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A New Paradigm?**

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# **Territory vs Function: A New Paradigm?**

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No. 89, August 1981

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Working Paper. The views expressed in this paper are those of the author and not necessarily those of the Institute of Social Studies.

## 1. INTRODUCTION

In recent work by John Friedmann (1976) and by Stöhr and Tödtling (1977, 1978) considerable attention is paid to what Friedmann calls the 'contradiction' between 'territory' (or broadly speaking, regional interests and development) and 'function' (or in simple terms, industrial and services interests and development). The objective of this paper is to clarify these concepts and to see whether they can be used to constitute a framework for the analysis of regional development problems. The discussion is based on the results of relatively recent research in Western Europe and Latin America and starts out with an analysis of the development of large-scale corporations (section 2). Attention will then focus (in section 3) on developments in territorial organizations at local, regional and national levels. In section 4 Friedmann's concepts will be discussed and reformulated, while in section 5 a conclusion will be endeavoured.

## 2. THE DEVELOPMENT OF FUNCTIONAL ORGANIZATIONS

In his study of the growth from the small, family-owned, one-function enterprise into the multinational, Hymer (1972) identifies three stages.

In a first stage, rapid growth of demand and changes in the technology of production and of transport and communication led to the consolidation of small firms into national corporations engaged in various functions. This growth from firm to corporation has been either allochthonous or autochthonous (Jansen 1974). In the first case, other firms are bought (take-overs), whereas in the second the firm expands either by increasing production in existing plant or by opening-up new plant. The motivation for growth in size is found on the one hand in considerations to decrease uncertainty, especially when growth in size goes together with an increasing market share (Hilhorst 1964); and on the other, in considerations to increase efficiency.

Berg (1963) mentions a number of economies of large scale that may be involved: those of production, distribution, buying, advertising, financing, storage, management, and of research and development.

Hymer suggests that this first stage required a new administrative structure which would enable the coordination of production in spatially-dispersed plants. Thus, a structure developed involving on the one hand, a horizontal division of management tasks - such as departments of personnel, production, sales, finance etc. - and on the other, a vertical system of control by which the departments could be connected. In this way, the Head Office came about.

In the second of Hymer's stages, the multi-divisional corporation is created. Corporations thus become decentralized into single product-line divisions, each with its own head office. A group head office is needed to coordinate the work of the divisional head offices. In Hymer's opinion, this process is the further response to the problems of uncertainty and the opportunities of large-scale production with which the enterprise is faced.

In the final stage, the corporation goes abroad and develops into a multi-national corporation. This process is based upon the financial strength of the multi-divisional corporation, and the expansion to other countries may be motivated by the desire to secure markets or access to inputs. We may add that tax and wage differentials between countries should more and more be regarded as a motivation for such moves.

The way in which general demand conditions and changes in technology influence interrelations between corporations is clarified by Rees (1974), who reports on the British chemical industry and finds the following reactions of firms to changes in the general economic situation.

one response ... has been a strong lobby for agreements between producers. Moves towards this include an information exchange agreement to phase investments in ethylene by ICI, Shell and Exxon's and an agreement to phase investments in ethylene by ICI, Shell and BP... The spatial significance of the latter virtually implies companies taking turns over the introduction of vast new naphtha crackers and associated their complexes of downstream plants. General supply and demand trends in the economy, therefore, cause individual firms to respond through their capital investment policies, and these have significant temporo-spatial implications. A second response to detrimental conditions in the economy with implications for the spatial organization of firms takes the form of mergers and acquisition.

And Rees goes on to quote Singh (1971) when the latter reports that of 2126 manufacturing firms quoted at the UK stock exchange in 1954, more than 400 had been acquired by 1960 and that of the 41 chemical firms that 'disappeared' between 1948 and 1960, 28 had been acquired.

