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What makes economically successful regions in Europe successful? Implications for transferring success from west to east

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Abstract

Recent attempts to explain regional economic performance have increasingly focused upon the internal and socially-created characteristics of regions. Originating from a variety of starting points within the social sciences, there has been a convergence upon the causal significance of regionally endogenous processes and institutional capacities. It seems that "successful" regional economies in Europe are dependent upon conditions and processes internal to the region as much as they are subject to wider economic forces. By implication, there is scope for regional action and initiatives that could improve the economic fortunes of less "successful" regions in Europe. This paper examines the explanatory turn towards the internal socially-produced characteristics of regions, and considers the continuing salience of national regulatory régimes in accounting for regional success. The implications of the bases of economic success in those regions that have "won" in western Europe for those that have "lost" in Europe, especially in the east, are discussed.

key words Regional economic development Europe institutional capacities regulatory régime nation-state social theory

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Introduction

What makes economically successful regions[1] "successful"[2]? A deceptively simple question, to which there are no simple answers. Over the years, there have been a variety of attempts to explain success and failure, drawing on a variety of disciplinary backgrounds and emphasising a variety of processes and variables. Recently, attempts to answer this question have come increasingly to focus upon the internal and socially-created characteristics of regions in order to explain differences in regional economic performance. Originating from a variety of starting points within the social sciences, there has been a convergence upon the significance of the endogenously-produced characteristics of regions. Economists such as Krugman and Romer, proponents of the new endogenous growth theory, emphasise the importance of increasing returns that result from cumulative economic advantages which, in turn, arise from the process of growth itself rather than initial factor endowments, enabling regions to capitalise upon initial or randomly-arising advantages (see Krugman, 1991; Romer, 1986). Other social scientists draw upon more heterodox approaches in evolutionary and institutional economics and sociology (for example, see Hodgson, 1993; Granovetter, 1985; Polyani, 1957). Some of them place more emphasis upon the cognitive dimensions of knowledge and learning in seeking to explain the path-dependent character of urban and regional developmental trajectories, emphasising the significance of "knowledgeable production" and regional institutional capacities to help create and disseminate relevant knowledge (for example, see Morgan, 1995; Maskell, 1998; Maskell et. al., 1998). Others put more emphasis upon "untraded dependencies:" the non-economic social relationships that underpin urban and regional economic success (Storper, 1995; 1997). And yet others, put the explanatory emphasis upon institutional capacities and the "thick" institutional tissue of regions that sustains these "soft" sources of competitive advantage, which are understood to be strongly territorially embedded (for example, see Amin and Thrift, 1994; Malmberg, 1997).

[1] While the focus in this paper is upon regions, the analysis could as easily be applied to cities and the growing literature on new forms of urban policy.

[2] "Economic success" is defined in terms of conventional indicators such as GRP per caput. Other socio-economic indicators, such as the amount and composition of employment, or the quality of the environment, are seen as by-products rather than as primary objectives. "Success" in attaining them is seen implicitly at least as dependent upon increasing GRP per caput, although in practice these are often incompatible goals Alternative definitions of "success," for example setting objectives in relation to the amount and gender composition of employment, or maximum environmental impacts of particular patterns of economic activity, would then see the volume and composition of output as secondary objectives, set in order to ensure the attainment of the primary goals of economic development.

A considerable body of literature has thus emerged over the last decade or so that emphasises the critical role of regional social structures, institutional arrangements, cognitive assets and cultures in successfully negotiating relationships between the region and the globalising economy, and in positioning the region so that it benefits from regional-global relationships. This indicates that, at least in part, "successful" regional economies in Europe (and elsewhere) are dependent upon conditions and processes internal to the region and are not simply dependent upon external conditions and broader processes as the basis of their success. By implication, the less successful regions can do something themselves to improve their economic fortunes. There is scope for regional action and initiatives, albeit constrained, within the parameters of a global political-economy - this is the good news, the optimistic implication, that the "losers" can take from the success of the "winners," if only they can discover appropriate modes of regulation and forms of policy.

In the first section of the paper, I explore briefly the socially-produced internal characteristics of cities and regions that underpin economic success in Europe, drawing upon detailed case studies (which are reported fully in Dunford and Hudson, 1996a).[3] I also draw upon other studies of regions more generally regarded as "classic" regional success stories (for example, see Benko and Lipietz, 1992; Garofoli, 1992), such as Baden-Württemberg and Emilia-Romagna (and other parts of the Third Italy), as well as other regions which have been economically successful on seemingly intuitively implausible bases (for example, see Maskell et. al., 1998). The claims as to what are seen to be the key features of these various regions and their relationship to economic success will be summarised and examined critically. The second section of the paper examines why the turn towards the internal socially-produced characteristics of regions to understand regional economic success came about, and relates this turn both to the perceived limitations of competing explanatory approaches and to more general debates about the changing character of contemporary capitalism, such as the weakening of national states by processes of globalisation and changing perceptions of appropriate public policy. The next section considers the continuing salience of the national - in terms of economy, society and state - in accounting for regional success and the importance of different forms of national regulatory régime in relation to regional economic success and failure in an (alleged) era of globalisation. This level of analysis is vital in seeking to understand the extent to which

