From Dependent Industrialization to Peripheral De-Industrialization in Europe: Considerations from Development Studies

(Preliminary Draft Version)

September 2014

Rudy Weissenbacher
Institute for International Economics and Development
Vienna University of Economics and Business
rweissen@wu.ac.at

Contribution to:

EuroMemo Conference 2014

Workshop: Industrial policy and the reshaping of the economy

The crisis has led to the disappearance of a large part of productive capacities in countries of Europe's periphery in the South and East, while at the same time diminishing reproductive capabilities and public sector capacities for regulatory intervention. Europe's economy cannot develop by returning to previous economic activities and their established patterns of regional distribution. The present recovery is an opportunity for reshaping the economic structure in directions that are socially and ecologically desirable, moving toward activities capable of providing good, meaningful jobs and high wages. In this context, the transition to ecological sustainability and the reduction of energy use is a major challenge. This workshop will focus on these processes, on the need for a new public intervention in shaping Europe's economies and on the specific forms that new Europe-wide industrial policies may take.
1. Introduction

The structural imbalances between countries and regions in Europe are older than the current crisis. If one accepts this proposition, the workshop statement "Europe's economy cannot develop by returning to previous economic activities and their established patterns of regional distribution." has to refer to a time period before the actual pre-crisis situation. Moreover, an analysis needs to look back beyond the age of financialization and consider the entire post-war economic development (and go further if one compares, for example, the 1920s with the 1980s, cf. Lutz 1989) For the purpose of this contribution, I will stick to the structural patterns that prominently came to the fore in the 1970s. With the 1970s and the global recession, crisis once more affected the core of the global capitalist economy. The failure in a Keynesian type of capitalism to overcome inequality and uneven development, and by the same time the inability to diligently treat nature and its resources, were made public issues in the Cocoyoc Deklaration 1974 and the Report to the Club of Rome (Meadows et.al. 1972). The over-accumulation crisis led to a restructuring process of the global economy which was early analyzed as secular trend towards a new international division of labor (Fröbel/Heinrichs/Kreye 1977). As it is known, pressure increased on workers in core and peripheral countries, the new dynamic brought about an accumulation model with an emphasis on the financial system (financialization). (Smith 2012)

The mainstream narrative in political economy treats neoliberalism as logical answer to the failure of the Keynesian welfare state. But while the economic mainstream turned to radical liberal solutions that argued pure market forces as alternative to ineffective state interventionism, a European theory building in development studies and regional science went another way. It did not emphasize an antagonism between state and market but challenged the overall development models and liberal economic approaches of a Keynesian or neoclassical nature. This theory development followed implicitly or explicitly Latin American theories of dependency. With the crisis of "Keynesian" capitalism in the 1970s, alternative conceptions of de-centralization and decoupling, "self-reliance" and "development from below" were formulated, which were based on political economic (non-economistic) notions of development (of societies). Market radical approaches, however, gained the upper hand. The decentralized category of European integration was called "competitive region". Dependency oriented concepts were forgotten. Only with the current crisis, the term "periphery" is being used frequently, again, in the European context but most often without the dialectic figure "core and periphery". In a current project at the Vienna University of Economics and Business, I have identified several research networks that critically discussed the structural imbalances in Europe during the Southern EC enlargement (Greece, Portugal, and Spain). Many authors related explicitly or implicitly to the Latin American dependency approach. For the purpose of this short article, I will refer
to just a few of them, emphasizing aspects that seem most important.

This contribution is structured as follows. I will start with the issue of de-industrialization and how it can be interpreted from a development studies perspective. Then I will – in a nutshell – present main issues of "dependency" authors from Europe, their criticism and alternative solutions. Finally I will try to draw conclusions for the present day situation.

2. From Dependent Industrialization to Peripheral De-Industrialization

Different authors have observed processes of de-industrialization in European regions before the current crisis, such as for Eastern and Southeastern European countries during transformation processes (Becker/Četković/Weissenbacher forthcoming) or the Greek, Portuguese, and Spanish EC/EU integration process (Etxezarreta et al. 2014:65, Lopez/Rodríguez 2011:8, Stathakis 2010:110, Santos/Jacinto 2006).

