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Meso level, meso space and the relation to territories

Even at the beginning of the 1990s, many scholars realised that competition between isolated firms, unconditional free trade, and the state as an institution of regulation and supervision did in most cases not lead to economically successful and competitive countries or regions. Indeed, the most successful countries were found to be those that actively shaped locational and competitive advantages in a collaborative effort between the public and private sectors and the wider society (Esser et al., 1996). Recent thinking in economic theory also confirms the importance of going beyond



competition at the micro level and generic policy at the macro level to achieve economic change. Nash (2012: 15), in a summary of the insights into the emerging field of New Economic Thinking, points out that *'markets do not operate as neoclassical textbooks suggest ... but, at the same time, the assumption that the state can simply step in to correct "market failures" by introducing broad-brush regulations or generic tax measures fails to appreciate the complexity of economic activity. The precise role of the state is far more nuanced and complex and policy tools need to reflect this.'* Investigations of successful economies as well as our work experience show that dynamic locations and countries have an institutional structure in place that allows both private and public actors to organise rapid and effective learning and decision-making processes and to provide a specific business support environment in accordance with continuously emerging and changing requirements (Esser et al., 1996). Hence economic development practice cannot rely exclusively on creating a stable macro-economic environment to improve competitiveness and business performance on the micro level.

To reflect this insight and to understand the dynamics (or lack thereof) in economic change, two analytical layers are needed in addition to the macro and the micro levels of neo-classical economic orthodoxy.

- Firstly, economies are deeply embedded in the societies in their respective locations and prevailing culture. The society needs to agree on the basic principles of orientation of economic development. The relevant actors (policymakers, businesses, civil society and also individuals) need to be able to organise and focus their strengths on the common goal of improving competitiveness as a means for economic development. This is captured in the "meta level", which in a way sets the general tone for all development efforts.
- Secondly, an additional layer is needed that is conceptually positioned between the micro economy of interacting enterprises and the macro economic framework conditions. We call this the "meso level", which shapes the specific environment in which firms operate. The meso level is where both public and private actors at the national, regional and local level become involved in promoting business and where targeted policies, support initiatives and concrete projects are implemented jointly to promote locational advantages and increase relative competitiveness.



Systemic competitiveness and the significance of the meso level

Esser and colleagues (including the late founding partner of Mesopartner, Jörg Meyer-Stamer) developed the Systemic Competitiveness framework, which is built around four system levels (micro, meso, macro and meta – see Figure 1). Systemic competitiveness is thereby understood as the ability of a territory to continuously improve wellbeing.

The main message of the framework is that purposeful economic development measures need to address each of the four levels. The meso level is especially important for strengthening the competitiveness of a territory and/or a specific sub-sector that has often been underestimated or ignored by economic development initiatives. In many

developing economies, the meso level is very thin or even non-existent.

Neither the market alone nor a centrally led development state can structure the local economic environment and effectively strengthen locational factors. Meso organisations such as local development agencies, extension centres, development banks, or knowledge facilities play an important role in the process of promoting local economic development. They engage in information provision, coordination and knowledge creation. If they are working well, it means that they understand business sector needs as well as strategic policy requirements. This gives them the ability, on the one hand, to feed information and support requirements back from the business world