[3]This work was carried out with Professor M. Dunford, at the request of and funded by the Northern Ireland Economic Council (see Dunford and Hudson, 1996a, b; Hudson et. al., 1997). I would also like to acknowledge the contribution made to the project by Richard Kötter (then also at Sussex) and the help and support given by Sir George Quigley (Chairman), Paul Gorecki (Director) and Douglas Hamilton (Senior Economist) at the NIEC. The responsibility for the views expressed here is mine alone, however.

the economically less successful regions in Europe, especially eastern Europe, can learn from the experiences of other more successful western European regions. Finally, the implications of the bases of economic success in those regions that have “won” in western Europe for those that have “lost” in Europe, especially in the east, will be considered.

The Critical Characteristics of Successful Regions

Social Cohesion and a Culture of Commitment

There has been a growing emphasis on social cohesion as a critical pre-condition for economic success. In many of Europe's economically successful regions, social cohesion and inclusion do appear to be pre-conditions for economic success. Social cohesion is not simply a product of economic success but also a pre-condition for it (a view that has found its way into policy discourse: for example, see European Commission, 1996). This symbiotic relationship between cohesion and success is manifest in a variety of ways, many of which can be summarised as a culture of commitment, which revolves around a variety of network relations of co-operation and trust. It is important, however, to stress that different forms of regional social cohesion underpin different models of regional economic success. The implication for less successful regions is that there is a variety of feasible relationships between social cohesion and economic success and that they should explore which combinations would be most appropriate to their specific circumstances. Furthermore, it follows that long term sustainable economic success is more likely if it is grounded in genuinely democratic conceptions of social cohesion.

It is also undeniably the case that in some of western Europe's successful regions the character of social inclusion is manifestly problematic - for example, many workers in Germany's successful regions are international migrants who lack citizenship rights. This suggests that economic success might in some circumstances be predicated upon partial and selective views of cohesion. Not all social groups necessarily have an acknowledged stake in the project of regional success.

Co-operation, Trust and Networking

Many of western Europe's economically successful regions are characterised by particular forms of relationships between companies that emphasise co-operation, trust and networking. Often these networks are place-specific, such as industrial districts of interlinked small and medium-sized enterprises (SMEs) which have been recreated - or re-discovered - as an integral part of these successful regions. As the experiences of a variety of such regions make clear, small size is no barrier to corporate success and competitiveness. Companies in such regions are enmeshed in networks that allow them to overcome the potential disadvantages of small size. Many small firms are dynamic and rely upon innovative design, customised production, and quality in order to remain competitive. Embedding in networks enables these companies successfully to pursue Schumpeterian competitive strategies. Co-operative networks facilitate learning, innovation, the sharing of knowledge, and the creation of territorially-specific types of knowledge that are central to competitiveness. Locally-specific knowledge, often of a tacit form, is crucial in creating environments that are acutely and sensitively tuned to the competitive requirements of production in specific sectors and companies. A good example of this is the way in which staff in local banks and local branches of national banks develop in-depth knowledge of particular regional industries, which allows them to provide greater financial support to local companies than would otherwise be the case (Maskell and Malmberg, 1995). More generally, there is a clear recognition of the mutual benefits of intra-regional co-operation for firms seeking to compete on national and international markets. There is typically a sophisticated horizontal division of labour between firms within an industry, spanning the conventional boundaries of the manufacturing and services sectors. The growth of business service firms as one element in a shifting social division of labour has typically been important.

There are, however, important differences between those regions in which “horizontal” networks of SMEs are the dominant feature of the corporate landscape (such as those found in parts of north east and central Italy) and those dominated by major companies (such as Baden-Württemberg). In the latter, and in contrast to more “horizontal” networks without marked inequalities in power between firms, there is typically considerable evidence of (quasi-)vertical disintegration and sharply asymmetrical power relationships between firms in the production filière. Relationships between companies are structured around formal contracts, often linked to meeting performance targets of various sorts as a condition of renewal rather informal relations of trust. The network relationships of large firms are at least in part typically transnational. Even in industrial districts of linked SMEs not all network relations are regionally based, however, as such successful regions typically are linked into a broader global economy.

As examples such as the Third Italy and a range of Scandinavian regions (Maskell et.al., 1998) make clear, particular forms of industrial organisation are more important than the particular industrial sectors present in a region. “Old” industries such as clothing and furniture have become internationally competitive and a basis for economic success and growth in these regions at the same time as they have declined in importance in other places. This implies that existing “old” industries in economically weak regions in Europe could become a basis for future growth if appropriate organisational structures were to evolve.

