

CHALLENGES FOR REGIONAL POLICY

Old Dilemmata, New Perspectives and the Importance of Institutions

Territorial Cohesion in Europe
International Conference for the
70th Anniversary of the Transdanubian Research Institute
Pécs, June 27-28, 2013

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SHIFT IN PARADIGM

Strong changes in regional policy

- change in primary objectives
- extension of instruments
- increase of institutions and agents
- new theoretical foundations and legitimization of policy orientation
- regional dimension of economic policy gained importance
- spatial aspects of many sectoral policies were recognized

EXAMPLES FOR REFORMS

- Europe 2020 Agenda (2010): smart growth, sustainable growth and inclusive growth
- OECD Growth Strategy (2009): stronger, cleaner and fairer growth
- US Government (2008, 2011): sustainable communities, innovation clusters, revitalizing neighbourhoods
- World Bank (2009): people – based policies, improving social and human capital (spatially neutral)

UNDERLYING MOTIVATIONS

- renaissance of interest in and importance of institutions
- new perspectives on innovation and the genesis of regional growth
- Changing objectives and imperatives for policy

WHAT CAN WE LEARN FROM INSTITUTIONAL ECONOMICS (1)

- Veblen (1899): institutions act upon individuals by changing their habits
- Arrow (1987): new questions- why economic institutions emerged the way they did
- North (1991): central issue is to account for the evolution of political and economic institutions inducing increasing productivity
- Nelson (2001): institutions as “social technologies”; technology and institutions co-evolving

WHAT CAN WE LEARN FROM INSTITUTIONAL ECONOMICS (2)

- Helmstädter (2003): division of knowledge in need of special institutions
 - overcome pure transaction approach and pure division of labour
 - differences in the form and impact of interaction
 - knowledge sharing involves internalization and recontextualization
 - cooperation is basic institution

NEW PERSPECTIVES (1)

on the basis of recent contributions in handbooks, advances in spatial science, textbooks

- “cognitive approach” to innovation and local growth (Capello 2011)
innovation as a result of the presence of collective learning processes
territory becomes a “cognitive engine” enhancing co-operation and interaction
- “territorial integrated approach” to innovation and the genesis of regional growth (Crescenzi/Rodriguez-Pose 2011)
R&D, innovation systems, knowledge spillovers and the “social filter”
leading to “growth diagnostic approach”
core of analysis is “territory”

NEW PERSPECTIVES (2)

- endogeneity of growth, strongly differentiated impact of technological change (Bröcker/Fritsch 2012)
difference not so much in knowledge infrastructure but in quality of cooperation
depending of the openness, efficiency of innovation system, of quality of institutional interaction of various elements

OBJECTIVES (1)

From old dilemmata to new interpretations and tools?

- Old dilemma: efficiency vs equity/equality; equity/equality vs growth/innovation/competition; equality as “more justice for underdeveloped regions”(Armstrong / Taylor 1985, 1993, 2000)
- Yet: how to interpret justice? Shift in paradigm in the philosophical debate on justice
- justice as social (“distributional”) justice
- naïve believers: increase in equality of income

- Rawls (1971): different levels – from “rules of the game” to goals when organizing a society
 - “difference principle” – strengthening position of weakest members
 - “justice as fairness” – social contract for fair play
- Sen (2009): what needs to be distributed in a just manner – not only income, but also freedom and opportunities

OBJECTIVES (2)

- “dogma of justice”: only as justice in distribution
- Höffe (2004): social justice as justice in exchange
need for basic patterns of co-operation
institutional arrangements to organize the giving and receiving
- Koslowski (2011): solidarity as a scarce resource
market exchange as a “second best” arrangement
- new paradigm: distribution not as a starting point but focus on processes of exchange

IMPERATIVES FOR POLICY CONSEQUENCES FOR POLICY (1)

Regional policy: in need for guiding institutions in support of “territory” instead of old dilemma: concentration on “justice in exchange” between developed and less developed regions

- Objectives
 - move away from the convergence criteria to focus on adjustment and transformation criteria
 - contractual arrangements for promoting the institutional changes appropriate to localities
 - use of results/outcome indicators is designed to change behaviour (McCann 2012)
- Need for basic patterns of co-operation
 - “facilitate cooperation among actors and therefore the socialization of knowledge”
 - “assist economic actors (individual people, firms and local institutions) to develop organizational forms which support interactive learning processes”
 - yet: large variability of regional paths towards innovation
 - formal knowledge not only source of innovation (Capello 2011, Camagni/Capello 2012)

IMPERATIVES FOR POLICY (2)

- Combine top-down and bottom-up policies
common platform to overcome separation where inter-regional external processes (in form of spillovers) and internal indigenous factors (like systems of innovation) are explicitly conceptualized
combination of macro “growth diagnostic” approach and diagnosis of local economic conditions
“regional benchmarking” for top-down and bottom-up policies
diagnostic policy tool for locally suited economic development policies
(Crescenzi/Rodriguez-Pose 2011)
- Need for new allocation of competences
potential mismatch between policy objectives and beneficiaries of (EU) funding
(Crescenzi/Rodriguez-Pose 2011)
transfer the onus of responsibility to local stakeholders and policy-designers to identify bottlenecks, market failures, missing links (McCann 2012)
place-oriented competition (“Standortwettbewerb”) with stronger efficiency and responsibility of regional agents (Bröcker/Fritsch 2012)

CAVEATS

- Clear answers? Yes, on first sight. But:
- Douglas (1986): it is highly improbable that institutions arise continuously
- North (1991): possibility of “institutional obstruction”
- Williamson (2000): still very ignorant about institutions
- Sen (2009): instead of transcendental agreement comparative approach - “debates about justice ... cannot but be about comparisons”

Let's be practical – let's look not for the best but for a comparatively better regional policy

Thank you !