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**PARTNERSHIPS AND URBAN ECONOMIC
DEVELOPMENT**

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I Introduction

The term "partnership" is increasingly used in many urban policy documents such as 'Inner City Partnerships' or 'Partnership in Progress', although the practice of partnership in urban economic policy, if not the terminology, is common and has a long history (see for example Ward, 1990 for earlier examples). Currently partnerships receive widespread support from practitioners as they are seen as allowing each partner to gain the benefits from co-operation, while still retaining their autonomy. However, the theoretical basis of these views is poorly developed. This paper seeks to present a preliminary exploration of the theoretical basis of urban economic partnerships and to draw resulting lessons for their improvement. From an analytical perspective, can be argued that in order to fully understand the behaviour and policies of organisations involved in local economic development, it is necessary to consider their partnerships and the associated relationships with networks of other actors, including the flows of resources, power, and information within these networks.

The term "partnership" covers greatly differing concepts and practices. It is used to describe a wide variety of types of relationship in a myriad of circumstances and locations. Indeed, it has been suggested that there is an infinite range of partnership activities as the "methods for carrying out such (private-public) partnerships are limited only by the imagination, and economic development offices are becoming increasingly innovative in their use of the concept" (Lyons and Hamlin, 1991, p.55)¹. While there have been a number of studies of particular types of partnerships in particular circumstances (for example, Boyle, 1989; Wilkinson, 1992), this paper considers more general components of partnership that may be useful for analysing partnerships in different types of urban economies, or for forming frameworks for this analysis.

¹ There is danger of the term "partnership" in urban policy losing much meaning beyond that of being a vague, though benign, platitude. Similar lack of clarity in the use of the term can be seen in other areas and professions such as teacher training (Booth, Furlong and Wilkin, 1990, p. 12).

While partnership is a function of particular historical, economic, social and political contexts, there are trends in local economic development based partnerships. The natures of urban economic partnerships, particularly "private-public partnerships" but also partnerships between quasi-public and/or public agencies, are altering due to changing global economic patterns, government funding and changing economic structures, in both the U.S. (Weaver and Dennert, 1987; Ledebur, 1984) and the UK (Harding, 1990, 1991; Law, 1988; and Moore and Richardson, 1986). Hence, the broad context for this paper is the transformation of central-local government and changing state-private sector relationships, in which partnerships may be the result of, but in other cases the cause of, such changing relationships.²

Partnership approaches are likely to remain high on the policy agenda at all levels. In the European Union (EU) context, the European Commission continues to promote partnerships as it operates with and through Member States and more local agencies to achieve its policy aims. At the national level, in the UK, there has been government pressure to move away from public provision of services towards greater private provision, which often involves formal joint working between the public and private sectors, and greater use of private sector resources, together with a massive increase in the use of (and resources controlled by) quasi-autonomous non-governmental organisations. At the local level, factors such as resource constraints, the move towards enabling local authorities (where policy implementation is carried out by other bodies for voluntary reasons or due to compulsory tendering out of services), and a recognition that any one local actor does not have all the competencies or resources to deal with the interconnected economic development issues, may lead to continued or greater involvement in economic partnerships.

This paper seeks to explore some of the general components of urban economic development partnerships and their economic rationale. It also considers particular cases in Scotland. Section II discusses certain components useful for analyzing such partnerships, Section III analyses the

² It could even be argued that partnerships are used by government or local government to bring in their supporters to influence local policies, for example by bringing in the business community or, on the other hand, community activists.

advantages and disadvantages of pursuing urban economic development policies through partnerships, and Section IV considers principles concerning why different public and private sector actors with differing motivations and objectives may work together in partnership. Section V considers some of the implications for helping the successful development of partnerships, and is followed by a conclusion.

II Types Of Partnership

This section considers some general and policy-orientated definitions of partnership. It then considers key components of urban economic partnerships.

II (a) Definitions

Partnership can be defined as co-operation between people or organisations in the public or private sector for mutual benefit (see Holland, 1984)³. Harding (1990) sets out a similar general definition of 'private-public partnership' as "any action which relies on the agreement of actors in the public and private sectors and which also contributes in some way to improving the urban economy and the quality of life" (p.110), although he argues that this has little conceptual value. Bailey (1994) provides a working definition of private-public partnership in urban regeneration as "the mobilisation of a coalition of interests drawn from more than one sector in order to prepare and oversee an agreed strategy for regeneration of a defined area" (p.293)⁴.

³ A dictionary definition of partnership is "contractual relationship between two or more persons carrying on a joint business relationship", although this relates to the more specific form of a legal form of business (Collins Dictionary, 1987). The use of co-operate, i.e. "to work or act together" is more useful for the purposes of this paper.

⁴ Bailey (1994) goes on to develop a typology of partnerships covering development, development trust, joint agreement/coalition/company, promotional, agency and strategic partnerships, based upon level of mobilisation (local/national etc), geographical area of coverage, range of partners, and remit.

Clearly such definitions of partnership are so encompassing that they include most major economic development initiatives in urban areas, although when co-operation between public and/or quasi-public agencies are included, they form an outer boundary for what this paper will include as partnerships. In order to refine the concepts of differing types of partnerships it is necessary to consider some of their key characteristics. Otherwise we may be left at one extreme with such a level of generality that few lessons can be learned, or at another extreme with a series of specific case studies which do not fully consider the external environment and possible underlying principles and pressures affecting partnerships.