Embedded Factories and New Forms of Inward Investment

While the dangers of the multinational branch plant investments that create “global outposts” are well known in many of Europe's peripheral regions, changes in the character of transnational investments and marketing policies have opened up opportunities for more “embedded” branch plant investment, involving higher value-added activities and greater linkages with the regional economy as companies seek to devise new strategies of global localisation. They could in this sense become the basis of new “clusters,” which commentators such as Porter (1990) see as a key element in competitiveness. Alternatively, regions can seek to attract specialist component suppliers, with links to companies further up the value-added and assembly chain across a variety of sectors and in a variety of locations, and thereby spread the risks of decline in any one market segment. Attracting such investments, however, requires much more than just financial subsidies in order to persuade companies to locate in economically peripheral regions. It requires, inter alia, the provision of appropriate “hard” and “soft” infrastructure, focused labour market and training policies, sophisticated transport and communications infrastructure, and policies for improving and sustaining environmental quality. Such “quality” inward investment can both create substantial numbers of new jobs and have a range of other positive impacts on the regional economy (Hudson, 1995), though it is important to stress that much branch plant investment in Europe's peripheral regions can still be characterised as the “classic” Taylorist “global outpost” employing unskilled workers in mass production (Austrin and Beynon, 1979).

Co-operation, Compliance and New forms of Industrial Relations

Successful regions in western Europe tend to be characterised by particular forms of co-operative industrial relations and flexible working arrangements; they employ skilled and well-paid workers, on permanent contracts, committed to the companies for which they work, compliant and flexible in their attitudes to work. They are often members of trades unions, but unions that see co-operation with employers as the route to secure well-paid employment for their members. Many of the positive features for workers in such regions can thus be summarised under the rubric of co-operative social relations of production. At the same time, local educational and training institutions are sensitive to the needs of local companies for particular types of skilled labour and this can be important in maintaining both competitiveness and social cohesion in the region. This is, however, a necessary rather than a sufficient condition for successful economic regeneration.

It is, however, important to distinguish between regions in which there is genuine co-operation and commitment to common regional goals based on a shared understanding of the reciprocal relationships between cohesion and competitiveness and those regions in which there is a labour force that is malleable, flexible and compliant because of the fear of unemployment. Without a doubt, in regions of high unemployment in Europe many companies have been able to recruit workers very selectively in order to introduce new production concepts and “flexible” working arrangements. This bears more of a resemblance to the labour regulation régimes of Taylorism than it does to regulatory and governance arrangements grounded in genuine trust and co-operation (Hudson, 1997). Moreover, some economically successful regions in Europe are characterised by deeply and multiply segmented labour markets, with ethnicity and gender often important cleavage planes (see Hudson and Williams, 1998).

Regulation, Governance and Institutions

While regional policy incentives remain critical in persuading companies to locate in peripheral regions, there seems little doubt that much of the successful industrial growth in many European regions has been at best only tangentially-related to such regional policies. Indeed, by definition successful regions are those that are ineligible for regional policy assistance, although some of them may benefit greatly though unintentionally as a result of the spatial consequences of other aspatial policies, such as those concerned with competition or R&D (European Commission, 1994; 1996). Furthermore, other central government social and welfare policies can play a key role in promoting regional economic success (as, for example, in Jutland). So too can national regulation in relation to environmental improvement (for example in the Ruhr: Refeld, 1995). The issue is not so much central government policy or no central government policy, but the type of national regulatory régime and the ways in which central governments seek to foster regional economic regeneration.

What is undeniable is that in the successful regions local and/or regional government economic development policies have characteristically been an important influence and again there is a marked contrast to many less successful regions. Successful regions have systems of governance that embrace enabling and facilitating institutions within the local state and civil society, and bridge the permeable boundaries between them, within which local economic success is embedded, often deeply. There seems little doubt, however, that the plethora of local development agencies that have sprung up in many successful regions, spanning the boundaries of the state and local civil society, have been very important in creating conditions that were conducive to and facilitative of the formation and growth of local small manufacturing firms, and which enabled learning and promoted the sharing of intelligence about markets, products and technologies. Such local institutions play a decisive role in local competitiveness. Regional transmission mechanisms help facilitate a self-reinforcing process of learning and regional specialisation that underpins competitiveness.

Successful regions thus tend to be characterised by distinctive forms of local regulation and governance, encompassing supportive local state forms and local government policies. Often these are associated with decentralised systems of regional governance within federal state systems. As the case of western European regions such as the Saarland illustrates, however, a decentralised political system is not in itself a guarantee of successful regional economic transformation, even within a strong national economy such as that of Germany (Dunford and Hudson, 1996). Regionalised government within a federal structure is not necessarily a sufficient condition.

It is also important to appreciate that such institutional forms are as much a product of specific local and regional cultures as they are mechanisms that facilitate their reproduction. Part of the problem in many deindustrialised regions is that they are “locked in” to institutional structures that were relevant to an earlier phase of successful economic development but which now constitute a barrier to moving onto a new developmental trajectory (Grabher, 1993; Hudson, 1994). Other regions that at best marginally experienced the processes of industrialisation and modernisation are similarly locked into archaic institutional structures. Changing these institutional structures may well be a key pre-condition to successful economic regeneration but this can be a slow process if institutions are as much a product of economic success as they are a means to that end. There are clear limits, therefore, to the extent to which the creation of new institutions via policy interventions can actually change such cultures, especially in the short-term, and so help bring about economic transformation. This, a fortiori, points to clear limits to attempts to implant the institutional tissue of successful regions to alien environments in the hope that they will lead to a successful and rapid economic transformation via some non-problematic mechanistic process. Such institutional change may be desirable, indeed necessary, but it is unlikely in itself to be either sufficient or rapid in producing lasting beneficial impacts.

