

Interview with Philip McCann



*Interview by Joan Fitzgerald, Editor-in-Chief, Regions and Cities Book Series
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I am delighted to interview Philip McCann. Philip McCann is Professor of Urban and Regional Economics at the University of Sheffield and is an Honorary Professor of Economic Geography at the University of Groningen, the Netherlands. He is also the Tagliaferri Visiting Fellow in the Department of Land Economy at the University of Cambridge, UK.

His most recent book in the Routledge-RSA Regions and Cities series is *The Empirical and Institutional Dimensions of Smart Specialization*, which he co-edited with Frank van Oort and John Goddard. It follows his 2016 book in the series, *The UK Regional-National Economic Problem: Geography, Globalisation and Governance*.

Joan Fitzgerald (JF): How did this edited volume come about?

Philip McCann (PM): We were participants in the EU Seventh Framework Research Programme, a European-wide research project that involved more than a dozen institutions with the goal of increasing our understanding of how smart specialization could transform current economic development processes. The project developed the concept of smart specialization theoretically, especially regarding the role of related variety and trade effects, and through evidence-based research on how institutions could shift to this more bottom-up approach. *The Empirical and Institutional Dimensions of Smart Specialization* emerged out of a couple of the work programs.

JF: Smart specialization seems like an extension of a long-established approach to economic development, sectoral strategies. What makes it different from sectoral strategies that have been the mainstay of the field?

PM: Smart specialization is not about specialization in a sectoral sense, although that's how it's been thought of by some people. You could think of it as "second generation" sectoral strategies in which entrepreneurial-led diversification around a region's core competences is the guiding principle in order to foster embeddedness and scale. The idea is to identify areas of real potential that could provide a platform for a new economic development trajectory for a city or region. Smart specialization emerged as an alternative to the top-down policies that haven't been working. As conceived by the European Commission, the goal is to help localities and regions to engage the public, businesses, and institutions in thinking about how to link current economic activity to areas with development potential that are at a scale to allow growth and connection to the broader international economy.

JF: What are the intellectual roots of smart specialization?

One foundation is Hausmann and Rodrik's classic 2003 article, "Economic Development as Self-Discovery," in the *Journal of Development Economics*. A concept here is that driving self-discovery requires an environment that fosters entrepreneurial surge. But it's not about localism, but building on strengths to create external connectivity. Another foundation is research on the economics of innovation—the work of Paul David, Dominique Foray, Browyn Hall, among others. The foundation of smart specialization came from technology rather than geography but the originators of the concept realised that it was fundamentally

about places. At the same time, as scholars in regional studies, regional economics, and economic geography began thinking about these concepts, a realization emerged that adding the place context is essential to operationalizing these ideas. So smart specialization came into from a non-place based orientation into a place-based context.

JF: How does this unfold in practice?

PM: The logic of smart specialization is to begin with a bottom-up, locally-led, and inclusive process of formulating ideas about the economic potential of a region, city, or town. It needs to be locally led in order for a wide range of local actors to start to formulate ideas. Essentially, smart specialization is a policy prioritization process.

JF: A chapter by Mark Thissen, Frank van Oort and Olga Ivanov is titled Good Growth, Bad Growth: A Wake-up Call of Smart Specialisation. What constitutes “good” and “bad” growth and what’s the wake-up call?

PM: They focus on the idea that when the economy is growing, a lot of weaknesses are hidden. After the global financial crisis, we witnessed growing inequality—it was there before, but growth masked the trend. Cities, regions, or towns in an economy that is growing may not be aware of their lack of long-term competitiveness. It plays out in different ways as they illustrate with scatter plots ofto illustrate different ways this plays out.

JF: The chapter by Bart Los, Maureen Lankhuizen and Mark Thissen is titled, New Measures of Regional Competitiveness in a Globalizing World. What are the new measures?

PM: One measure would be how a place fits into a global value chain. That’s not a measure traditionally used. We often think of a business or a city as being competitive. But the important point is how a place relates externally. A more comprehensive understanding would incorporate interconnectedness of institutions, regions, and firms. Otherwise, a place can be competitive, but in a declining industry or sector.

JF: Does smart specialization address regional divides? (e.g. rural-urban divide in United States).

PM: The rural-urban divide is evident in countries such as France, Poland, and Romania, but many European countries don't have the same urban-rural split that we see in the United States. Instead, the divides are more regional. For example, it's more of a north-south divide in the United Kingdom and Italy; an east-west divide in Germany. Smart Specialization was adopted by the European Commission because the policy framework can be applied in these different contexts.

JF: As to governance, what are the connections among local, regional and national in smart specialization?

PM: The key is for stakeholders to implement policy at the meso-level—the convergence of top-down and bottom-up policy. Smart specialization need an institutional framework that allows for a top-down understanding to be driven by bottom-up experimentation. It's hard to achieve in a country with a highly centralized government. Germany, Spain, and Italy have meso-level governance systems that lend themselves to experimentation in smart specialization approaches. How each of countries in Europe solves the governance problem is very different.

JF: The book's cases are exclusively European. Is the European experience unique? Is smart specialization catching on elsewhere?

PM: Not at all. Some of the key originators of the concept were American. The political economy context of Europe was ready for something like this, although now the principles are being applied in many parts of the world.