Deindustrialization often appears to be used intuitively, this is why Francesco Lissoni (1996:1) tried "to put some order in the debate", and suggested two main views, a macroeconomic and a geographic one. The former equals a process of tertiarization, the latter describes changes in local areas, "once specialized in a few traditional manufacturing activities, and nowadays threatened by plant closures and layoffs [...]." More recently, UNIDO (2013:xv) defined deindustrialization as "[l]ong-term decline in manufacturing relative to other sectors. Typically measured in terms of share of manufacturing employment in total employment." Changes in the share of the manufacturing sector in GDP or employment seem to be the typical measurement of changes in industrial development. (Tregenna 2011:5)

A reduction of employment, however, could also be caused by a higher productivity which could lead to constant or growing output – if not a sign of deindustrialization on the output side than still on the employment side. Furthermore a shrinking share of manufacturing in relation to the service sector (tertiarization) does not necessarily mean shrinking output or employment if both sectors grow overall. Last but not least, a definition of long-term seems necessary in order to distinguish deindustrialization from short term effects. Of course, as Louri and Pepelasis (2001:398) put it nicely, "[f]or an economy to reach de-industrialization, it is thought that it has first to be industrialised." Therefore the focus of the attention had been the advanced capitalist countries, with a peak in manufacturing output and employment between the 1950s and 1970s, and a steady decline afterwards. (ibid.) Nicholas Kaldor is recognized as first having coined the term in the 1960s (Lissoni 1996:2, Louri/Pepelasis 2001:398),
relating relative decline of manufacturing (employment and output shares) to GDP growth. Later the role of manufacturing was extended to contributing to exports and structural effects (technical progress and productivity growth). (Louri/Pepelasis 2001:398c.) All in all the literature Louri and Pepelasis (2001:398cc.) review, suggest external dependence (demand for tradable products) and domestic failure to adapt to pressures by international demand (transition to high wage and high productivity production) as reason for deindustrialization. A classification of "three alternative hypotheses for explaining de-industrialization" is being offered, referring to a study by Rowthorn and Wells (1987): "(a) the maturity hypothesis, according to which once a certain per capita GDP is reached, the share of manufacturing industry will inevitably start falling in favour of services (provided that the share of agriculture is already small), (b) the specialization hypothesis, according to which the trading patterns of an economy shape the structure of its product and employment and (c) the failure hypothesis, according to which it is the failure of manufacturing, possibly due to its structural weaknesses, to compete internationally, that makes its reduction inevitable." (Ibid:399, cf. also Tregenna 2011:6c.)

If we borrow such a classification from the use of manufacturing production in industrialized countries and use it on the overall manufacturing production of countries and regions, a maturity hypothesis could be seen in the framework of the phasing-out or "maturing" postwar accumulation model in industrial societies that set in at the end of the 1960s. It might be called over-accumulation crisis with shrinking profitability in the manufacturing sector, at any case it heralded the age of "postfordism" and financialisation. A specialization hypothesis would then belong to the structural consequences of this transformation: tertiarization in the industrial countries and outsourcing of low-technology production to the periphery. (Fröbel/Heinrichs/Kreye 1977, Smith 2012) Furthermore, "the 1980s switch in ‘policy regime’ in OECD countries (broadly speaking, from post-war Keynesianism to demand constraining monetarism) did also contribute to the huge 1980s drop in manufacturing employment[...] and [t]he technological revolution that took off in the 1980s also played a major role [...]" (Palma 2008:4)

For our purposes, peripheral countries in Europe as latecomers in industrial development, the maturity hypothesis can be pretty much neglected. These countries ran through a process of dependent industrialization (and integration into the world market). From the 1950s to the 1970s, as Louri and Pepelasis (2001:398) argue, "less advanced or intermediate economies were still showing signs of industrial dynamism in terms of an increasing (although restricted) role of manufacturing industry. However, in the 1980s and 1990s, many intermediate countries entered the stage of de-industrialisation without having reached either the high levels of industrial activity or the high per capita incomes of the advanced capitalist economies. Thus, their relative place in the global economy in terms of growth potential and living standards deteriorated, diminishing prospects of convergence.
Greece is such a case."