From a policy perspective there are a number of definitions. One that shows the wide scope of partnerships and the contributions of partners is from the Commonwealth (State) of Massachusetts which says "A partnership is a collaboration among business, non-profit organisations, and government in which risks, resources and skills are shared in projects that benefit each partner as well as the community" (Stratton, 1989). Within the context of urban regeneration in areas of multiple deprivation in Scotland, the UK Government defines the partnership approach as involving the "voluntary commitment by the wide range of bodies with a contribution to make to urban regeneration (including local communities, the local authorities, Scottish Homes, local enterprise companies, the Employment Service, Health Boards, the private sector and the Scottish Office) to an agreed comprehensive long-term regeneration strategy for their areas" (Scottish Office, 1993, p.6). This approach incorporates the issues of: the voluntary nature of the relationships; the wide range of participants, ranging from the community to the private sector (the voluntary sector is only mentioned elsewhere), local government, national government departments and quasi-autonomous non-governmental organisations; the need for an agreed strategy; the long time scale; and agreed contributions of resources (presumably in a variety of forms) to the process.

At European Union level, one of the European Commission's three main principles in its guidelines for its structural policy was "to implement a partnership with all the parties involved in structural policy, especially the regional authorities" (CEC, 1987). It went on to define the term partnership in its framework Regulation for reforming the Community's Structural Funds

as "close consultation between the Commission, the Member States concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal" (CEC, 1989, p.15). Hence this type of partnership implies both consultation and action at a local level, as will be discussed below.

II (b) Components of Partnership

This section considers four main groups of components for considering partnerships in urban economic development, covering what the partners seek to do, who is involved, how is it to be implemented and how it may change over time. These groups of components are discussed below and summarised in table 1 under: remit, including aims, range of activities and spatial dimensions; key actors, including the range of actors, the formal structure of their relationship in the partnership, their informal relationship; implementation mechanisms; and the temporal dimension.

i) Remit

If form does indeed follow function, then the most significant dimension concerns the *aims of the partnership*. The aims of a specific partnership may emphasise employment and wealth redistribution (eg. through assisting certain groups to get better access to employment etc.) or employment and wealth creation (see Bennett and McCoshan, 1993). The aims may involve a *range of activities or programmes*, focusing upon a single project (for example the redevelopment of a particular building) or a series of programmes affecting a range of factors influencing the "quality of life" for residents in an area (for example involving social, health employment, environmental etc factors as discussed in the next section).

They may focus on different scales of *geographical area* (for example concentration on a small area of urban deprivation or on the wider travel-to-work area), or on a particular *client group* within the area or across a wider area. They may also focus on a narrow range of activities (eg. building a business park, or business development) or a wide range (eg. see The Scottish Office, 1993, on improving incomes and the quality of life for residents in a peripheral estate, including non-economic aims).

Clearly issues such as how and by whom the components making up the overall remit are set are important, differences in focus between partners are not necessarily mutually exclusive, although conflicts between aims are common and it is crucial for each partnership

TABLE 1 - COMPONENTS OF PARTNERSHIPS

COMPONENTS OF PARTNERSHIPS	EXAMPLES
REMIT	
Aims	Employment creation-employment redistribution
Range of activities	Single project-long term programme
Geographical area	Small urban area-widespread client group
KEY ACTORS	
Range of Actors	Public-private-voluntary-community
Formal Structure	Legal contracts-general agreements
Informal Structure	Overlapping networks
IMPLEMENTATION MECHANISMS	
Implementation services	Stand alone organisation-agreements influencing existing services
TIME	
Time	Stage of project-changes within partner organisations

to be clear where its priorities lie. This issue is discussed further in the next section.

ii) Key actors

A second group of components considers the key actors. One component is the *range of actors*. These include the key agencies such as central and local government, government funded agencies, voluntary sector bodies, the local community (groups or individuals), and the private sector, but may include 'significant' individuals also. However, each of these groups may contain a variety of types of actors (see Ahlbrandt and Weaver, 1987). For instance, the role of the local community is accepted as essential in partnerships for areas such as those suffering multiple deprivation but the form of this contribution may vary and is discussed below.

The "private sector" is far from being monolithic and covers many types of organisation with differing motives and resources such as: firms located in or linked to an urban area, firms whose 'business' is urban regeneration, paternalistic firms, and organisations concerned with corporate social responsibility (such as Business in the Community in England), or employer representative organisations (see for example: Rosenberg, 1983; Askew, 1991). Types of firms also vary by control (locally owned or controlled firms to branch plants), size, or types of tie to the area (such as those tied to the local community for their income or labour supply, say, small shops or estate agents) or those dependent upon wider markets. Also some firms have urban regeneration as a core business and seek partnerships, with the public sector or others, as a means of expanding their market. Others may be involved in partnership for less directly commercial reasons as they have a tie to the area. It is therefore important to identify precisely the types of actors and the type and manner of contribute to a partnership.

Another continuum for considering key actors and their relationships in partnerships is the *formal structure* of the partnership, which may range from formal legally binding contracts, to unenforceable public agreements, or less co-operation. Formal partnerships generally include specific objectives and mechanisms. Such agreements are common in Scotland, often involving the Scottish Development Agency or its successor Scottish Enterprise and its Local Enterprise Companies. An example is the Wester Hailes Partnership Agreement which sought to "maximise the number of local residents able to secure and retain employment both within

Wester Hailes and in the wider Edinburgh economy and thus increase local incomeetc.", through mechanism which included "a new organisation that will provide and improve access to jobs, training, learning" (Wester Hailes, 1986).