The corporation's environment is important in an additional way. Galbraith (1972) argues that when the environment is stable - that is, when there are few uncertainties - a form of organization of the corporation is possible which is strongly formalized and often vertical in character, while all responsibilities per function can be clearly described. At the other extreme is the 'organic' form, which would be most suitable for 'unstable' environments. In this form, communication is little structured and there is a less clearly established hierarchy. Not only does the higher degree of uncertainty implied in the 'unstable' environment lead to greater needs for information, but its collection is less formalized and often occurs in face-to-face communications.

The corporations are among the organizations that face relatively unstable environments and need considerable amounts of information inputs. Rees (1974) says in this connection: 'Headquarters need to be in large (urban) units, because of the need for face-to-face contacts, contributing, for example, to London's functions as a headquarters city.'

As Hymer, Rees distinguishes the headquarters functions from those of the production units. For the latter, regular and repetitive contact patterns exist which make it possible that these units are located away from communication nodes such as New York or London. Thus, in 1968 'New York city alone houses 137 corporate headquarters of the 500 largest American firms' (Rees 1974). Westaway (1974) reports that the head office functions of the 1000 largest industrial companies operating in Britain are concentrated in London and the South East. In addition, he finds 'that productive functions - as represented by annual operations - were found to be most heavily concentrated in the less prosperous regions of Britain.'

Of considerable importance in these findings is that those units of large corporations that are not involved in decision making can be located in backward areas, but that their head offices on the whole require location in the large agglomerations.

Westaway summarizes the development of the enterprise as follows:

This development process has expressed itself spatially in the agglomeration of, initially, administrative functions and, more recently, strategy planning functions, as represented by group head offices. While this process of centralization has occurred at the higher levels of organizations some decentralization has occurred, and is occurring, at the lower levels - routine administration and production. The main forces behind these tendencies appear to be the information requirements of different types of organizational unit and the information richness of cities in different parts of the country (Westaway 1974).

One may add that in countries where communication networks are little developed the tendencies for enterprises to locate in one single urban centre are considerably strengthened.

It seems relevant to consider the experience of socialist countries, and we shall do so with the use of some research results for the USSR. In his analysis of the impact



of industrial decision making on the urban hierarchy, Huzinec (1978) concludes that it is among the major factors explaining the concentration of population growth in the large cities in the USSR. From a series of indicators he infers that this is the consequence of locational decisions by the industry ministries, which prefer industrial investments in the large cities. It turns out that these cities are the administrative capitals.

Huzinec explains the phenomenon on the basis of various factors: (i) those related to the production function; (ii) those related to the planning structure; (iii) those concerned with urban infrastructure, and (iv) those of political nature. Among the first, he mentions that Soviet planners are concerned to find minimum cost locations and wish to take advantage of economies of scale. An additional role is played by the desire to minimize transport costs, which leads in a country as big as the USSR to a situation with relatively few highly accessible places.

In the planning structure, two forms of planning emerged that were supposed to act in a complementary fashion: sectoral planning and regional planning.

Under sectoral planning, a given ministry is responsible for planning the development of its branch of the economy; this mandate extends to all geographic units of the USSR. Regional planning, on the other hand, is set up according to various territorial units ... with each regional unit responsible for the planning of all economic activities within its region. What eventually took place is that, except for a short period under Khrushchev, the ministerial form of planning has been dominant. (Huzinec 1978: 144-145).

Thus, development occurred in places favoured for sectoral development.

With regard to urban infrastructure, Huzinec is of the opinion that the relative lack of social overhead capital in the smaller cities retards their ability to attract industrial investment.

The political factor is concerned with the role of the party in decision making. Since the main members are located in urban areas they will tend to acquire more economic activity there.

Huzinec's results seem to be consistent with those of Ofer (1976), who looked into the relationship between industrial structure, urbanization and growth strategies in socialist countries. Ofer shows that the industrial structure of the European socialist countries differs significantly from that of other European countries and the USA. The producer's goods sector in particular, accounts for a much larger share in total product than one would expect on the basis of an indicator like per capita gross national product.

This phenomenon, in Ofer's view, is a result of policies based on the socialist development strategy, which "aims at maximum rates of economic growth by investing at the highest rate feasible" (Ofer 1976: 221). Ofer is aware that this statement is an over-simplification, but in his view the tendency is there and translates into a tendency to keep consumption low.