The importance of local institutions both within and outside the structures of the state, of a local tradition of entrepreneurship and self-reliance, of a culture of democratic associationalism that facilitates co-operation and self regulation, and of labour market conditions that permit flexible production strategies to be developed and deployed is readily apparent in many successful regions. Such “soft” infrastructural capacities are usually lacking in less successful regions. Moreover, insofar as regional competitive advantage is rooted in locally and regionally specific tacit knowledge, it may well be that the bases of this advantage are at best imperfectly understood by key local actors within the successful regions themselves and not readily detectable in or decodable from the structures of local institutions. This a fortiori renders the simple mechanistic transfer of successful growth models from one region to another an impossible task but at the same time it emphasises the importance of the creation of conditions that will facilitate the emergence of a supportive regional milieu appropriate to the needs of competitive production in particular economic activities.

There are also questions as to the extent to which the local conditions that nurtured successful growth in the past will continue to do so in the future. For example, successful development can lead the local labour market to change in important ways, above all from one characterised by high unemployment to one characterised by low unemployment (see Dunford and Hudson, 1996a). This may well threaten the flexible deployment of skilled labour in production that has been so important in ensuring regions' economic competitiveness but equally, in an “intelligent” or “learning” region, this may simply be the stimulus to seek new ways of producing or new things to produce. Those regions that remain economically most successful in the face of the vicissitudes of volatile international markets are precisely those that have the institutional capacities to learn and change “ahead of the game,” and which have the collective capability not so much to adapt to change as to anticipate it and change accordingly - which have, in brief, “learned to learn” (see Morgan, 1995; but also Hudson, 1998). Equally very few regions are in such a position and there are considerable opportunities for those regions that can adapt quickly and intelligently to new opportunities. Realistically, in the foreseeable future, the most that the regions that are Europe's “losers” - particularly peripheral regions in eastern Europe - should realistically aspire to is to join this latter group.

Explaining the turn to endogenous regional capacities in understanding regional economic success

The recent shift in explanatory emphasis, focusing more on the internal capacities and features of regions, is a seemingly surprising move, as it seems to echo a regional approach within geography that became discredited precisely because it eschewed explanatory questions in favour of a pre-occupation with description of the unique. The recent regional turn also breaks with that tradition in quite a number of ways, however. Most importantly, in shifting its concerns to explaining rather than just describing regional uniqueness it often engages in a sophisticated way with contemporary social theory (for example, see Johnston, Hauer and Hoekveld, 1990; Allen, Massey and Cochrane, 1998). As a result of these developments, the "new" regional approach draws in more cultural and sociological elements and focuses more upon the internal capacities of regions. This change in emphases is the product of a complicated, and to a degree linked, series of changes in theory and practice. In part, it reflects the perceived limits of more "traditional" explanatory approaches. Traditionally, the explanation for differences in regional economic performance was sought by economic geographers and regional economists in differing factor endowments, or in differing location relative to sources of key raw materials or major markets. More sophisticated explanations arose from critiques of these and emphasised the effects of distanciated social relations of production within a variety of spatial divisions of labour. The latter approaches often drew heavily on Marxian political economy, seeking the causes of spatially uneven development in the structural contradictions of capitalist development. Harvey (1982) eloquently states the case as to why spatially uneven development is unavoidable within a capitalist economy but equally sets out the limits to a structuralist account in explaining which places will succeed and develop, which will fail and decline. Others failed to heed this warning. In some instances, the emphasis upon structural determinism was taken to counter-productive lengths, in extreme cases taking a rigid position that denied space for conscious human agency, with people reduced to the status of "cultural dopes" or even "structural dopes of even more stunning mediocrity" (Giddens, 1979, 52), and that denied space for state policy involvement to counter uneven development. It sought to deduce regional uneven development (for example, see Läpple and van Hoogstraten, 1980), and even forms of regional political protest and organisation (for example, see Carney, 1980), from immanent laws of capitalist development and saw state policies as unavoidably captured by, and simply a reflection of, the interests of monopoly capital (for example, see Baran and Sweezy, 1968).

More sophisticated versions of Marxian political economy, and related critical realist approaches, heeded the warning and took a more nuanced view of the relationships between the interests of the state, capital and other social groups (for example, see Clark and Dear, 1984; O'Neill, 1997), recognising the existence of a variety of relatively autonomous causal structures and links that could contingently exist between the social relations and geographies of capitalist production (Massey, 1984).[4] This produced more sophisticated understanding on

[4]This was linked with an epistemological shift to critical realism and a recognition that there was no necessary one-to-one relationships between causal structures and processes and empirically observable events. The practical realisation of causal powers depends upon spatially and temporally specific conditions and various combinations of causal processes (see Sayer, 1984).

two counts. First, it explicitly recognised that the relationships between spatial patterns and social structures are reciprocal ones: patterns of uneven regional development reflect and are a product of the social relations of production, but equally spatial differentiation influences the ways in which social relationships are formed and reproduced. Secondly, such approaches granted a variable degree of “relative autonomy” to the state and paid much more attention to the forms and content of state policies and to the implications of the structures of state apparatuses for policy formation and implementation (for example, see Offe, 1985). Informed by these analyses and a view that governments could enhance the competitive position of problem regions via policy interventions of various sorts to enhance their attractiveness to private capital, considerable emphasis was often placed upon the intended and sometimes unintended effects of national government regional policies. Sometimes emphasis was also placed upon sectoral policies with unintended (and perhaps at times intended) strongly differential territorial impacts (for example, see Hudson, 1989; Hudson and Williams, 1995).