From the perspective of development studies, a failure hypothesis (failure to reach full-fledged industrialization) would then be a relative of modernization theory, Palma (2008) uses a concept of "pre-mature de-industrialization". Modernization theory includes the assumption that there are role models whose ideal path (or stages) latecomers in development can or should follow in order to reach a similar status. The most famous author of this school of thought was Walt Rostow (1963), an economic historian and adviser of US administrations during the heights of the "cold war", who wrote a "non-communist manifesto". He argued that peripheral societies should follow the role model of England and try to recreate the industrial revolution ("take-off"). Much earlier, however, theories of uneven development have argued more complex interrelations between regions of different socio-economic levels. For example, with his theory of "uneven and combined development", Leon Trotsky had argued that by being in contact with more advanced countries, the development path of peripheral countries is being changed. A combination of different stages might lead to a leap forward in certain aspects (technology and administration) but at the same time to setbacks in society (such as a more repressive social system like the second serfdom in Russia). (Weissenbacher 2008:99f.) Looking at development experiences, modernization as a role model is more an exception than the rule. Nevertheless modernization as development paradigm had a powerful momentum. It carries a notion of preserving the existing political status quo because people ought to strive for the next stage of modernization in order to (finally) reach the "age of high mass consumption" instead of changing the political and economic present. (Fischer et al. 2007) If failure to reach full-fledged modern industrialization is the norm, then the few leading nations plus a couple of runners-up from the semi-periphery might be exceptions due to special circumstances. The "tiger states" Hong Kong, Singapore, South Korea, Taiwan as frontier states in the Cold War, and present day People's Republic of China with its huge domestic market and its developmental state control of the economy might count for the latter.

**List + Geo-Economics**

Ha-Joon Chang (2002) has convincingly popularized that "Washington Consensus" recipes for success, imposed upon peripheral countries, were exactly not the ones that brought today's powerful countries to their lead positions. Among the measures employed were protectionism, state development policies (industry, technology), industrial espionage and counterfeiting. Chang refers in his book to the German theorist Friedrich List, originator of a school of thought that has recently been associated with the development policies of the People's Republic of China. (Strange 2011) Just to be
sure, authors writing on List make the point that his argument of infant industry protection was much more subtle than it is often accounted for. Learning from the English experience and starting from the observation that countries with differing levels of development coexisted, List suggested dynamic, temporal, and selective measures of protectionism and interventionism to achieve a catching up process. (Bachinger/Matis 2009:255cc., Sai-wing Ho 2006:364, Shafaeddin 2005:50cc., Hurtienne 1984:138cc.)

Taken to the 21st century, Strange (2011:544) argues that "globalisation [...] implies constraints on autonomy, creating a post-Listian world that deprives developmental states of operational independence. [...] As such [autonomy] loses its potency with regards to sustained development. [...] In order to realise active autonomy (also necessary for development) an actor must therefore exercise (global) influence or actively project power. Structural autonomy is therefore a necessary but insufficient condition for sustained development in a globalized world. Hence, it is the imperative of influence, rather than protectionism, that defines the post-Listian developmental state." For small peripheral countries that sounds like bad news. UNIDO (2013:222) lists the European states Romania, Turkey, Belarus, Latvia, Ukraine, Croatia, The Former Yugoslav Rep. of Macedonia, Serbia, Cyprus, Bulgaria, Greece, and Poland as industrializing (emerging industrial) economies next to China (and others) but the policy options are pretty unevenly split. The current trend in Europe suggests a modeling of the periphery for the purposes of the core and not the periphery following the core's path of "modernization".

3. Theories of Dependence in Europe

Palma (2008) offered another factor as an explanation of de-industrialization, particularly "pre-mature de-industrialization": the Dutch Disease, the relationship of exploiting natural resources and decline of manufacturing production. Seemingly a bit daring, he expanded the Dutch Disease to the service sector as one type of 'additional' de-industrialization: "The phenomenon of the Dutch Disease also occurred in countries that developed flourishing service-exporting sectors, such as tourism (for example, Greece, Cyprus and Malta) and financial services (for example, Switzerland, Luxembourg and Hong Kong)". While the Netherlands who "lent" the name to the disease might have chosen to disregard manufacturing capacity in favor of rents in natural (gas) sources, peripheral countries might not have such choices between tourism and manufacturing: For authors that applied aspects of the Latin American dependency theory on Europe, migration from and tourism to peripheral regions were seen as typical characteristics of peripheral regions and their asymmetrical commercial, financial, technological, military and cultural relations to the core countries. (Seers 1979a:xiv)
3.1. Peripheral Countries and Regions