The tendency to maximize growth also leads to a desire to make use of economies of scale. In turn, these can better be attained in relatively large urban concentrations. However,

since the bulk of urbanization costs is connected with moving labor into the cities and settling it there, labor is relatively more expensive than capital in urban than in rural areas. The main argument is that the extra costs of moving labor are higher for the socialist system than for a market system, that the socialist system is in a better position to perceive the existence of such costs, and that it has better means of controlling them and taking them into account in the planning process. As a result, some costs are avoided, either directly or by input substitution, that is, by allocating above-normal labor-capital ratios in the agricultural sector and above-normal capital-labor ratios in the manufacturing sector (Ibidem: 222-223).

Although Ofer's reasoning is perhaps rather fast, it seems that greater awareness of the costs of urbanization in socialist countries has contributed to the undoubtedly low overall degree of urbanization in socialist countries; that is to say, considerably lower than one would expect, given the level of per capita GNP. This result does not conflict with those of Huzinec, since the tendency towards primacy in the urban structure of the various republics of the USSR can be quite consistent with a relatively low overall degree of urbanization.

It is interesting to notice that the trend towards large-scale production is present in both capitalist and socialist systems, and in both systems sectoral (or functional) organizations tend to cause the clustering of decision making functions in the major urban centres.

Stuart Holland (1976a) has written about the effects that large-scale enterprise has upon regional development. He defines the meso-enterprise as one that is multi-product, multi-plant and multi-national, whose size and spread span the gap between micro- and macro-economies. Consistent with the evidence provided by authors writing on capitalist systems such as those mentioned above, he further characterizes the meso-enterprise as dominating the markets they are engaged in while being located in the more developed parts of the country. They may even have contributed to this unequal development.

Their super-normal profits in one industry enable them to diversify into others. The spread of operations thereby increases adaptive capacity to demand changes, independently of their power in many cases to influence the pattern of demand through advertising and the creation of consumer wants. Consequently, smaller firms in less-developed regions are faced with major handicaps in any attempt to penetrate national markets through the exploitation of lower effective wage costs, entrepreneurial skill and government incentives (Ibidem: 33).

Thus, Holland introduces a distinction between meso-enterprise and other enterprises which may be located in a given region. In fact, he proposes a distinction into three types: (1) 'leader' firms; (2) 'led' firms, and (3) 'laggard' firms. The first type is the meso-enterprise.

The second category ... are dependent for their main part on national markets and exports ... They therefore fall more into the micro-economic sphere where domestic Keynesian policies are effective ... They either wait for their lead in innovation or market development, or seek to operate in a satellite function relative to the leaders ... The third category ... are too small to bother the leaders, or to prove attractive to them as providers of inputs or as subcontractors ... and tend to be local or regional concerns posing little threat in national markets (Ibidem: 122-123).

This classification of firms that export from one region into those that are at best national in character, and those that form part of a multi-national enterprise, is a useful one. It permits us to define a region's economic problems as being directly influenced or not by the phenomenon of the meso-enterprise, a phenomenon that poses very specific problems from a policy point of view.

Speaking about the behaviour of the meso-enterprise, Holland goes further than Westaway. Whereas the latter says that the production units 'will tend to become fairly well dispersed, following the joint pulls of manpower, markets and raw materials', Holland adds the existence of tax-holidays as a locational factor. Given their size, meso-enterprises will tend to internalize a series of benefits that smaller firms would normally leave to regional enterprise.

In this connection a number of observations by Thwaites are relevant. He has found that firms that establish branch plants in outlying areas do not in general create linkages. He quotes a 1973 report by the North of England Development Council which concludes that 'of 29 plants, which moved to

the Northern Region in the late 1960s ... three quarters ... had not changed their pattern of suppliers, and over half had not changed markets, after the first year.' And Thwaites concludes - after citing other evidence - that many of the original linkages developed in the base region are transferred with the branch plant (Thwaites 1978: 457).