In summary, “traditionally” much of the explanatory focus in seeking to account for regional economic growth and decline had been upon political and economic relations extending beyond the region and connecting it to a wider world, as well as upon the natural resource endowment of regions. This at best gave a partial account of the reasons for persisting uneven development. As a consequence, the policy prescriptions that followed from such analyses and had at best limited effectiveness and problems of uneven regional development remained a chronic feature of the landscapes of capitalist economies. Both on theoretical and practical grounds, the limits of “traditional” approaches (acknowledging that some were much more limited than others in this regard) created a space into which alternative discourses could be projected and within which alternative conceptualisations and explanations could emerge. These alternatives shifted the weight of explanation more to the specific features of places, and in particular their institutional capacities and resources, rather than more general social processes of capitalist development. In seeking to go beyond structural determinism, therefore, a number of issues were raised as to how best to conceptualise “middle level” processes, and the particular institutional forms in which the structural relations of capitalism were cast, and the relationships between the economy and the (re) production of places. Thus while constituting a great improvement in explanatory terms, such approaches gave only a partial account of the determinants of regional success or failure and set the scene for a serious engagement between evolutionary and institutional approaches in the social sciences and issues of territorially uneven development.

Alongside the debate about how best to comprehend persistent differences in regional economic performance, there has been a parallel debate within the social sciences as to how best to grasp what are clearly significant changes in the more general character of the contemporary capitalist economy. Furthermore, and of particular relevance here, this has led some commentators to suggest a necessary shift of emphasis to the regional scale as the efficacy of the national state in managing the national economy has declined. Accepting (even if only implicitly at times) the more extravagant claims of proponents of globalisation, national states are said to have been undermined by intensified processes of globalisation, more and more marginalised as, it is claimed, formerly successful modes of national regulation based on welfare state interventionism have become untenable. Recognition of the limits to state capacities, and pressures for a "lean welfare" state (Drèze and Malinvaud, 1994) stimulated a search for new neo-liberal macro-scale regulatory models that accepted national states' limited powers to counter global market forces. This "subversive liberalism" (Rhodes, 1995) consequently led to a re-definition of the boundaries between private and public sectors, and revised conceptions of the legitimate limits to public policy actions. In consequence, the national state has been "hollowed out" (Jessop, 1994), with political power moved upwards to supra-national levels, downwards to regional and local levels, and out of the ambit of the state into civil society. The neo-liberal turn equally led to shifts in the emphases of national state policies, from a concern with redistribution and socio-spatial equity to one with national economic performance and competitiveness, and has occurred in the context of what has increasingly commonly been represented as a global - even as a "borderless" (Ohmae, 1990) - economy. In recognition of the (alleged) diminished capacities of national states, there has been a tendency towards the growing decentralisation of territorial development policies from the national to the local and regional levels (Dunford and Hudson, 1996a; Hudson et. al., 1997). The debates as to how best to explain regional economic success (and failure) thus relate to finding the most appropriate way to understand the form of relationships between economy, society and state, and, critically, the most appropriate spatial scale, form and content of state policies.

The shift to the privileging of specific - even unique - regional characteristics in explaining regional success and failure can in part also be related to the move in some academic circles away from concerns with grand modernist narratives with normative political implications to little local histories in a depoliticised and amoral post-modern discourse (for example, see Cooke, 1990). Rather than grand narratives that would provide general explanations of spatially combined and uneven development and systemic tendencies towards some regions "winning" and others "losing," the emphasis shifted towards the celebration of difference and local stories of little local victories. This fascination with the particular features of places is in turn both a cause and a consequence of shifts in the conception and practice of public policy. Within Europe (as elsewhere) these changes in urban and regional policy arrangements have taken place in the context of, and as an integral part of, a neo-liberal turn in state policy. For those of a neo-liberal persuasion, shifting the responsibility for territorial development policies to the regional level necessarily - and rightly - involves enhanced competition between places. Politically, given this view, the agenda becomes a war of all against all in a zero-sum game in pursuit of investment, employment, and incomes. As a consequence, regions have increasingly been cast as actors who need to compete in order to succeed: the "winners" prosper, the "losers" languish and fall still further behind in a zero-sum game. These policy changes have been directly linked with widening socio-spatial inequalities (see European Commission, 1996) and an increasingly sharply delineated map of "winners" and "losers" in Europe (Dunford, 1994). It is important, however, to recognise that regions are not simply cast as actors, playing out a script handed down to them by others in response to the retreat of national states. Regions can cast themselves in an "pro-active" rather than "passive" role, positively seeking increased autonomy, powers and responsibilities via decentralisation from national states, and writing their own economic development scripts. Sometimes, "winners" form alliances to seek to secure their leading position (as in the Four Motors Coalition of Baden-Württemburg, Catalonia, Lombardy and Rhône-Alpes[5]) while the "losers" form alliances to seek to improve their position. Social groups and regional political authorities in the less successful regions look with often envious eyes at the more successful ones, and to seek to learn from their experiences in developing strategies to enhance social and economic conditions in their own regions.