As mentioned earlier, I will focus on just a few authors from several research networks that used aspects from Latin American dependency theory on the European context. This was fruitful, argues Dudley Seers (1979a:xix), because "the economics taught in Western Europe […], even in its periphery, ignores hierarchical relationships between countries, or within them. Further, the experience of the 'Third World' could well be relevant in some respects to some problems of the European periphery – for example in dealing with the governments and corporations of the core – if we are prepared to study them." Furthermore the EC enlargement was progressing. Greece, Portugal, and Spain had applied for membership, with possibly more members to come (Turkey, Cyprus): "The incorporation of these countries into a predominantly core organisation raises structural issues that are familiar in the development field: If unemployment in them were not so great and so chronic, if they had no severely depressed regions, if wages were as high in the candidates as in the core of Europe, if their economies were diversified and political systems stable, enlargement would not raise the profound difficulties it does for the existing members of the EEC." (Seers 1979a:xix) Besides tourism and migration, a small technological capacity and capital goods industry, a large share of foreign-owned manufacturing were characteristics of peripheral countries, furthermore a considerable political pressure on governments from outside. Portugal and Greece were seen as "obvious candidates" (Seers 1979b:3). Spain and Socialist Yugoslavia were perceived in a similar way, with a better developed industrial structure, more integrated and (before Yugoslav disintegration and Spanish EC membership) more nationally owned. Spain's export structure with Western Germany, the dominant core country in Europe, showed a predominance of food and primary products export and industrial and intermediate products import. (Seers 1979b:3, Kiljunen 1979:319f.)

The regional development within a state was the focus of regional (development) studies, like the one by Nohlen and Schultze (1985a:46) on Andalusia, the Mezzogiorno, and Southern Portugal, which were described having similar characteristics:

- disproportionate importance of the agricultural sector and tourism,
- predominance of traditional and labor intensive technology, dominance of small companies,
- industries oriented on raw material and primary production,
- few modern capital intensive heavy industries located in the growth poles of the region,
- low per capita income,
- high unemployment and underemployment,
- high migration,
• signs of structural heterogeneity and marginality,
• poor social infrastructure.

Walter Stöhr (1983a:8f., 1983b:121), a development and regional scientist from Vienna, ascribed peripheral regions the same characteristics. Similar things were also said for peripheral countries as a whole (cf. Seers/Schaffer/Kiljunen 1979) plus characteristics for a national economy vis-a-vis states of the core such as penetration by foreign capital, lack of ability for investment decisions, weak stance in currency policies, dependence on technology imports, and adjustment of economic relations according to core countries necessities.

3.2. The Old Paradigm "from above"

In the wake of the crisis in the 1970s, old paradigms of economic and regional development deemed odd and unsuitable or were even thought to have collapsed. (Öström 1983:2) In countries of the core and periphery both theory and practice had been dominated by modernization theory and liberal economic theory (neo-classic and Keynesian). (Nohlen/Schultze 1985b:26). When neoclassical convergence between rich and poor regions did not appear, regional policies were introduced – "as crutches to try to make the neo-classical model work" (Stöhr/Tödtling 1979:138) – such as manipulation of factor prices (capital and employment incentives) and distribution of external resources (public infrastructure investments) (Stöhr/Tödtling 1979:138) Stöhr (1983b:120) described as development paradigm "from above", "center-down", and "from outside" a dependency on global demand and on effects of global innovation centers that are being diffused to the periphery in hierarchical processes by means of private capital transfer and public funds. Development "from above" for countries and regions aimed at reaching a high degree of "industrialization and urbanization resembling the structures of the most developed countries today, by a unilineal process of increasing the use of capital, technology, and energy, and by utilizing ever-increasing agglomeration and scale economies in order to participate with increasing specialization in the world market according to their comparative advantages in factor endowment, which in fact rarely occurs precisely in this fashion [...]." (Stöhr 1981:61) Scarce factors of production would be allocated through market mechanisms ("spill-over", "trickle-down") and public funds. (Stöhr 1983c:284cc.) In reality, development from above led to institutional, cultural, juridical and often military penetration of peripheral regions that transferred human and natural resources into core regions which eroded the development potential and increased dependencies. (Stöhr 1985a:229f.)