A more rigid set of formal partnerships may be based upon a legally binding contract, particularly where there is a direct commercial transaction. In many cases partnerships are moving towards a legal basis with legal contracts binding partners to specific inputs and actions. However, there are dangers with this approach as in the USA (Gutch, 1992, p.73) argues that this 'contract culture' has often led to a 'bureaucratic paperchase' and may reduce voluntary co-operation as each organisation seeks to protect itself from legal repercussions if it fails to meet the contract terms even if the situation has changed and a more appropriate activity could be carried out. This emphasis on contracts also permits funding to be reduced with the implications, and sometimes blame, for this falling upon the contractor.

Less formal agreements, which may be termed organisational networks rather than partnerships (see Bennett and McCoshan, 1993), are also very common and are more appropriate for relationship building between actors and information sharing. These take various form and often involve simply regular meetings of agencies who can then formally or informally report back to their own organisation. McQuaid (1993a) found that in Scotland all Regional Council and 88% of District Council economic development units had informal mechanisms to avoid duplication of activities with other agencies, while 92% and 69% respectively had more formal mechanisms. For instance, to the north of Glasgow all six local authorities within the boundaries of the Local Enterprise Company regularly met to discuss economic development issues and policies with each other and the Local Enterprise Company, and to give their opinions to the local authority members who were on the Enterprise Company Board (Dunbartonshire Local Authority Liaison Group, 1989).

An important aspect concerning key actors is termed the process of mobilisation by Bailey (1994). This is the process of creating partnerships through a top-down (for example the initial impetus from a higher level of authority such as central government) or bottom-up catalytic process. While many initial projects start with a top-down approach, the development of

individual projects may have bottom-up characteristics. In Scotland there have been many instances of central government funding, under the Urban Programme, key community workers to aid local capacity building so that local communities can generate their own initiatives and drawn relevant bodies into partnerships, although most larger scale partnerships remain top-down initially (i.e. initiated by central government agencies or local government).

For each component, the balance of and types of contribution and power of each partner is important. This issue of balance of power of actors within partnerships is considered briefly by Bennett and McCoshan (1993). They argue that networks linking actors that affect each other and exchange information and services are not adequate to overcome the problems of Britain's economic system (including the failure by many key agents to address economic as well as specific target programmes), and there is a need to move to partnerships (p.212). The partnership require long-term structures that work towards sustained commitment to change and the achievement of quality, and there is a need to change the internal operations of each agent and help other agents to change to achieve an improved system overall. They argue that the partnerships between agents may be unequal as it may be more important for one partner than the other(s) or one partner can coerce or mandate the others (for example through finance). This however, may cause considerable tensions as one body seeks to alter another's priority (for example to alter education provision to reflect economic needs), particularly where a non-elected partner seeks to coerce a democratically elected body⁵.

Besides the formal relationships between organisations, there are often a series of informal networks inter-linking individuals in the organisations. This is common, especially as those involved in partnerships, say in a community representative capacity may have political or social links with key decision makers in some of the agencies (see Knoke and Wood, 1981;

⁵ This concept of (unequal) partnership is considered by the authors to be quite different from concepts of local coalitions, local co-operation or local governance (Cawson, 1985; King, 1985; Harding, 1991; Lever and Moore, 1986). They stress the need for partnerships to ensure both horizontal integration between agents in different programmes and vertical coordination to ensure programmes are effectively operated and they stress the importance of learning for organisations within a flexible framework that reflects different local circumstances.

Perrucci and Pilisku, 1970). These *informal structures* can have a significant impact upon the operation of partnerships, particularly by-passing or influencing official or agreed decision making procedures. Although these overlap with the informal working agreements between agencies and their staff, in this context informal structures can be seen as relating to individual actors participating in different networks.

iii) Implementation mechanisms

A third group of dimensions of partnerships concerns *implementation mechanisms*. This involves who does what, including who provides resources and who controls them. The partnership may agree to co-ordinate and alter priorities of the partners' existing services, or at another extreme they may operate through a stand alone unit. These and hybrid mechanisms are common, although the latter will usually require a formal agreement. An example of the latter is the development and operation of a computer based training programme to assist unemployed adults with adult basic education (numeracy and literacy) and job search at Chryston, near Glasgow. This was set up as a formal company limited by guarantee with funding from the local authority, the local Enterprise Trust, Local Enterprise Company and the Government's Urban Programme, but had its own Board of Directors (Launchpad, 1992). On a larger scale the setting up of Scottish and Highlands Enterprise and their Local Enterprise Companies in Scotland and the Training and Enterprise Companies in England and Wales are partnership organisations (funded by the public sector but with a private sector majority on their Boards).

iv) Time

A fourth set of dimensions is *time*. Over time as peoples' and organisational priorities change, so their role in a partnership may change. Since Scottish Enterprise replaced the old Scottish Development Agency, their role in urban regeneration has changed (see Hood, 1991). The stage of an initiative or policy at which there is co-operation can influence the balance of the partnership and contributions of partners. Holland (1984) separates the policy dimension in which the goals of the community are articulated and the operational dimension in which those goals are pursued. This can be termed policy formation with agreements focused on the overall aims, specific goals and implementation or how they are to be achieved, resource inputs,

implementation mechanisms and organisational structure and monitoring and evaluation (see also Lyon and Hamlin, 1991).

At different stages of a partnership there will be different balances of power between actors. To illustrate, in the early stages when an initiative is being developed, all those 'around the table' will have potentially large influence as their involvement will often be considered important for getting the initiative started. However, the environment within the key funders operate will be very influential also (for instance, in ruling certain approaches out of discussion). When the initiative is agreed, then the views of the main funders are likely to become relatively more important. Once a specific organisation has been set up to deliver the service, then that organisation's management becomes very powerful, even when there is a management board of the partners. Once the review stage of the initiative is entered, then the main potential funders regain much of their power as they have greatest influence over whether or not the initiative continues.