In summary, the conception of regions competing with one another in a zero-sum game, dog-eat-dog struggle for economic success, sits easily with the post-modern turn in the social sciences and its denial of the possibility of a normative and modernist political project. For some, parochialism and territorial competition is to be legitimated by an appeal to the post-modern condition and its air of neo-medieval "back to the futurism" (Cooke, 1990). With the increasing dominance of neo-liberal conceptions of appropriate modes of regulation, the withdrawal of national states from engagement with problems of regional combined and uneven development has created a policy vacuum, which has been in part filled by burgeoning activity on the part of more pro-active regions to deal with such issues and promote the interests of "their place" in competition with others. There is, however, no reason why a concern with the regional necessarily has to be accompanied by such a competitive turn, or that there could not

[5]Ontario and Wales were later added as members of this coalition, although they clearly had not achieved the economic success of the original founder members of the coalition.

be, and indeed are not, alternative conceptions of territorial development policy, linked to different national modes of regulation to those grounded in neo-liberalism. Territorial development policies are unavoidably place-based; they are not, however, necessarily place-bound and divisive, between and within places (Beynon and Hudson, 1993)

An alternative view, therefore, envisages a radically different view of territorial decentralisation. Accepting the "hollowing out" of the state thesis, but wanting to avoid the worst excesses of unfettered market resource allocation and neo-liberal regulation, attempts have been made, both theoretically and practically, to find a "third way" between market-led and state-led strategies. These reject a view of state and market as either-or dichotomous options, insisting that markets are always - and must be - socially produced and politically regulated. It is often claimed by those seeking to ground decentralised territorial development policies in the "third way" that the move to decentralised development policies necessarily links territorial competitiveness more closely with enhanced democracy, social cohesion and inclusion within the territory. Cohesion is seen as both a result of, and as a pre-condition for, competitiveness, with growing attention given to the institutional arrangements that will facilitate the emergence and reproduction of associational and co-operative social relationships (for example, see Amin and Thrift, 1994; Morgan, 1995; Storper, 1995; 1997). Such decentralised territorial development policies are thus seen as socially inclusive and progressive in terms of intra-regional relationships. Regions compete via co-operating with different social groups resident within them and developing a common view of shared and territorially defined interests. While this will undoubtedly produce individual "winners" and "losers," it is less clear as to whether the broader pattern of territorially uneven development will be one of divergence or convergence; but it is hard to escape the conclusion that it will be the former, especially in the absence of strong re-distributive national state policies.

The Continuing Importance of the National

Contra the claims of the advocates of both globalisation and regionalism, the continuing significance of national state policies and institutional arrangements was alluded to above in discussing the salience of various forms of national government policies to regional economic success. Without denying either the transfer upwards to the European Union of some state powers and competencies or the importance of regionally-specific institutional and social conditions, it is vital to emphasise that the national political and economic context remains of crucial significance in shaping possibilities for regional economic success. While there certainly has been a diminution in national state capacity to control monetary and fiscal policy (especially in the EU, with the arrival of EMU and the Maastricht convergence criteria), national states retain considerable power and authority in other policy domains. The national level remains of decisive importance in the governance and regulation of economy and society, in innovation and technology transfer (Lundvall, 1992), in environmental policy (Hudson and Weaver, 1997), and education, training and the labour market (Peck, 1994). Gertler (1997) has recently gone so far as to suggest that what are commonly seen as differences in regional culture are more accurately understood as strongly shaped by differing national industrial policies and regulatory régimes - a point of immense significance, theoretically and practically. The strong regional economies of western Europe are clustered in the strong national economies, within national regulatory régimes that have made fewest concessions to the worst excesses of Anglo-American neoliberalism (Dunford and Hudson, 1996a, Fig. 1). The critical issue thus concerns the form of national state, the type of regulatory régime that it maintains, and the form of capitalist economy that it seeks to encourage.

At the same time, it is important to emphasis that there have been significant changes in the forms and balance of regulatory relationships between the global, national and regional levels. One element in this pattern of changed relationships is that the mode of regulation at national level has altered in significant ways. There has undeniably been a degree of "hollowing out" from the national to other territorial levels of state power and to non-state organisations and institutions in civil society, of competencies and regulatory powers. This has both altered the mode of state regulation and the links between state and non-state institutions and organisations in the structure of governance. While insisting on the continued salience of the national, therefore, it is important to stress that views which suggest that little has really changed in the era of globalisation in terms of the ways in which the national remains significant (for instance, see Hirst and Thompson, 1996) are deeply flawed and dangerously misleading, theoretically and practically. The key point is that processes of globalisation require different forms of state policy and activity, focused on developing the specific and unique place-bound socio-institutional assets that will enable national states and their constituent regions to locate themselves favourably in a competitive global economy.

