



NEW  
GEOGRAPHIES  
OF EUROPE

Edited by  
THILO LANG  
SEBASTIAN HENN  
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# UNDERSTANDING GEOGRAPHIES OF POLARIZATION AND PERIPHERALIZATION

Perspectives from Central  
and Eastern Europe and Beyond



# Understanding Geographies of Polarization and Peripheralization

*New Geographies of Europe*

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This book comprises numerous chapters that reflect the activities of the IfL research group, *The production of space: polarisation and peripheralisation*, carried out in the last five years. Most chapters included in this volume originated as papers presented and discussed during a two-day workshop which took place at the Leibniz Institute for Regional Geography (IfL) in October 2013 and was funded by the IfL. The event involved colleagues from Denmark, Estonia, Finland, Hungary, the Slovak Republic, Russia, Romania, Sweden, the UK and the US, who shared their perspectives on polarization and peripheralization issues in Eastern and Central Europe. Furthermore, in order to extend the perspective beyond this area, additional authors agreed to contribute to the volume.

At this point, we would like to take the opportunity of most warmly thanking all authors and reviewers. We extend our thanks to the administrative staff at the IfL and the research assistants of the institute (Friedemann Goerl, Ida Hucklebrink and Huyen Vu, to name but a few) who have shown great commitment in realizing this endeavour. We also thank the editing team at Palgrave Macmillan, and the publishing house in general, which was willing to accept our book as the first volume of the series on *New Geographies of Europe*.

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# 1

## Understanding New Geographies of Central and Eastern Europe

*PoSCoPP: Research Group Production of Space in the Context of Polarization and Peripheralization (collective authors)*<sup>1</sup>

### 1. Introduction

This book arises from empirical observations of recent spatial changes in Central and Eastern Europe (CEE) and from our engagements with current shifts in geographical thinking that prompt us to reconsider how we research and explain them. Both the complexity of changes in CEE geographies and the paradigmatic shifts in geographical research raise questions about the ways we register, survey and conceptualize spatial phenomena, such as the emergence, persistence and transformation of spatial disparity and socio-spatial inequality in and beyond CEE.

The volume engages with the concepts of polarization and peripheralization to grasp these phenomena, which have become highly pronounced in CEE over the last two decades. In doing so, we want to direct attention towards the different methodological and conceptual perspectives through which we understand processes of spatial differentiation and their connections to wider inequalities. We suggest understanding peripheralization and polarization as analytical concepts that facilitate process-based relational understandings of spatial differentiation and supplement structural research approaches. Although our focus lies on the regional scale, we suggest a multi-level conceptualization of the phenomena under observation. As the relation of core and periphery is immanent to the concept, peripheralization implies processes of centralization and thus forms of socio-spatial polarization at various scales. Such forms of polarization are intrinsically connected to discourse which places higher value on particular regions and developments and thereby devalues others. Some authors define regional peripheralization as the growing dependence of disadvantaged regions on the centre (e.g. Komlosy 1988, Bernt and Liebmann 2013); hence, it is not only the simultaneity of a number of features constituting the formation of peripheries, such as distance, economic weakness and lack of political power (cf. Blowers and Leroy 1994), but is often also the dynamic formation of core and

peripheral regions overlapping at different spatial scales (regional, national, European and global). This multi-faceted, multi-level understanding of peripheralization and polarization has the potential to define novel starting points for research on current regional development issues in CEE. Applying these conceptual notions allows a process-based, relational understanding of up-to-date forms of spatial differentiation in CEE and offers opportunities for spatial research circumventing dichotomous ideas of urban and rural, of central and peripheral, of 'leading' and 'lagging' or growing and declining, which tend to determine our methodological, theoretical and normative approaches to regional studies.

Up until recently, spatial development in CEE has mainly been researched through the lenses of post-socialist transformation and modernization. Within this introductory chapter, we aim to suggest additional conceptual approaches useful for grasping spatial processes and their contextual groundings. We further argue that adopting these approaches enables new comparative perspectives to similar phenomena in other parts of Europe and the world. This is particularly true since the 2007/2008 economic, financial and national debt crisis has shown similar economic, social and spatial impacts as well as political forms of response across Europe as a whole.

In the following section, we have collected various empirical snapshots which we understand as showing increasing socio-spatial polarization in CEE. This is based on statistical analyses of core indicators as well as a literature review of spatially relevant social, political and economic processes in the past 20 years indicating the emergence of new forms of spatial differentiation. In Section 3, we review a number of conceptual and theoretical approaches to regional polarization and peripheralization and propose a relational perspective for grasping their contemporary complexity. The final section of this Introduction gives an overview of the issues and themes discussed by individual contributors to the book.

## **2. Polarization and peripheralization in Central and Eastern Europe**

In CEE, focusing on processes of polarization and peripheralization provides an important starting point for critical analyses of the assumptions on which the Washington Consensus of the early 1990s was built, such as the claim that radical privatization and the swift introduction of unimpeded market economies would right the wrongs of state socialism most effectively and would (eventually) deliver prosperity to, if not all, then at least a majority of people. What we have witnessed since is a much more diverse and problematic picture. While in terms of gross domestic product (GDP) growth, many parts of the macro-region – in particular the capital regions – have indeed embarked on an upward trajectory after the initial crisis of the early 1990s (Lang 2011), the success of market reforms in improving living standards

and ensuring a more even spread of wealth among wider populations has been limited (Heyns 2005, Alber et al. 2007, Smith et al. 2008, Smith and Timár 2010, Stenning et al. 2010). Analysts of the causes, effects and dynamics of spatial development in CEE have pointed to a pronounced increase in socio-economic disparities between regions, places and populations, in CEE in particular (EC 2010). While differences in national rates of GDP growth have been decreasing for some years, regional economic and social disparities *within* CEE countries have grown considerably (Schürmann and Talaat 2008).

Looking at forms of peripheralization at a global scale, it is notable that CEE regions play a negligible role when world city hierarchies are analysed, such as by the 'Globalization and World Cities Research Network' (GaWC) focusing on financial services and globalization indicators. Following Friedmann's (1986) and Sassen's work on the world or global city (1991), a number of authors have argued that worldwide economic activities have become concentrated in a small number of city-regions. In the globalized economy, only a few global cities and metropolitan regions are said to be the 'control points of the global economic system' (Beaverstock et al. 2000). One could argue that CEE cities and their functional regions are being peripheralized by the dominance of world cities in the global economy. European and national policies add a further dimension to this, as they frequently copy the model of the global city in regional policies by focusing on the promotion of growth in metropolitan areas (Brenner 2009). This has been witnessed particularly in the aftermath of the most recent economic crisis, as decision-makers have been led to concentrate scarce resources on supporting development in larger cities, hoping that disadvantaged areas will profit from core-periphery spillover effects. Such policies, however, carry a major risk of further increasing socio-spatial polarizations and the peripheralization of disadvantaged areas (for example due to disinvestment in transport infrastructures or centralization of service provision). It is in this context that metropolitan regions attract economic and political interest to the disadvantage of the rest of the country. In addition, in CEE, prevailing negative experiences from the period of centrally planned economies have led to a sceptical perception of public sector interventions and to a general turn towards neoliberal policies during the transition period (Bohle 2006, Dragos Aligicia and Evans 2009).<sup>2</sup>

Paralleling the concentration of economic activity in metropolitan areas and further exacerbating problems of deepening polarization and peripheralization are current demographic developments (Filipov and Dorbritz 2003, Steinführer and Haase 2007). CEE population is increasingly concentrated in a diminishing number of prosperous areas, particularly the capital regions, in contrast to a growing number of regions suffering population decline. Thereby, intraregional and interregional migration patterns overlap with international migration on the basis of age selectivity,

stratified labour mobility and an overall decline of birth rates, which is particularly sharp in CEE. The decrease in population has been particularly pronounced in structurally disadvantaged rural and deindustrialized regions as well as many inner-city and high-rise, edge-of-city areas (Tsenkova 2006, Steinführer and Haase 2007).

These demographic developments combine with other processes of social differentiation to produce highly uneven social geographies at regional, sub-regional, intra-urban and micro-geographic scales that intersect but do not necessarily overlap. While, on a local level, the rapid growth of gated communities and of smaller enclaves of redeveloped, expensive housing in post-socialist cities shows an ongoing attempt at carving out, demarcating and safeguarding privileged spaces of wealth in otherwise disadvantaged regions and places (Hirt 2012, Smigiel 2013, Kovács and Hegedűs 2014), other regions, places and groups of people have, however, become radically disadvantaged and displaced (Hörschelmann and van Hoven 2003, Smith and Rochovská 2007). This affects particularly rural and deindustrialized regions such as rural parts of eastern Slovakia and its small towns (Michálek 2004), high-rise estates that were built along the perimeters of many socialist cities in the 1970s and 1980s, and inner-city pockets of low-quality housing that have not become redeveloped (Nedović-Budić et al. 2006, Tsenkova 2006, Steinführer and Haase 2007). Processes such as migration for work, homelessness and discrimination against cultural minorities are further leading to forms of peripheralization that no longer map onto specific regions, cities or urban quarters but that are, nonetheless, often a result of, and a contributing factor to, socio-economic and spatial disparities in Europe (cf. Smith 2007, O'Neill 2010).

The empirical observations summarized above show that various processes lead to and interlink with socio-spatial polarization and peripheralization at different intersecting scales. Also apparent, however, is the need to look critically at our approaches to researching these phenomena and processes and to consider how and why different insights are produced from different perspectives. Thus, while helpful for the identification and assessment of the scope and reach of polarization and peripheralization as *phenomena*, conventional indicators such as rates of inward investment, GDP growth, availability of key infrastructures and services, distance from metropolitan centres, or poor accessibility rarely capture the wide range of causes and dimensions of polarization and peripheralization as *processes* that intersect with other aspects of inequality, uneven development and power, and that breach conventional territorial boundaries. There is a need, therefore, to ask more carefully what our descriptions and analyses are based on and which aspects, practices and spaces we perceive and explain differently from different perspectives.

These considerations lead us to review, in the next section, a number of conceptual perspectives that have been developed over several decades to

grasp the complexity of polarization and peripheralization processes. Instead of seeking to develop a one-size-fits-all model for how to research the topic, we conclude this review by proposing a relational approach which requires the application of diverse methodological and conceptual perspectives as well as reflexivity on the performativities of these perspectives themselves, that is, their effects on what we are able to observe, how we understand it and how our research intervenes in the processes under investigation (Paasi 2010, 2013).

### 3. Conceptual perspectives

The analysis of spatial disparities has been at the centre of regional science for more than 50 years. It is thus not surprising that aspects of polarization and peripheralization have been considered in many areas of economic and social geography as well as in related disciplines such as economics and spatial planning. While, in this section, we aim to give a short overview of concepts and explanatory frameworks that have played an important role in the debate, the choice of approaches presented is necessarily selective and does not cover the literature as a whole. Nevertheless, our review demonstrates that issues of regional polarization and peripheralization have been approached from a range of perspectives, considering different scales and their intersections as well as diverse factors and effects. It also confirms that, as Paasi (1995 and 2010) has explained, research on the production of regions requires attention to numerous factors, relations, discursive constructions, agencies and materialities that constitute a spatial entity as an assemblage that, while never completely stable, has nonetheless acquired a certain durability.

#### a. Modelling and explaining processes of spatial polarization and peripheralization

Early regional development theories did not pay attention to processes of spatial polarization and peripheralization. Rather, neoclassical approaches (for example Solow 1956, Borts and Stein 1964) argued that regions with different factor endowments due to unrestricted movements of factors and commodities as well as flexible prices would gradually converge over time. While neoclassical theory thus expects an external shock to bring about forces that will bring an unbalanced spatial system to a (new) equilibrium, *polarization theorists* since the 1950s have argued that spatial disequilibria lead to circular cumulative effects that finally result in a state of spatial polarization. In the model developed by Myrdal (1957), such cumulative processes may be initially triggered by changes in interdependent economic factors, such as demand or income, and may occur within a single country and/or between different ones. According to Myrdal, the extent of interregional and

international imbalances depends on the type and the intensity of the centripetal backwash effects and the centrifugal spread effects. While backwash effects refer to negative changes that occur as a corollary of the expansion of a centre (for example selective outmigration from agrarian areas to growing centres), spread effects denote positive effects triggered by growing centres but affecting other regions (for example the spread of technical know-how). Under certain conditions, the latter effects may stimulate development in lagging regions without challenging the growth of the centres. Myrdal (1957), however, expects backwash effects to typically prevail over spread effects, and therefore suggests government intervention to reduce disparities in income. Though being 'criticized for its qualitative nature and lack of econometric substance' (Haggett 1972: 398), Myrdal's model endowed the debate with new impetus: it directs attention to problems of deepening differentiation and it focuses on micro-causalities in situations of increasing interregional contrast (in terms of income, investment, migration and so on). Moreover, Myrdal already addressed the importance of socio-cultural categorization and stigmatization in processes of socio-spatial differentiation and marginalization (Myrdal 1944). Since then, it has become almost a commonplace to understand centre and periphery in their reciprocal conditionality deriving from the nature of relation between two established/establishing poles that are rooted in discursive (communicative) conditions and social structures.

Hirschman (1958), in a different, albeit somewhat similar, approach, distinguishes positive trickling-down and negative polarization effects. In his model, polarization effects initially exceed the trickling-down effects. However, he also expects economic and political counter-balancing forces to arise, aiming at reducing interregional and international income disparities. As a consequence, trickling-down effects will gradually reinforce and finally exceed the polarization effects, thus bringing about a spatial equilibrium. Even though the models by Myrdal (1957) and Hirschman (1958) have major shortcomings (for example the fact that the generation of cumulative processes remains external to the models as well as a lack of a formal framework), the idea of polarized spatial development gained strong interest in the scientific community. In fact, in the aftermath of the publication of these basic works, numerous approaches were designed that further developed the original ideas. According to the idea of spatial growth poles (Boudeville 1966, Lasuén 1969), for example, growth impulses from big cities will be transferred along the system of central places (Christaller 1933, Lösch 1944), which itself is interpreted as an outcome of past processes of adoption of innovations. As put forward by Lasuén (1969), less dynamic regions (for example rural areas) face difficulties in absorbing innovations spreading from the centres and thus find it more difficult to keep up with development. Urban regions, by contrast, are seen to be in a position to easily absorb innovations and to spread them to their peripheries.

Another approach to polarization and peripheralization, put forward by Richardson (1980), seeks to combine the neoclassical ideas with the polarization approaches. Richardson (1980) argues that spatial development is characterized by a stage of polarization, before a turning point ('polarization reversal') is reached and a process of reversed polarization sets in (Bähr and Wehrhahn 1995). According to his concept, the industrial growth process of a country, due to a scarcity of investments, initially affects only a limited number of regions. Internal and external economies, as well as immigration of labour from other regions, will lead to a spatial concentration of economic activities, thus generating centre-periphery relations in terms of significant disparities in regional per capita income. In the further process of development, central regions, that is, the centres and their hinterlands, exhibit strong growth rates, resulting in great numbers of immigrants that exceed the number of locally available jobs. As a result of these agglomeration disadvantages, processes of intraregional decentralization (for example establishment of new firms in satellite cities due to high production costs in the centres) will gradually transform the central region. At an advanced stage, subcentres will emerge at certain locations in the periphery. While the latter are characterized by agglomeration economies, increasing disadvantages in the central regions will result in a deviation of the investment flows (for example through relocations or the establishment of branches) to the subcentres. This process will be accompanied by outmigration of labour from the centres to the subcentres, resulting in an interregional decentralization of economic activities. At subsequent development stages, processes of intraregional decentralization will also occur in the catchment areas of the subcentres. In total, these processes of intra- and interregional decentralization will result in a stable, urban hierarchy as well as harmonization of per capita incomes (Schätzl 2003).

Another widely noticed and more recent centre-periphery model has been offered in the framework of the *New Economic Geography* by Krugman (1991). Similarly to Hirschman (1958), Krugman (1991) views spatial structures as being shaped by centripetal and centrifugal forces. Whether the former or the latter prevail depends on transport costs, economies of scale and the industry's share in income. If a location is characterized by low transport costs, scale, high economies of scale and a high share of industry in the overall income, industrial production will concentrate in this particular region.<sup>3</sup> In general, Krugman develops a formalized model which affirms the earlier (albeit non-formalized) polarization approaches.