Effects via the labour market in the less advanced region will thus tend to dominate. Holland also stresses this point, when he says that '... The benefits from multinational location (in less developed countries) are limited ... mainly to direct employment and wage creation' (Holland 1976: 39). He does not discuss, however, the backwash effects that the location of these enterprises may have upon existing 'led' or 'laggard' enterprises.

The locational pattern of multinational enterprise that is not engaged in mineral exploitation or plantation agriculture tends to favour capital cities, especially when these also are ports. Abumere (1978) has also found this for the case of Bendel state in Nigeria.

There is no doubt, however, that government incentives may considerably change this tendency. This has become clear from the experience in the Brazilian Northeast (Haddad 1977), as well as from the Chilean government of that period to provide an industrial economic base for the very peripheral location of Arica (on the Northern border with Perú) was successful. Exactly because of this peripheral location, however, most of the multiplier effects in the production of parts and other supplies, came to Santiago. The various production units, with the exception of only one, also had their head office in Santiago.

Stöhr and Tödtling in their 1977 and 1978 papers on the effectiveness of regional policy making give a considerably broader survey. Both papers contain essentially the same conclusions with regard to the quantitative aspects of regional policy effects. On the qualitative aspect, however,

the 1978 paper contains more. Particularly interesting in the framework of this section are two questions to which they address themselves: 'What are the control and ownership relations of the plants which were established in peripheral areas?' and 'what are the organizational characteristics of these plants?'. Concerning these two questions the authors find that 'a large proportion of new activities in peripheral areas are branch plants or subsidiaries with extraregional control and/or ownership' (1978: 94) and that, in addition, they are foreign-owned (Ibidem: 95). On the whole, these branch plants have input-output relations with enterprises elsewhere in the country and not with those in the region where they are located, and they employ low skilled labour. Massey (1979) carries the argument one step further, observing that the spatial differentiation that results from the process of growth of the corporation has in fact contributed to a new type of division of labour according to which some areas specialize in control and R & D functions, and others in direct production. Although she acknowledges Finn (1975) and others who have pointed to the consequences of 'de-skilling' a region, her main preoccupation is with the way the 'regional problem' (employment disparities) is traditionally defined. She argues:

Regional inequality is not a frictional or abnormal outcome of capitalist production ... the process of capital investment has historically normally been one of the opening-up of some areas, and the desertion of others ... They are, moreover, being deserted for reasons relating directly to the requirements of internationally competitive and profitable production (Massey 1979: 242).

We have little difficulty in accepting this view, although some may add that it will depend on the character of the location and the nature and size of the investment whether the rate at which certain areas are deserted is high or not. If it is the type of investment that Finn (1975) and Westaway (1974) encountered in most of Great Britain's problem

regions, there is no doubt that this rate is higher than that to be observed in London and the Southeast.

In the context of this section, however, her contribution reaffirms Firm's fears that the establishment of production plants in problem regions or designated areas separated from control and other functions brings about

... a changing balance between innovative, entrepreneurial-type decision making and routine management-type supervision. When major decisions, such as on investment, sales, or purchasing are made elsewhere, the plant managers in the regional subsidiaries or branch plants are reduced to what Baumol calls 'competent calculating machines'. Thus much of the drive, enthusiasm and invention that lies at the heart of economic growth is removed, reduced, or at best, suppressed (Firm 1975: 410).

The process of de-skilling would also be a consequence of the situation of external control. Since branch plants do not need middle and higher management, those people that aspire to such functions would have to leave the area (cf. Ibidem: 411).

### 3. DEVELOPMENT OF TERRITORIAL ORGANIZATIONS

In a discussion of developments of territorial organizations at least four levels must be distinguished: the local government, some form of intermediate government such as the district or state or province, the national government, and finally, the supra-national level.

On a world-wide scale, there is a clear trend with respect to the introduction of various forms of supra-national regulation. Over the last 30 years, capitalist and socialist countries, as well as rich and poor countries, have formed into groups in order to discuss and decide on matters of economic policy at these supra-national levels. Thus we have seen the formation of ALALC, the Andean Pact, ASEAN, the Central American Common Market, COMECON, The Economic Community of West African States (ECOWAS) and the EEC.