While the processes of change have re-defined systems of governance within western Europe, then, the national, and more specifically the national state, nonetheless remains a key element in the new arrangements. Ruggie (1993) argues that in the EU the process of "unbundling" territoriality has gone further than anywhere else, but nonetheless state power remains strongly territorially, and nationally, based. Others caution against a too ready acceptance of reports of "the exaggerated death of the nation-state" (Anderson, 1995) and argue that what is emerging is a much more complex form of regulation involving supranational, national and sub-national scales. Mann (1993) stresses that European nation states are neither dying nor retiring; they have merely shifted functions, and they may continue to do so in the future. There are therefore strong grounds for believing that, for the foreseeable future, national states will continue to have a central role in processes of policy innovation, formation and implementation. This role, however, is and will continue to be a different one to that taken by the national state in the era of Fordist regulation and the welfare state, with a greater emphasis upon the state as enabler and facilitator. The transition from an interventionist to an enabling mode of state activity does not mean that national states cease to have any interventionist role, any more than the transition from a liberal to an interventionist state (Habermas, 1975) led to the end of national state involvement in the construction and regulation of markets. It does acknowledge, however, that the mix and balance of forms of national state involvement and policy making has qualitatively and significantly altered but emphasises that the claims of the "neo-medievalists" who suggest that the national state is being largely rendered redundant as structures of governance in Europe alter is seriously wide of the mark (see Anderson, 1995). The national remains critical in explaining differences in economic performance and well-being at the regional level.

The real issue is, then, what sort of national state? A thin and procedural one, simply concerned with market regulation, and presiding over a competitive society of asocial, atomised individuals? An "overloaded" state (O'Neill, 1997), struggling to cope with myriad demands in an increasingly globalised world, accepting the neo-liberal economic agenda, and seeking to cope with the implications of the welfare state cut-backs that necessarily follow as a result? Or a strong state committed to social justice and equity, facilitating and enabling by encouraging and steering progressive policy networks, but prepared to act directly in pursuit of an egalitarian and inclusive society? It is important to grasp that the proponents of neo-liberalism and the view that "there is no alternative" to the forces of irresistible globalisation, present a particular and one-sided view. Others contest this. They stress that it is vital not to overstate the extent of "hollowing out," nor the extent to which national state power has been diminished. As a corollary, they emphasise that it is vital not to underestimate the continuing significance of the national state as a site of resistance, both to the specifics of globalisation and to the more general dominance of unfettered market forces, and so of the possibilities for alternative political projects and policies to those of neo-liberalism (Boyer and Drache, 1995). For example, insofar as there is evidence of globalisation of political and economic processes, this is largely a product of national decisions to change the geographies of regulatory régimes, and national governments remain key actors within them (Cerny, 1990). Likewise, the context in which devolved regional governments operate is largely conditioned by national state decisions.

Regional initiatives are most efficacious when there is an effective integration between national and regional level policies and actions. This is of critical significance in terms of the lessons that the peripheral regions of eastern Europe might learn from the successful regions of western Europe.

Conclusions: Transferring Regional Success from West to East?

What then are the lessons to be drawn by the economically weak regions of eastern Europe from the experiences of successful regions in western Europe, “les regions qui gagnent” (Benko and Lipietz, 1992)?

First, it is important to emphasise that the basis of continuing success in the “winners,” even in some of the quintessentially successful regional economies of the 1980s, is open to question (for example, see Herrigel, 1996). The implication of this is that economic transformation must be seen as an ongoing process of adjusting to and anticipating change, either positioning more favourably on the existing developmental trajectory or moving onto a more promising one, not as a “one-off” event.

A second qualification is that uneven development continues to pose problems within regions which, in aggregate, are regarded as economically successful and vibrant (see Dunford and Hudson, 1996a). The clear implication of this is that successful transformation of economically problematic regions produces both intra-regional “winners” and “losers” and maintaining social cohesion would require policies to address the needs of those places and people who gained least from - or indeed lost as a result of - regional economic transformation.

Thirdly, and of greatest significance in a policy context, there are severe problems of “non-transferability” of growth models and institutional arrangements from “successful” to “unsuccessful” regions. Successful regional economic development models are generally embedded in successful national economies and are always embedded in specific regional and national cultures and social structures. This means that they cannot be mechanistically transferred to other locations to produce desired economic transformations there. Even if such structures could be transplanted with their inherent causal powers intact, there is no guarantee that these would be realised to produce the intended effects because of their interaction with the contingent specificities of the destination location.

Fourthly, there nevertheless may be lessons to be learned that could fruitfully be applied in the less successful regions of eastern Europe from the experiences of more successful parts of western Europe. It is important to stress the variety of successful regional developmental trajectories that have been followed in western Europe. This variety both makes generalisation difficult (without running the risk of overgeneralisation) but also points to the range of options that may be open to regions in eastern Europe searching for new models of development appropriate to their particular circumstances of “path-dependent-path-creating” development (Nielsen, Jessop and Hausner, 1995).