In summary, given the huge diversity and ever changing nature of partnerships in urban economic development, one line of enquiry in order to get greater understanding is to narrow the focus down to individual or sub-groups of partnership along the dimensions discussed, while a complementary approach is to seek some general principles that may be applied to partnerships. This paper next begins to consider some possible general rules.

III Why Have Partnerships?

This section considers some of the arguments in favour of forming and implementing urban economic development policies through partnerships, and then considers some of the problems of such approaches.

III (a) Advantages of Partnership

The main assumption for partnerships is that the partners are not in a zero (or rather constant) sum game. By co-operating the total output is increased for a given level of resources (see section IV for more detailed discussion). Hence, the underlying basis for partnerships is therefore that the outcome will be that through the partnership welfare in the community will be greater than otherwise⁶. In general, partnerships can be argued to be an effective way of overcoming market imperfections that are caused by externalities. Although if the market imperfections are overwhelming and permanent, the product indivisible, economies of scale are large, externalities are enormous, information is bad or impossible, and the market becomes monopolistic then Lyons argues that the government should provide the good or service directly (Lyons, 1991, p.61). The main advantages of partnerships can be grouped as: resource availability; effectiveness; and legitimacy.

i) Resources

First, the nature of the problems facing local economies are multi-faceted requiring a combined response from a number of private and public key actors in order to be effective and efficient. The economic, social and environmental and other problems faced by urban areas, particularly those areas suffering from multiple-deprivation, are often inter-related, overlapping and mutually reinforcing. Hence solutions aimed at one part of the system are unlikely to be fully successful due to the counteracting impacts of other factors. Partnerships between key actors are therefore essential in order to tackle the various causes (in as far as these can be tackled locally) as well as the symptoms of the problems of the local economy. Also formal or informal joint working or partnerships are important mechanisms to achieve complementarity and avoid wasteful duplication of effort.

Such a view has underpinned much urban policy. In the case of the EU, there is an insistence upon partnerships between the agencies it helps fund to tackle poverty. One underlying principle

⁶ Also no partner or other sector of the community should be worst off, or at least - applying Hicks-Kaldor - they could be compensated from the increased benefits for the amount that they are worse off.

of the Third Programme to Combat Poverty was the "... need for operations integrating every facet of poverty. Such integration should be achieved through co-ordinating policies and various public and/or private measures geared to encourage independence which is the basis for social reintegration of the poor" (CEC, 1988, p.9). The Programme specifically called for the schemes requesting assistance to be "... managed by a Steering Committee composed of representatives of all the bodies involved in carrying out the scheme ... who will undertake to complete a joint programme to combat all facets of poverty in their ... town" (CEC, 1988, p. 13) and this partnership should contain the active participation of the representatives of the disadvantaged.

For separate partners, advantages include resources, effectiveness, legitimacy and conflict avoidance. Partnership allows a pooling of resources so that larger projects, or more aspects of a project can be tackled than is possible for an individual agency (or it allows the agency to devote some resources targeted at one policy to be released for used elsewhere). This is particularly important for UK local authorities who have seen their resources and flexibility of movement reduced since the 1970's (see Harding, 1990 for a brief review). While the agency may lose total control of its own resources, it may gain influence over a larger set of resources. Such 'leverage' of resources is often also a performance measure of local economic development agencies.

In addition to increasing the *scale* of available resources, partnerships may bring it different *types* of resources, such as information and expertise not available in an organisation. This may include legislative power, land, finance, or knowledge, alternative perspectives on the issues and contacts from local community participants or the private sector. Organisation such as Business in the Community in England and Wales and its sister organisation in Scotland have increased the capacity of the private sector to provide such resources to participate in partnerships. On the other hand, commercial partnerships with the private sector (such as development firms or perhaps local employers seeking to increase investment) may be used to increase the level of financial resources available for economic development in the community.

ii) Effectiveness

Depending upon the nature of the problem, partnership can greatly increase an individual organisation's effectiveness and efficiency, especially through improved co-ordination between (and within) organisations (see for instance, Webb, 1991), hence creating a synergy between the various bodies. Also many initiatives use community activists and groups to become more responsive to user needs and so, for example, increase participation rates in training initiatives, as prospective trainees have greater confidence and trust in such groups and will respond to them rather than to an 'outside' agency. Hence this should increase the efficiency of the economy rather than being only a redistributive policy (especially when shortages for certain types of labour occur).

For certain partnerships such as promotional ones for cities, the appearance (at least), of partnership between the various bodies and between public and private sectors is crucial to create a positive external perception (Helbrecht, 1994). Partnerships also play an important role in breaking down the stereotypical views of partners towards one another, building trust and may joint working easier and more efficient, as well as improving understanding and knowledge of each others' organisation opening the possibility of better co-ordination and creation of synergy and new ways of joint working. Partnerships may also improve effectiveness, especially in the long term, through creating stability, building local confidence and minimising risk for partners and potential investors (Bailey, 1994)

iii) Legitimacy

Partnership can also allow greater legitimacy for policy as they may involve participate from the local community directly rather than through the representative democracy of Central and Local Government. Certainly where many policy implementation decisions are being made by employed officials of an elected Central or local government or an unelected quasi-autonomous non-governmental organisations (such as a Local Enterprise Company), then the legitimacy of the policies as seen at the local level can be enhanced through community participation (although this raises questions about the form of participation).