In all cases, although in some more than in others, national governments have given up a certain measure of sovereignty. In Western Europe for instance, the basic determinants of say, national, agricultural, industrial and energy policies are decided upon in Brussels, whereas the COMECON provides a similar framework for the centrally-planned economies of Eastern and Central Europe. In all cases there is a certain degree of devolution of powers that traditionally were considered national to a central structure of decision making as implied in the international regional organizations.

For most authors, the background to this phenomenon is found in (a) the desire of countries to develop internationally competitive and highly productive industry, and (b) the recognition that the economic size of individual countries is not sufficient to reach this objective. Renninger reflects this type of argument when he says regarding ECOWAS:

In the case of West Africa, the economic size of nearly all the countries inhibits industrialization either through import substitution, growth of domestic demand or export promotion (Renninger 1979: 42).

In addition, as is the case with the Andean Pact, there is a desire on the part of national governments to control more effectively enterprises that have an economic space that goes beyond the territory of any of the member states individually, or even collectively. This has become clear also in the case of the EEC where attempts have been made to coordinate policies with respect to firms from outside its area who seek entry.

One possible interpretation of this trend towards centralization of decision making at supra-national levels is that we may see it as a continuation of the same trend at the national level. Also, there is the drive for increased income per capita. Even in a country like Tanzania - which left the East African Economic Community - 'decentralization' really meant deconcentration of the national administration



towards regional levels coupled with the centralization of decision making on economic policy, both in the name of nation building and economic development (cf. Malhotra 1978). In the same way, Bhambri stresses that 'post-independence developments are directed towards the creation of a national market economy and its *regulation* by the national government in India' (Bhambri 1978: 741, italics mine).

The enormous discrepancies in income and wealth as between the majorities in the rich and the poor countries, as well as the idea that government planning would contribute to speeding-up the process of economic development, have undoubtedly contributed to the more important role of the State in the life of countries, especially the poorer ones. In addition, regulation was felt necessary because (a) it had become clear to many that reliance on the market only would not lead to the desired results, and (b) the provision of social services came to be considered a function of the state.

Whereas the devolution of powers to supranational organizations went together with stimuli to enterprises fit to compete, and signified the eventual disappearance of the weaker ones that had managed to survive behind protective tariff walls, the decisions leading to a more powerful central state led to higher levels of taxation, a tendency towards controls on wages and prices, and the closer supervision of local and intermediate governments. In most countries, these authorities would not be allowed to increase their revenue significantly, and in the performance of their functions came to rely more and more upon subsidies from central government.

Changes at the level of local and intermediate authorities have been manifold and can not be enumerated here. Some trends must be mentioned, however. First of all, there seems to be a trend towards scale enlargement, which becomes apparent in two ways. On the one hand, in some countries such

as the Netherlands, the number of local authorities is being reduced, so that the remainder command larger territories. In addition, there are formalized types of cooperation between local authorities for the performance of certain functions, such as waste treatment and inter-urban public transport. A similar phenomenon is found in the grouping of French *départements* under the *super-prefect*, the creation of the *superintendencias* in Brazil, the regional development corporations in Venezuela, the regional development committees in Perú, the regional development ministers in Tanzania, etc., which are not only intended as handles for the implementation of interregional policies on the part of central governments, but also as a means to channel and harmonize local and regional initiatives.

A second trend is concerned with the devolution of powers from central government to intermediate levels of government, while a third is that more funds are made available to local authorities.

The second trend can be observed in the richer countries, where central administrations have grown to a point that makes it impossible for them to function properly. What is meant here is that some of the central government sectoral agencies have become so far removed from the differentiated problems of the various regions that they are no longer able to respond adequately on the basis of the decision criteria that were developed over the period of growing centralization and increasingly wider-coverage service delivery systems, and which had nation-wide validity. Inadequate response on the part of central government to demands for specific social and cultural services increases in a period in which local and intermediate governments and groups experience increasing frustration based on their inability to co-determine the economic future of their city or region. Forces far beyond their control cause the shut-down of mining operations, steel mills, textile industries; in many cases the economic base of cities or

groups of cities, and those affected are unable to do much about it. In this climate of frustration the devolution of powers in the fields of certain social and cultural policies comes as a partial response to political aspirations at lower levels of government, while possibly providing a certain degree of alleviation of structural employment problems.