The fact that capitalism is characterized by disparate spatial developments is also common to more recent theoretical approaches of uneven development that are inspired by early Marxist theorists and explicitly focus on spatial aspects. The approaches which have been developed in this context do not make up a homogeneous framework, but share a particular focus on power structures and their critique (Wissen and Naumann 2008). By far the



most influential approach of uneven development was developed by Harvey (2001 and 1982), who views capitalism as being characterized by a 'capital surplus absorption problem' (Harvey 2010: 2), that is, a tendency to create 'a surplus of capital relative to opportunities to employ that capital' (Harvey 1982: 192). Harvey identifies different forms of capital mobility that may help to spatially fix these crises, at least for a limited period of time. As a by-product of this 'spatial fix', new spaces are being produced that may also result in the creation of core-periphery relations and accompanying dependency relations, for example when productive capital, for example firms, relocates from unprofitable locations to more profitable areas.

Another approach towards polarization and peripheralization has emerged in the context of *dependency theory/world system theory*. Large parts of the conceptual ideas, though explicitly developed with a focus on different countries, can be applied to the regional scale as well. The basic idea of these models can be summed up in four main hypotheses (Schätzl 2003: 194): (1) fundamental interregional structural differences can result in the emergence of centres and areas which depend on them; (2) centres and peripheries form a closed spatial system; (3) centres and peripheries are characterized by dependency relations; (4) in order to overcome the dependency relations, peripheral areas have to achieve attributes of the centres. Evolution and revolution are viewed as apt strategies for reaching this aim. An early centre-periphery model was developed by Prebisch (1959). His model is based on the assumption that there are structural differences in terms of income elasticity of demand as well as in technical progress and its spread between developed and developing countries. These differences result in a deterioration of the terms of trades of the periphery and a transfer of real income from the periphery to the centres. This result is remarkable, since it strongly contrasts with the classical and neoclassical trade theory. Another approach has been offered by Friedmann (1973). According to his model, the relations between centres and peripheries are characterized by four features: (1) peripheries are characterized by institutions installed by the centre, which makes them dependent on the latter; (2) centres consolidate their domination through reinforcing mechanisms of polarization. These so-called feedback mechanisms involve different types of effects (domination, information, psychological, modernization, linkage and production effects); (3) as a result of this domination, innovations developed in the centres will be introduced in the peripheries, thereby further intensifying the information flows in the dependent areas; (4) as a result, conflicts may occur, which can be met by local or national elites, who, for example, take measures of limited decentralization. Furthermore, elites are in a position to accelerate the spread effects, thus contributing to shared decision-making powers between old and new centres. As a consequence, the dependency relations between centres and their peripheries will gradually disappear. According to Friedman, however, such reconciliation of interests can only be expected in highly developed countries such as the US or Germany (Schätzl 2003).

Focusing on different spatial, scalar and social logics of differentiation, a couple of empirical studies have aimed at identifying relations between centre and periphery systematically, typologically and comparatively (Rokkan 1980, Vorauer 1997, Schürmann and Talaat 2000). One of the most elaborated analyses in terms of statistical underpinning was undertaken by Rokkan, Urwin, Aarebrot, Malabe and Sande (Rokkan et al. 1987), who integrate economic, political and cultural conditions in a quantitative approach of so-called territorial systems. They assume that 'territory building' is based on three capacities of centres that 'can be minimally defined as *privileged locations* within a territory' (Rokkan et al. 1987: 25): 'military-administrative, economic and cultural' (ibid.: 41). These 'types of territory extension' (ibid.) lead to 'three distinctive forms of peripheralization: by *military conquest and administrative subjection*; through *economic dependency* and through *cultural subordination*' (ibid., emphasis original). Though processes may overlap, they do not necessarily bring about a single and coherent pattern but different types of peripheries: some suffering from all three types of peripheralization and others that, for instance, managed to escape from economic deprivation. Given the opportunities of computational modelling and processing of large volumes of data, spatio-temporal comparisons as they were blueprinted by Rokkan and his colleagues (Rokkan et al. 1987) seemed to allow a systematic approach towards territorial differentiation and structural dependency.

### **b. Problematizing socio-spatial categories and dichotomizations**

Though many of the scholars named above underline the necessity to investigate the relation between 'centres' and 'peripheries' at various spatial scales, there are remarkable differences in defining and locating this relation, as well as the driving forces behind the emergence and persistence of 'centres' and 'peripheries'. By transferring post-colonialist approaches to the regional level, some researchers have drawn attention to the fact that hierarchy and dependency are not only established in terms of 'outer relations' and as a result of an increasingly globalized world, but are also internally produced and reproduced. This phenomenon is addressed as 'internal peripheries' (Nolte 1996), 'internal colony/periphery' (Hechter 1975, Walls 1978) and, more recently, 'internal orientalism' (Jansson 2003).

In addition to recognizing that the formation and persistence of 'core' and 'peripheral' regions play out at different, intersecting scales, recently a more relational understanding of spatial disparities has emerged in regional studies that mainly aims at detecting concrete processes that lead to social and economic disparities. As the relation between centre and periphery is immanent to the concept, peripheralization always also implies processes of centralization and thus forms of socio-spatial polarization: the logic and dynamics of spatial centralization determine the peripheralization of other spaces by attracting populations, economic productivity and infrastructural functions to the disadvantage of other regions (Keim 2006). Polarization

is enhanced by national discourses which place higher value on particular regions and developments and thereby devalue others.

Recent critical scholarship has further emphasized the important role of geographical imaginations, discourses and diverse socio-spatial practices in producing, as well as contesting, the marginalization of certain places, regions and populations (Cresswell 1996, Massey 2009, Shields 2013). It has been recognized that terms such as 'polarization' and 'peripheralization', 'centre' and 'periphery' are themselves markers of socio-spatial realities commonly used to *describe* these realities, and that semantics are never mere representations of reality but are actively involved in shaping and explaining reality. Many scholars in geography and cognate disciplines have been arguing for a closer and critical examination of the ways in which knowledge productions in research and politics are informed by spatial and social categories and terms (see Schoenberger 1998, Clark 2001). Spatial semantics, as vague and ambiguous as they may be (Miggelbrink and Redepenning 2004: 582), often represent societies as spatially ordered and divided into discrete units and, thereby, partake in *producing* those very orders and divisions (Rose and Gregson 2000, Marston and Jones 2005).

John Agnew brought these problems to the attention of geographical scholars as early as 1982, in his critique of three methodological reductions that he argued were inherent in *spatial(ized)* research. First, identifying certain spaces as centre or periphery leads to reifying spatial categories instead of reconstructing social, political and economic relations of domination and dependency that produce certain spaces. Second (as an effect of reified spaces), once spatial categories are identified, causal effects are all too often ascribed to them: spatial patterns that echo a multitude of decisions and events (investment, migration, death and birth...) and that are based on manageable statistical categories and procedures, on methods of measurement and so on, are (mis)understood as offering *explanation*. Agnew calls this moment of explanatory in-distinguishability 'pattern-process-inference'. Third, focusing on fixed and bounded spaces restricts analytical capacity to only one scale of social action instead of taking into account scalar interference. As a consequence, again, explanation tends to take a dichotomized form: cause and effect are located *inside* or *outside* a/the centre and its periphery.

Agnew's arguments connect strongly to other critiques of knowledge construction. Post-colonial and feminist scholars have pointed out, in particular, that hierarchical logics underpin distinctions in the status of knowledge produced by different agents from different locations. These scholars have sought to challenge such problematic constructions by examining how relations of power and knowledge change when dominant perspectives are provincialized (Kuus 2004, Timár 2004, Stenning and Hörschelmann 2008). For the topic of peripheralization, this is a particularly significant issue, as the coincidence of marginalized knowledges with socio-spatial

peripheralizations restricts the ability of research to account for diverse life-worlds, practices and perspectives, thus in turn restricting its responsiveness to different needs and the ability to inform policy accordingly.

It can be argued that the *relationship between knowledge and power* in constructions of space and populations is overlooked in much research that seeks to map and model polarization and peripheralization processes. Spatial semantics, including those marking 'centres' and 'peripheries', 'cores' and 'margins', inform (political) government and, all too often, (scientific) explanation likewise. They are, nevertheless, based on a host of problematic assumptions, reductions and reifications that may unwittingly lead to the creation of new, and the entrenchment of existing, peripheralities. The division of the world into ordered categories, and the management of the world as though it were or ought to be ordered in this way, is, for instance, a fundamental reason for the identification of some groups and practices as *problematic* because of 'where' they live or which characteristics are ascribed to them because of 'where' they live (Wacquant 2007, Eriksson 2010, Kuus 2011, Meyer and Miggelbrink 2013).

People are often seen as almost naturally tied to certain places or regions and therefore as generalizable, classifiable and governable through those spaces. As a result, they are figured as 'populations' rather than as diverse social actors engaged in dynamic practices that may be difficult to predict or measure (Agnew 1994, 2003, Jessop et al. 2008). Governmental strategies on risk and crisis response, then, frequently entail the 'management' of groups that are seen to pose particular risks to welfare and security interests. Such governmental strategies increasingly involve what some scholars have called 'biopolitical' techniques for the management of populations through the promotion of certain behaviours and 'subjectivities' that are frequently related to expectations about spatial development and the agencies of places in relation to particular goals (for instance the promotion of growth and resilience through 'community'; Brassett et al. 2013, Dzudzek and Strüver 2013, Painter 2013). With regard to CEE, the discursive construction of the region as being itself peripheral has also been argued to be a problematic factor that needs to be critically interrogated (Hörschelmann 2002, Kuus 2004, 2013, Timár 2004, Stenning 2005, Stenning and Hörschelmann 2008; also see Todorova 1997).

Hierarchies between 'central' and 'peripheral' or 'marginal' populations are further related to different estimations of agency, whereby the capacity to act and to effect socio-spatial change is attributed to certain (groups of) agents, at certain scales, and from particular locations, over others. The myriad practices of diverse social actors in the contexts of their everyday lives, and particularly those that are seen as inconsequential or 'taken-for-granted' (for example care and the work of social reproduction), remain overlooked, however, and are marginalized in political decision-making (Katz and Monk 1993, Bondi and Rose 2003, Mitchell et al. 2004). These

concerns are reflected in Beetz's argument that peripheralization can be defined as 'a loss of capacities of actors and institutions to act' (Beetz 2008: 11; our emphasis).

While the conclusion of these critical considerations may appear to be the need to avoid prescriptive (spatial) categorizations (such as not to unwittingly reproduce hegemonic interpretations and orders that, on the one hand, limit the analytical scope of research and, on the other hand, enshrine people), notions of peripheralization and polarization can nonetheless be seen as important starting points for unveiling relations of power and processes of socio-spatial inequality. This is not necessarily a contradiction, as Paasi states, underlining that the social construction of peripheries, that is, 'peripheralization', has to be understood as 'social spatialization', a process during which

the visions of margins and cores, centres and peripheries are created on different grounds. Social spatialisation is a result of both discursive and non-discursive elements, practices and processes. It is always a blend of scientific analysis, local and non-local spatial experience, operations of media, political struggle and ideologies. These are manifested differently (on different spatial scales).

(Paasi 1995: 236)

Paasi's statement inevitably shifts the focus towards a thorough investigation of how peripheralization is communicated within society and, in turn, what effects notions of 'peripheralized' regions and people have with regard to political action. It also shows that abandoning a spatialized perspective to (analytically) avoid the 'territorial trap' (Agnew 1994) does not mean that space does not play a crucial role in processes of peripheralization; nor does it mean that the very notion of peripheralization is automatically reductive and, therefore, has to be abandoned, too. On the contrary, scholars from various disciplines have drawn attention to, and sought to dismantle, (structural) dependencies, disparities, subjugation, marginalization and hierarchies by applying concepts of 'centre' and 'periphery' (Senghaas 1974a, b, Wallerstein 1979, Taylor and Flint 2000). What we wish to suggest, instead, is that *reflexivity* should be integral to research on polarization and peripheralization in order to remain attentive to the effects of our own interventions in the production of space. A plurality of perspectives and approaches is further required in order to adequately analyse polarization and peripheralization as multi-dimensional processes.

#### **4. Towards a relational approach to researching polarization and peripheralization in CEE**

One way to bring the different perspectives sketched above into conversation without pressing them into one overarching framework that claims to

explain it all is a relational approach. We return to Paasi once again here, as he develops a particularly clear and insightful heuristic framework for understanding spatial configurations, such as regions, as relational constructions. Paasi (2010) proposes to understand 'region' as 'normally in a state of becoming, assembling, connecting up, centring, and distributing all kind of things. Yet it has not been always there: it has been constructed and will probably eventually disappear [...] Whether or not they recognize it, numerous actors participate in this construction together with and in relation to a number of other actors' (2010: 2229). We find this approach helpful for researching polarizations and peripheralization because it recognizes the intersections between a multiplicity of discursive and extra-discursive things, actions, agents and materialities that are assembled in concrete networks through which spatial forms gain durability while also always being in a process of becoming.

Against the background of issues raised in this introduction and those analysed in the following chapters, we would highlight particularly the need to:

- survey the spatial divisions of labour through which peripheralities and polarities are constructed across scales and in concrete networks;
- investigate how peripheralities and polarities emerge and are ascribed to social groups and individuals, and how these ascriptions are contested;
- trace the circulation and use of scientific and administrative knowledge through networks of spatial policy and planning;
- conceptualize how agency is accomplished in assemblages and networks;
- consider the role of different political actors, institutions and perspectives in the construction and contestation of polarizations and peripheralities;
- develop new approaches and indicators on the basis of a differentiated understanding of genealogies and effects of dependencies, inequalities and exclusions;
- design and implement political strategies to address the socio-economic challenges that characterize patterns of polarization and peripheralization on different geographical levels.

The contributions of this edited volume address these points from a variety of perspectives. The first part presents a series of tools for grasping 'the fragmented complexity of agency and the multitude of actors related to region building' (Paasi 2010: 2300). This includes reflections on the theoretical backgrounds of peripheralities as well as methodological considerations. We open with a chapter by *Ray Hudson*, who argues for a Marxian political-economy approach as, in his eyes, the most convincing and most promising framework for analysing polarization and peripheralization processes. Discussing the role of the EU and new forms of political responses in the wake of the crisis, he frames uneven development as an integral part of a crisis-prone

development of capitalist economies – with salient repercussions inside and beyond CEE. *John Pickles* and *Adrian Smith* frame post-socialist regional economies in the context of global value chains, leading to a ritualization and narrativization of peripheralizing modes of labour division. The following contributions in this part form a series of ethnographically grounded accounts of social constructions of peripheralities at the level of everyday lives. *Judith Miggelbrink* and *Frank Meyer* raise critical methodological considerations of the interaction between researchers and the ‘objects’ of their research. Their case study in rural Thuringia in Germany shows how hegemonic ‘peripheralizing’ discourses shape individual appropriations of social reality, which are back-coupled to actors’ individual decisions and practices. The internalization of peripheralizing academic and political discourses, alongside locational ‘hard facts’ and ever-changing border regimes, form the main constitutive elements of peripherality, according to *Wladimir Sgibnev’s* and *Aksana Ismailbekova’s* comparative study of two peripheral regions in Central Asia. In the same strain as *Helen Carter’s* case study of a proposed golf resort in Northern Ireland, they describe how peripherality serves as a frame for decision-making and legitimization. These cases are, admittedly, based outside the edited volume’s focus area of CEE. Still, they provide a series of transferable methods and insights going beyond a geographically limited scope of area studies.

The second part of the volume sets out to examine the role of diverse socio-political agents in the production of peripheries. The authors adopt an actor-centred perspective and elaborate upon ways in which peripheralization is being perceived, lived and reproduced. In this regard, the contributions take up the constructivist challenge of the volume’s first part and provide dense accounts of peripheralization and polarization processes in CEE. *Giulia Montanari*, *Karin Wiest* and *Tim Leibert* propose to read migration patterns in East Germany from a gender-sensitive perspective, building upon discursive constructions of space with regard to gender issues. Not only in rural but also in inner-urban areas, they argue, young men appear to be those ‘left behind’ in marginalized areas. This finding points to the emergence of new interrelations between social change, social inequality and gender. For *Judit Timár*, *Erika Nagy*, *Gábor Nagy* and *Gábor Velkey*, peripheralization appears as a process of making and entering various forms of dependencies, interwoven with weakening integrative social mechanisms. Peripherality and marginality, they argue, mutually support and strengthen each other through local actors’ strategies. Based on rich fieldwork in rural Hungary, they give an account of institutional practices of neoliberal capitalism at work: the European division of labour and a shrinking state in the aftermath of the crisis forced local agents to enter relationships based on dependence. The framework of new domestic and international class divisions is also crucial for *Max Holleran’s* study of post-socialist urbanization in coastal Bulgaria. He describes how core-periphery relations are being

negotiated through regulatory, environmental and aesthetic battles, which both require and question new performances of 'Europeanness'. Negotiations of urban change in a post-socialist context also stand at the heart of *Carola Neugebauer's* and *Zoltan Kovacs's* comparative study of patterns and trends of socio-spatial development in metropolitan regions of CEE.