In summary, there is no ready-made developmental strategy, devised in some successful western European region and waiting to taken from the shelves, dusted off, and non-problematically and mechanistically implemented in an eastern European region which will guarantee successful economic transformation. There are, however, lessons to be to be learned from a variety of European regions, but these must be adapted to the context, circumstances, strengths and weaknesses of other regions in varied eastern European contexts. Developmental strategies must seek to maximise the local developmental potential of the particular advantages and features of a given location within the context both of an enlarged European economic space, a widening and deepening European Union, and an increasingly globalised economy. There are, however, no guarantees of success for any given region, nor that the regional development process will avoid degenerating into a zero-sum game within Europe, with the regions of eastern Europe very much on the margins.

Perhaps the key lesson to be learned in the context of transferring regional success from west to east, however, relates to the significance of the national rather than regional level per se. Despite the emphasis placed upon specifically regional conditions and processes in much of the recent literature, the most significant influence remains the character of the national mode of regulation and the strength of the national economy. The emphasis in eastern Europe has been upon “shock therapy” and a sudden transition to neo-liberal capitalism (Gowan, 1995; 1996; Lloyd, 1996), prioritising stabilisation, market liberalisation and development of market-supporting institutions, privatisation, currency convertibility and trade liberalisation. It was, at best, grounded in a very imperfect acknowledgement of the extent to which the economy is created as a structure of “instituted processes” (Polyani, 1957), of the way in which markets must be socially constructed and politically regulated rather than existing in some natural state awaiting discovery by intrepid explorers of the new eastern frontier of capitalism in Europe. One symptom of this is that the “shock therapy” treatment was recommended irrespective of the differences in national development trajectories prior to 1989. This emphasis on a spatially insensitive and undifferentiated “shock therapy” did not auger well for the possibilities of successful regional regeneration, for conditions at regional level were much more varied than nationally. Without doubt, a few places will prosper as favoured locations for foreign inward investment within a neo-liberal policy framework, but neo-liberalism has not been associated with generalised regional economic success in western

Europe; indeed, it has been associated with creating more "losers" than "winners" and with widening socio-spatial inequalities.

The clear lesson is that strong regulatory national state régimes, enabling, encouraging and steering policy networks, but prepared to act directly if need be are a critical necessary - though not sufficient - condition for regional economic success. There is a pressing need for strong redistributive polices in pursuit of the goals of enhancing economic performance in weaker peripheral regions and of narrowing regional economic inequalities and enhancing socio-spatial cohesion. Ironically, the limited extent to which policies of "shock therapy" have had their intended effects, so that in fact the process of transition has been "path-dependent-path-creating" (Nielsen, Jessop and Hausner, 1995), may offer better possibilities for successful regional transformation over much of eastern Europe. The lingering legacy of the institutional structures of the pre-1989 era may offer more possibilities for successful regional regeneration than would the obliteration of such institutions, for this would create not a new "institutional thickness," nor even a new "institutional thinness" but rather an "institutional void." Without underestimating the difficulties, there may be more opportunities in adapting existing institutions, and existing knowledge and skills, to new political-economic realities rather than seeking to build from scratch in a situation of ignorance as to the rules of the game and the institutional requirements that follow from this. Storper (1998, 30) points to the "endless circularity between conventions and institutions" and emphasises that reform and institution-building projects have somehow to cut into this circularity "in a 'situated way,' using devices that can create precedents and build confidence that are appropriate not only to a given ending point, but more importantly, with reference to the situation of the actors and their existing conventions and expectations." This strongly emphasises the need for a sensitive and situated approach to questions of "transition" and the establishment of new models of capitalism in eastern Europe that seek to build upon and develop from the cognitive and institutional resources built up in these areas. The differing development trajectories and regulatory régimes of different state socialist states prior to 1989 reinforces the significance of the legacies of the past in terms of national regulatory frameworks as a resource for regional development strategies in the future.

There is, however, a final caveat that needs to be entered. While Ruggie (1993) argues that in the EU the process of unbundling territoriality has gone further than anywhere else, but nonetheless state power remains strongly territorially, and nationally, based, he was referring to a situation prior to the immanent emergence of the European monetary system and the implications of national states meeting the nominal convergence criteria on variables such as inflation rates and public debt. These will effectively reduce by a considerable margin the “room for manoeuvre” in economic and fiscal policy terms open to national states. Adherence to them in the future will confine national policies not only more to a common mould, but also to one deeply marked by neo-liberal concerns. The implication of this is that the national bases of regional success in those regions of Europe that have been economically successful will be significantly weakened, if not abolished. Moreover, as the states of eastern Europe become increasingly incorporated into the sphere of the EU, so too will they be subject to the disciplines of the EMS and a single currency. This will undoubtedly re-shape the map of regional “winners” and “losers” in Europe, sharpening inter-regional inequalities further in a Europe in which the numbers of “losers” will increase further.

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