debating the Foundational Economy*, *Renewal*, 27(2)
- Mazzucato (2021) *Mission Economy*, Allen Lane
- Morgan (2019) *The future of place-based innovation policy (as if 'lagging regions' really mattered)*, in *Revitalising Lagging Regions*, RSA
- Morgan (2021) *After the Pandemic: Experimental Governance and the Foundational Economy*, *Symphonya: Emerging Issues in Management*, No.1
- *Well-being of Future Generations Act*: <https://futuregenerations.wales>