The volume's third part is devoted to studies of a fragmented and relational construction of peripheralities. Authors provide dense quantitative analyses of peripheralization at national or supranational levels, and discuss tools of measuring and assessing divergent processes of polarization and cohesion. *Tobias Chilla* and *Markus Neufeld* analyse the EU cohesion policy and discuss its background, instruments and outcomes. Cohesion appears as a rather fuzzy and malleable notion, which, to a high degree, depends on the spatial reference framework. A detailed analysis of cohesion processes for CEE is undertaken by *József Benedek* and *György Kocziszky*. Using multi-dimensional data, the authors test the hypothesis of convergence clubs, indicating that backward regional economies can be trapped in clubs with no chance of a way out. Turning to the Baltic Sea region, *Tomas Hanell* employs a broad variety of methods in order to assess territorial cohesion at a macro-regional level and provides an in-depth methodological critique of measuring this multi-faceted phenomenon. Leaving the EU framework, two more papers analyse polarization and peripheralization patterns in the successor states of the Soviet Union. *Kostyantyn Mezentsev*, *Grygorii Pidgrushnyi* and *Nataliia Mezentseva* elaborate upon challenges and consequences of post-Soviet development of Ukraine. They conclude by saying that polarization is caused by overlapping economic and demographic factors, and point to the roots of inter- and intraregional disparities stemming from the Soviet era. For cities in the Russian Federation, *Oleg Golubchikov*, *Alla Makhrova*, *Anna Badyina* and *Isolde Brade* provide a study of inter-urban differentiation from the perspective of uneven urban economic resilience. They argue that new institutional practices are the single main explanatory argument for differentiating the cities' relative performance – more so than the otherwise very strong role of inherited growth patterns of the Soviet era.

The contributions in the fourth and final part of the volume discuss – on a slightly more positive tone – different modalities and relations between cores and peripheries. The authors describe how responses to peripheralization can be devised, implemented and assessed. *Garri Raagma* insists on the importance of territorial governance in the context of peripheralization processes. Employing an actor-centred approach, he describes how concepts such as multi-level governance and new public management failed in Eastern Europe due to not being suitable for sparsely populated regions of permanent market failure. He recommends further policy measures to interconnect marginalized peripheral municipalities and strengthen the capacity of intermediate governance levels. *Maroš Finka*, *Tatiana Kluvánková* and *Vladimír Ondrejčka* assess responses to challenges of globalization and European



integration, and point to polycentrism, clustering and soft governance for fuzzy spaces as appropriate solutions. In the volume's final contribution, *Joachim Burdack, Robert Nadler and Michael Woods* challenge the widespread assumption that rural regions play a passive role in core-periphery relations. They argue that with EU eastern enlargement a new window of opportunity emerged, which allowed a redefinition of the former Eastern German periphery towards a European centre. The study shows that local actors have the capacity for actively responding to globalization, and can make a difference in determining how a rural locality engages with the global economy.

The wide range of problems, approaches and conclusions raised in the chapters summarized above reflects the complexity of spatial polarization and peripheralization. We have aimed, in this volume, to provide an overview of different theories and methods for researching both. While our focus is on CEE, where these processes are taking place in the most salient way, we consider the insights of the volume as applicable to other regional contexts, too, and thus hope for vigorous future debates in academia and society on the causes and effects of polarization and peripheralization.

## Notes

1. The following persons contributed to this introduction: Kornelia Ehrlich, Sebastian Henn, Kathrin Hörschelmann, Thilo Lang, Judith Miggelbrink and Wladimir Sgibnev. The authors are very much indebted to Erika Nagy for her detailed and insightful comments.
2. There are differences between the regional policies of CEE countries, however, and some have adopted strategies for increasing national and regional-level cohesion and the reduction of socio-economic disparities.
3. In the last 20 years, many approaches were developed that deal with different types of spatial concentration of economic activities (for example innovative milieus, regional clusters, learning regions and industrial districts) (Moulaert and Sekia 2003). Since these models, however, typically focus on cores of economic activities while neglecting developments in the peripheries of the cores, they will not be dealt with here.

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# **Part I**

## **Theoretical Backgrounds, Methodological Considerations**

# 2

## Uneven Development, Socio-Spatial Polarization and Political Responses

*Ray Hudson*

### 1. Introduction

Although the causal mechanisms and processes are specific to different forms of societal organization, uneven development is a characteristic common to more advanced forms of societal development. Uneven development is therefore integral to the crisis-prone development of capitalist economies. From the outset, such economies were and continue to be characterized by socio-spatial uneven development and consequent polarization at various scales. The combined and uneven character of capitalist development results in both the social production of space and growing qualitative as well as quantitative differentiation between places within those socio-spatial structures. Growing economic polarization affects social conditions, while, in turn, the evolution of the economic development process is influenced by these socially produced spatial differences. As a result, national states (and now the EU) see it as necessary to seek to limit socio-spatial polarization and keep inequality within 'acceptable' limits.

There is a considerable body of theory in political economy and economic geography that seeks to explain why capitalist economies are characterized by uneven development and socio-spatial polarization and to consider the implications of this for policy and politics. Maps of uneven development have been sharply redefined over the last three decades because of the tendential move towards neoliberal globalization, the post-1989 political-economic changes in and beyond the EU, and the effects of the financial crisis that erupted in 2008 with globally uneven effects. For example, prior to 1989 the territories of Central and Eastern Europe (CEE) were located within the spatial division of labour imposed on the COMECON (Council for Mutual Economic Assistance) bloc. Post-1989, these countries and their constituent places were incorporated, at varying speeds, into spatial divisions of labour of capitalism, both the emerging global divisions of labour and those of the EU, as national states in CEE sought formal trade relations with the



EU and/or applied to become members of it. In both cases, spatial divisions of labour were being reshaped under the influence of an increasingly powerful neoliberalization tendency that gave greater influence to global market forces in reshaping geographies of economies.

As a result of these developments, there have been significant changes in the place of the EU in the global economy and in patterns of uneven development within it. While there have been hot-spots of growth, typically linked to financial services and banking, much of the EU has been blighted by deindustrialization and economic decline. This has resulted in the increasing marginalization of both national economies (such as those of Greece and Portugal) and cities and regions within the national territories of the more successful economies (not least Germany). While post-1989 geopolitical changes and the subsequent enlargement of the EU into CEE promised new development and regeneration opportunities for some cities and regions there, these promises have often failed to materialize. However, the global economic recession triggered by the collapse of parts of the finance and banking sectors in 2008 ushered in a new era of austerity that affected much of the EU, including some previously economically successful places, as EU institutions and national states seemed powerless to combat economic decline and burgeoning socio-spatial polarization and inequality. Indeed, political responses often exacerbated these problems. Existing forms of representational democracy appeared powerless in the face of deepening depression. One consequence of this was a resurgence of far-right and neo-fascist political parties in some EU countries (such as France, Greece and the UK). Another was the re-emergence of new forms of politics and protest on the streets of major cities such as Athens, London and Madrid.

The rest of the chapter is organized as follows. First, I review different approaches to understanding spatially uneven development, and argue that Marxian political economy is the most promising of these. Then I consider recent changes in the EU and new forms of political response to deepening socio-spatial polarization. Finally, I offer a few concluding comments on the likely future.

## **2. Theorizing capitalist uneven development and socio-spatial polarization**

Leaving aside those neoclassical approaches that deny the possibilities of uneven development by assumption, there is a wide range of non-Marxian approaches that, in various ways, seek to account for uneven spatial development and set out the reasons why growth or decline becomes a cumulative and self-reinforcing process (see, for example, Myrdal 1957, Hirschman 1958, Krugman 1991). Once trajectories of change have been initially established (for reasons that may or may not be explained), these approaches see places becoming locked into their respective trajectories of growth or decline. They share this key feature in common. Once the initial trajectory

emerges, then the future of a place as successful or not seems to be already determined. This is essentially – though implicitly – an evolutionary perspective on spatial development, in which the past strongly conditions, or even rigidly determines, the future. There are certainly many places in which the trajectory of change can be described and interpreted in these terms. However, the historical geography of capitalist development is also replete with examples that do not fit into this simple dichotomy and follow much more complicated trajectories of change.

Many places in (and beyond) the EU have followed a different trajectory, switching from growth to decline, while others have been repositioned from stagnation outside the scope of capitalist social relations to become centres of growth. Other places followed a still more complicated path. Once centres of capital accumulation and cumulative economic growth, they then reached a tipping point and became places of decline, characterized by capital flight, devalorization, disinvestment, job loss and rising unemployment. Subsequently, to varying degrees, some of them have experienced a degree of economic renewal, based upon new inflows of capital. Not all places abandoned by capital experience such a revival, however; some remain economically depressed, marginalized and decoupled from the main circuits of capital accumulation. Such dramatic reversals from trajectories of growth to decline to renewed growth of a qualitatively different type and scale, or from growth and prosperity to seemingly permanent marginalization, require a different and more sophisticated sort of conceptual and explanatory approach.

This more powerful explanation is provided by Marxian political economy, emphasizing the inner dynamics of the capitalist mode of production – that is, the particular combination of social relations and technologies (material and immaterial) that define capitalist economies as capitalist – and emphasizing competition among and within the structurally defined classes of capital and labour as the driving force of the economy. The struggle between capital and labour in the labour market, in the workplace and at the point of production is critical in shaping historical geographies of growth and decline. While not the only arena of social conflict within capitalism – although many of the others, such as ethnicity, race and gender, often relate to the labour market and the workplace – relations between capital and labour are fundamental to trajectories of economic growth and decline. Similarly, competition between individual capitals is critical in shaping the path of accumulation and the fortunes of particular places. Individual companies seek to compete in varied ways – via innovative products and production processes, seeking both to create new markets for new products and increase market share by reducing the costs of production of existing products, for example.

Of particular relevance in the context of spatially uneven development is that companies also compete by seeking out locations that are particularly profitable and thus favourable for capitalist production. These can include

locations in which existing products can be produced more profitably with existing production technologies because of lower costs of purchasing labour-power, or because they offer opportunities to increase labour productivity and the rate of exploitation of labour, or because they have less stringent regulatory regimes governing workplaces or the environment. They can also include locations in which new innovative processes can be introduced because they lack any history of industrial production, and so potential workers lack knowledge of productivity and workplace norms and of how to organize collectively. Or they may be locations in which new products can be produced for which strong levels of effective demand can be created. In short, there can be diverse reasons as companies pursue strategies or 'weak' and 'strong' competition, respectively, and thereby help shape place-specific trajectories of growth and decline (see Hudson 2001).

Expressed slightly differently, as an integral part of their competitive strategies, companies seek both to produce spatial differentiation in conditions of production and to take advantage of existing patterns of differentiation in their search for profits. As a corollary, processes of socio-spatial differentiation give rise to rents for landowners and those who control natural materials needed in economic processes, thereby influencing the sectoral distribution of surplus value. In the past, companies would typically explore such options within the boundaries of 'their' national territories, although from the outset capital has had global horizons. More recently, however, especially in recent decades, companies regularly and routinely scour the globe for new locations that will enable them to produce more profitably and so gain a competitive edge over their rivals.

This has some very important practical consequences. One of these, as Hadjimichalis (1987) emphasized, is that there is a routine transfer of value between places via exchange relations within and among companies. A second is that companies routinely devalorize capital and disinvest from some places while investing in others. These latter could be other successful places, places previously not penetrated by capitalist relations of production, or places that have been abandoned by other companies (or national states) as unprofitable locations. Choice of location will depend upon product and process, seeking to match the characteristics of place with the requirements of particular activities. But processes of both investment and disinvestment and devalorization are unavoidably place specific: these processes must occur in specific places.

As a consequence of this place-specificity, places may sequentially experience successive waves of investment and disinvestment, expressed as sequences of industrialization, deindustrialization and reindustrialization, of economic growth, decline and renewed growth, as part of processes of combined and uneven development that are structurally inscribed within capitalist development. Alternatively, places may be permanently abandoned by capital if it sees no prospect of sufficient profit in them. Again –

as also emphasized by Myrdal, Hirschman and Krugman – spatially uneven development is seen not just as a product of the uneven distribution of natural resources and the influences of nature on economic geographies, but as arising out of the constitutive social relations of capital. This point is absolutely crucial, not least as it makes clear that the critical question is the form that uneven development and socio-spatial differentiation take – the question is how, where and when, not whether, this comes about.

While Marx's own work contains suggestive comments and hints about spatially uneven development at various scales and its significance for capitalist development, he did not fully or systematically develop them. Subsequently, others such as Gramsci, Lenin and Luxemburg, working in various strands of the Marxian tradition, further developed Marx's insights and the analysis of uneven development at various spatial scales. It was not, however, until the 1960s and the work of Ernest Mandel that intranational uneven development began to be more systemically integrated into Marxian political economy, further elaborating that approach (Mandel 1968). Mandel, influenced by the historical geography of Belgium, specifically recognized the centrality of intranational spatially uneven development to the accumulation process. He argued that 'unevenness of development as between different parts of a single country' is an essential precondition for capital accumulation, and that its significance had been greatly underestimated in previous Marxian analyses. Furthermore, other social scientists – including Nicos Poulantzas (1978) – were soon paying increasing attention to issues of spatially uneven development as a part of this reinvigoration of Marxian approaches.

However, the development of Marxian political economy to encompass spatial unevenness as a structurally necessary feature of capitalist development owes most to David Harvey. In his magisterial account of *The Limits to Capital* (1982), Harvey located spatially uneven development within the context of his 'third cut' at crisis theory and the way in which capital both produces and uses spatial differentiation as part of its repertoire of tactics to offset falling profitability.<sup>1</sup> In so doing, Harvey, importantly, locates spatial uneven development as a systemic feature of capitalist economies. Capitalist development was thus explicitly conceptualized as necessarily and unavoidably uneven, simultaneously producing places of growth alongside those of decline as an integral aspect of the crisis-prone process of capital accumulation. Moreover, for Harvey, the significance of spatially uneven development to capitalism did not stop there. He saw urbanization and the development of major urban complexes as a central and necessary feature of capitalist development, as urbanization (with all its manifold effects on consumption and lifestyle) provided an outlet for the realization of surplus value produced within the industrial circuit of capital.

Harvey's thinking on spatial uneven development and the way in which the dynamic of development in places altered over time was further

elaborated by Neil Smith. His concept of 'a see-saw theory of uneven development' sought to grasp the dialectical relations between development and underdevelopment in places (Smith 1984). For Smith, as for Harvey, the contradictory character of capitalist development results – inevitably and unavoidably – in capital eroding the place-specific conditions of profitable production that first attracted it to a place. This erosion reaches a tipping point, at which capital decides to shift location. In response to rising diseconomies of place and scale, capital abandons these places in search of more profitable locations, externalizing the social costs, which are left to be borne by the people and places it abandons. The net effect is that, in response to differences in profitability and those things that determine it – such as labour market conditions or pollution regulation – capital flows into and out of places, in the process generating growth or decline as well as helping (un)make places as socio-material ensembles. Thus, his 'see-saw theory' represents capital's ongoing attempt to secure what Harvey had earlier conceptualized as a 'spatial fix' via systematic mobility and a sort of dynamic equilibrium rather than pursuit of fixity and a static equilibrium in the economic landscape. Via this theorization, Smith helps uncover the rationale for the constant ebb and flow of capital into and out of places that lies at the heart of processes of spatially uneven development. As Smith (1984: 149) put it, '[T]his... see-saw movement of capital... lies behind the larger uneven development process.'

However, Smith's approach tends to assume that every place will experience this sequence of waves of growth and decline, and while it offers powerful insights into the experiences of many places, and throws light on the processes that underlie such shifts, the trajectories of change of many others do not fit this pattern. As noted above, there is no inevitability of capital flowing back into places it previously abandoned, and they can remain marginalized and detached from the accumulation process (except, for example, as sources of migrant labour to provide labour-power in those places that form the centres of accumulation). More generally, and equally problematically, his approach still leaves the question of which places experience which sorts of trajectories of growth and decline, at which points in time, and why this is so, rather open. Progress on this front was primarily a result of Doreen Massey's seminal work, brought together in *Spatial Division of Labour* (Massey 1984). Massey sought to develop a different and more proactive conception of places. She challenged a view that sees the fate of places as simply the end product of the decisions of capital, as layers of investment and disinvestment are sedimented sequentially into or stripped out of a place at capital's behest, with places as little more than passive objects resulting from the logic of capital. In contrast, Massey emphasized the need to take account of both the natural and socially produced attributes of place in shaping flows of capital. She argued that the agency and activities of people in their place, seeking to make and defend its economic viability, are

critical for understanding which places experienced which sorts of growth, decline and revival.

