

REGIONAL POLICY IN THE TIME OF CHOLERA

OLD INSIGHTS – NEW PERSPECTIVES

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○ **How choleric is our time?**

- Lacking vision for a future Europe (Juncker 2017, White Paper 2017, The Economist 2017); yet Macron 2017 (still open for discussion)
- 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

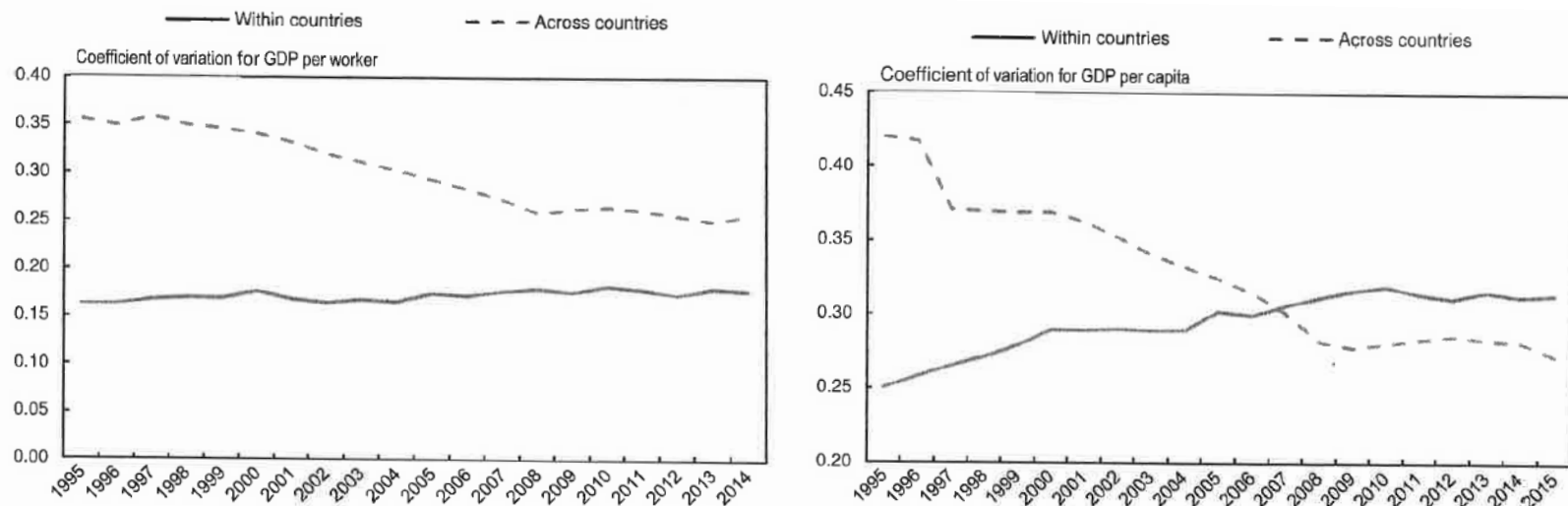
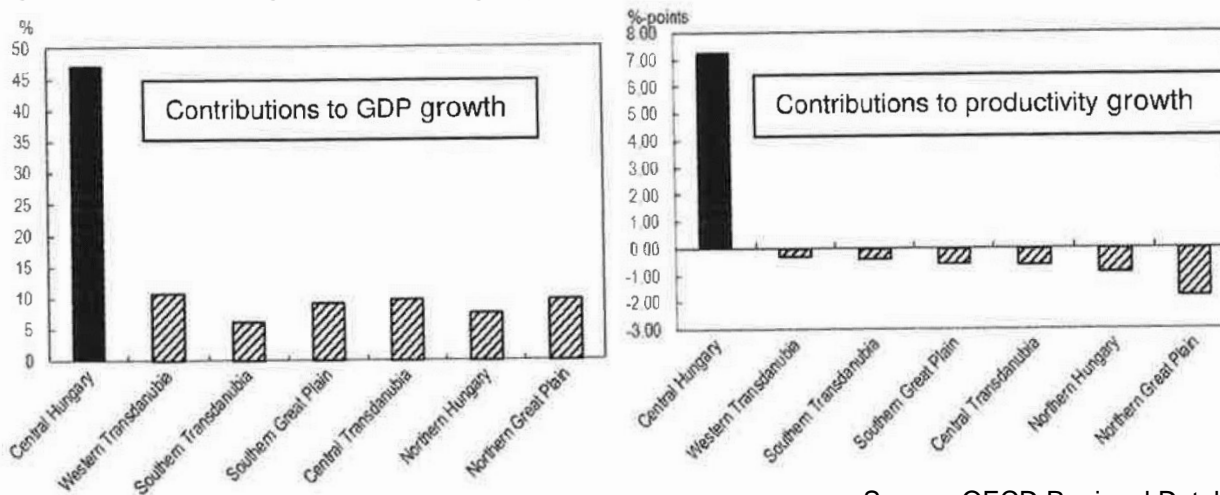


Figure 2: Regional catching-up in Hungary



○ 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 Wislade 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 (1957) *Unsettled Accounts: Why Neither Firms nor Workers Migrate and Under-developed Regions*

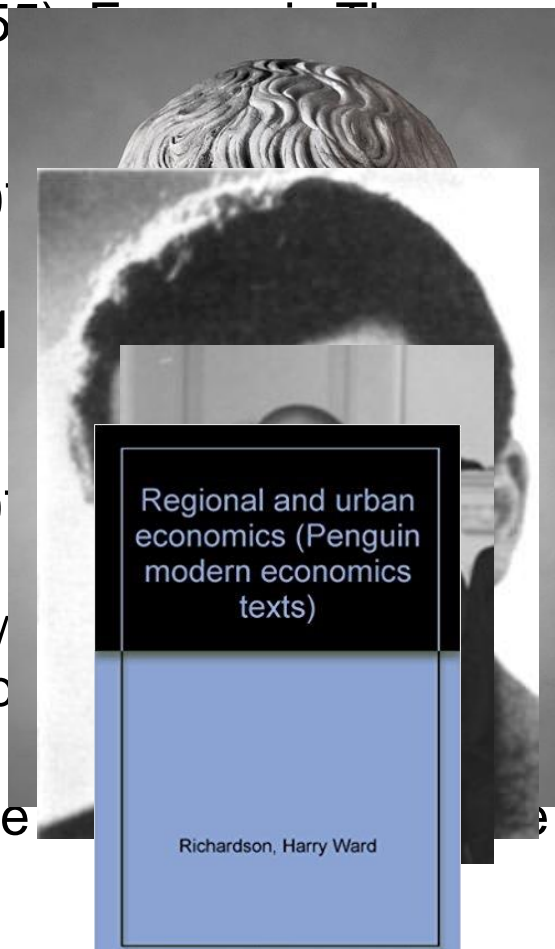
- Nicholas Kaldor (1970) *Regional Policies*

- Harry Richardson (1971) *Regional Development: A Study in the Causes of a Perennial Headache for Policy*

- Doreen Massey (1984) *For Space: The Production of Regional Problems?*

Regions are different/
also in productive cap

Dangers of cumulative



ome/living conditions but

○ Step Forward – why ‘regional’?

- R.Capello and R. Camagni (2009, 2012, 2015):
 - 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):
 - Endogeneity of growth, strongly differentiated impact of technological change
 - Difference not so much in knowledge infrastructure but in quality of cooperation
 - depending of the openness, efficiency of innovation system, of quality of institutional interaction of various elements

- **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!