Cadbury (1993) argues that the terms consultation and public partnership are often used interchangeably, but that partnership is a more involved form of participation with a wide range

of meanings. Partnership implies power being shared equally among all partners. She notes that while Partnership with the Community is a crucial part of government policy it is not a legislative requirement for City Challenge funding.

These incentives towards creating and participating in partnerships apply in varying degrees to different actors. For instance, McQuaid (1993a) argues that there are strong incentives for local authorities to enter into partnership are provided by the possibility of bringing external resources into the area (eg. funding, property, expertise, links to national support schemes etc.), avoidance of duplication, replication of good-practice in other joint initiatives, and hence more effective and efficient policy development and implementation. The local authorities themselves also provide resources, statutory powers, and democratic legitimacy to such partnerships.

III (b) Problems of Partnership

There are many problems in working through partnerships. These may vary according to the form of partnership. These include resource costs, unequal power, actors taking control, impacts upon other 'mainstream' services, differences in philosophy between partners.

First there are considerable *resources costs*, for instance in terms of staff time in discussions and making agreements, and in delays to decisions due to consultation with partners. Especially, if the partnership leads to a stand alone unit, it may be difficult to close it, redirect it or absorb into one of the partner organisations after its objective is achieved (or it has been shown to be ineffective). There can also be problems of accountability as no single partner feels fully accountable for the actions of the partnership due to the split between responsibility and control (see McQuaid, 1993b, on Local Enterprise Companies). This leads to wider questions concerning representative democracy, with, for example, shifts in control from an elected body (such as a local authority) to a non-elected new agency, even though it may have (unelected) community participation. This can however, be interpreted in terms of representative and more direct forms of democracy. Partnership may also result in strategy compromise with each partner concentrating upon its own perception of important issues, perhaps leaving gaps of unmet needs.

In most partnerships there is *unequal power* (see discussion in note 4 above). Although there are different types of power, greatest power generally rests with those controlling resources. Often this will be the body farthest from the urban area (for example the national government or the EU). They are likely to dominate those in the local area who may have the greatest understanding of what is relevant and effective, albeit from a local rather than macro-perspective, and whose feeling of 'ownership' can be crucial to the initiatives success.

A further set of dangers lies in the operation of the partnership. For instance the objectives or operation of a partnership may be *usurped by some actors* or groups (eg. professional or community groups), resulting in outcomes that increase their benefits rather than overall welfare. There is also the familiar problem of decision making difficulties in groups whereby they may make irrational or sub-optimal decisions which the individuals themselves would not have done. Similarly, there may be a problem of the partnership lacking momentum as each actor relies on the others to push activity forward, resulting in none doing so. This is often countered by having a 'product champion' to use management jargon or a separate or a dedicated/assigned unit to develop the project.

Another set of problems involves *impacts upon other services*. There is a wider problem for many urban economic development initiatives of marginalisation from the mainstream activities of the key agencies. Partnerships (especially those with stand alone implementation units) may be seen as an alternative to re-aligning mainstream services to deal with the issues, and yet the scale of and integration between mainstream services may be far more significant, especially in the long-run. Conversely the partnership may draw resources from other mainstream services or confuse the services in the minds of users, so reducing their effectiveness (i.e. there may be a significant opportunity cost). This problem is also linked to scopes of partners with, for instance, local authorities having wide ranges of services and responsibilities, while others, such as Local Enterprise Companies have much narrower responsibilities and so overlap or conflict potential with other parts of their organisation.

Indeed, the increase in numbers of agencies, often themselves formed out of partnerships, can be argued to have increased the fragmentation of services, with partnerships then being seen as the means to solve the fragmentation. For example, the rise of Enterprise Trusts, Local Enterprise Companies, trade and innovation support centres and others in providing business support services has caused confusion in the minds of some users (although once 'inside' the system this is often dissipated), so one solution is to set up a co-ordinating 'one stop' shop in the form of another partnership.

Finally, there may be significant *differences in philosophy* between the partners, such as in the degree to which they feel the market can solve urban development problems. These differences may become more apparent when difficult circumstances arise. In areas of urban deprivation or renewal the market has often clearly failed, so there is a question as to what degree can the market solve the problem, possibly leading to some conflict between their different philosophies and motivations (and need for varying incentives). This is perhaps a major reason for the generally poor contribution, in financial terms, of the private sector to many urban renewal initiatives. In initiatives to increase the growth of specific opportunities in an urban area, there may be more support for improving the workings of the market and thus less conflict.

Linked to this, there may be a problem of combining public and private management practices and philosophies within one partnership organisation, or a partnership without a clear contract (see for example, Bryson and Roering, 1987; Nutt and Backoff, 1992). One example is in the area of ethos or stricter ethics of the public sector (for example in the interpretation of conflicts of interests etc.), or in the way aims and objectives are set.

In summary, there are many potential problems in working through partnerships and which may vary by the type of partnership. These revolve around resource costs, power distribution (between bodies and over time), operational difficulties, impacts upon other services and the influence of differing philosophies of partners. To these can be added the argument by some that human nature acts against long-term co-operation, although this is strongly countered by many such as Kohn (1986).

IV Forces Affecting Partnership Development

This section deals with the question of the pressures aiding or hindering co-operation between actors in urban economic development policy. This leads to a discussion of some mechanisms which may help ensure such co-operation. These issues are especially important in the case of urban economic development as it is concerned with wealth and employment creation (preferably sustainable in economic, social and environmental terms), so the private sector and special interest groups (eg. for the disabled) will play a major role. Their perspectives and input will need to be understood and incorporated within policy formation and implementation. Hence it is important to begin to understand those pressures aiding or hindering co-operation among the various actors, particularly where they have differing motivations and objectives.