In short, in her view, the economic success or failure of places was a result of socio-spatial processes, the interplay between spatially specific attributes and processes and wider systemic forces shaping flows of capital. In stressing that people can and do help shape the places in which they live and work, she was making both an acute theoretical observation and also an important political point. In the context of the decline of many centres of industrial production in the 1980s and campaigns to defend places within (and beyond) the EU in the face of a neoliberal onslaught (see, for example, Hudson and Sadler 1983, Beynon 1985, as well as the next section), this was an important intervention – one that retains its salience in the context of post-2008 depression in many parts of the world, including the EU. Subsequently Massey was to develop more sophisticated conceptions of ‘places’ and of the way in which they became intertwined via processes of combined and uneven development (Allen et al. 1998) but these essentially elaborated upon her earlier theoretical insights. As a result of this elaboration, however, there are potential points of convergence between the sort of explanatory political-economy approach that Massey developed and more recent cultural and institutional perspectives as to why some places ‘succeed’ while others ‘fail’, provided – and this is a crucial caveat – that these can be connected with more systemic explanations of uneven development (Hudson 2001).

### **3. The role of the state in managing spatially uneven development within national territories: Managing tensions and avoiding crises?**

There is a considerable body of theory acknowledging that the conditions necessary for capitalist economies to exist must be socially and politically constructed, and that national states continue to have a key role in this process. This includes addressing the potential problems that arise as a result of spatially uneven development, both at national state level and within the boundaries of their national territories – and it is the latter that is the focus of attention here. Certainly, there is evidence of considerable variation in the ways that states seek to achieve this, for example as registered in the literatures on regulation and varieties of capitalism. While there are those who argue that national states no longer have the significance that they once had, David Harvey (2013: 153) is surely correct when he argues that

[T]he question of the state, and in particular what kind of state (or non-capitalist equivalent), cannot be avoided even in the midst of immense contemporary scepticism [...] of the viability or desirability of such a form of institutionalization.

Furthermore, this form of institutionalization and its involvement in responding to problems of socio-spatial inequality and polarization within national territories has a clear history.

Beginning in the UK in the late 1920s, spatially uneven development, initially in the form of 'the regional problem', emerged onto the political agenda. Around the same time, it emerged onto the political agenda in the US – for example with the creation of the Tennessee Valley Authority. In these ways and countries, spatially uneven development came to be seen as a potential political problem to which, for a variety of reasons, the capitalist state 'had' to respond.<sup>2</sup> From Marx onwards, however, critical theorists have emphasized that capitalist development is inherently crisis prone and that uneven development is integral to it. As such, it cannot be abolished within capitalist economies. The best that capitalist states can therefore hope to do is keep crisis and its expression in socio-spatial inequality within economically manageable limits and socio-spatial polarization within politically and socially acceptable limits (Habermas 1976).

Given that uneven development is integral to capitalism, it is no surprise that uneven development and socio-spatial polarization have begun to be seen as posing persistent problems for national states: for example in relation to economic performance, social cohesion and the political integrity of the national state territory. Certainly, different national states have tackled this agenda in differing ways, and with variable success. The failures of national states to deal successfully with problems of intranational uneven economic development led some to argue that this would more or less automatically lead to regionalist and nationalist movements seeking greater autonomy from national states, or even secession to a new national state (see, for example, Carney 1980). While there is evidence that documents the emergence of regionalist and nationalist movements, it is, as noted below, also clear that the circumstances in which uneven development becomes the basis for such movements is contingent upon cultural and political factors rather than a simple mechanistic response to uneven economic development (see, for example, Nairn 1977, Kofman 1985). Nevertheless, although they chronically fail to meet their stated objectives of narrowing socio-spatial inequalities, the activities of national states and the social forces that shape them can still play a key role in shaping the developmental trajectory of places, and so of the accumulation process overall.

State actions and policies are only one source of influence on the character and developmental trajectories of places, however. There are other processes at work, endogenous to these places and the people who live in them. Places may develop what Harvey, influenced by the work of Raymond Williams (1989), refers to as a 'structured coherence', generating a sense of place-specific identity and interest shared by diverse social groups and forces, expressed via a particular 'structure of feeling'. Such a structure of feeling and attachment to a place can, when linked to spatially uneven economic

development, become the trigger for a variety of place-specific campaigns, as different alliances of social groups – what Gramsci might have referred to as hegemonic blocs – come together to defend or promote a shared territorial interest (for example as Basques, Catalans or Corsicans). Thus, class and territory can become conjuncturally conjoined in political campaigns and movements (as Mandel (1963) had recognized in the 1960s through his seminal analyses of capitalist development of Belgium).

These campaigns can take various forms. Their precise expression is always a contingent issue, depending on the specifics of time, place and politics. They might involve action to protect existing economic activities or to attract new ones to marginalized places. They might involve pressures to reduce income transfers from economically successful to less successful places, or, conversely, pressures to increase central state resource allocations to economically less successful places. They could involve campaigns that directly challenge the authority of the national state, seeking to establish more devolved forms of territorial governance giving more powers and resources to places at sub-national scale – or, more precisely, to those empowered to speak and act on behalf of these places. More radically, demands may extend beyond greater devolution of powers to autonomy and independence, challenging the territorial coherence of a national state (as in Corsica or the Basque country of Spain). In summary, then, places, as Alain Lipietz (1993) put it, can become active subjects that act ‘for themselves’ and exert influence over their economic well-being, although such moves may be contested within the place itself as other dimensions of social differentiation and division override a shared territorial interest (as in north-east England in the early 2000s, for example Hudson 2006).

In one form or another, then, the political effects of intranational spatially uneven development may be to generate place-specific pressures to alter patterns of resource allocation via the state and keep aggregate state expenditures within acceptable limits. This may involve seeking to restructure the state itself in an attempt to smooth the path of economic growth at sub-national scales, and thereby to secure the legitimacy of state action. Or it may involve seeking to secure the territorial integrity of the national state and avoid potential forms of crisis contingent upon secessionist pressures. This is, to say the least, a tricky balancing act – one made more difficult for national states within the EU by the emergence of EU institutions as political actors, pursuing their own agendas – as state policies must seek to defuse the unavoidable tensions and latent conflicts that arise as a result of a place being simultaneously socially produced, with multiple dimensional meanings and attachments for a variety of people, and one in which capitals seek to make profits. For much of the time, this conflict remains latent, as the tensions remain within tolerable limits. But the tendency for erupting into place-specific crisis never disappears; it is always immanent in the social relations of capital. This has an important consequence: that for places in a



capitalist economy their relationship to the ebb and flow of the accumulation of capital is critical to their (re)production *as* places. Just as capital needs people as labour-power, so, too, in a capitalist economy do people need capital as a source of wage income. This raises some important questions as to how places might develop on a resilient and sustainable non-capitalist basis (though consideration of them is beyond the scope of this chapter; see Hudson 2009, 2010, Hadjimichalis and Hudson 2013).

#### **4. Socio-spatial polarization, the expansion of the EU and political responses to it, before and after the current crisis**

As argued above, the character of capitalist development as one of combined and uneven development results in the ongoing production and transformation of socio-spatial polarization. With successive enlargements of the EU, as well as deepening of the internal market, the contours of intra-EU polarization have altered. This was particularly so in the wake of the economic and financial crisis that erupted from 2008. This sharply revealed the extent to which earlier hopes of EU expansion serving as a means to reduce socio-spatial polarization, both within the EU overall and within individual member states, were ill-founded.

Initially, entry to the EU had seemingly offered developmental opportunities – of a sort – to successive waves of applicant countries, initially the southern European applicants in the 1980s and increasingly those from CEE in the 1990s and 2000s. In brief, these opportunities were seen to arise from three directions: first, access to the affluent markets of the ‘North’ of the EU, although pre-accession trade arrangements had already, to a considerable degree, opened such markets; second, new sources of EU grants and loans (through the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Funds and so on); and third, through new flows of inward investment from the more advanced ‘Northern’ parts of the EU and from the USA, Japan and other non-EU countries attracted by the magnitude of the EU market.

It is worth noting, however, that the intra-EU flows had ambivalent effects in relation to socio-spatial inequality and polarization. While providing an answer to problems in some places, they were often the proximate cause of deepening political-economic problems elsewhere as major corporations disinvested from other areas in the EU. These typically were areas that had previously suffered the effects of severe deindustrialization and economic collapse and had seen inward investment in branch plants as (at least part of) the means of creating new economic bases there. In part, however, the changing map of uneven development and inequality was also linked to the ‘hollowing out’ of formerly successful industrial districts in southern Europe as companies there switched routine production to cheaper labour areas in CEE (Hudson 2003). Thus, seeking to address problems in some parts of the

EU became the proximate cause of amplifying or creating such problems elsewhere, transforming rather than ameliorating socio-spatial polarization within it. Post-2008, however, many of these new factories in CEE – and, indeed, many other places in the EU – either shed labour, cut working hours and wages, or closed completely, not least because major corporations relocated production to China and parts of South-east Asia where production costs were lower still.

The common thread linking these successive waves of capitalist investment and disinvestment was (and is) capital's relentless pursuit of profit, relocating to areas with lower production costs (of labour-power, land and so on) and/or less restrictive and more permissive regulatory regimes. Increasingly, problems of intra-EU uneven spatial economic development were shaped by the EU's changing position in global divisions of labour, with increasing socio-spatial polarization between those places that could attract or retain high-level banking, finance and other professional service functions and those increasingly unable to compete in a global marketplace for more routine production and service functions. The changing map of socio-spatial polarization was a complex one, however, as those places that succeeded in attracting high-level service functions (Frankfurt, London, Paris and so on) were typically characterized by sharp intra-urban socio-spatial polarization, polarized labour markets and bi-polar income distributions. As a result, there was an increasing juxtaposition of wealth and poverty, at varying spatial scales (between and within places), with large swathes of the EU blighted by mass unemployment (with the unemployment rate for young people reaching 50–60 per cent in Greece and Spain, for example) and the poverty that brought with it in an era of shrinking welfare budgets.

As the EU has expanded and uneven development within it deepened, spatially uneven development has increasingly become a political issue for it. The same problems of trying to manage uneven economic development that national states in the EU have grappled with for several decades have increasingly been faced by the EU as an embryonic supranational state and by the political institutions of the Union. As the EU has increasingly become a new space of accumulation because of political decisions to deepen and widen the Union, especially for those states that entered the Eurozone, so pressures have grown for it to be seen to be able to manage the challenges to socio-spatial cohesion that these processes of change set in motion. The raft of EU policies (ERDF, ESF, Cohesion Fund and so on) has had, at best, partial and temporary success, and sat uneasily with the growing trend towards neoliberalization in economic policies more generally. The pressures resulting from deepening polarization were further intensified as a result of macroeconomic and fiscal policies shaped by the priorities of neoliberalization at both national state and EU levels. They reached new heights as the financial crisis that erupted in 2008 spread both spatially and sectorally, with the effects felt especially severely in southern Europe, as

some national states were forced to respond to the crisis by the troika of the EU, European Central Bank (ECB) and International Monetary Fund (IMF) with deep austerity policies while some states, notably Germany, supported the imposition of austerity policies on others (Hadjimichalis and Hudson 2013).

In this depressed economic environment, the response of the troika and those national states that shared its neoliberal agenda was to prioritize the interests of capital in general and specific fractions of capital in particular. This class-specific response took a number of forms. Perhaps the most revealing of these was the de facto nationalization of banks and major insurance companies in the UK and US, the core states of neoliberal orthodoxy. Little more than a decade after jettisoning Clause 4 of its constitution (which committed it to public ownership of the means of production, distribution and exchange), the 'New Labour' government de facto nationalized two major banks based in the UK: RBS and Lloyds. More generally, national governments more or less everywhere cut public sector borrowing and public expenditure, especially welfare budgets, and many bailed out banks and financial institutions. This turn to austerity politics further deepened inequality and socio-spatial divides, with large areas blighted by mass unemployment and poverty (see, for example, Jones 2012). In these circumstances, in which it was clear which interests were prioritized by conventional representational politics, there was increasing evidence of mass protests on the streets of Europe in cities such as Athens, London and Madrid (Hadjimichalis 2013, Harvey 2013). These were met by the full force of state repression, leading to injuries and deaths among those protesting, but leaving questions unanswered as to how to resolve the crisis, restore equitable and sustainable growth, and bring the burgeoning maps of socio-spatial polarization back into more acceptable bounds. Those questions remain unanswered. Whether new forms of politics that can address them can emerge and become dominant likewise remains unanswered, but the prognoses are not good.

## **5. Through a glass darkly: A glimpse of the future?**

As in the 1980s, when there were strikes and protests on the streets of many places in the EU against the destruction of place-based communities as a result of capital flight and national state policies, so once again the recent past has seen the reappearance of protest on the streets of major cities in the EU as the costs of austerity and tackling the economic crisis have been imposed on those least able to cope with them. While there have been numerous place-based protests and campaigns, these have not coalesced into more broadly based political movements that systematically challenge socio-spatial polarization per se and the dominant social

relationships and politics that give rise to it. As Williams (1989) emphasized, there are genuine difficulties in translating 'militant particularisms' and protests that oppose the manifestations of uneven development in particular places into more broadly based political movements that would contest uneven development and socio-spatial polarization as a systemic feature of social structure. Indeed, as exemplified by the rise of the neo-Fascist Golden Dawn party in Greece, the political response has often been a regressive right-wing xenophobic nationalism rather than any sort of progressive political movement.

It may be even more difficult to build such progressive campaigns now and in years to come. The campaigns that Williams referred to, and those that I have mentioned in the 1970s and 1980s, can be thought of as having occurred within the parameters of a struggle defined by the two poles of Polanyi's (1944) 'double movement', a struggle between marketization and social protection in shaping developmental trajectories. The current context is a more complicated one, however, further heightening the difficulties of building systemic political alternatives to combat inequality and polarization. Building on Polanyi's analysis of the 'double movement', Nancy Fraser (2013a, 2013b) suggests that the emergence of a wide range of social movements and struggles that do not fit easily into the twin axes of the double movement necessitates a reconceptualization of the terrain of struggle in terms of a 'triple movement'. As well as the Polanyian conception of marketization versus social protection, we need to recognize a third focal point of social struggle around emancipation. Rather than oscillating along a line between marketization and social protection, political struggle now must be seen in terms of contingent movements within a triangle which has marketization, social protection and emancipation at its corners. This opens up possibilities of a range of connections between these different forces for change which is indeterminate in its outcomes. As she puts it (Fraser 2013a: 129), '[s]een this way, each term has both a *telos* of its own and a potential for ambivalence which unfolds through its interaction with the other two terms. *Contra* Polanyi, therefore, the conflict between marketisation and social protection cannot be understood in isolation from emancipation.' In like fashion, the resolution of tensions between emancipation and social protection, and between emancipation and marketization, cannot be understood without the influence of the respective third term. When we recognize that these conflicts will always be specific in time and place, and recalling Williams' (1989) point about the difficulties of generalizing place-specific militant particularisms, the difficulties of building a political alternative that would challenge the systemic processes that generate socio-spatial polarization and inequality within the EU look severe in the extreme, and the prognosis for a progressive politics to tackle them appears gloomy.

## Acknowledgement

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## Notes

1. The 'first cut' theory of crisis deals with the underlying source of capitalism's internal contradictions. The 'second cut' theory examines temporal dynamics as they are shaped and mediated through financial and monetary arrangements. The 'third cut' theory seeks to integrate spatially uneven development into the theory of crisis. As Harvey (1982: 425) notes, '[t]he task is not easy'.
2. Although, as Costis Hadjimichalis reminded me, around the same time in the USSR, state planning, with the creation of successive Five Year Plans, was emerging as a central and defining element in the political-economic alternative of Soviet-style communism, which had some influence on planning thought and practice in the advanced capitalist world.