Liberal perceptions of regional policies had assumed that economic backwardness and development disparities had endogenous causes leading to "modernization deficits". The proposed solutions were
following objectives of a national or global economic policy and should be market based. Economic imbalances were meant to be overcome by functional and spatial integration, structural differentiation and specialization through division of labor. (Nohlen/Schultze 1985b:27) Such a liberal market-based paradigm of regional policy was based on the following logic of modeling:

1. Functional regions come without history and geography. There is no regional unity that is historically grown. Borders that could block functional integration or exchange of capital and labor do not exist. The region is functionally determined by the framework of overall national economic development;
2. Development disparities are being balanced in the long run (tendency towards market equilibrium) but they are being accepted or even stimulated because the economy overall must first grow before growth can be distributed (convergence theory);
3. Regional policy is subjugated to growth targets of the entire national economy: Infrastructure is being provided and functional barriers for growth, allocation and integration are being removed. (Nohlen/Schultze 1985b:27c.)

Such a paradigm lacked factors for development disparities that can be found in the history and society of a region, external factors for uneven development, questions of power relations in the relationship between politics and economics. (Nohlen/Schultze 1985b:39)

Two basic strategies for regional development came from the neoclassical economic theory. The export base model developed in the 1950s relied on an expansion of (international) demand outside the region in order to stimulate growth within the region and reduce imbalances. Main focus was the comparative advantage in strategic raw material production plus attached industrial production. It is assumed that setup and stimulation of export production will increase overall demand because income for the region would also raise demand for goods and services from the region itself. This was supposed to have an expansive multiplier effect. Diversifying export production and increasing real income would create endogenous growth, short-time imbalances, and long-term equilibrium of development disparities via market mechanisms. (Nohlen/Schultze 1985b:27c.) Also from the 1950s the concept of growth-poles assumed a pilot effect of modern industries being outsourced into peripheral regions. It was based on the perception that expectations of specialization and division of labor from sectoral process optimization would also work in a regional context and hence stimulate growth. Industries with above average expectation of growth in gross production, employment, and value added were supposed to be established. Such modern key industries in peripheral regions would have a high elasticity of demand and be competitive in an interregional context. These growth-poles would send manifold development impulses to the region by producing input and output linkages
between up- and downstream companies. By doing so, growth-poles also produce sectorial and regional polarization. Similar to the export base model the phase of polarization was considered temporal. Political measures and market forces would spike trickle-down effects that lead to equilibrium. (Nohlen/Schultze 1985b:29)

Nohlen und Schultze (1985b:30c.) emphasize that Keynesian and neoclassic concepts of regional development do not differ in their strategies but in the instruments they apply. Both concepts assumed endogenous causes and exogenous impulses to overcome market imbalances. Functional integration and specialization were deemed necessary to reach equilibrium, which was made possible by trickle-down effects from growth-poles of modern industries. Both concepts focus on growth of the overall economy and link regional policy to the needs of the entire state. They follow the logic of capital utilization that depends on constant growth and concentration, the negative impact of which they wanted to counter in the first place. Therefore the framework of the original processes is not being overcome. As far as the instruments are concerned, the neoclassic visions trusted that imbalances could be overcome by self-healing effects of market mechanisms. Labor migration into core regions would also increase the peripheral regions income. Keynesian remedies went beyond such a "passive rehabilitation". Funding of infrastructure development was accompanied by direct and indirect investment incentives (subsidies, tax incentives) in order to stimulate growth and employment. Often such stimulation efforts for modern and capital intensive sectors could not recruit employment regionally and therefore had effects outside the region.

With the crisis of the 1970s it became apparent that core countries were passing through a period of structural change as well. This dashed remaining hopes on trickle-down and spill-over effects, and peripheral regions "increasingly needed to consider making regional development more endogenous" (Stöhr 1983a:7). (cf. also Stöhr 1985a:230, Stöhr 1983c:284f.)

