

(3) Structural Constraints to Regional Development Policy

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Exemplary Reference I:

A party program for the economic development of the ‚*Bergska*‘ region in Germany

(Author: Regional division/association of CDU (Christian Democratic Party), 2006)

Program demands – addressed to the CDU/FDP coalition government of Northrhine-Westphalia:

1. Promotion of new jobs to combat unemployment
2. Appeal to the government for developmental aid to the region
3. Regional implementation of developmental aid program by means of the EU e.g. (target II structural fund)
4. Fair treatment of all (no unfair preference for) NRW-regions (cf. Ruhr district) by governmental assistance to developmental policies.

The 3 structural constraints/topics of regional policies I shall address:

CONTENTS

Subject	Aspects	Principal relationship/ Theory (!)
1 Societal order	Constitutional order; public-private borderline; state function (means and responsibility)	(public) state – (private) economy (,societal systems‘)
2 State order	Unitarian standards of living vs. competitive regions‘ concept, and respective structure of government/society	national unity – (competitive) regions (federalism; regional decentralisation)
3 Level of Communi- tarianism	Regional identity and identification: necessary precondition for successful regional policy	society – community; ,region building‘

Preface (terminology - just for clarification)

- The term ,*policy*‘ is used here in the ,continental‘ meaning, i.e. it is attributed to the state.
 - (This is different from a) a broader meaning, and b) the anglo-american understanding of ,government‘.)
- By addressing ,*constraints*‘ of policy-making I do not aim at a destructive or pessimist view of regional policies and policy-making. It’s only to remind us of limiting conditions and preconditions of regional policy-making.
 - Specific policies can, of course, be invented and designed to cope with such constraints.
- The term ,*structural*‘ is rather complex. It is used in the sense of ,fundamental‘. Structures are determining and programming functions and actions. Structures matter! In a way, structures are theoretical abstractions as well, i.e. the term implies and indicates certain theories.

1. Politico-economic constitutional order* – the function of the state

1. Outset: Society based on a (private) capitalist – or market – economy**
2. This fundamental ,order‘ (or regime) implies a certain relationship between (private, business based) economy and (public, democratic) state/policy-making
 - Although there is some variety in this relationship (comparatively; historically), it is a sensitive, principle topic.
3. The state’s function is limited according to this ,constitutional‘ relationship. This fact also relates to economic policies of the state – international, national, regional, local ones: this concerns competence, legitimacy, scope, means etc.
4. Common assumption: The state/policy has, first of all, to create a favourable (sociopsychological, legal, infrastructural, taxation) framework for business and shall not interfere with, or intervene into, business.
 - Kind of subsidiarity principle: the state shall not do things which the market/business is capable to do.
5. (Often ignored or underestimated:) Important 3rd (non-profit, non-governmental) sector (,civil society‘) with (,political‘) associations and collective interest groups (e.g. chambers of industry and commerce)

Leading questions – e.g. concerning regional policies

- What can the state/government(s) do? (governmental ability and capacity)
 - What shall the state do? (political order and competence)
 - What will the state do? (self-restraint)
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- What is the state really doing? (empirical evidence)

e.g. combat of unemployment, job creation

- The state/public policy is neither competent nor able to create jobs (beyond public service) and cannot be made responsible for unemployment.
 - Constitutional/legal competence
 - Fiscal means
- (Ambivalent, disputed, historically overcome?) exception: Keynesian anti-cycle policy, i.e. public investment in order to provoke business, creation of jobs and income.
 - Special role of construction industry (multiplier and accelerator effects).
- The state's incompetence becomes intensified by its obvious inability to enlarge public service because of fiscal scarcity (historical experience).

e.g. consequences of population decrease for urban infrastructures

- Demographic trend in Germany and elsewhere: decreasing population, rising quota of elderly
- ‚building down‘ (or ‚de-construction‘) consequence
- This problem would, in fact, need state intervention because it does not happen ‚automatically‘ (by market forces).
 - However, do governments take up this role?

Public-private Partnership (PPP)?

- This mode is blurring the borderline between public/state and private/business.
- Yes, yet in special cases and contexts only
 - Investment (buildings, streets e.g.)
 - Financial mode (kind of leasing)
- www.ppp-bund.de
- Currently 300 projects in Germany, 7 Mrd. €_(FAZ, 06.10.06, p. 45)
- Research is needed!

2. National uniformity/equalisation vs. competitive regions, i.e. diversity

- The issue can be deduced from a current, and maybe structural, German debate and dilemma: „einheitliche Lebensverhältnisse im Bundesgebiet“ vs. länderbezogener und -bestimmter „Wettbewerbsföderalismus“
 - i.e. this issue is controversially debated
 - Changing trends?
- Abstracted from federalist states/societies the issue can, at least in parts, be transferred to structurally unitarian societies and their regions as well.
 - What is the political philosophy in this regard in Slovakia? Is this philosophy under debate, is it changing?
 - How much differentiation/diversity is accepted or wanted in this country?
 - Shall regions compete with each other – aiming at regional differentiation which is necessarily implied? Is it also wanted?