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# 3

## Narrating the Diverse Regional Economies of Post-Socialist Apparel<sup>1</sup>

*John Pickles and Adrian Smith*

### 1. Introduction

In 1975 Vaclav Havel wrote an open letter to Gustav Husak, then president of Czechoslovakia, to illustrate how, in controlling information and public life, the communist state had produced a particular kind of history in which

History was replaced by pseudo-history, by a calendar of rhythmically recurring anniversaries, congresses, celebrations, and mass gymnastic events, i.e., by precisely the kind of artificial activity that is not an open-ended play of agents confronting one another, but a one-dimensional, transparent, and utterly predictable self-manifestation (and self-celebration) of a single, central agent of truth and power. Quoted in Rupnik (1988: 232).

The result was that history was replaced (or represented) 'by stories which provide a new history: a timeless succession of unchanging rituals' (Rupnik 1988: 219). It was not necessary for people to believe this official history; 'it was sufficient when they simply behaved as if they did, as indeed did their rulers' (Kalb et al. 1999: 10).

In this chapter we suggest that, since 1989, economic transformations in post-socialist Europe have been similarly framed discursively as a series of very particular, albeit democratic, kinds of stories. These are fast becoming ritualized stories of building markets, institutionalizing systems of governance, and recapitalizing people and regions as information and innovation managers. However, as Havel suggested much earlier, people throughout the region do not necessarily believe in the stories. Neoliberal representations of post-socialist economic transition to capitalism require only that they can be treated as if they are believed. We call this the *troping of transition*. But, as Havel well knew, such tropes also have the function of invisibilizing the real conditions of social and economic life, while privileging very specific forms

of social and economic organization and particular segments of society. There is, then, a disjuncture between the troping of regional transitions and the materialities of *actually existing transitions* in the post-socialist economies (Pickles and Smith 1998, 2005).

In unpacking and critiquing the means by which these tropes and their associated narratives have been constructed and consolidated, we have focused our research over the past two decades on post-socialist regional economies of Central and Eastern Europe (CEE) in the context of the rapidly expanding and deepening organization of global value chains.<sup>2</sup> The expansion of brand- and retailer-driven buyer networks in conditions of late socialist, post-socialist, enlargement and post-2008 'crisis/austerity' Europe has been consequential for the changing economic geographies of the region. For conceptual and methodological reasons, we have elected to focus over this period of time on the iconic example of the apparel industry. It is a major employer, particularly in low-income regions. It has historically played a crucial role in industrialization strategies throughout the region, with its low barriers to entry and its broader effects on related branches (including engineering, automotive components such as seating systems, information management, design and marketing). It internationalized earlier than many industries by outsourcing German and other (largely continental) European contracts to state socialist enterprises from the 1970s on (Fröbel et al. 1980). Furthermore, the apparel industry is one that has long been embedded at the heart of integrated inter-firm production systems and industrial districts in both planned and market economies. Since 2005 it has had to struggle with the final phases of global quota removal and the consequences of competition from lower-cost producers (especially China), European Union (EU) enlargement, Eurozone expansion, and with the 2008 financial crisis its attendant decline in demand.

For the purposes of this chapter, we focus on three ways in which the regional economies of apparel are being ritualized and narrativized. Each emerges in the broader context of discursive political, economic and research institutions, but each also plays itself out in CEE with particular force. Together, these have come to play a significant role in producing a centred 'common-sense' about the industry and its role in contemporary regional economic development. The result is a kind of 'logic' that privileges emerging economic branches at the expense of traditional and still resilient industries (Pickles and Smith 2011, Smith et al. 2014). In the process, it elides the complexities of actually existing regional economies, instead contributing to increasingly monolithic and limiting conceptions of what are the contemporary drivers of apparel regional economies. The first trope deals with 'sweated labour' and with the scripting of post-socialist labour markets through the spectacle of the CEE 'sweatshop' and its historical predecessor the 'gulag' (Pickles 2002). Scripting apparel work in this way in the 1990s was an important intervention in the increasingly predatory nature of regional



sourcing and some of its more violent effects, but it also contributed to the viability of a second way of characterizing the industry as 'economically marginal and footloose'. Together, these two ways have compounded the increasing dominance of a third way of understanding apparel economies in the region (and elsewhere) in which 'upgrading through innovation and value-added activities' has become a kind of mantra for future development. It emerged partly in response to the first and second tropes, and resulted in the wholesale de-privileging of low-value-added, labour-intensive manufacturing in favour of 'high-value-added' knowledge and service sector work of various kinds. The result was a wholesale shift in state policies from employment generation and regionally integrated production networks to value-added foreign direct investment (FDI)-driven islands of semi-skilled technical assembly and data processing, with important consequences for the ways in which specific aspects of the regional economy were made visible or invisible.

In contrast to these centred histories, Eric Wolf (1982) has referred to 'hidden histories', 'conjunctures of local and wider forces which cannot be logically derived from universal theoretical models such as communism, capitalism and democracy, but which are nevertheless part and parcel of the general process of transformation of one model to another, and that are inadequately defined or predicted by general notions of transformation and social change' (Kalb et al. 1999: 11). In studying the processes of transformation occurring before and after 1989, such hidden histories are much more attentive to the divergent processes of regional differentiation, class transformation, gender restructuring, and the varying roles of prior local and national histories.

Our central conceptual goal is to stress the ways in which the current conjuncture is both distinctive and significant in producing a shift in this 'common-sense' of regional economic analysis and policy. It is a shift we take to be of major historical significance in that the emerging configurations have, at their core, new spatial resolutions to the crises of the post-World War II welfare and planned states. These spatial resolutions and regional reconfigurations are aimed at an economic project of managing profitability, a social project of managing wages and the cost of production, and a geographical project of integrating fragmented regional systems into global value chains. Each depends, in part, on a change in the geographies of outsourcing and delocalization built into the heart of contemporary regional political economies. This ruptural shift is captured in part by the label of neoliberalism, but this form of neoliberalism is itself undergoing major changes towards a much more strategic and managerial liberalism, at whose core is a fundamental fragmentation of practices, actors and state commitments. We argue that a new analysis of the present conjuncture is needed, centred on the current ways in which the global economy and its various forms of common-sense increasingly

shape our very language and concepts for thinking about the present and its possibilities.

We conclude with some reflections on how we might tell different stories about the practices of lived post-socialist economies in order to focus attention on the possible spaces of positional power that firms and workers in particular places are carving out despite state neglect. That is, we seek to see, in the actually occurring transition, forms of political or positional power being exercised by firms, people and communities in ways overlooked in more traditional models of regional development under conditions of post-socialist transition.

## **2. Sweated labour**

The scripting of post-socialist labour markets through the spectacle of the CEE 'sweatshops' and their historical predecessor the 'gulag' (Pickles 2002), with what Nickell (2014: 9) has recently called 'consciously created zones of impunity', corresponded with the integration of CEE apparel manufacturing into global value chains. In the process, the deindustrialization and internationalization of former state enterprises provided opportunities for the expansion of low-wage sewing contracting, primarily for EU markets. This internationalization of production was attendant on the mass break-up of large state combinats, the separation of textile from apparel production, the fragmentation of factories from their workshops and the dismantling and weakening of many structures of labour and social protection, both state institutions and state and independent trade unions.

The liberalization of CEE economies after 1989 offered to European and US-based lead firms suffering from increased costs and competition access to proximate infrastructure, know-how, and an almost infinite – or, at least, a geographically extendable – reserve army of labour. As the Central and East European Business Center (US Department of Commerce) argued at the time, 'Unemployment [in CEE] should continue to grow as the government closes unprofitable enterprises. This means good news for foreign investors who now face a job market rich with eager and skilled labour' (cited in Pickles 2002: 254). The 'opening' of the labour markets of CEE was, as Freeman (2006) argued, part of the great doubling: the doubling of the world's labour market by opening the economic spaces of the former state socialist world, of China and of India to the world capitalist economy of commodified labour.

With post-socialist restructuring and the broader liberalization of apparel trade regimes and quota phase-out, apparel trade between the countries of CEE and the EU increased dramatically between 1995 and 2001–2005 (Figure 3.1). The expansion was on such a scale that it was, for a time, referred to in one region of Bulgaria as being of 'Klondike' proportions (Begg et al. 1999, Pickles and Begg 2000, Pickles 2002). New lower-cost producers throughout the region squeezed the profitability of firms in older

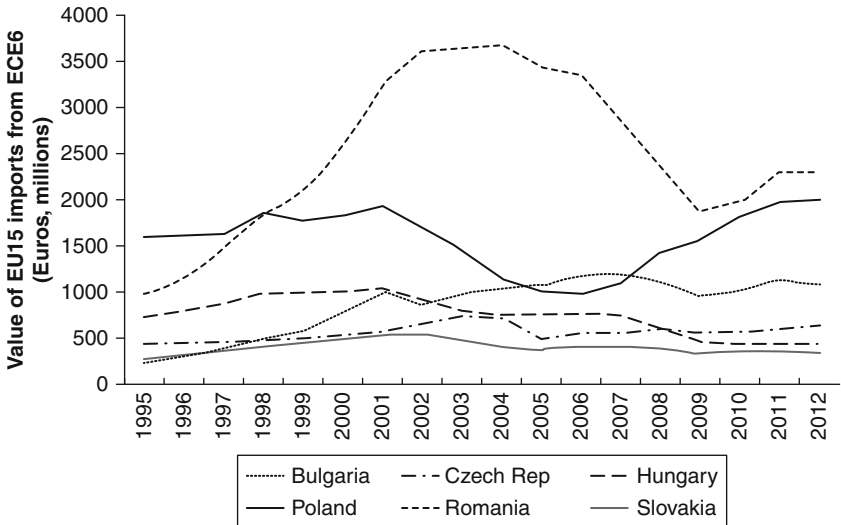


Figure 3.1 CEE apparel exports over the period

Source: Eurostat 2013.

producing regions in Western Europe (Dunford et al. 2003) and increased pressure on more established and higher-cost producing regions in CEE (such as Poland and Hungary) (Begg et al. 2003). With final quota phase-out and EU accession in 2004, exports from CEE to the rest of the EU declined sharply, as they did also from other regionally proximate sourcing regions in North Africa and the wider southern Mediterranean region (see also Pickles and Smith 2011). Rising labour costs with EU accession, cautious forward ordering by buyers with the prospect of quota phase-out, and expanded Chinese and Bangladeshi export penetration all affected the prospects for the apparel export industry. But, in practice, while the declines in countries like Romania and Poland were serious, some exporters, such as Bulgaria, Hungary and Slovakia, largely maintained their export volumes through this period. With the financial crisis of 2008, Romania, Poland and Bulgaria have each expanded their exports significantly.

The new contracting, with newly reopened and recently privatized firms, stimulated the rapid expansion of low-wage sewing work in former state factories. These previously fully integrated production networks were forced to reduce their skilled workforce to concentrate on assembly orders driven by external contracts. In some cases, former technicians and managers spun off undercapitalized and often unregulated or poorly regulated supplier factories and small workshops to capture some of the contracts that were flooding in (Smith 2003). These newly privatized factories and workshops had been broken out of state-owned 'mother' plants, and many operated with poor

working conditions, which were quickly seen to be mirroring conditions found elsewhere in the globally distributed apparel economy (Hale and Shaw 2001, Ross 1997).

The resulting rise of predatory workplace and sourcing practices was especially notable in regions where state regulations were historically weaker or where institutions had been disinvested by the state in the 1980s and early 1990s. The resulting sweating of labour has been widely documented and, as Selwyn has pointed out, is endemic to effective exploitation in competitive economies (Clean Clothes 2004). Indeed, as Allen Scott (2006: 1) made clear, competitive capitalist enterprises are part of

a turbulent scene of production and exchange, gripped by the forces of competition in an endless process of self-transformation. In these circumstances, every firm faces a stark choice between the continual need to upgrade its process and product configurations or eventually going out of business [...]. Capitalism, in brief, is a complex field of forces spurring constant qualitative and quantitative readjustments across all its multiple dimensions of operation.

It is what Schumpeter (1975: 83) referred to as the 'gales of creative destruction' that 'incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one'. Creative destruction both produces and destroys firms, whole branches of industry, and even regional economies as technological, organizational and geographical changes create fundamental transformations in the economic and industrial landscape. It

dispels all fixity and security in the situation of the labourer [...] it constantly threatens [...] to snatch from his hands his means of subsistence, and [...] make him superfluous. We have seen... how this [class] antagonism vents its rage [...] in the incessant human sacrifices from among the working class, in the most reckless squandering of labour power and in the devastation caused by a social anarchy which turns every economic progress into a social calamity.

(Marx: *Capital* Vol. 1, Ch. 16, Section 9, line 8)

Liberalization and the opening of former state socialist economies to investment and trade in Europe and Asia exacerbated these conditions. As examples of workplace abuse and despotic management increased, the historical experience of sweated labour in the tenements of New York and child labour and other human rights abuses in newly emerging economies were quickly linked to the emergence of assembly exporters out of formerly full-package state socialist enterprises (Pickles 1995, Smith 2002b). Exploitation in value chains more generally was linked to and read through the weakening

governance mechanisms and differential levels of power in global value chains (Gereffi 2005, Gereffi et al. 2005, Gereffi and Mayer 2006, Mayer and Pickles 2014). Non-governmental organization activists working with factories and workers in a 'race to the bottom' saw in the emerging post-socialist factory and workshop regimes the same captive conditions, in which work and workers were squeezed by the contracting practices and prices of the lead firms and their buyers (Clean Clothes Campaign 2001, 2004, Oxfam 2004, Appelbaum et al. 2005). In combination, capitalist exploitation in former state socialist economies, governance deficits resulting from the effects of new powerful external lead firms and buyers operating in countries with weakened institutions, and a global model of the industry drawn into a race to the bottom – all led to a rendering of post-socialist restructuring in terms of a broader characterization of the industry as unregulated, exploitative and 'sweated' (Clean Clothes Campaign 2004).

For example, Sweatshop Watch saw the international apparel industry as being so heavily dominated by the power and size of large buying and contracting firms that 'in today's garment industry, very little competitive bidding takes place. Most contractors are put in a "take it or leave it" position and must accept whatever low price is given to them or see the work placed elsewhere. The contractors must "sweat" profits out of their workers, cut corners, and operate unsafe workplaces' (<http://www.sweatshopwatch.org/swatch/industry/>). That is, they argued, 'the very structure of the garment industry encourages the creation of sweatshops. Retailers sit at the top of the apparel pyramid, placing orders with brand-name manufacturers, who in turn use sewing contractors to assemble the garments. Contractors recruit, hire and pay the workers, who occupy the bottom level of the pyramid. In many countries, competitive bidding by these contractors for work drives contract prices down so low that they cannot pay minimum wages or overtime to their workers.' This was an important moment in the scripting of apparel economies in CEE. For example, in September 1999 *The Sunday Times* published an article on sweatshop production in Eastern Europe entitled 'Top shops use Europe's "gulag" labour' (*The Sunday Times* 1999, see also Pickles 2002). Drawing upon an undercover investigation in clothing plants in Bulgaria, Latvia and Romania, the report argued that 'British high street retailers were using factories in eastern Europe where female workers are humiliated with strip-searches and others where employees are paid so little they scavenge for food' (*The Sunday Times* 1999).

These conditions were certainly rife in the 1990s, particularly in smaller workshops where conditions were less regulated, operating in conditions of immense uncertainty. But the scripting of the industry as a generically sweated industry did some real damage to the actual social relations in production in the post-socialist apparel industry. The conflation of prior experience with poorly regulated export processing regions and long-standing interpretations of state socialist enterprises as themselves paternalistic, in

which worker power was inconsequential, functioned to collapse important forms of legacies and workplace politics that, over time and in a wide variety of ways, had functioned as resources for adaptation, innovation and resilience, contributing in important ways to the post-socialist regional economy during its most desperate times (Pickles 1995, Pickles and Smith 1998). As Burawoy (1985), Kornai (1992) and Grabher and Stark (1997) have variously argued, the history and legacies of state socialist organization of work, as well as the health and safety and labour protection agencies, many of which continued to operate throughout the 1990s and 2000s, were all crucial elements of the industrial economy (Begg et al. 2003, Pickles and Smith 2010). This conflation also failed to take into account the actual social positions of power and dependence, coercion and consent, that framed the relationship between the new cadre of managers, themselves former state-owned enterprise technicians or bureaucrats, and their former state workers, some of whom were able to carefully negotiate their working hours, seasonal commitments (especially if they had agrarian responsibilities) and daily routines (Pickles 2002). As a consequence, the reading of post-socialist apparel workshops as sweating labour – while important strategically for organizing against factory and sourcing abuses in the booming industry – also had the indirect effect of, on the one hand, conflating underinvestment with hyperexploitation, and, on the other hand, articulating with neoliberal interpretations of socialist and Soviet industry as inefficient, overly bureaucratized hoarders of labour and material (see Allen 2003 for a reinterpretation of Soviet industrialization). In the process, it homogenized diverse enterprise practices while invisibilizing the much more complex social relations that existed between managers and workers, and between buyers and suppliers. Moreover, it undermined attempts to encourage the state to take an active interest in the future of the industry. It is not that the state washed its hands of any efforts to regulate or invest in the industry; it simply did not care, and it certainly did not pay it any attention. Indeed, as apparel production for export was beginning to rebound, the Government of Bulgaria 1994 report on the future of the industry declared it to be ‘moribund’ (Pickles 2002).

