

Book Review Economic Geography Study Group Web Site

Reconstructing the Regional Economy: Industrial transformation and regional development in Slovakia by Adrian Smith; Edward Elgar Cheltenham, 1998, pp.434+xvii (£59.95 hbk)
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Ten years on from the fall of the Berlin Wall the economies of eastern Europe exhibit lower levels of GNP than they did at the time when state socialism unravelled. As universal as economic depression has been, the 'transition to capitalism' has also been a highly geographically uneven process. Capitalist social relations cannot simply be 'rolled out' over the region but rather, colonial-style 'strong-points' have been formed at various spatial scales which act as bastions of capitalism amid redundant and often demonetarised economic spaces. So, far from the adoption of capitalist practices and the processes of marketization, commodification, globalization and institutionalisation eradicating regional differences, they have served only to reinscribe and exacerbate uneven development. Thus, the starting point for this book is that uneven regional development must be understood in the context of long-term transformations in political-economic and industrial structures. Looked at in such a way, Smith argues that eastern Europe has undergone three modernization-inspired transformations: (1) from agrarian underdevelopment to dependent capitalism - 'the second serfdom' - in the second half of the 19th century; (2) to state socialism after the second world war as an alternative to capitalist uneven development; and (3) since the late 1980s to capitalism as an alternative to the exhaustion of the state socialist model of development.

This book then examines the links between processes of industrial restructuring and regional uneven development in Slovakia under specific periods of economic and social relations, characterised as models of development. The book considers uneven regional development under both state socialism and post-socialist capitalism, and argues that each model of (industrial) development implies a specific spatial logic. Forced industrialisation under state socialism resulted in a period of convergence in regional development performances, whereas deindustrialisation under post-socialism has resulted in regional divergence. Smith suggests that the continuities and legacies bequeathed by state socialism together with the

strategies pursued by large industrial concerns, as they attempt to adapt to or resist the law of value, are leading to marked regional fragmentation and are preventing the emergence of a coherent model of development.

This conclusion is derived from Smith's use of a regulation theoretic framework. He argues that state socialism can be regarded as a model of development with a regime of accumulation coupled to a mode of regulation. Smith suggests that state socialism centred on an extensive regime of accumulation in which the military-industrial complex was the prime propulsive sector, with a mode of regulation involving an exploitative wage relation as well as bureaucratic planning and redistribution. In order to examine the links between models of development, industrial dynamics and uneven regional development, he seeks to extend the regulatory framework through the concept of a 'mode of enterprise regulation' (p.17), which he suggests is the concretized form of a regime of accumulation and an associated mode of regulation. Smith conceptualises the mode of enterprise regulation as the outcome of mechanisms of regulation and in particular of 'modes of micro-regulation' (p.19) - the structuring of the workplace - together with systems of integration and networks of 'embeddedness' (p. 21) - an enterprise's relations to suppliers, competitors, markets as well as to other fractions of capital and to the state.

As regulatory mechanisms necessarily occur in space, they form 'territorial structures of enterprise regulation and embeddedness' (p.30). Thus, uneven regional development is regarded as the outcome of regulatory mechanisms, which when combined provide partial and temporary stabilizations necessary for accumulation. Accordingly, Smith identifies three regional development dynamics arising from the regulation of state socialism in Slovakia: (1) the centralisation of decision making and the dominance of national considerations over regional ones; (2) the forced industrialisation of peripheral regions leading to regional convergence; and (3) the construction of specific types of regional industrial structure (mono-industrial, diversified and marginal or branch plant structures) to suit the needs of bureaucratic planning.

Smith specifies these long-term regional dynamics through a detailed consideration of the relative performance of two regional economies: Martin and Liptovsky Mikulas. Having been an agricultural periphery during the period of dependent capitalism Martin became a core industrial region based on the armaments sector under state socialism. State induced industrialisation created a mono-industrial region dominated by one paternalist state-owned arms manufacturer, ZTS TEES, which was tightly integrated into the Warsaw Pact war economy. However the unravelling of the state socialist development model led to the region's decline as arms conversion projects failed to prevent deindustrialisation. Instead a struggle for control of ZTS TEES ensued and promoted the development of mercantilist activities recycling rents without intensifying production. In contrast, Liptovsky Mikulas had been a dynamic small-scale industrialised region based on the leather industry during the period of dependent capitalism. Under the period of state socialism this core region became increasingly peripheral as non-priority sectors, which attracted low levels of state investment, were located there. However the sectoral diversity, and the absence of any one dominant employer, explains why under post-socialism local producers were able to intensify production through the attraction of foreign capital and export-orientated strategies to produce a dynamic growth region.

