REGIONAL POLICY IN THE TIME OF CHOLERA
OLD INSIGHTS – NEW PERSPECTIVES

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How choleric is our time?


- Current precarious state of European integration (MT PRES 2017)

- Political polarization and perceptions of an unequal Europe

- New challenges for Cohesion Policy

- Different potentials of regions in Europe

- Existing EU-strategies only partially successful
Empirical Assessments 1

- Convergence – divergence?
  - general trend: continued regional divergence – differences rather within than between countries (Bachtler et al. 2017)
  - income inequality rising also within regions (Castells-Quintana et al. 2015)
  - increasing productivity gap (Bachtler et al. 2017)
Empirical Assessments 1 cont.

Figure 1: Dispersion of productivity and GDP per capita across EU countries

Source: OECD Regional Database (in Bachtler et al. 2017)

Figure 2: Regional catching-up in Hungary

Source: OECD Regional Database (in Bachtler et al. 2017)
Empirical Assessments 2

- Impact/outcomes of EU regional policy
  - numerous evaluation studies of the impacts
  - broad lesson: Cohesion Policy is making progress in terms of intended objectives (McCann 2015)
  - three-quarters of the papers find either positive effects or positive but weak effects, a quarter find negligible or negative effects
  - evidence very heterogeneous across regions
  - academic interest has shifted away from attempts to assess its ‘total impact’ towards an emphasis on the ‘conditioning factors’ (Fratesi and Wishlade 2017)
  - evidence to be considered ‘in terms of plausibility instead of proof’ (Molle 2007)

- So what? Policy ok, yet productivity gap widening?
Step Back to the Roots - What do the ‘Oldies’ mean by ‘regional policy’?

- Julius Caesar (50 BC): Gallia est omnis divisa in partes tres
- Gunnar Myrdal (1955): Economic Theory and Under-developed Regions
- Nicholas Kaldor (1970): The Case for Regional Policies
- Harry Richardson (1978): Efficiency vs equity causing a perennial headache for policy makers
- Doreen Massey (1979): In what sense a regional problem?

Regions are different/unequal, not only in income/living conditions but also in productive capacity.

Dangers of cumulative causation/divergence.
Step Forward – why ‘regional’?

- Regional economics is NOT the study of the economic dynamics at the level of administrative regions BUT it inserts a “space” dimension in the study of market mechanisms.
- Hence: regional policy is not policy on a smaller scale but has to focus on the productive dimension of space.
- “cognitive approach” to innovation and local growth – innovation as a result of the presence of collective learning processes.
- Territory becomes a “cognitive engine” enhancing co-operation and interaction.

R. Cappellin (2009, 2013):
- Intrinsic spatial nature of the process of knowledge creation.
- Based on psychological theories – a brain operates by forming selective connections.
- It is a selective system working not according to logic and mathematical thinking but rather according to the recognition of configurations, it orients itself in the surrounding space.
- Cognitive activity is the result of a reaction to the stimulus coming from the local environment implying a spatial framework.
Step Forward – why ‘regional’? (cont)

- J. Bröcker/M. Fritsch (2012):
  - Endogenity of growth, strongly differentiated impact of technological change
  - Difference not so much in knowledge infrastructure but in quality of cooperation
  - Depending on the openness, efficiency of innovation system, of quality of institutional interaction of various elements

Resume:
- Localized character of cognitive processes
- Diffusion of knowledge not an automatic process but in need of guiding institutions
- Need for basic patterns of cooperation
New Reflections on Objectives 1

- From old dilemmata to new interpretations and tools?
  - Old dilemma: efficiency vs equity/equality; equity/equality vs growth/innovation/competition; equality as “more justice for underdeveloped regions” (Armstrong/Taylor 1985, 1993, 2000, …)

- Yet: how to interpret justice? Shift in paradigm in the philosophical debate on justice

- Justice as social (“distributional”) justice

- Naïve believers: increase in equality of income

- Rawls (1971): different levels – from “rules of the game” to goals when organizing a society
  - “difference principle” – strengthening position of weakest members
  - “justice as fairness” – social contract for fair play

- Sen (2009): what needs to be distributed in a just manner – not only income, but also freedom and opportunities
New Reflections on Objectives 2

• “Dogma of justice”: only as justice in distribution

Höffe (2004):
• Social justice as justice in exchange
• Needs for basic patterns of co-operation
• Institutional arrangements to organize the giving and receiving

Koslowski (2011):
• Solidarity as a scarce resource
• Market exchange as a “second best” arrangement

New paradigm: distribution not as a starting point but focus on processes of exchange
Imperatives for Policy 1

- Regional Policy: in need for guiding institutions in support of “territory”

- Instead of old dilemmata: concentration on “justice in exchange” between developed and less developed regions

Objectives
- Move away from the convergence criteria to focus on adjustment and transformation criteria
- Do not look so much on inequality of income but at the gap in productivity
- Address regional disparities not on the basis of territorial equity objectives alone but as a way of addressing the faltering productivity countries as a whole (Bachtler et al. 2017)
- Find a new balance between policies for ‘competitiveness’ and ‘cohesion’ (Bachtler et al. 2017)
Imperatives for Policy 2

- Need for basic patterns of co-operation
  - Facilitate cooperation among actors and therefore the socialization of knowledge (Camagni/Capello 2012)
  - Yet: these activities are not assumed to be based on altruism or a communitarian vision of spatial equality but rather on quasi-market-based systems of incentives and objectives (Barca 2011)
  - Shift towards greater cross-border cooperation on policy initiatives – also ‘macro-regional strategies’ (McCann 2015)
  - Pay attention for non-economic factors of relation and for ‘conditionalities’ (Fratesi/Wishlade 2017)

- Need for new allocation of competences
  - Place-oriented competition (“Standortwettbewerb”) with stronger efficiency and responsibility of regional agents (Bröcker/Fritsch 2012)
  - Transfer the onus of responsibility to local stakeholders and policy-designers to identify bottlenecks, market failures, missing links (McCann 2012, 2015)
  - Promote fiscal devolution and decentralize the financial system (Martin et al. 2015)
  - Improve administrative capacity in its different dimensions: institutional, bureaucratic, human resources (Surubaru 2017)
  - More general: empowerment of regional and local authorities (Bachtler et al. 2017)
Caveats and Admonitions

• New directions? – Yes

• Appropriate tools and instruments? – Maybe

• Always possibility of “institutional obstruction” (North 1991)

• Instead of transcendental agreement comparative approach – “debates about justice … cannot but be about comparisons” (Sen 2009)

• Cholera?
  • Two dimensions of cholera – cholera as disease, as passion
  • “We can be lovesick, but also passionate” (Gabriel Garcia Marquez 1985, 1993)
LET’S STAY PASSIONATE!