### **3. Economically marginal and footloose industry**

If ‘sweating’ is the central trope for interpreting work in the regional apparel economy, the central geographical trope that shapes public policy approaches to the European apparel industry is that the marginal and footloose character of the industry means that outsourcing and delocalization lead to deindustrialization in core and increasingly peripheral economies. Here, apparel has been scripted in very specific ways as a low-wage, low-value-added, boom and bust industry that generates poor working conditions and precarious employment, and has limited regional spillovers.

As with 'sweated labour', there is much about this characterization that is empirically true. But, as with 'sweating', there are also important forms of myopia at work in the discursive and political construction of the idea. As Doreen Massey (2013) has recently pointed out, the vocabularies of the economy matter intensely, in part because they are the mechanisms by which whole sectors of employment and economic practice are valorized or invisibilized. As others have argued, it is the stickiness of industries and the importance of their sunk costs, relational assets and untraded interdependencies that make locational fixity and always partial and contingent forms of regional resilience likely, but it is precisely the resilient forms of stickiness that are overlooked in this way of scripting the industry.

These considerations of restructuring, centred on the impacts of continued trade liberalization, have allowed the emergence of rigorous and important analyses of global value chains and production networks. But they have also had the effect of reproducing very particular concepts of space and, as a result, have often downplayed the multiple determinants of change within the European clothing industry. This was exemplified in the EU Commission Communication on 'The Future of the Textiles and Clothing Sector in the Enlarged European Union' (COM (2003) 649 final). Throughout the Communication and its supporting working papers, the Commission emphasized the need for 'measures aimed at strengthening the competitiveness of the EU textile and clothing sector in anticipation of the elimination, after almost of [sic] four decades, of WTO import quotas in January 2005' (IP/03/1463). January 2005 was undoubtedly an important horizon to which all eyes in the industry were directed at that time, as they had been throughout the decade-long period of quota phase-out. However, as the Communication and reports pointed out, the EU adopted an earlier round of measures to promote industry competitiveness among manufacturers, known as outward processing trade (OPT). This customs regime allowed manufacturers and retailers in EU countries to outsource cut-and-make assembly operations to CEE countries without incurring customs duties on the reimported clothing. OPT stripped out from EU countries a large proportion of labour-intensive assembly operations, especially in clothing. As the reports showed, one consequence of this process of delocalization was that productivity increases were achieved in the EU textile and clothing industry throughout the 1990s.

This vocabulary is part of, and contributes to, a global 'common-sense' about the industry and its regional effects. It presupposes an industrial dynamic with its own internal and relatively fixed rules, disarticulated from the broader regional accumulation strategies and the macro-conditions on which it depends (Bair and Werner 2011). It tends to assume that international and regional divisions of labour are given, not themselves produced by the processes and practices of industrialization (Mezzadra and Nielsen 2013) and shaped and constrained by the plethora of global, regional and bilateral trade agreements (Pickles 2012). In the process, low-wage, labour-intensive

sectors have been naturalized as footloose, sunset and low value, with no European future, even as they continue to be shaped by customs agreements, rules of origin, currency unions and fluctuations, and broader economic policies at national level and beyond. The result is that the industry has been invisibilized and marginalized in three important ways:

- The industry itself has been scripted as 'dead'.
- The contribution of the industry to regional economies and worker livelihoods has been disregarded.
- The actual transformations of regional, technological and organizational shifts of which the industry is a part and to which it contributes have been ignored.

It would be a mistake, however, to interpret such productivity increases in terms of the liberalization of trade policies without also taking into account the forms and timing of the restructuring of the apparel industry in the EU. In practice, industrial outsourcing and delocalization had begun in the 1980s, driven primarily by manufacturers and retailers seeking to protect and increase their competitive position in EU and world markets and supported by EU customs-relief policies such as OPT. These resulted in the extension and elaboration of production systems geographically to encompass low-wage producing regions in the accession and candidate countries, and beyond. Design, marketing, logistics and communications were retained in the main firms in the EU, while assembly was outsourced. In the economic crisis that followed 1989, the majority of CEE clothing firms were forced to turn to cut-and-make export production for EU buyers. Much of this outsourcing was 'regional' rather than 'global' in that it resulted in a cross-border production system centred on Europe producing for EU markets.

It is clear from interview after interview that we conducted at the time that retailers and manufacturers pressed for customs relief to enable this geographical shift in production relations. However, retailers saw this delocalization not as a process that made the industry 'footloose', but one which enabled firms to develop more nuanced sourcing and production strategies based on their specific market and product needs. The Commission's Staff Working Paper on the Evolution of Trade recognizes this on page 6: 'However, for countries to be able to reap these benefits they need to fully understand that changes that occurred in the global context, mainly the new organization of production based on short delivery time and regional strategies.' But the issue is not further elaborated. Instead, the report continues to locate the clothing industry as crucial for developing countries in their 'stages of development', focusing attention on the inevitability of competitive and price pressure as liberalization of trade regimes continues.

In contracting in the accession and candidate countries of CEE, some retailers and buyers did locate Eastern Europe in a fully global strategy in



which cost pressures were paramount. Some were able to develop this global sourcing strategy in a situation in which high-quality inputs and production are also achieved. But for many EU-based firms and retailers adopting a strategy of delocalization, issues of proximity, production schedule, delivery time, established infrastructure and skills, and cultural familiarity for managers and technical staff were, and remain, crucial elements of a sourcing and industrial location strategy centred on the Euro-Med region. In these cases, delocalization does not just mean price pressure or searching for low-wage production. It also means effective control over production processes in ways that enhance, not restrict, flexibilities in sourcing and marketing. Understood in this way, outsourcing and delocalization may not be the same footloose processes that emerge through the single lens of 'trade liberalization'.

In this EU/CEE apparel vocabulary, the apparel industry is a low-wage, low-skill industry which is geographically footloose. In this thinking, regional economies with extensive employment in apparel will experience increasing pressure on wages from other sectors, which, in turn, will squeeze the competitiveness of apparel producers, leading to their demise. Global apparel sourcing is driven by a landscape of differential factor costs, and particularly by the existence of low wages and low-cost production in other parts of the world. Regional apparel industries are always unstable and undermined by other, cheaper producers elsewhere. The industry is a sunset industry. In this context, public policy should be redirected away from the traditional state socialist model of commanding heights–social industries couplet, to a more narrow focus on wealth, output and growth (Massey 2013: 6). But the focus on the spatial fix of innovation and information, alongside property speculation, fictitious capital and rents, led to a wholesale overlooking of the regional assets associated with the actually existing economy, particularly in declining regions of CEE, where low-value industries continue to be important, and sometimes the sole, generators of employment and regional income (Smith et al. 2014).

Milberg and Winkler (2013) have recently argued that the consequences of outsourcing may be much more profound than we had previously thought. Theirs is a complex analysis of the effects of outsourcing on the global economy generally, but at its heart they point to the crucial fact that economic globalization, the outsourcing of manufacturing and, more recently, services, and the fragmentation of value chains has important consequences for the organization of power and control in the economy, and for the production and capture of value. In this process, not only has the relative power of different actors been reconfigured, but the rate of value creation and capture has changed. Early in the process, Gereffi (1994) described the change of drivers of this process, as manufacturing-led value chains were gradually subsumed in relative importance and their ability to manage and capture value by buyer-driven value chains (mainly brands and retailers). More recently,

the continued fragmentation of actors has given rise to the need for further regional and increasingly global coordination.

Three aspects of this new economics of outsourcing are particularly important. First, outsourcing has increased the fragmentation of the value chain. This has led to the expansion and integration of global trade, which, in turn, has driven down costs in many parts of the world (the 'race to the bottom') and increased the proportion and absolute amounts of value extracted from the value chain by lead firms. Second, fragmentation has increased complexity, and this – in turn – has increased risk. The management of risk has become the central motif of corporate planning, and at the heart of this risk management is the judicious spatial allocation of capacities. While the race to the bottom involved the expansion of production platforms in low-wage and low-cost regions of Asia, the spatial allocation of risk has meant that regional and proximate production has been sustained on the margins of all major markets. As the complexities of supply chain management across complex geographical networks increase, the management of risk by lead firms has resulted in the deepening of strategic partnerships with supplier firms and the increasing shifting of responsibilities and capacities to them. Third, because the spatial allocation of risk has been the primary driver of regional sourcing strategies, the resulting production systems that have been constructed are pipelines in which isolated assembly firms are coordinated by lead firms in global value chain logics that lead to limited regional capacity building, inter-firm networking, or extended political pressure to invest in infrastructure and workforce development.

#### **4. Upgrading through innovation and value-added**

The third trope assumes the first two, and focuses on regional economic futures in terms of positive transitions from one form of economic organization to another. In the 1990s, the word 'transition' carried this positive valence, generally being understood to refer to the shift in the organization and administration of economy and society from one known, stable form to another differently known, stable form. For the World Bank in 1996, this was the very clear *From Plan to Market*, and the path between the two was largely one to be managed technically and politically. In recent years, such ruptural events have increasingly been seen as stimuli to innovation, reform and regional resurgence; the collapse of the command economy enabled the flourishing of liberal market economies; EU accession normalized and regularized national policies, infrastructures and even currencies; and regional innovation systems, inter-firm networks and growth centres emerged as key elements of the main narrative of development. In this view, the task of institutions, governance and economic management has been to ensure that change is controlled, and negative and indirect consequences of change are minimized.

As we have suggested elsewhere, accompanying the expansion of continental economic linkages in CEE was a tidal wave of legal and bureaucratic reforms that changed the landscape of governance in CEE in the 1990s (Pickles and Smith 1998, Wolfe and Pickles 2013). At the heart of these tensions was a strategic and political understanding of the opportunities provided by systemic crises. In this regard, Milton Friedman was convinced that the tactics of neoliberalism were best pursued by preparing plans in advance and implementing them swiftly and fully through shock tactics and technocratic power at moments of crisis (see also the Sachs plans for post-socialist transition in Poland and Russia (Sachs 1990)). That is, moments of crisis are not only opportunities, but necessities for the pursuit of broader political and economic goals. For Friedman, 'only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function; to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable' (Naomi Klein 2007: 6–7).

This 'political inevitability' rapidly became the 'normal' as politicians, bureaucrats and intellectuals, influenced by a rediscovered and reinvigorated sphere of liberal thought, adopted and normalized post-1989 reforms and subsequent valuations of high-tech, information-based, innovation-led conceptions of where value would be produced and captured in the new economy. The resulting policies privileged one set of values over another (market oriented over social democratic; the economic efficiency of private over collective ownership; individual compensation over social wages; international investment over national capital formation; information intensive over labour intensive; high value-added over low value-added).

The case of the Bulgarian apparel cluster policies is instructive. As Sellar (2014) has shown, new forms of policy mobility quickly circulated as Marshallian and Porterian industrial cluster concepts were imported wholesale into the region as policy tools to normalize Western regional development discourses. At the heart of this wholesale adoption of models from the outside was the increasing importance accorded to the shift from the factory to the social factory, from labour-intensive manufacturing as a source of value creation to extractive and related industries (coal, gas, oil and energy) and high-tech assembly (automotive, information processing, communications) and the corresponding rise of a belief in the future potential of information economies and their corresponding learning regions. Poland, Hungary, Czechia and Slovakia have emerged as an iconic form of this new economy, whether in automobiles (Pavlinek 2013) or in the new high-tech information and security industries cluster around Bratislava (Pastor et al. 2013, Rehak et al. 2013). In CEE countries, as in other northern economies in the EU and USA and some semi-peripheral economies such as South Africa, state policies have focused heavily on FDI support directed at higher

value-added branches and sectors of the economy such as IT, automobiles and the creative industries. Yet, as Pavlinek and Zenka (2010a, 2010b) have shown for automotive FDI in Central Europe (particularly the Czech Republic and Slovakia), growth and investment were achieved by the deployment of very particular discourses of high-tech, high-value-added regional growth, but in conditions in which the industry increasingly operated as assembly export platforms built on large central and local state supports. The success of such sectoral foci and the economic restructuring they engender is predicated on the deep-seated and extensive state subsidization of private international capital (Drahoupul 2008).

In the process, two fundamental issues have been overlooked (and invisibilized). First, the dynamism and resilience in actually existing industrial legacies have been overlooked and their significance for employment and sustaining regional livelihoods diminished (Pickles 2002, Swain et al. 2002, Smith et al. 2014). Missing in the process is any public policy discussion of the possibility that apparel manufacture itself might constitute a site of innovation, value creation and regional economic well-being. Second, there has been little questioning of whether the major changes since the 1990s, from outsourcing and delocalization to the global financial crisis, will, in future, support forms of greenfield development based on the innovation-based learning regions model of the past two decades. We deal with the first issue here, and the second in the next section.

That so-called 'old industries' might continue to function, adapt and contribute to regional economies in new ways, both positive and negative, was the central purpose of Richard Florida's early work on US Midwestern deindustrialization. Florida (1999) argued that deindustrialization tended to create institutional rigidities and lock-in effects that constrain and limit the process of regional change. However, he also suggested that 'older regions can be the sites of deeper and more fundamental changes in production organization – changes that run to the core of the industrial, organizational, and institutional fabric of those regions'. He made three arguments that we want to build on here. First, even though deindustrialization had come to be accepted as the general experience of the US Midwestern economy in the 1970s and 1980s, it also 'enjoyed a pronounced revitalization, with substantial improvement in the key indicators of economic performance, output, manufacturing investment, and productivity since the mid-1980s' (316). Second, while delocalization and emerging regional economic growth have been seen to dominate the economic transformation of the past few decades, 'new forms of production organization are being adopted in and are thus transforming the traditional... core' (316). Florida (1996: 316) characterizes this new model as 'a cluster of organizational techniques (for example, the use of work teams, continuous improvement, the integration of suppliers into the product development process, and other organizational factors) which function collectively to harness intellectual and physical resources

at all levels of the firm as well as the broader production system'. Third, integration of the regional economy into global production networks has deepened and accelerated the adoption of these new organizational and technological forms. Increased competition has encouraged restructuring and upgrading at every stage of the value chain, and – in the process – delocalization has fostered enhanced inter-firm learning in both new and traditional production locations. Using a simplified diagram of the positive effects of globalization, Florida turned the more traditional Bluestone and Harrison focus on the deindustrializing effects of creative destruction to the more creative effects and improved regional economic performance it seemed to have brought to the Midwest. In this way, Florida reads the compounding crises that led to the deindustrialization of the Fordist heartland of the Midwest as an enabling process in which plant closure, delocalization and job loss went hand-in-hand with an internal restructuring predicated on increasing embeddedness in global, rather than regional or national, production networks, organizational and technological investments and enhanced productivity.

#### **'We're not in Kansas anymore, Toto'**

How we understand traditionally 'old industries' and the vocabulary we use to describe them have important effects. Scripting regional apparel economies in the negative and static ways we have described above has several direct consequences. First, it typifies an industry in monolithic terms, eliding the multiplicities and dynamics of actually existing economic practices. Second, it ascribes a naturalized trajectory to that dynamic, from boom to bust, from wage and cost-driven expansion to deindustrialization; it assumes slippery space and footloose investments, and in the process it elides basic economic issues of sunk costs, infrastructural and social embeddedness, relational assets, and untraded interdependencies that are playing ever more important roles in firm effectiveness and resilience. Third, this scripting privileges certain kinds of industrial occupation as high value-added, innovative and drivers of regional growth, while simultaneously locking out from public policy debates crucial questions about the actually existing forms of value creation, innovation and contributions to regional economies of the so-called moribund, footloose or sunset industries.

The Organization for Economic Co-operation and Development (OECD) estimates are that over 66 per cent of global trade in intermediate goods now occurs through such value chains. These global value chains (GVCs) operate through processes of strategic coordination to manage complex networks and the risk that they generate. In the process, the integration of regional actors occurs in highly regulated and limited channels of control, managed by the contract, and operated in a complex, competitive and changing environment. Some suppliers are able to leverage their product or their process

to expand their position vis-à-vis the system of value chains in which they operate. Many are highly constrained in doing so because of their role as dependent suppliers at risk of losing their contracts.