Although the trend towards deconcentration in Latin America is similarly void of economic decision making, it is mainly related to attempts to create better conditions for economic growth and development. In countries such as Mexico and Colombia (cf. Walton 1977), Venezuela and Brazil (cf. Hilhorst 1979), the creation of regional development bodies has led to a crystallization of economic interests in the private sector. As such, therefore, it functions in effect as part of the first trend described above.

The third trend is less clear. In Brazil in the late 1960s, the federal government increased the share of local governments at the expense of the income of the states, while in Peru local governments also received more resources as from the mid-1970s. Whether this trend can be found elsewhere is not clear. There are indications that the Brazilian policy generally had a positive effect on local affairs, but a lack of skilled personnel at the local level left a considerable amount of money unspent in the first years.

By way of summary we may say that developments in territorial organizations seem to respond to three phenomena: (a) changing ideas as to the role of the State; (b) changes in the organization and scale of production and marketing, especially industry; and (c) changes in transport and communications technology. Although this third factor is not independent of the second, technological changes have certainly affected the possibilities for change in the role of local and intermediate authorities. The leading position seems to be taken by the other two phenomena, however. As the

organization and scale of enterprises changed, territorial organizations in their new understanding of the objectives of development and the role of the State, were forces with which to centralize regulatory functions, to the point of creating supranational organizations. It is clear that a choice was involved: rather than hampering the development of economic activity with the aim of achieving the highest possible levels of productivity, it was promoted. Therefore, territorial organizations would seem to have put themselves in a secondary position: their functions and the level at which they should be executed become partly dependent upon developments in what Friedmann has called functional organizations.

In terms of Holland's three types of firms, the supra-national levels of government are seeking to control the 'leader' firms, national governments regulate the 'led' firms, while regional authorities may at best attempt to provide policies for 'laggard' firms. Policies for agricultural development are formulated decisively at national or supra-national levels. The increasing importance of the State in the fields of non-economic (and non-defence) policies has led to the creation of large functional organizations at the national level, decreasing the importance of intermediate and local government.

If we look again at developments in functional organizations, we cannot avoid the conclusion that the process of this development has been faster than that of territorial organizations, the latter even being responsible for the continuous provision of incentives to functional development. While international regional organizations came into being slowly, functional organizations spread their interests around the globe, and efforts to regulate their activities are frustrated by opposing interests and by a lack of decision making structures of a territorial nature at the

supra-international regional level.<sup>1</sup> At the same time, central government undertook more and more functions, while head offices of firms tend to cluster in the capital. Thus, a process of continued spatial concentration of power seems to be taking place.

#### 4. TERRITORY AND FUNCTION; RELEVANT CONCEPTS?

Friedmann defines 'functional integration' as referring to linkages among individuals (or groups) who are organized into hierarchical networks on a basis of self-interest' (Friedmann 1977: 11). Territorial integration 'refers to those ties of history and collective experience that bind the members of a geographically bounded community to one another' (1976: 11). In a footnote, Friedmann clarifies that these concepts do not denote ideal types that are mutually exclusive, but 'complementary forces that are in contradiction to each other, complex social forms arising from this double interaction'. One could agree with these definitions and even consider them useful, were it not that the words 'functional' and 'territorial' are given a meaning beyond that which is usual. Thus, Friedmann turns 'functional' into something 'evil' and not to be pursued by adding: 'To say that a relationship between two individuals is functional is to imply that one is using the other as an instrument to accomplish a purpose of his own; such relationship is symmetrical only in the limit' (Ibidem: 11).

In contrast, 'territorial' is 'good': 'a territorial community is, above all, a community of sentiment, formed by a deep attachment to its territorial base' (Ibidem: 11).