However for Smith, uneven regional development is not only the outcome of regulatory mechanisms, but is also a product of the local institutional context. Together then, regulatory mechanisms and the local institutional context produce 'local models of development' (p.31). Smith translates this conceptualisation into an investigation of the extent to which 'institutional thickness' helps to explain relative regional economic performance. Although institutional thickness was greater in Martin, the regional economy in Liptovsky Mikulas had adapted better to the transition to capitalism and was the more successful regional economy of the two. This finding suggests, according to Smith, that economic logic exercised through industrial restructuring dynamics, rather more than institutional context, helps to explain regional development dynamics in post-socialist Slovakia.

Smith agrees that some kind of transition to capitalism has occurred in Slovakia in the 1990s but questions the extent to which it can be regarded as universal. Indeed he raises the vexed

issue of what it might mean to call the countries of eastern Europe "capitalist" (Gibson-Graham 1996, p. 244). Smith shows for instance that economic transition involves the uneven and unequal intersection of market-based and state socialist social relations. In the same way that markets existed under state socialism, so production escapes the law of value and planning persists in post-socialist capitalism. He suggests that the private appropriation of surplus value may not be occurring in many instances where property relations remained blurred. Indeed, we learn that the classical socialist shortage economy mutates under capitalism to become one in which there is a shortage of capital.

Smith claims it is not a question of needing more capitalism, or of there being too much unfettered capitalism, but rather that the path-dependent enterprise strategies together with capitalist dynamics produce uneven capitalist development. Nevertheless there is a nagging suspicion that the logic of Smith's argument implies that if state socialism had not interrupted capitalist development or if, for example, political interference in privatisation had not been present, then it would have been far more likely that a new coupling of a regime of accumulation and mode of regulation would emerge to produce a more coherent and therefore better form of capitalism. However, could it not rather be the case that a new model of development is stabilising in eastern Europe around the principles of fragmented space-economies, authoritarian state structures and increasingly resource-based economies?

This wide ranging theorised account hangs together rather well. Indeed at times it seems to hang together a little too neatly and begins to resemble an exercise in grand narrative. Despite a look at alternatives to state socialism and capitalism in the final chapter Smith's particular use of the regulation approach is such that it becomes tempting for the reader to conclude that state socialism was destined to fail, because it had 'removed itself from the motor of modernisation and economic dynamism' (p. 184) and that capitalism (or at least certain forms of it) alone has the potential to provide the transformative dynamic required to intensify industrial production. Elsewhere, economic determinism comes rather to the surface. For instance Smith appears to suggest that there is an autonomous economic logic driving regional change somehow operating above and beyond the scope of institutional actors (p.355). But isn't the local institutional context but a component of the mode of

regulation, in which case might institutional thickness in Martin be interpreted as a regulatory mechanism stabilizing economic decline? Perhaps Smith's search for (and failure to identify) a coherent model of development emerging in post-socialism is misdirected in the sense that stable 'coherent' periods of economic development are self-fulfilling representations which themselves regulate capitalist development.

Despite the neatness of the argument, at certain junctures there appear to be sudden jumps between different levels of abstraction. However this might simply be the fault of the reader confused over apparently interchangeable terminology. The following terms all appear at least once in addition to those already mentioned above: 'systems of regulation' (p.29) 'systems of regulatory embeddedness' (p.198); 'systems of enterprise regulation' (p.316); 'modes of regulation of local industrial systems' (p. 316); 'regional accumulation and regulation' (p.318); 'regulatory systems of enterprise integration' (p.345); 'enterprise regulatory systems and modes of integration' (p.370); and, 'systems of enterprise regulation and enterprise embeddedness' (p.372). Consequently there is a suspicion that the same or similar terms signify different meanings at different points in the book. This is most obviously the case with 'embeddedness' which in places refers to the local integration of production systems (for example p.354), but elsewhere refers to the way all economic action is necessarily embedded in existing regional regulatory structures (for example p.303).

It is rather invidious to identify gaps in such a broad ranging and worthwhile book, but I for one would have been interested to read more about the persistence of the informal economy under both state socialism and post-socialist capitalism and the on-going significance of different forms of local paternalism. These gaps, however, do not detract from the significant contribution to the literature on uneven development that this book makes.

Reference

Gibson-Graham, J.K, 1996, *The end of capitalism(as we knew it)*, Blackwell, Oxford

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