The EU has already begun its own scenario planning around this question of future possibilities. In its report entitled *Global Europe 2050* (European Commission Directorate of Research and Innovation 2012) three scenarios are outlined:

- *Scenario 1: If Nobody Cares?* In this scenario Europe muddles along with no clear vision or direction. Economic growth will remain lower than in the US and China, and global competitiveness will decline.
- *Scenario 2: Protectionism?* This scenario paints a bleak picture of global economic decline followed by the rise of protectionism. The result (according to the EC report) would be that share of world GDP would fall by almost a half by 2050.
- *Scenario 3: European Renaissance?* In this scenario the EU continues to enlarge and become stronger. It consolidates its political, fiscal and military integration. Innovation systems become more efficient, with an increased role given to users. Investment in technological and services innovations will have a direct impact on economic and social development. Member states will work together to make the European Research Area fully functional, with research agendas being decided in common across Europe. EU GDP will be almost doubled by 2050.

These scenarios were developed to address the need to plan with crises in mind, mapping out their terrain and shaping a plausible trajectory for action. They illustrate Ash Amin's view of the EU as a mix of crucial 'institutions [that] provide stability in the real economic context of information asymmetry, market uncertainty and knowledge boundedness, by restricting the field of possibilities available, garnering consensus and common understandings and guiding individual action' (Amin 1999: 367). Scenario 3 (Renaissance) fixes the future and scripts a narrative of economic and social development that few can disagree with, but that equally few will experience. It scripts a single narrative freighted with assumptions about regional economic development organized around a neoliberal and managerial commitment to innovation and entrepreneurialism. And it does so absent any concrete analysis of the actually existing structure of regional economies.

In his *Re-reading Capital*, Fred Jameson (2011: 107) has recently provided an analysis of the dynamic of contemporary capitalism in terms of the production of 'unemployment'. Here, the 'internal temporality of the capitalist machine' comprises 'a frightening multiplicity of cycles, of all sizes and shapes' in which the central dynamic has increasingly become

the disposition and disposal of work and labour. It is the question of unemployment. He writes:

Unemployment has often been grasped as the ideological other face of a whole political program based on the call for 'full employment'; and while I think this slogan might be good and invigorating for us in the current conjuncture – particularly since it is unrealizable within the system and therefore calculated to dramatize everything non-functional about its structure – I believe that it is not necessary to involve this political and ideological strategy when insisting on the fundamental structural centrality of unemployment in the text of Capital itself. Marx does not there call for the correction of this terrible situation by a policy of full employment; rather, he shows that unemployment is structurally inseparable from the dynamic of accumulation and expansion which constitutes the very nature of capitalism as such.

Through this broadening and deepening of the concept of unemployment, Jameson highlights the necessity of focusing more directly on the multiplicity of cycles and their temporalities and geographies as they reconfigure who is employed, who is unemployed (in Jameson's sense), and how value is captured and transferred. And he also suggests the need for a fundamental rethinking about the ways in which we reproduce logics of capital to exacerbate, rather than ameliorate, this deepening problem of unemployment.

It is not only that the vocabulary of the economy reproduces certain kinds of privileging of class and capital. If the various regimes and models of Northern state-sponsored social democratic development have, indeed, lost their global underpinnings, then it will no longer be enough to think of regional economic shifts in terms of the standard tropes of the liberal democratic economy: full employment, 40-hour week, social insurance, state-capital-labour accords and so on. Neoliberalism and liberalization changed that. If we really are no longer in Kansas, then the very concepts we use to understand the relationship between employment and well-being may also have to change.

## 5. Conclusion

In representing the articulation of different class processes in emergent capitalism in post-socialist Europe, three issues seem to us to be central to understanding the dynamic on the ground in the outsourcing factories.

First, current ritual stories of emergent capitalism in post-socialist Europe focus on the processes common to most forms of globalized capitalist commodity production; the production, appropriation and distribution of surplus value created through the commodity production process (see

Smith 2003). An examination of struggles over allocation of surplus product enables us to better understand the various ways in which class dynamics are being reconstituted in post-socialism. Our argument is, simply, that throughout the CEE apparel industry, the diversity of enterprise forms and relations in production renders the specificities of this capitalist class process much more complex than is currently recognized in most academic and policy analyses of the region.

Second, we argue that understanding the emergent capitalisms of CEE – the actually occurring transitions – demands that much greater attention be paid to the constitutive social relations beyond the factory floor. One way of thinking about these broader articulations is in terms of the social practices through which the economy is domesticated, not only in terms of reconfiguring household relations (although this is also important) but, more specifically, in terms of the ways in which production relations are structured in and by broader social and cultural practices of state socialism and post-socialism. In this sense, household dynamics and economic practices provide an essential context and determinant of the capacity of newly emerging outsourcing apparel production to emerge and survive in conditions of intense global and regional competition. Simply put, it matters that post-socialist managers learned their industry as technologists or managers in state enterprises. It matters that senior Slovak and Bulgarian management had been working with German buyers since the 1970s. It matters that Bulgarian sewers grow tobacco at home. And it matters that private enterprise managers were often (not always) drawn from local technocratic or bureaucratic cadres, rather than national and metropolitan class formations.

Third, this openness to the constitutive outside of emergent capitalism demands of us a much greater level of attention to the historical structures of society and production, within which new labour relations are being constituted. On the surface, these relations appear (and may be) highly exploitative and controlled by the dominance of international capital and global retailers. On the ground, these dark parts of manufacturing are reminders of the unequal power relations in the global economy, but they are also resources over which social groups and individuals struggle. In this sense, it matters that the local industry was underwritten by pre-socialist training schools and that when state socialism allocated labour-intensive ‘female’ work to regions of high female unemployment, it also extended labour rights, trade union rules, state insurance benefits and local technikons to train workers.

In CEE apparel economies, such network threads have been constrained in pipelines of externally oriented sourcing, but the labour markets on which such sourcing patterns depend are embedded in a diversity of economic relations and practices in and around the community of the factory. Supplier firms locked into direct contract supply relations have weathered the crises of the past two decades to differing degrees. Some suppliers, which are fully captured by external buyer relations, have collapsed as sourcing patterns



and product demand have shifted, while others have been protected by these direct, long-term contracting relations. Other suppliers have benefited from the down-shifting of capacities and know-how from buyers to suppliers, as buyers manage complexity and risk, while suppliers seek to upgrade their products, processes and functions. In the process, some suppliers have entered into strategic partnerships with external companies to create seemingly stable transnational agreements to their mutual benefit. And, finally, some manufacturers have moved into independent product markets at home or abroad, managing their own input suppliers and contracting for specialized products such as suiting, sportswear and outer-workwear. Some have even shifted their markets to other regional growth sectors, such as uniforms for the automotive industry, car seats and other technical fabric products.

Finally, one way of reading these conclusions is that we are calling for much greater attention to the concrete conditions of industrial practices and their relational geographies. However, in addition, we want to suggest that such a process of making visible what has for so many reasons, and over such long periods of time, been made marginal and invisible, presents a political challenge to the ways in which economic futures are scripted and made. If, indeed, the contemporary conditions of the regional economy are no longer the same as those existing over the past 30 years, can similar political and institutional remedies work? What if, in the period since the 1990s, the possibilities of post-socialist transformation have been paralleled by the development of the very conditions that destabilize the high-value-added industries on which so many CEE regional futures are increasingly predicated? Instead of the monocultural commitments to such singular development strategies and the dog chasing its tail they generate in a competitive economy, perhaps regional policy-makers might turn to more complex forms of analysis to understand the diverse and multiple ecologies of the actually existing economy in which the strategic thinking, innovation, adaptability and fragile resilience of an industry has demonstrated itself time and time again. Such recognition might bring the invisible and devalORIZED world of the apparel economy into a new relation with the question of regional economic development.

## Notes

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2. In this chapter we take the opportunity to read and reflect on the papers we have written over the past two decades to assess the effects of these 'actually occurring post-socialist transitions'.

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# 4

## Lost in Complexity? Researching the Role of Socio-Spatial Ascriptions in the Process of Peripheralization

*Judith Miggelbrink and Frank Meyer*

### 1. Introduction

In our chapter, we aim to discuss a number of methodological and conceptual decisions that we necessarily had (and still have) to take in a case study on peripheralization. In a project on 'Discourse and practices in shrinking regions', we raise the question of how discourses of shrinkage, peripheralization and (spatial) marginalization<sup>1</sup> become part of people's actual lives. Basically, this includes the question of how a discourse can become part of individual interpretation and appropriation of social reality, individual action and decision-making, and how this can be investigated without (unwillingly) reifying hegemonic discourses and the socio-spatial realities they produce. Researchers involved in empirical research, of course, know the pitfalls that emerge from being embedded in social practice. Researchers have increasingly become aware of situated knowledge and positionalities (Haraway 1991, Merrifield 1995, Bondi 1997, Tadaki et al. 2011), and feminist and critical scholars in particular have emphasized the necessity of being reflexive and, therefore, have called for 'transparent reflexivity' (Rose 1997: 311). Keeping in mind this performative understanding of research as social practice, we develop a circular understanding of peripheralization that culminates in a heuristic model. Based on this, in the main section we discuss some findings from our empirical study that demonstrate the complexity of interaction in research. This section is followed by a discussion on decisions and conditions of researching peripheralization.

Our empirical basis consists of early findings from our current project 'Discourse and practices in shrinking regions'.<sup>2</sup> Here, with a method-mixing approach combining ethnography and discourse analysis, the effects of shrinkage discourses will be examined, focusing on the example of the German rural municipality Altenburger Land, located within the federal

state of Thuringia. Based on the findings so far, we aim at clarifying certain important cornerstones of researching peripheralization. Within the concluding part of this chapter, we will deduce key decisions regarding the conceptual, empirical and analytical state of inquiry.

## **2. Developing a focus and a heuristic model of peripheralization**

Recent literature on peripheralization and marginalization (Mehretu et al. 2000, Beetz 2008a, b, Bürk 2013, Fischer-Tahir and Naumann 2013) has argued that studying peripheralization – that is, studying the way peripheries are produced and reproduced – has to consider socio-economic processes and the role of negative and stereotypical images. Though the analysis of stereotypes in processes of marginalization can be traced back at least to the work of Gunnar Myrdal (Meyer and Miggelbrink 2013), its productive capacity within practices has only recently been addressed more directly. Bürk, for example, underlines that '[i]maginations and feelings about spaces – the mental maps, images and imaginaries of certain places – are not the ephemeral attachment to the hard factors of the spatial' but are 'an essential part of its practice' (Bürk 2013: 171). This implies a conceptual shift towards images, stigmas and stereotypes as a productive part of social practices. Hence, our aim is to present some of the decisions that need to be taken and the difficulties one has to be aware of in the process of researching peripheralization in order not just to reproduce hegemonic interpretations of the social world.

Scholars working on discourse analysis have been concerned with (competing) discourses and struggles for hegemony for a long time. Richardson and Jensen (2003: 16), for instance, ask 'how a policy discourse is manifested and reproduced in policy languages and in policy practices', and, therefore, 'try and understand the relations between power and rationality as a new discourse emerges in a contested policy space and possibly attains hegemonic status'. One focus within this strand of research has been the role of space as an instrument through which individuals, populations and subjectivities are governed. Though governance is by no means identified as government, analyses of statehood practices (Painter 2006) and practices of governance beyond the state (Rose and Miller 2010) prevail. What seems to be lacking to date is a closer look at the spatial representation of these, and their effects on people who find themselves merely subject to statehood practices, the addressees of socio-spatial politics (Painter 2013).

Spatial representations, their effects and functions have gained considerable attention to date, even beyond discourse-analytical inspirations. Dando, for instance, wonders whether 'long-term ramifications of associating landscapes with death' – as has been the case in the narrative history of The Great Plains – can 'result in the death or killing of a place', a 'topocide', as

she calls it (Dando 2009: 96). Going even further, Gertner (2005: 51), who seems to fully agree with the marketers' assertion that a 'place's image [has] a major influence on investors, new residents and visitors', asks for concrete measures to alter a place's negative image in order to positively influence its development. Far from reducing the question of 'bad images' to a mere technical and marketing problem, Bürk – while sharing the general assumption that stereotypes and stigmas of places do have effects – emphasizes the functions they have in terms of (de)activating communities and actors (Bürk 2013). Additionally, Slater and Anderson (2011: 534) underline that 'territorial stigmatization' – as they term the phenomenon in question – 'can become so powerful that it not only leads to even residents of such territories to look upon them with shame and disgust – it has also effects on how they are managed' in terms of certain political measures. Though coming from completely different backgrounds, the studies take the common view that it is not the representation (a stereotype, an image, an ascription, a stigma) itself that is of relevance, but the way it works once it has come to life, the way it circulates through practices, and the way it causes what Hacking calls 'looping effects' (Hacking 1995, 2006). However, it would be as much reductive as deterministic to simply assume that representations, stereotypes, imaginaries and mental maps 'influence' individual actions and decisions (or practices). Rather, a conceptualization of how 'influence' can be understood is needed to develop a sensitive and focused methodological approach. This raises some conceptual and methodological problems, which we try to reveal using the following heuristic model (Figure 4.1).

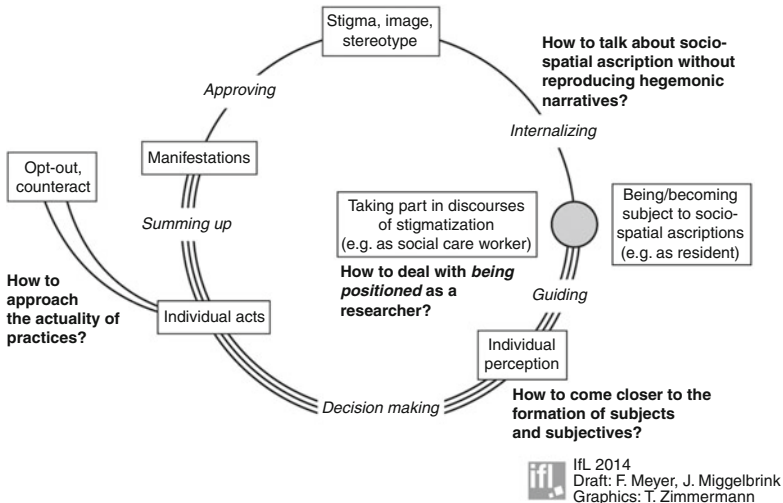


Figure 4.1 Heuristic model

First, there is the problem of representation. If we start to think about the relation between 'space' and 'shrinkage', we almost automatically face the existence of spatial representations that do not merely result from certain 'spatial' practices, and are not arbitrary classifications, but are produced and productive within practices that are part of assemblages bringing about temporarily stable social realities by 'using' space (McFarlane 2009, McCann 2011, McFarlane 2011, McFarlane and Anderson 2011, McGuirk 2011). This does not completely abandon the notion of spatial representation, but requires a conceptual shift, as Paasi (2002: 805) underlines with regard to 'regions':

they are based at times on collective social classifications/identifications, but more often on multiple practices in which the hegemonic narratives of a specific regional entity and identity are produced, become institutionalized and are then reproduced (and challenged) by social actors within a broader spatial division of labour.

The problem, then, is that we, as researchers, cannot know in advance whether what has become a hegemonic narrative from a discourse-analytical point of view is of relevance for a certain social actor, and therefore we run the risk of reproducing spatial representations including its assumed effects on individuals as artefacts of our methodological decisions and ontological beliefs. When political and administrative bodies, as well as academic experts, talk about 'shrinking' *Landkreise* (counties), they do not simply conclude their representation from its statistical factuality, but enact it (Law and Urry 2004); however, we cannot know whether the representation at hand also informs people's everyday practices<sup>3</sup> (see Hannah 2005).

Second, there is the problem of actuality: What is actually, physically said and done forms the very essence of actuality, and of every other category of the social, such as practices (Schatzki 2002). Though practices involve both bodily doings and sayings – as pointed out by multiple scholars working on practices and assemblages (Lise 1999, Li 2007) – speech is dominant for several reasons when it comes to methodological decisions. However, it has to be stressed that interactions between individuals do not only take place with(in) explicit statements. Rather, word of mouth, rumours and misunderstandings (and misperceptions) are no exception, but a foundational part of what we call 'the social'. Actuality, therefore, does not necessarily imply action. Although representations are based on specific actions, the examples above hint at the possible absence of initial actions, and also the important role of the circulation of facts that are allegedly wrong. They point to the primacy of the subjects' perception and interpretation of circumstances, the importance of which cannot be overstated.

