

# Modern chambers of commerce need more fire in the belly in their relationships with government.

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Professor **Bob Bennett** traces the history of chambers of commerce from their inception in the 18<sup>th</sup> century to the present day. What started as a movement seeking concessions from the elite has morphed into an institution closely partnered with government. While modern chambers of commerce have lost much of the spirit with which they were founded, they still serve an important role. He finds that the cost of partnering has tempered their impact and that chambers of commerce should be reinvigorated by taking a more adversarial position towards government.



Here is a fascinating story. Anti-capitalist protesters stage embargoes and riots in the leading cities across both sides of the Atlantic. They resent an elite that is out of touch with their needs and gives favours to insider groups. They refer to the 'imbecility of entire administrations' and resent the 'ignorant and indolent Great'. They want a radical change to 'the system'.

The time could be now, but the time was the 1760s and 1770s, and the protesters were leading business people who formed the first local chambers of commerce as a new organisation to help present their voice.

My new book, *Local Business Voice*, reveals for the first time how local chambers of commerce began as protest bodies in the leading localities in the Atlantic economy. They formed to attack vested interests in the then metropolitan global state based in London. They tried to manoeuvre a course between radicals, who wanted revolution, and a membership that wanted to get the government to listen and implement radical reforms rather than revolt. Many of the chamber leaders had earlier been successful in turning government away from the Stamp Act and obtaining other concessions to reduce risks to the economy.

But this middle course was not enough for American revolutionaries. Members of the earliest American chambers in New York, Boston and Charleston were not radical enough, became dubbed loyalists and subsequently had to flee or have their property confiscated by US revolutionaries. In Britain, members of the two main early chambers, Liverpool and Manchester, petitioned and pressured ministers to make concessions to the Americans, especially not to use force and repression. But in the end an obdurate government under Lord North felt powerful enough to succeed without reforms or concessions. War broke out; the secession of the American colonies followed.

In another analogy with modern protests, the early chamber leaders managed their debates in open sessions, by 'deliberation', and came to decisions by mass shows of hands or 'acclamation' among the hundreds of business people who attended. They did this not on pavements and in parks, but in the comfort of commercial coffee houses. So important were coffee houses and hotels as milieus that most of the early chambers went on to develop their own, another feature that has not been previously recognised.

*Local Business Voice* shows how extreme contention about 'reform' and the 'frames' within which policy was negotiated were critical forces in the origins of local chambers of commerce. At the end of hostilities with America in 1783, a second wave of chambers was founded in Britain and Ireland to keep up the pressures for economic reforms (in Glasgow, Dublin, Belfast, Birmingham, Leeds,

Waterford and Londonderry). In America, the chambers were re-established to promote trade and their local economies. As time progressed the 20 or so chambers around the Atlantic diffused to all major economic centres in the English-speaking world.

This was a volunteer movement that completely contrasted with the state structures of the public law chambers in continental Europe. It relied on the commitment and energy of its members. *Local Business Voice* shows how this origin became professionalised with administrative staff during the 19<sup>th</sup> century and then developed a *bundle* of services in addition to its lobby activities.

In the modern chambers, as well as lobby support, members seek a mix of collective and individually tailored services. Chambers also act as partners with government in various initiatives, such as urban regeneration, apprenticeships, advice to small firms and export promotion.

The growth of this portfolio was an organic process up to the 1980s. It then changed radically in Britain and Ireland as governments wanted to load more economic activities into partner bodies. The chambers became ready participants. But this left them vulnerable to political swings. Partnering government risked a form of crowding out by 'non-preferred' partner services that undermined member commitment. The shifting priorities of the UK government initiatives, particularly those under Michael Heseltine in the 1980s and 1990s, were particularly disruptive for chambers.

*Local Business Voice* shows that there is a 'Samaritan's dilemma', or what Finer called a danger of 'surrogacy': if government is prepared to finance chambers, why should the members pay, especially for something they may not want? As a result, there may be reduced member involvement, loss of chamber independence and distorted mission focus. Indeed, increasingly rapid turnover of chamber membership since the late 1990s has been the only major reversal of the long-term growth and stability of chamber membership since the 1770s. This has led to a strong debate about whether chambers have become too close to government.

Using chambers as partners offers many advantages for government: they provide a network of connections to the businesses that are most committed to the local economy; chambers have brand recognition and trust, which increases the potential legitimacy for government programmes; and their local expertise can help tailor programmes. Indeed, chambers have successfully cooperated with government programmes since World War One.

However, *Local Business Voice* shows that partnering with government has high management costs and high risks deriving from political instability. Coming right up to date, *Local Business Voice* argues that Britain's Local Enterprise Partnerships (LEPs) currently being promoted by the UK Coalition government have all the normal risks of partner cooperation but virtually no rewards. Alarming, Heseltine has returned to promote new initiatives that again look dangerously disruptive. The historical comparisons suggest that the private volunteers in LEPs may become disillusioned unless the risk/reward ratios are improved. Perhaps they need to take on more of the spirit of their founders, to move towards more strongly objecting to unsatisfactory government policies rather than partnering with them?

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*Local Business Voice: The History of Chambers Of Commerce in Britain, Ireland and Revolutionary America, 1760-2011* is published by Oxford University Press, 2011.

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**About the author**

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Bob Bennett, who was Professor of Geography at LSE 1985-96, is a long standing expert on chambers of commerce and other local economic development agents. He is the author of many books and research papers, and has been an economic advisor to parliamentary committees and agencies in the public and private sector. He was a particular critic of Business Link and advocate of greater government flexibility when working with economic partners.



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