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1. At this level inequalities and disparities exist that are sometimes far more pronounced than within countries. Too much has been said already about the tendency towards concentration of decision making power and wealth at this international level to repeat it here. However, there is no doubt in my mind that these differences conspire against the coming into being of the required territorial decision-making structures. This is not to say that no other reasons could be advanced.

In a footnote again, some clarification is obtained:  
'All social integration above the small, face-to-face group occurs on the basis of either territory or function... In territorially-integrated societies, history and place are one ... Yet the territory is merely the ground for man's history. It is their collective experience which creates the essential bond between them.'

One wonders in what sense the word 'community' in the definition of 'territorial' is used. Apparently not in the sense given it by Toennies since Friedmann rejects it, together with those in the sense of organic and mechanical solidarity as developed by Durkheim, as 'earlier concepts'. He clarifies matters somewhat by saying that 'both types of organization also appear as political actors in the world: they are capable of accumulating and using power' (Ibidem: 12). 'The power base of territorial organizations ... is chiefly normative or moral (ability to call forth "sacrifice" and "commitment")' (Ibidem: 12). It seems to follow that territorial integration takes form through the organization of persons within a given territory, who are interrelated 'above the small, face-to-face group.' The sentiment, then (which is characteristic of the community), cannot be based on interrelations between persons, but on the relationships that the persons in a territorial 'community' have with the territory in which they live. This type of organization would be characterized by hierarchical social relations - as are functional organizations - but whereas these are proposed to be instrumental in the functional case, in territorial organizations they would tend to be adscriptive.

Every national economy is, to a degree, both functional and territorial, but the actions to which these principles of social cohesion give rise often result in bitter struggle. In any event, the complexity of the response space does not allow for ideologically 'pure' answers. Territory and function prevail over territory, or territory over function. At the moment, the transnationals appear to be gaining in this contest for domination, but the arguments favoring the territorial principle are very strong, and territorial

systems are, in any case, essential to the survival of corporate (functional) power: without territory corporate power could not shift the burden of production on society (Murray 1975: 63-77; quoted in Friedmann, forthcoming: 15).

Stöhr and Tödtling express similar concern when they say that the objective of equity should be "considered not only in terms of equal socio-economic levels but also in terms of equal chances of individuals and groups for diversity and for being different" (1977:34), and when they observe that the past decades have witnessed the execution of policies that have disregarded the latter type of objectives by concentration on "increasing functional and spatial integration of interacting systems of growing size complexity and lack of controllability" (Ibidem: 15).

Thus, we have a definition of a problem that supposedly results from a certain emphasis on the design and execution of development policies, as well as the definition of two types of organization and related types of power and integration.

Firstly, it would seem necessary to acquire somewhat less value-loaded definitions of functional and territorial organizations than those provided by Friedmann. It seems equally necessary to broaden Friedmann's concept somewhat so as to enable the inclusion of phenomena of sectoral nature as they occur in both socialist and capitalist countries; that is to say, the role played by national ministries and autonomous agencies, such as marketing boards or electricity boards.

By functional organizations we understand organizations with limited objectives, whose performance and continuity is generally dependent upon the degree of efficiency with which their scarce means are used, and the effectiveness they demonstrate in attaining their limited objectives. These objectives generally refer to the production of a limited range of goods and/or services.

By a territorial organization we understand an organization designed for the generation and/or implementation of

public policies in a given territory, by which the activities of persons and/or legal personalities of private or public nature in that territory may be affected. This definition implies that the set of objectives of territorial organizations is in principle considered of a higher order than those pursued by functional organizations, in the sense that the degree to which the latter objectives should be realized and the relative weight that should be attached to them can be derived from the former.

Both functional and territorial organizations are hierarchical. The former may even use a territorially-based criterion for certain aspects of their hierarchy. For instance, the sales manager for Holland of an international firm will be the underling of the sales manager for Western Europe of the same firm. Similarly, the extension officer in the *distrito* of Chocisca in Peru is accountable to the director for extension of the Zona Agraria of Lima. But even if large, private functional organizations do not formally use territorial criteria in demarcating competences among equals in their internal hierarchies, the organization of markets by wholesalers and retailers will eventually provide them with a territorial complement.