IV (a) Co-operation due to Central Authority or Common Objectives

The main reasons for co-operation are the threat of a central authority, common objectives or (other) self-interest. The 17th Century philosopher Hobbes (1651) argued that it was difficult to develop co-operation without a strong central authority. In local economic development co-operation can be forced onto public or government funded agency (or community based group dependent upon public finance) through legislation or control of financial resources by Central or Local Government, and increasingly the EU. Such financial control may be through making resources available (eg. grants), or through other controls (such as the UK capital expenditure restrictions on local government or budget controls on other funded bodies).

Many of the bodies involved will have similar objectives and motives which will include (in theory at least) improving the overall welfare of the area, so there will be a strong incentive to co-operate. This is particularly likely where people in the various bodies share common values, such as officials in different tiers of local government. However, in practice a number of differences in organisational objectives, priorities, timing and other factors, including personal

or competition for power or resources etc., may inhibit such co-operation. So this alone may be inadequate to foster full co-operation.

Such central authority or common motives will not apply to all key actors. In particular private enterprises will have commercial pressures making their motives more 'selfish' (see the earlier discussion on types and motives of private sector organisations), while some pressure groups may be primarily concerned with the interests of their own members rather than the wider community. While self-interest is a powerful incentive for partnerships offering advantages to the individual partners, they may be insufficient to encourage participation, even though it may lead to increased overall welfare. This would especially be the case if an actor can gain many of the benefits individually without participating. In other words, why should these actors co-operate where there is no effective central control on them or common over-riding motive to benefit the welfare of that community?

IV (b) Game Theory

One area of economic theory that can structure the issues of inter-relationships and interaction is Games Theory, particularly the Prisoner's Dilemma. Axelrod (1984) uses this Dilemma to argue that for individuals pursuing their own self interest, incentives for co-operation will be greater than for selfish behaviour (even without central authority) under a wide variety of circumstances, including where the 'partners' are hostile.

The story of the Prisoner's Dilemma is basically that two accomplices arrested after a crime are then interrogated separately (see Luce and Raiffa, 1957, and Axelrod, 1984, for more detail and the full assumptions). These two players have two choices: to co-operate with each other or to defect. If one confesses (defects) and the other does not, then (s)he will get free (i.e. a high positive payoff, although note that these payoffs are endogenous to the model) but the other prisoner will get a heavy sentence (zero payoff). If both confess then they both get a medium sentence (low payoff), and if neither confesses then both get low sentences (medium payoff). The latter is the best solution for both prisoners together (they maximise their combined welfare). However, for each individual, it is in their interest to confess as: (s)he receives the

worst outcome (a heavy sentence) if (s)he does not confess but his accomplice does; while (s)he gets the maximum payoff (goes free) if his accomplice does not confess. Hence, assuming that neither prisoner has moral qualms or fears revenge from the other prisoner, then each would choose to confess, resulting in a sub-optimal outcome for their combined welfare⁷.

However, if the process is iterated, say they are likely to be caught again, then co-operation becomes much more easy as there will be a strong incentive for both *not* to confess as in the future case they will know how the other reacted and base their behaviour (to confess or not) on what happened last time.⁸ So, the strategy for success for each depends entirely upon the strategy of their accomplice. Provided the game is repeated a number of times, that players can recognise and remember the results of previous encounters, that future payoffs are not greatly discounted, then co-operation will be mutually beneficial. Even if there is a short term cost to co-operation it will still occur if future retaliation for current defections is great enough. This forms the basis of Axelrod's (1984) theory of co-operation based upon reciprocity.

Elsewhere Axelrod's theory has been tested and developed, with generally supportive results (see Axelrod and Dion, 1988). Frank, Gilovich, and Regan (1993) found in tests of the

⁷ If A = the high payoff; B = medium payoff; C = low payoff; D = zero payoff; w = chance for future interaction; then if $w \geq \max[(A-B)/(B-D), (A-B)/(A-C)]$, there exists a Nash equilibrium in which all the players will use tit-for-tat (see also Fudenberg and Maskin, 1986). A Nash (1950, 1953) equilibrium is that given what the other player has done, then each player makes the best response. It gives a unique solution meeting four conditions: the solution must be independent of the choice of utility function; both players cannot simultaneously do better than the Nash solution, i.e. a Pareto optimal solution; the solution is independent of irrelevant alternatives; and the solution must be symmetrical (i.e. if players swop over the solution remains the same with the payoffs reversed). The game can be extended to a nonzero-sum, n-player, co-operative (i.e. players communicate and can make binding agreements) game (see Straffin, 1977, on voting). Lipman (1986) generalises the Nash equilibrium results to the game Chicken. He argues that there are strong forces pushing players towards mutual co-operation even when they are self-interested and there is no central authority in a modification of the Prisoner's Dilemma, called Chicken. Here each party tries to prevail over the other party through creating fear, rather than in Prisoner's Dilemma where establishing credibility means instilling trust.

⁸ If there is a strong central control mechanism, for example the accomplices are part of a gang which will punish anyone who confesses, then co-operative behaviour between the accomplices will occur

Prisoner's Dilemma on students that people do co-operate more than suggested by a simple economic models assuming purely self-interested participants. This is thought to be because people can choose their own partners and therefore will tend to interact more with those likely to co-operate. In the end they will do better (increasing the total welfare so they will share in a larger 'cake') than those acting purely with self-interest. So narrow self-interest will be self defeating in the long run. Other writers, such as Mansbridge (1990) also question the prevalent notion of narrowly conceived self-interest and argue for a more complex view of individual behaviour in economics and other disciplines.