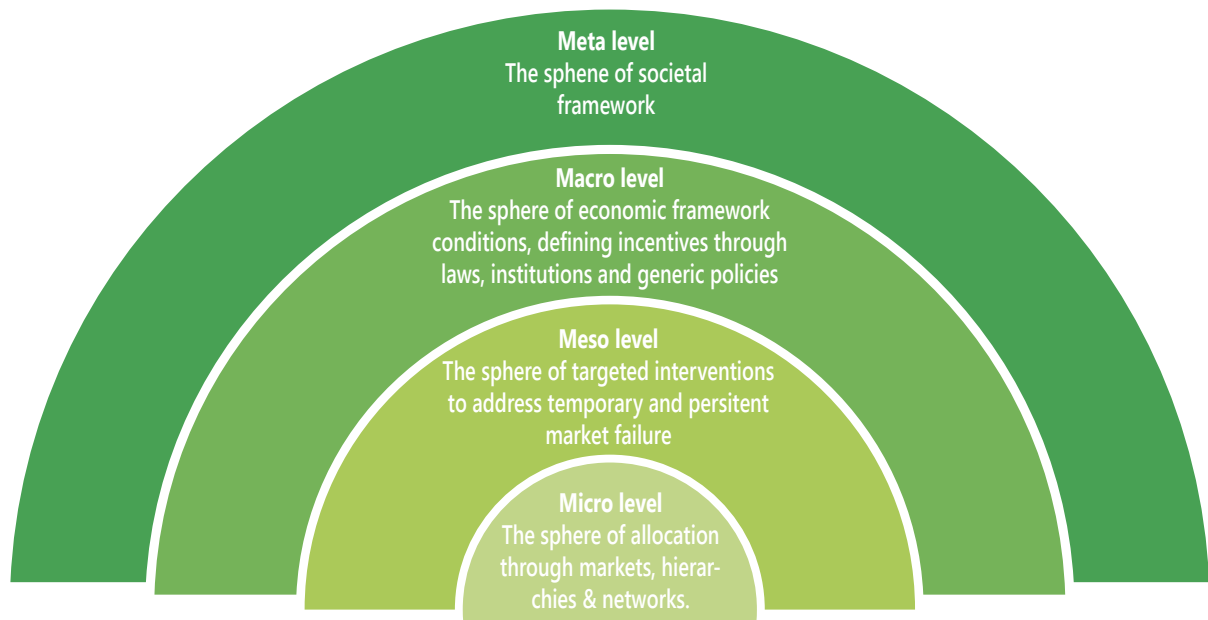


Figure 1: The Systemic Competitiveness framework

to the designers of targeted policies. On the other hand, they deliver targeted support programmes to overcome market underperformance in line with the wider policy environment. Thus the dynamics, diversity and adaptability of these organisations are critical in improving the competitiveness of a territory. This is particularly true in a time when globalisation has increased the mobility of goods, people and ideas, and tacit knowledge and local learning are becoming more and more important in creating a dynamic locational advantage.

In donor-funded economic development, the development programme is generally given the role of the driver of change. Mesopartner has been advocating that territorial meso organisations need to take the role of central

driving actors that promote and enable economic change. Development programmes need to support, strengthen and work through them rather than play their role.

Meso policy and meso space

For a better understanding of the meso level, it is important to differentiate between meso policy and meso space.

Meso policy designs and implements targeted interventions to address persistent underperformance of the economy, to strengthen the supporting environment for businesses and to shape structural change. Interventions can be conceived and executed by both public and private actors. The defining criterion for a meso policy is its selectivity. Fiscal policy, monetary policy,



exchange rate policy and trade policy are generic policies. They affect all economic actors in the same way, and they are thus elements of the macro level. Meso policies, by contrast, are selective and should be based on a thorough understanding of market and business requirements. They specifically target limited groups of economic actors. Typical examples are technology policy (aiming selectively at innovative companies or sectors) and regional policy (selectively promoting lagging regions and the economic actors that happen to be based there).

Box 1 lists typical meso policies.

The meso space is defined as the collection of public and private organisations that are tasked with strengthening

- Infrastructure policy**
- Education policy**
- Technology policy**
- Industrial structural policy**
- Environmental policy**
- Regional policy**
- Import policy**
- Export policy**

the competitiveness of a locality. The meso space is mainly the result of the implementation of meso policy rather than the result of spontaneous, uncoordinated market processes. Nevertheless,

self-organised structures resulting from collaborations between public and private actors on the micro level are also important actors in the meso space. You can find out more on the meso space in Article 2 *'What and why meso organisations?'*

It is important to note that the four levels of Systemic Competitiveness do not correspond to administrative levels. Macro does not mean that things are only happening at the national level. Equally, there are meso policies and meso organisations at all administrative levels: supranational (e.g. European Union), national, regional and local. But even if a meso policy is designed at a supranational or national level, such as the agricultural policy of the European Union, these policies are mostly implemented on a subnational level close to the final beneficiaries, such as European farmers.

So whether meso policy was set supranationally, nationally or regionally, it is generally expressed in local delivery structures in the form of dedicated or mandated meso organisations that are active at the territorial level and constitute an important part of the meso space.

Linking meso and territory

Meso policy and meso space are not coherent, let alone consistent, sets of policies and actors. Both are context specific and need to emerge out of the reality and history of each territory. There are thus no one-size-fits-all solutions. Development promoters need to understand who's who in a territory, what specific meso policies are currently being promoted and to what extent the meso organisation's current activities and the design of the meso policies are contributing to (or undermining) development. This context dependency inherently links Systemic Competitiveness with a territorial approach. This link becomes even clearer when regarding the meta level of Systemic Competitiveness. The meta level reflects the capacity of public and private actors in an economy to organise and collaborate in a way that allows one to tap into the potential of a diverse set of actors to contribute to the development process. This capacity can be vastly different in different locations, depending on the type of location (urban, semi-urban, rural, remote, etc.), its history (peaceful, conflict, etc.), demographics and external influences such as immigration or dominant external policies.

Resources

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