3.3. Spatial Specialization

The world market integration after 1945 had led to an increase of spatial specialization. (Stöhr 1983a:7f., 1985b:2ff.) Studies on the success of regional policies (Stöhr and Tödtling 1977, 1978) suggested that "spread-effects" were smaller than "backwash-effects" with limited results regarding regional convergence which was, if it occurred, accompanied by growing disparities at other levels (intra-regional or intra-personal). (Stöhr/Tödtling 1979:148ff.) Regional disparities had not been eliminated during the boom phase, now they became the base of a new spatial division of labor. (Massey 1979) Regional policies were discredited. They stimulated the functional disintegration of
regions by "integration into large-scale interaction systems" (Stöhr 1983a:10) but temporal successes were ascribed the general favorable economic situation providing economic growth. Spatial specialization and structural transformation went along. This brought decreasing sectoral and functional diversification and structural dependence on decisions, technology and capital made outside the region. Key functions of the new spatial division of labor were concentrated in core areas. Routine production was outsourced from peripheral regions of core countries into peripheral countries where wages were lower and labor less organized. (Stöhr 1983b:120f., Stöhr 1985b:7&12) Even where short time growth successes materialized, middle and long term development potential declined along a "functional disintegration" of peripheral regions: "This is manifested in the discontinuities of local and regional economic circuits as well as of social and political interaction patterns (caused, for example, by out-migration or long-range commuting), in the idleness of regional resources, and in the decline of facilities catering to the daily needs of the population […] - access to employment, consumer goods, services, etc." (Stöhr 1983a:9) "The increased opening up of regional structures to external influence, particularly in peripheral areas, led to an increased exposure to external shocks and a reduced resilience." (Stöhr 1983a:11)

3.4. Towards a New Paradigm "from below"

With the collapse of the traditional paradigms, Dieter Nohlen and Walter Stöhr elaborated theoretical and political alternatives. The old paradigms had brought "growth without development" in the best case but mostly aggravated existing structural imbalances. (Nohlen/Schultze 1985b:19) Nohlen (1985:12) called his concept region-centered development and 'periphery up and inward development' strategy. It was to be more oriented on the history of the respective societies than a theoretical model. Critical and emancipatory epistemological interest should focus on development (growth, employment, equality, justice, participation, political and economic autonomy, Nohlen/Schultze 1985b:48.), and replace social technology. Political decisions should not follow functional integration but be led by the needs of regional population. A region-centered approach would follow the thesis of uneven development and structural dependency of peripheral from core regions. It was to be oriented on Latin American dependency approaches but would not directly adopt them. This would allow overcoming traditional economic and structural policy, which is oriented on the interests of the central state. Questions of democratic participation and power politics are of immediate importance in this concept that urges to integrate political, economic, and cultural factors and perspectives. (Nohlen 1985:12cc.) Dependency analysis considers differences in development levels as exogenously caused and based on structural imbalances, as a result of industrial-capitalist production and division of labor. A complete new start, a new paradigm, and processes of change are perceived as inescapable. Dependency and underdevelopment of peripheral region can be changed only if the prevailing subordination under the
core determined functional integration can be removed. (Nohlen/Schultze 1985b:20cc&42f.) Room to maneuver for a region-centered policy is dependent on "the vicious circle of advanced capitalism": "We cannot achieve more democratic participation without a prior change in social inequality and in consciousness, but we cannot achieve the changes in social inequality and consciousness without a prior increase in democratic participation." (Macpherson 1977:100, quoted in Nohlen/Schultze 1985b:50) Nohlen and Schultz (1985b:51c.) offer hypotheses for a new start of regional policy: a) decentral rather than centralized political systems; b) forms of participation; c) no sudden change or complete decoupling but a gradual transformation; d) resistance of the political core can be overcome if issues of alternative regional policies can be made part of an overall political change in the countries collectively. (Nohlen/Schultze 1985b:52)

Referring to Friedmann/Weaver (1979), Nohlen and Schultz (1985b:61ff.) argue that a "selective territorial closure" was necessary for a paradigmatic new beginning. But such a policy would not suffice. The authors point at what they perceive as weak spot in dependency theory, the discrepancy between structuralist analysis of the causes of uneven development, and the capability to counter dependencies politically. Strategies for change were voluntaristic but suggested a room to maneuver that would not exist in a dependency perspective which assumed an external control of political decision-making. (Nohlen/Schultze 1985b:63cc.)

The development paradigm "from above" as argued by Walter Stöhr perceived economic and development policies biased in favor of countries of the core, too. An alternative paradigm had to overcome the economistic preoccupation that focused on new markets, low wage production, low cost resources. The application of technology was subjugated to such a bias as well. Unsurprisingly he as well focused on development as integral process that included interaction of economic, socio-cultural, political and environmental factors. (Stöhr 1983b:124 and 1981:39f.) Shaping a new development model had to be an interdisciplinary process. (Stöhr 1981:40)