Axelrod (1984) tested the Prisoner's Dilemma using a computer competition simulation (where the players were not in total conflict) and found that the most successful strategy was also the simplest: start with co-operation in the first move and then to do what the other player did in the previous round (tit-for-tat). Hence the winning strategy was for a player to always co-operating with a co-operative adversary, but if the adversary did not co-operate, then in the next move the player would cease to co-operate, but once the adversary returned to co-operation, the player should also return to it. Axelrod argued that the evolution of co-operation depended upon individuals having a sufficiently large chance of meeting again, so they have a stake in their future interaction (this can be applied to individuals within organisations as well as to the organisations themselves). The co-operation can be based upon reciprocity, but once established this can survive many different strategies used by the individuals and can protect itself from less co-operative strategies.

This model applies even where the participants are antagonists or where there is no foresight in seeking to co-operate. Some extreme examples of co-operation between antagonists are illustrated in the writings of combatants in the First World War in northern France and Belgium. For example, one British Officer wrote that he was "astonished to observe German soldiers walking about within rifle range behind their own line. Our own men appeared to take no notice ... Both sides apparently believed in the policy of 'live and let live'." (Dugdale, 1932, quoted in Axelrod, 1984). Much of this co-operation came to an end (and deaths rose) when Headquarters staff order raids, so they controlled the actions and stopped the front line troops reciprocating only to actions from the enemy, hence preventing tit-for-tat responses.

Axelrod and Dion (1988) go on to argue that the number of players who simultaneously interact increases, co-operation becomes more difficult; altering the set of strategies to include non-simultaneous play and options for exit and ostracism does not alter the theory's conclusions; there are a number of solutions to the problem of noise in the system and misconceptions, although if there is a lot of noise then there is the possibility of exploitation (see also Sugden, 1986); full population dynamics can be introduced and this enhances evolutionary models of co-operation. While it is true that too much should not be implied from a relatively simple model as the Prisoner's Dilemma (Milgrom, 1984), it still provides some useful insights⁹.

V Assisting Partnerships

While primarily considering cases where there is a lack of central authority and of a motivation for improving the community welfare, Axelrod (1984) and others suggest a number of contingencies which may alter the strategic setting so as to promote or hinder co-operation that may be useful to urban agencies.

The first aspect of promoting co-operation is Axelrod's suggestion to enlarge the shadow of the future, i.e. to increase the importance of the future relative to the present. Stable co-operation is aided by frequent interaction between individuals. Organisations and hierarchies are said to promote this by binding people in long term multi-level relationships which increase the number and importance of likely future interactions. Hence constantly changing of personnel and their

⁹ Zupan (1990) however, argues that some of Axelrod's assumptions are unlikely to stand up to the real world, and that co-operative behaviour is undesirable when: players know when the game will end; there is a fly-by-night participant who cares little for the future; communication between participants is confused; or perhaps when there are more than two possible courses of action. He goes on to argue that the payoff structure is endogenous to the game and someone taking control (even in the short term) can rewrite the future payoff structure which may include reallocations of resources which may not add to total output.

responsibilities may discourage co-operation. This can be a significant problem when dealing with large bodies, such as central government in the UK where administrators switch every few years. However, where there is regional government (or central government development and delivery of urban policy, as in Scotland) then there is likely to be greater potential future interaction (due to a scale effect as well as greater congruence of goals with urban actors).

Second, co-operation can be encouraged by changing the pay-offs, and by making deflections from co-operation more expensive. Where urban agencies or groups are involved in a number of different projects, then ceasing co-operation on one may have negative impacts upon other projects, hence co-operation is encouraged. In order to attract increased private sector involvement, it is likely to be essential to change existing payoffs, perhaps through greater discussions on their needs (training, infrastructure etc.) and clarifying how their input will aid the meeting of these. As argued previously, the term private sector covers a range of actors with differing motives. For a commercial firm operating in an area, its possible payoffs may include, contracts from the initiative, good public relations, improving access to and upgrading the available local the future workforce, and an improved environment and site value. The payoff structure is an important area for consideration, for influencing the contribution of private sector to urban economic development.

Third, other writers such as Kay (1993) apply the Prisoners' Dilemma to joint-venture business relations, arguing that a long term relationship can overcome the dilemma and achieve the optimum outcome¹⁰. In joint ventures the process is broken down into a sequence of small steps, with early meetings used to explore each others' attitudes, then offering whole-hearted co-operation and awaiting a response. If the other side fails to reciprocated, then not much has been lost and you can hold back in the future, but if they do reciprocate then you continue to give full co-operation, so gradually improving trust and establishing a co-operative relationship. Some

¹⁰ Although Ashenfelter and Bloom (1993) suggest that the USA legal profession do suffer a Prisoner's dilemma.

other general lessons may arise from literature on strategic alliances for companies (Drucker, 1992)¹¹.

Fourth, if however, the relationship is likely to come to an end then there will be a temptation to hold back, or behaving more in your own interests than trying to maximise joint gains. If this seems likely at the start of the relationship, then it block it at the beginning. Hence joint ventures are more likely to succeed if they are seen as a precursor to more intimate co-operation rather than as finite activities. The current re-organisation of local government in the UK into single tier authorities will lead to a number of the local authority partners in local economic initiatives ceasing to exist. This could cloud partnerships for years to come. However, given their objectives to aid maximising welfare and the carrying over of their responsibilities to the new authorities, they should still continue to co-operate. Also many of the officials and politicians involved are likely to remain, albeit in a different organisation, so they will still have future interactions and so relationships may not, in practice, come to an end. In the cases of many individual economic development initiatives (for example those funded through the Urban Programme or the EU Poverty Programme), as they come near the end of their lives, then there may difficulties in maintaining co-operation other than at a professional and personal level.