2 basic concepts

	National uniformity of standards of living	Regional diversity by competition
Criteria	Constitutional norm of uniformity/equalisation	(open, divergent) outcomes
Responsibility	central state/federal government	regions/regional governments
Policies	fiscal redistribution (equalisation); interventionist regional policy	Promotion of endogenous development within each of the regions

Federalist state order – the German case

- The system: 3 levels of state/government:
 - Federation/federal government;
 - states (Länder) – plus intermediate authorities (Regierungsbezirke/Bezirksregierungen);
 - self-administered municipalities („local government“)
- Plus supranational EU
- „Competitive federalism“; competitive regionalism; competitive localism
 - Horizontal equalisation of fiscal means (as mediation of competition)
- Regional development across regions – within Germany and beyond (Euregios)
- Regional economic policies are pursued in all German „states“
- Current reform of federalism in Germany

Regional disparities can legitimize (national) state action/intervention*

- Constitutional norm in Germany: ‘uniform living conditions’
 - Although a weak constitutional clause meanwhile, still a strong political issue
- EU structural and adhesion funds are defined according to this idea

Special case: Assistance to Eastern Germany (i.e. former GDR)

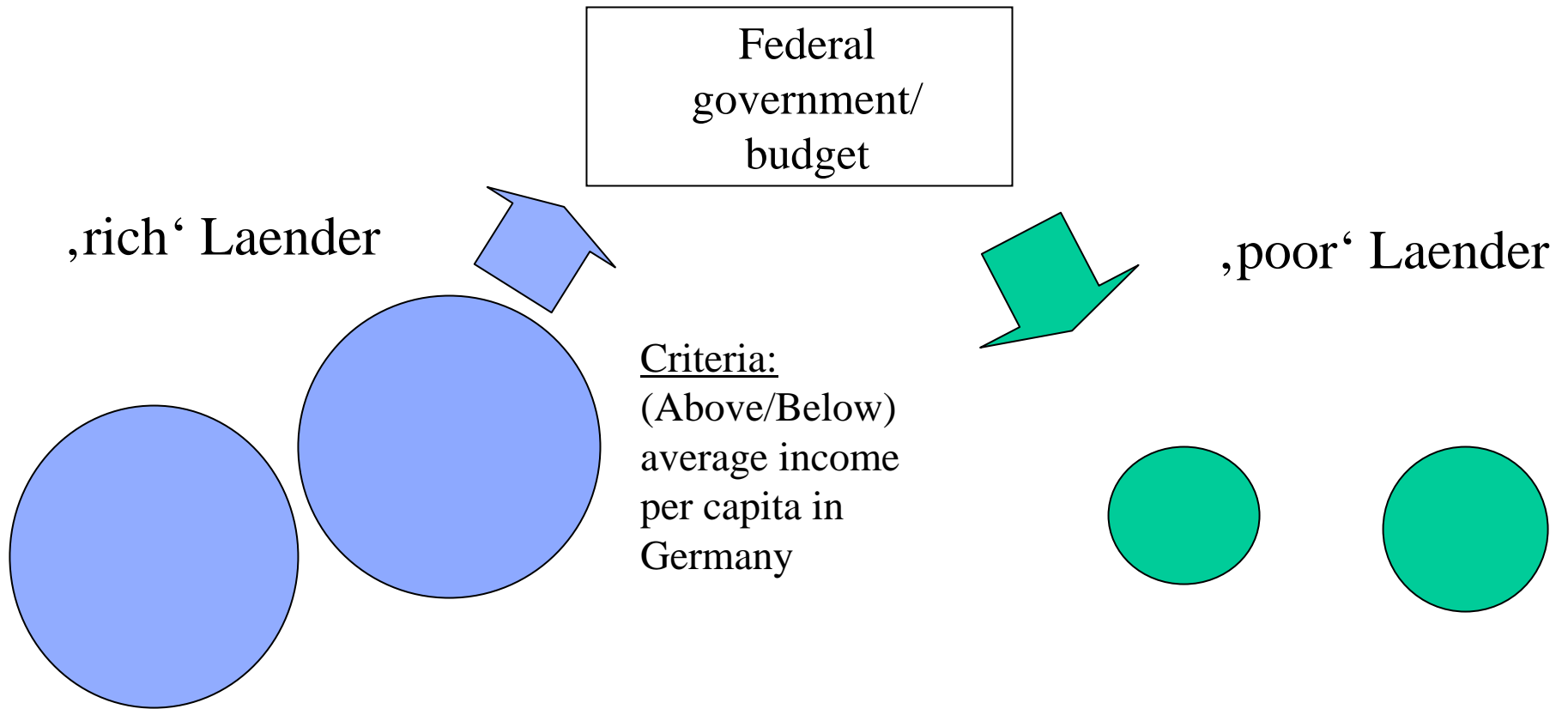
- Huge monetary transfers for years, even decades
- Solidarity means (tax)
- Longterm promise and transfer
- Matter of fact, yet disputed. Political critique:
 - Transfers (mis)used for consumption instead of investment
 - Meanwhile comparably better standards than in western states or regions