An alternative development strategy had to gradually reduce polarizing backwash effects and selectively control positive spread effects. As with the concept of Nohlen/Schultzze, a transfer of decision-making – in a participatory democratic way – to the regional level is deemed important. Such a move would also help people in the regions to regain self-confidence which was lost under the prevailing development model. (Stöhr 1983b:124) But the development paradigm "from below" was more than that, it "implies alternative criteria for factor allocation (going from the present principle of maximizing return for selected factors to one of maximizing integral resource mobilization); different criteria for commodity exchange (going from the presently dominating principle of comparative advantage to one of equalizing benefits from trade); specific forms of social and economic
organization (emphasizing territorial rather than mainly functional organization [...] and a change in the basic concept of development (going from the present monolithic concept defined by economic criteria, competitive behaviour, external motivation, and large-scale redistributive mechanisms to diversified concepts defined by broader societal goals, by collaborative behaviour and by endogenous motivation)."

Stöhr (1981:39) argues for a concept of "selective self-reliance", which follows the dependency conception of "self-reliance" (Galtung/O'Brien/Preiswerk 1980). He assumes that each region has an endogenous development potential with ecological, human, socio-cultural, and institutional resources. He calls self-determined (but not self-reliant) regions that can appropriate resources of other regions and therefore increase their own development potential (most core regions). A self-reliant development means a self-determined development based on own resources. Therefore core regions needed to concentrate more on their own resources and reduce the access on the resources of peripheral regions. In a global system of interactive nature, however, such self-reliance was deemed possible only as "selective". This concept can be used axiomatically on a local, regional, or national scale, Stöhr emphasizes a "self-reliant mobilization of endogenous development potential [...] against trans-territorial penetration where this is detrimental to the sustained development of these communities [...]. Such a strategy I have [...] called development "from below" or a strategy of "selective spatial closure". (Stöhr 1985a:232, cf. also: Stöhr 1981:45, in more detail: Stöhr/Tödtling 1979:152cc.) Importantly, Stöhr (1983b:125) argues that a development strategy must try reducing dependencies but should neither strive for economic autarchy nor full political autonomy. A certain level of "selective spatial closure", however, was necessary "to inhibit transfers to and from regions or countries which reduce their potential for self-reliant development. This could be done by control of raw material or commodity transfers which contribute to negative terms of trade and/or by control of factor transfers (capital, technology), and by the retention of decision making powers on commodity and factor transfers in order to avoid the underemployment or idleness of other regional production factors, or major external dependence. Instead of maximizing return of selected production factors on an international scale, the objective would be to increase the over-all efficiency of all production factors of the economically less-developed region in an integrated fashion." (Stöhr 1981:45)

Stöhr (1981:61) does not object to economic growth but places it in the context of satisfaction of regional needs. Stöhr (1981:46) refers to Albert Hirschman by distinguishing between the advantages of more integration (with less sovereignty but more technology and organizational innovation), and advantages of more dissociation with more sovereignty regarding a selective self-reliance. Having said that, he considers historically grown dependencies difficult to overcome. A development strategy from below "might be particularly suitable for the many areas which in the near future cannot expect to benefit from traditional 'center-down' development strategies. At the very least it can be used as a
transitional strategy while competitiveness with the world economic system is improved [...]" (Stöhr 1981:63)

There are no recipes for a development "from below" but Stöhr (1985a:233cc., 1983a:11cc., 1983b:125cc., 1981:64c.) formulates a set of principles for a policy of "selective self-reliance":

- Empowerment of decentralized and endogenous power structures with egalitarian decision making between social groups/classes and regional units (in order to prevent concentration of surplus, wealth, and power); broad access to scarce resources (land, natural resources), internalization of development costs;
- Priority for mobilization of endogenous resources;
- Priority for sectoral and functional diversification with a higher level of resilience to external shocks and emphasis on inter-sectoral development;
- Priority for regional need satisfaction (food, housing, basic needs) and facilitation for self-sufficiency in times of crisis;
- Promotion of multi-level technology development (including capital intensive production in addition to labor intensive production);
- Promotion of territorial self-regulation and mechanisms of adjustment; increasing the autonomous regional innovation potential;
- Setup of exchange and accumulation conditions similar to those of core regions (for example regional development banks that finance regional production);
- Shift away from big export projects in favor of regional companies and set-up of a regional service sector;
- Evaluation of projects and investments according to their regional (multiplier) effects and value added;
- Restructuring and development of public transportation systems within the regions (regional accessibility instead of external connections);
- Mobilizing of regional energy resources;
- Improvement of regional environmental quality (responsibility towards future generations)
- Strengthening education and training;
- Limitation of external aid and assistance to projects that facilitate selective self-reliance (and last a limited time period).
4. Conclusions