Fifth, local characteristics are also important in assisting public-private partnerships (see Brandl and Brooks, 1982 and Cafferty and McCready, 1982 for U.S. examples). Even where there is a will to co-operate, there remains the question of capacity to make a meaningful contribution. Considerable work has been carried out on local capacity building for local community organisations. National 'social responsibility' private sector organisations have grow in capacity and importance and are often crucial to private inputs to economic initiatives (for example Business in the Community leading, with the support of others, the setting up of the Enterprise

¹¹ This also illustrates that co-operation need not be incompatible with competition (Galbraith, 1992). Intra-organisational co-operation is, in fact, necessary in order to compete effectively with external organisations and strategic alliances expand this circle of co-operation to incorporate (perhaps only temporarily) former competitors. Co-operation and competition can also remain at the same time, for example in sports leagues where teams compete fiercely, but co-operate to fight other forms of entertainment.

Trust network and more recently assisting Trusts to participate in more local economic initiatives). Also numerous private companies have set up specialist divisions to develop partnerships with local authorities and others, especially in urban regeneration, as a means of getting access to development opportunities¹².

Regional, as well as more local, institutions are also important in supporting partnerships. There has been a strong tradition of partnership working in economic development in Scotland as is indicated by the large number of jointly funded support agencies discussed below and the many area initiatives involving local residents and the public and private sectors which formed an important part of the Scottish Development Agency strategy (SDA, 1990). Over time, these have helped improve the skills in developing partnerships within local authorities as well as in the other agencies. The government's major initiative for peripheral estates, New Life for Urban Scotland (Scottish Office, 1988), explicitly recognises the key role of local authorities. While many examples of partnerships exist in England (see for instance, Bennett and Krebs, 1991), they are perhaps helped in Scotland by structural and resource considerations. In terms of structures, the regional development agencies and their Local Enterprise Companies, provide a focus for many partnerships. Also central government activities are provided through a single locus, The Scottish Office, resulting in more effective co-ordination and easier access for and dialogue with local authorities compared to the case in England. As mentioned earlier, there are also private or joint private-public sector organisations which relate specifically to Scotland and form a territorial basis for joint working.

¹² Axelrod (1984) also argues that people can be taught both to care about the welfare of others and reciprocity (eg. at school). Although while reciprocity or altruism can be a motivation for action there is a danger of exploitation by others if given unconditionally, and so be should a basis for action generally just with those who feel similarly (Wintrobe, 1981). He argues that a community using a strategy of reciprocity can police itself effectively if it guarantees to punish those who try to be less than co-operative. Also co-operation can be enhanced by improving the ability to recognise other players from past interactions and to remember the relevant features of those interactions. The work of Meade (1989) on seeking to reconcile capitalism and socialism through a journey in search of utopia, provides another basis for analysing some of the wider issues.

Sixth, the role of central government is crucial in setting an environment which supports partnerships. It can act negatively by unduly restricting the ability of local government and public agencies to respond to partnerships or by causing friction between public and private bodies, for example by setting up Urban Development Corporations in England which deliberately sought to marginalise local government (Bruce, 1993). In Scotland, fortunately, the New Life for Urban Scotland initiatives sought instead to include local government (The Scottish Office, 1993). Also the local environment and local political support is essential for success.

Finally, Nutt and Backoff (1992) argue that a 'mutualist' strategy of marshalling external and internal stakeholders is effective for a public agency in responding to turbulent environments in which needs are rapidly changing and collaboration is required to respond. Such a strategy is proactive and responds to a diverse and ever changing set of needs through actions to meet these needs (which describes the needs driven approach of much urban local economic development in the last decade). Such a strategy calls for "organisational relationships which jump across traditional lines of authority, creating complex structures" (p.96).

Overall, some key aspects of successful partnerships include: clarity of each organisation's own objectives and that of the partnership; agreement on the operation of the partnership (structure, resources, who is responsible for day-to-day management and longer term strategy); clear lines of communication and decision-making between each partner and the partnership (and each other); clear exit routes (when has the partnership achieved its objectives and then what is to happen to it); a supportive institutional infrastructure; a suitable system of incentives within and between organisations to encourage changed behaviour; and perhaps most importantly, trust between the partners.

VI Conclusion

This paper has considered some of the issues concerning, and key components of, urban economic partnerships in general. It suggests that there is a need to form frameworks both to allow more meaningful analysis of partnerships, and to distinguish differing types of partnerships. However, this paper also indicates that, despite the diversity of partnerships, there are general components that can begin to build towards a more general framework. Further research is necessary into providing a general framework or frameworks for analyzing partnerships, which can fully reflect the diversity of the subject, and to draw together theoretical and empirical approaches. Without effective frameworks, there is a danger that much of the research on partnerships may be comprised of useful, but somewhat limited, studies analyzing particular individual circumstances. Notwithstanding this further empirical evidence is needed into the levels of real benefits that partnerships do (or do not) offer.

The idea of partnerships deserves wide (but not uncritical) support, and the paper outlines some factors likely to assist in developing effective partnerships. However, some partnerships may be of an inappropriate type or may not be particularly effective or efficient, while others may consist more of rhetoric than substance. Success will depend upon how partnerships are led, legitimised, resourced, managed, and evaluated. These will vary according to local circumstances, the issues to be dealt with, the institutional framework, and of course, the partners themselves.

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