,Horizontal‘ equalisation of fiscal resources and means

- In Germany, the mission of uniform standards of living throughout the country is normatively laid down in the constitution.
- This norm has been operationalised and implemented by a system of horizontal equalisation of fiscal means between the federation ,subjects‘ (Laender; states).
 - The level of living standard, and wealth, or poverty respectively, can be measured by average gross product (or income) per capita statewise (as the EU does as well)
- The system is, however, permanently under critique and discussion, of course.
 - Alternative political concept: pure or radical competitive federalism

System of horizontal finance equalisation/redistribution

(16 Laender*)



3. Regional Identity: ‚natural‘ and ‚artificial‘ regional entities/subjects

- Regions are, first of all, a spatial subjects and as such quasi-natural. They are, however, overdetermined:
- In many cases, regions, and their borders at the same time, are ‚man-made‘, i.e. they have been constituted by political-administrative acts, interests, needs, aspects. They are products of (socio-political) planning and, in a way, artificial.
 - J. Habermas differentiates between institutions which have been planned and constituted by man (i.e. by political decisions), and others which have grown up in history without any reminder of their birth or introduction.
- The idea of regional development presupposes some kind of regional identity, and of identification of the population, the enterprises etc. with ‚their‘ region. The region’s people must feel to belong to each other – and act according to this emotional tie. This might not function as well in case of artificial regions.
 - Cf. the differentiation between ‚Gesellschaft‘ und ‚Gemeinschaft‘ made by Ferdinand Tönnies (and Max Weber as well); translation: ‚society‘ and ‚community‘.
- Regional identity and the people’s identification with ‚their‘ region is a matter of fact, and can be empirically tested and proved.

Identity building, promotion of identification: policy and management

- National level: Cf. Karl W. Deutsch: state and/or nation building (!), e.g.
 - Kazakhstan e.g., as an example for the independent states which have developed from the former Soviet Empire
 - Change or relocation of the capital city
 - Change of, or addition of another, national language
 - Naming of cities, rivers, mountains, valleys etc.
 - Development of (National) Mass Media
 - Treatment of the ‚own‘ history, language and religion at school, in education and research
 - National literature
 - Independent states after colonialism
 - South Africa after the end of apartheid
 - European Union
 - As an alternative path: former Yugoslavia
- Regional level: ‚region building‘, e.g.
 - „Initiativkreis Ruhrgebiet“
 - *Bergska* region (city triangle)
- Prerequisite, consequence: Some kind of homogeneity, e.g. by equalisation of disparities (policy) within a region, e.g. economic ones, perhaps also demographic, religious and ethnic ones (dislocation)

Exemplary Reference II:

Regional development policy in the ,*Bergska*' region in Germany

Envisaging the new period of EU structural policy (2007 ff.), the local/city governments in/of the *Bergska* region strive to unity for their plea and application for subsidies.

- EU structural fund philosophy in target II: innovative projects for regional development
- Role of the NRW government: call for plans and regions' contest
- Problem of coordination and cooperation: region building – against local individualism, jealousy and competition.

Regional business clusters

- Is this a solution? Does this function?
- Trend: Networking/cooperation although competition
- Regional branch clusters? Definition of ‚themes‘
- Driving forces of clustering
- (Institutional) Activists (catalysts) of clustering
- E.g. Wuppertal: Business Breakfast; Innovation Circle; bizeps (for start-up businesses)

Regional clustering is an instrument of poor/developing regions

- ... which apply for development aid, e.g. from central government or from EU funds (this is prerequisite)
- Clustering is a bottom-up process but moderator and catalyst institutions are needed

Promotion of regional identity and identification, e.g.

- Baden-Württemberg: PR campaign*
 - Munich
 - Bioregion
 - ChemCologne
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- Instruments: how?
- Contents: what?

Finally, on the occasion given:
Universities as catalysts in
promoting regional development?

- Do universities matter in the context of regional development?
- Knowledge society/knowledge sectors in the economy/innovation and their impact on technological change („Silicon Valley“ model)
- „... how universities are contributing to building creative environments and functional networks at regional level“ (topic of EUA conference at Brno, Czechia, 19-21 October, 2006)