Territorial organizations - local and provisional governments etc. - normally form an organic part of an hierarchy that is topped by central government. If this may formally not be the case in federations or confederations, in the practice of relationships between states and federations the latter is generally the more powerful (Cf. Ashford 1979).

Relationships between territorial organizations of different levels have become considerably complicated due to the changing role of the State and the resultant large-size bureaucracies characteristic of 'big government'. This development has led to the functioning of central government as a series of functional organizations, each of which has to be dealt with separately by the individual local or intermediate



authorities. Thus, the lower level territorial organizations may more and more feel a need to control and regulate the activities of public functional organizations that belong to a higher level, without having the formal power to do so.

Three issues emerge in this context. First, there is the problem that functional policies designed by central authorities tend to bring about an homogenization among regions which is resented by their populations. Regions, in turn, lack the power to adapt such policies to their own objectives.

A second issue is that the continued concentration of functions at the national level has contributed to the 'functional' behaviour of central government, so that at least for a number of functions and in a number of countries the question is raised as to the effectiveness of maintaining the execution of such functions (social services, culture, etc.) at the national level.

The third issue is that of power. This issue relates not only to relationships as among territorial organizations, but also to those among functional organizations - especially not necessarily only from the private sector - and the various levels of government. If central governments cannot regulate the activities of international corporations, even if the latter adhere to the letter of the law, how, then, may lower level territorial organizations hope to be effective in determining the economic future of the population in their area of influence? Some of the related frustrations transpire in the following observation made by Watson:

There is here a recognition of the need to maintain and develop the inherited resources - cultural as well as material (including ecological) - of provincial and rural France. This, it is by now clear, the technocratic politics of functional (pseudo-) regionalism cannot cater for. It embodies the very pattern of centre-periphery relationships which regionalism has historically sought to disrupt (Watson 1978: 477).

Thus, there is no doubt that there is considerable value in Friedmann's observation that the operation of both functional and territorial organizations is the cause of conflict in society. Equally, there is no doubt in my mind that to focus on this conflict and to do more research into the sources of power of the various organizations would give us more insight into how regional policies should be reformulated and made more effective, either from the point of view of the central authorities or from that of the lower level territorial organizations.

If, indeed, territorial organizations pursue the realization of objectives that must be considered of a higher order than those characteristic of functional organizations, the power of territorial organizations should be bolstered.

#### 5. CONCLUSIONS

The study of the conflict between functional and territorial organizations would seem to be useful from the point of view of regional development policy making, since it would increase our understanding of the effectiveness of the means by which activities of functional organizations may be regulated to the benefit of the population in a given territory.

The problems that have emerged due to the higher speed of development in functional organizations than that observed in territorial organizations, seem to point to the possibility that the present scales of territorial organizations are obsolete. The increased horizontal mobility within and outside the boundaries of existing territorial organizations of persons, factors of production, and commodities, contributes to this obsolescence. Whereas in the past and in traditional societies at present, it is possible to identify a set of interrelated economic, social and political activities, administered from one centre at the intermediate level, this coincidence of activity spaces is

becoming less and less common. The old territorial extents of regions are cracking at their seams, and in a number of countries new regions are in formation under the impact of the changes indicated above. This implies that some regions are in the process of being absorbed by others.

Whether the latter phenomenon can be studied on the basis of the contradictions between function and territory, remains to be seen. The introduction of this contradiction as a field of study is important in that it focusses attention upon an important aspect of regional development (from a theoretical as well as from a policy-making point of view). If it could also be used for the study of regional development in its entirety, we should be presented with a new paradigm. In that case it would enable us to introduce the concept of region and the relationship between territorial organizations and the organization of human activities in space. To what extent this is possible can not be considered within the scope of this paper.

Meanwhile, one other conclusion seems to stand out: in their fervour and success in promoting functional organizations, territorial organizations have relinquished so much power that they are placed in a secondary position. This does not seem to be a desirable situation.

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