The presented concepts origin in a time of crisis of European regions. Today the situation is different but it seems as if much of what was critically assessed in the revisited theories has aggravated. The dependence of peripheral regions on outside influences has been growing through channels of financial capital flows. Reversing processes of de-industrialization has appeared to be very difficult, even in overall rich countries. (Heimpold 2010, Louri/Pepelasis 2001:400) I will try and sketch some preliminary conclusions from the revisited concepts to the present day situation, using the framework of the workshop statement.

1. "The crisis has led to the disappearance of a large part of productive capacities in countries of Europe’s periphery in the South and East, while at the same time diminishing reproductive capabilities and public sector capacities for regulatory intervention. Europe’s economy cannot develop by returning to previous economic activities and their established patterns of regional distribution."

1. What is the meaning of developing the European economy? The past experience as presented by the concepts revisited has shown that it is difficult to "develop" the national level and the regional level. The crisis of the 1970s was also perceived as a failure of regional development strategies. They were seen as focusing on the national economy (economic growth) even if regional policies (incentives for production, investments of public funds) meant to develop regions economically. A functional integration of peripheral regions into interregional production networks led to a functional disintegration of the peripheral region. This impaired the resilience to crises and the ability to provide basic needs. The new international division of labor seems to have reinforced this trend. Today there exists a much deeper integration but with less agreement on economic "development" in peripheral regions than in nation states in the past. A European government with a European industry in a European economy would have to go different ways.

2. What is the underlying problem? The prevailing concepts of the "old paradigm" perceive the cause of problems in peripheral regions endogenous and the remedies as external impulses. The strategies of a development "from above" focused on increasing the export base and the stimulation of "growth poles". Tendencies of polarization were accepted as temporal. Success depended on external/international demand. If one sees, however, structural imbalances as part of the main reason of the problem, then external dependencies must be tackled. From the perspective of development studies, "modernization" of industry as a project of modernization theory is rather the exception than the rule and seems to depend on a geo-economical power status. In absence of such a position, remedies need to be more inward-looking as formulated in the "region-centered" or "selective self-
reliant" development model. Such strategies seem to pretty defensive in nature and probably difficult to sustain for a single country alone. A more active model, also derived from dependency theory, however, would be the common strategy of a "collective self-reliance" as formulated within the non-aligned movement in the 1960s. (Pierzyńska 2012)

II. "The present recovery is an opportunity for reshaping the economic structure in directions that are socially and ecologically desirable, moving toward activities capable of providing good, meaningful jobs and high wages. In this context, the transition to ecological sustainability and the reduction of energy use is a major challenge."

Social and environmental issues, including a change in energy use, are part of the presented "new paradigm". This is seen, however, as a regional issue, due to strong external dependencies of the old paradigm. Production and use of resources should be related to needs within the region, and if possible using available regional resources. Innovation would be a social issue as would be the application of technology. Having said that, it is difficult to see, how this can be accomplished within the old paradigm. (Building a new industry from the scratch and relying on the international demand would be within the old paradigm – a growth-pole? - with problems of high wages that undermine competitiveness and an eventual competition between green industries.) Such a regional approach, however, seems to be in accordance with recent discussions of de-growth and decoupling.

III. "This workshop will focus on these processes, on the need for a new public intervention in shaping Europe's economies and on the specific forms that new Europe-wide industrial policies may take."

That seems to be the heart of the matter. The authors presented were pessimistic as to the change of paradigms. They would almost certainly have characterized the formation of "Europe-wide industrial policies" as belonging to the paradigm "from above". The presented concepts, however, appear as plan b for those regions that have lost perspective within the old paradigm. Change in political economy between countries is deemed important. Therefore political change on the EU level would be seen very important. Furthermore, these authors do not argue for revolutionary solutions but for gradual changes. Having said that, the reforms they considered necessary might sound revolutionary in a present day context. And that brings back the issue of a plan b. What was perceived a weakness in some dependency approaches that predominantly focus on structural problems is the question of who are the actors of change. Even more so today. With a structural change of production (de-industrialization), the regional social and demographic fabric is changing as well.
Literature