Third, there is the problem of the subject. It is not only space/region that runs the constant risk of being reified via representation, but also the



subject, as the agent of what we call ‘actuality’. However plausible it may be to address individuals according to social classifications of gender, age, race, abode, profession, income group and so on (and however well these ascriptions may work in situations of interaction), we need to approach the problem of social categorization, subjectivity and positionality. To be a subject and to speak as a subject is not a static phenomenon; it has its roots in conditions of subjectification, which includes not only subjection but the making of subjects through practices and discourses (Dzudzek and Strüver 2013). Moreover, we need to address subjectivity in becoming, as subjection is never complete, but is formed in relation to subjection and subversion (Butler 1997: 82, Gibson-Graham 2006: 24). Identification – the very act of applying social and political categories to ‘someone’ (to the self or to others) (Brubaker and Cooper 2000: 16) – is, therefore, a crucial moment to research, as it has the potential to reveal how social orders are thought of, accepted, challenged and denied in practice. Of course, this again raises the question of how spatiality and subjectivity are entwined; this has been discussed earlier by, for instance, Gibson (2001), and, more recently, has been touched on in studies of identity politics, governmentality and spatial biopolitics (Painter 2013, Schwiter 2013, Timár and Fabula 2013).

The set of all discursively important representations – that is, any representation that is recognized, interpreted and reacted to by the subject – forms the discursive framing of ‘situations’, including what is considered worthy of being communicated, and what is accepted as the realm of the sayable. Furthermore, aspects of building legitimation, meanings and agendas, among many other things, can be of importance.

All this sums up to a rather complex ontological picture composing an epistemological focus that has to be transformed into methodological decisions. It boils down to the paradoxical conclusion that if we want to learn something about the role of spatial representations and shrinkage without reifying them, we must not mention them in situations of empirical research: That, of course, is impossible in practice.

Having said this, we now turn to some findings from our projects that aim at dissecting the entanglement of spatial ascriptions and subjectivity by focusing on (changing) social practices. Our empirical work in the first project phase consists of about 30 interviews and five group discussions to date. At this stage, we have mainly talked to people in gatekeeper positions (who are able to interact with many people, and are therefore able to provide access for the researchers), such as representatives of municipal authorities, (social) entrepreneurs, priests and others. Many of them have an academic background and are used to reflecting on socio-economic conditions. The topics discussed revolved around certain thematic nodes provided by the interviewees. Three foci have become evident in the context of shrinkage: regional initiatives and projects for urban and regional

development, adolescence within rural regions, and ecclesiastical structural planning. All interviews and group discussions were audiotaped and transcribed.

### **3. Within circles of meaning and ascription: Empirical findings and preliminary interpretations from the case study**

In the initial stage of the project, we were mainly interested in three seemingly simple questions:

- Which representations in relation to shrinkage are perceived by professionals in the Altenburger Land?
- How are these representations circulated?
- In what sense do these representations lead to certain decisions by the inhabitants?

According to our conceptual considerations, one of the main tasks for us was not to reveal (or feel forced to reveal) that we are especially interested in (spatialized) discourses on shrinkage. Therefore, we tried – albeit not always successfully – to avoid being too specific in the beginning, and instead encouraged our interviewees to talk about ‘living and living conditions here’. We tried to take up the topic only when an interviewee brought it up.

All of our respondents, of course, used their own terminology and local idioms as descriptions, often lacking a clear distinction between representation and interpretation. But their narrations, stories and opinions provide insights into certain agglomerating social concepts, which – in the course of perception, interpretation and incorporation – function as powerful discursive nodal points and structure the discussion about the topic. In particular, interviewees frequently discussed how certain circumstances (economic and social, for instance) are perceived and interpreted, and how these interpretations are intermediated between different people or groups of people.

#### **a. Representations about the Altenburger Land: Memorable but contextualized**

Topics revolving around development issues often led to rants by several gatekeepers, such as leaders of private development initiatives, about ‘wrong’ and ‘right’ images of the economic and social situation within the Altenburger Land:

When I came to Altenburg, I started working in an office located at a square near the theatre. This square lies within a sink within the city – I don’t know if this is really true, but in these times, there was the rumour

that there were measurements regarding the quality of the air. And it was said that a small child could not survive the air at this square for more than 30 minutes, because all the monoxide of all the coal-ovens agglomerated within this area. That was the image of inner Altenburg. [...] I remember buildings being broken in half. You drove along the street and could see the open bathrooms and toilets. It looked like the remnants of a bombing.<sup>4</sup>

Having moved from Western Germany to the city of Altenburg shortly after reunification, the interviewee contrasts his memorized pictures of the first days with what has been achieved since then, and, therefore, blames the current negative image on media-driven misperception. The vast majority of the professionals we talked to treat the existence of an overwhelmingly negative image of the Altenburger Land as a social fact that they perpetually have to counter and overcome. A member of a private initiative for urban development in Altenburg points to a different account of existing images about the Altenburger Land:

We are able to provide cheap space for young families, 40 € per square meter, infrastructurally developed. With child care facilities that are not overcrowded, that are redeveloped, not like in Leipzig. Music schools that you are actually able to attend; Gymnasiums – the Friedrich-Gymnasium that has been beautifully redeveloped. The central stadium, still the biggest stadium in Thuringia – here in Altenburg. We have indoor swimming, redeveloped and with numerous possible activities. Here, you can let your children go to the spring festival at 10 pm – not like in Leipzig – without having to accept that they come home with drugs having been offered to them. This situation, the world that is alright, to make people understand this [...] is difficult.

Some professionals – especially social care professionals – offered two opinions on the current situation. ‘Off the record’, they gave quite drastic statements compared with their different, more modest descriptions when audiotaped: ‘And left are those who were not able to find the train station’ or ‘Sometimes I feel that only the young, dumb males stay behind.’

These glimpses allow some initial observations. Representations do not exist in isolation, but in context. Here, at least three contexts are looming. First, there is a biographical context, putting an image of Altenburg into a (dramatic) narrative of arriving there. The second quote, in contrast, not only offers a completely different image of Altenburg, but chooses a different starting point, as it seems to be entirely imbued by the professional perspective of a person who already knows about the negative image and has to fight it. Third, there is the context of the interview itself, which was revealed when the social care professionals started to talk differently about

the Altenburger Land and offered bleak pictures of continued (and gendered) deprivation when we were off the record. How did this difference come about? Is it simply because one should not talk too badly about others, at least not in public? And, if this is the case, were we regarded as part of a public machinery of image reproduction? Or is it because the professional role is supposed to assume a more positive attitude towards the subject of interest, concealing individual convictions and attitudes?

After the first wave of interviews and group discussions, it became quite obvious not only that there are different ways of perceiving and interpreting the situation, and different reactions (such as becoming an active member of an urban development initiative) based on professional positions, but that the way people started to talk about images is largely dependent on the situation itself. In the situation of the interview (or a group discussion), images are used to convince us or other participants of something. Unintentionally, this confirmed three of our assumptions: the assumption that images (and representations in general) have effects; the assumption that the professional role is a dominant factor in how images are built and treated; and the assumption that we would immediately become part of the narratives. As well as these findings, we came to the conclusion that the process of the circulation of information among people may itself be of special importance for understanding the local situation.

#### **b. The logic(s) of intermediation – circulation and incorporation**

In our empirical findings so far, astounding consistency can be observed within the explanations that interviewees provide for the mechanisms by which practices, opinions and representations are transmitted between individuals and how they subsequently become incorporated. Though the interviewees do not go into detail about exactly how the movement of circulation works, they seem to have a similar understanding of the process.

First of all, we noticed that interviewees who tried to convince us of the positive aspects of the Altenburger Land – often those voluntarily engaged with initiatives for urban development – based their statements on the claim that alternative, justified positive perceptions of the Altenburger Land may be needed to interrupt the downward spiral. They provided a rich variety of sources to substantiate their claims. Accordingly, talks with them often turned to published documents, such as political programmes, scientific surveys, media coverages and/or regional rankings. Interestingly, many interviewees felt the need to provide additional and positive interpretations of these sources. The focus, then, was always on the individual interpretation, not on the reference itself. We, in turn, often sensed the professionals' drive to actively engage in and (hopefully) turn around public debates.

In contrast, social care workers mainly present themselves as observers of communication processes. They clearly focus on private relationships: families, friends, neighbours. Actually, when talking about conditions of

socialization, actions (rather than speech and communication) play the crucial role. For example, a street worker reflects on the need for young people to have a 'regular family background' to protect them from being exposed to drugs:

Interviewee: '[A regular family background means that] the parents try to care of their children. That they try to deal with the children's concerns, that the parents show that it makes sense to get up in the morning.'

Interviewer: 'What does it mean – that they show that this makes sense? How can someone show it?'

Interviewee: 'You actually have to do it!'

So, essentially, she infers that certain habits are intermediated by witnessing the parent's (proper) lifestyle. Another street worker noticed that within some parts of Altenburg, 'children grew up there, or are still growing up, who never experienced that neighbours, people from their house, from the flat above or below, next to their own, in the morning or whenever, go to work. They don't know better.' Furthermore, he infers that this leads to a collective resignation: 'It really is like a virus, it has sedimented. One might think that nothing will work. And when I find a job, it will be badly paid, at least worse than in Western Germany, so I either go away or it will make no sense anyway. And that is this depressive basic mood that is transmitted.' He continues: 'That is perverted, somehow. I think that this is really a problem that such a depression is or was incorporated. A depressive, fundamental mood. And that blocks and disguises the view for the positive things, and that things have changed.'

Though we have limited empirical material so far, as group discussions with non-professionals have not yet been carried out, there are also some statements in the interviews on the rationales behind decisions to leave the Altenburger Land. When talking about young people's inability to fully grasp every variable and consequence when deciding on job appointments, a social worker again underlines the role of the peer group: 'But they hear about that. They hear it. For example my nephew, a little bit younger than my son, hears it from my son.' So, while word of mouth seems to have strong influence within the family, the same is true of friendship: 'Because many of those have moved to Leipzig, they want to live near their friends', as another street worker stated.

What can provisionally be concluded from the material is as follows: When it comes to the question of how certain opinions are built and how certain decisions are prepared – that is, how certain realities come into being – a specific bias occurred among our interviewees between those who underlined the power of images and representations and those highlighting (individual) 'experiences', 'mood', mental dispositions, habits and role models. Among the interviewees, social care workers in particular tended

to reject any generalizations; they insisted on carefully depicted case studies, quote examples and counter-examples, and rejected all-too-simple causal explanations. Nevertheless, when talking about current conditions of being socialized 'here', they clearly prioritized personal, intra-family and inter-peer group interaction over media discourses, bemoaning patterns of behaviour that have been (and will be) inevitably reproduced, with almost no opportunity for young people to free themselves from certain social habits. So far, a certain correlation seems to loom in the material comprising the professional role, assumptions about the 'power' and 'meaning' of images, and the image itself. Social care workers seem to predominantly depict a bleak image of the situation, which is an unchallenged certainty within the actions of people and, therefore, is almost inescapably productive within their lives. Those engaged in urban and regional development, instead, tend to treat images as contested (and even stimulating) interpretations and, concomitantly, underline their performative capacity. For them, representations are not productive because they inform people's lives, but because they mediate decisions; hence, they are more open to disputes, changes and flexible use.

However, this adds another dimension to our model. Obviously, certain interviewees tended to regard representations as negotiable, whereas others did not. To put it more precisely, some of our interviewees – mainly from urban and regional planning contexts – reflected on the negotiability of representations, whereas others – mainly social care workers – tended to talk about 'truth'. (One of them was convinced that a jobless lone mother had decided to stay in Altenburg because of its rich culture. We focused on the subject for a while until her hermetic assumptions started to crack, and then offered new interpretations.) As a consequence, members of the first group tried to negotiate with us about correct images, assuming their instrumental status; they were often eager to convince us of what is right and wrong about regional images. In contrast, members of the other group tended to presuppose that we – interviewers and interviewees – shared the same images, the same assumptions about causalities and so on.

### **c. Incorporation and decision-making**

However diverse the interviewees' assumptions about the status of images, there was one striking example concerning the key role of public discourse in what people learn about themselves. It was pointed out by a street worker, who – having stated that the unemployed 'learned' to be unemployed – continued to explain:

I don't mean, they learn, that those with social welfare money are asocial; but they learn that these people are treated and seen as such. The media, that what's being told on the street, what others say, just don't get unemployed. Those on social welfare money only smoke, don't spend their

money on their children. We all know what is being said. And they watch RTL, read the BILD-newspaper and the situation becomes more difficult.

So, although there seem to be more sources of information, the street worker explicitly referred to derogatory coverage, mainly spread by television and the tabloid press that seems to present dependence on social welfare as something undesirable and asocial. Actually, what is assumed to be learned is a certain position in society, strictly speaking a position at the margins of society. Furthermore, the street worker hinted at the discursive impact these public representations have on individuals. The street worker continued to explain the impact of certain societal value systems:

People who are exploited by temping agencies, that's a thing, I have many clients here where this is the case. But a bigger role plays the fact that they have always learned that addressees of social welfare are asocial; that they are worth nothing, if they do not go to work. If you cannot sell yourself as part of the workforce, then you are worth nothing and the money you get probably is worth nothing as well, because they aren't doing anything for it.

These statements not only support the understanding that certain habits and practices are maintaining change within certain groups; they also imply that various representations interfere in shaping and stabilizing social realities and, in turn, different representations are used to make sense of these realities. The bleak local situation that does not allow escape and jumps from one person to the next like a virus is one interpretation; internalized hierarchical orders disseminating from some generalized discourse is another. The plausibility of each interpretation depends on contextual conditions. Plausibility, therefore, is not completely stable but flexibly manufactured (which does not mean arbitrary) as strategic plausibility, as affective plausibility and so on. This, in turn, means that we have to take into account the possibility that interpretations offered in group discussions and interviews are *ex post* rationalizations informed by conditions that we may have induced within the research process.

#### **4. Navigating complexity – decisions and conditions of researching peripheralization**

Coming back to Beetz's (2008b) claim that peripheralization should be understood as both socio-economic and discursive development, and keeping in mind the positionalities of all people involved in the research process, we have to state that the methodological consequences of this claim are rather complex. Essentially, researching recent processes of peripheralization opens up the problem of infinite regress. The researchers are likely to be part of this process – based on their more or less extensive contact

with interviewees in the course of interviews and questionnaires – as their research project may be of importance for the peripheralizing case study region concerned. Either it is encouraged and supported as some kind of development project, or people become suspicious of why researchers have chosen to dissect this specific region when searching for ‘struggling’ areas. We witness over and over again that researchers are dragged into the situation and become part of the dynamics that were originally to be researched. But, if the researcher is part of what he actually wants to observe (peripheralizing regions), then he or she will need to observe him/herself observing the target of observation. In fact, although this complex condition cannot be overcome, the problem has already been stated (Angell and Demetis 2010). But instead of overcoming the inevitable complexity – which is the precarious nature of observation and its role and effects within research – researchers, rather, have to elaborate ways of dealing with, reflecting and utilizing this circumstance. In the following section, we discuss a couple of conceptual and empirical aspects.

#### **a. Taming complexity: The conceptual stage**

*Choosing the question:* Considering the abovementioned relationship between research on peripheralization and peripheralization itself, interest should not be focused on questions such as why certain regions are peripheral or why they have disadvantages, as these questions reproduce hegemonic representations about the respective regions and are not able to reflect on the very foundations of analysis. Instead, and this is becoming increasingly common, points of interest may be the processes and mechanisms that have led to the present situation and interpretation. Furthermore, these processes may be scaled down to directly observable entities such as rationales, decisions and practices, to avoid the notion of a structural connection between disadvantageous development and a certain region.

*Choosing the approach:* When accessing local phenomena that lead to disadvantageous conditions, and especially when focusing on the micro-level of the social, a certain understanding of how ‘the social’ works is needed to determine appropriate methods. Current research – especially research on shrinkage – has often relied on rather quantitative approaches, or approaches that have concentrated on gatekeepers, entrepreneurs and pioneers. But large-scale processes – such as the outmigration after the German reunification – do not consist of the decisions of a few; they consist of the decisions of the many, and especially of those who do not possess gatekeeper functions. As mentioned above, these decisions may be based on a quite limited and individual understanding of the situation, gained from word of mouth and/or tabloid media. To understand the process itself, the researcher would have to integrate possible irrationalities, deficiencies and deviances from norms or socially common habits. Having said this, our preference for mainly qualitative approaches becomes obvious, as these approaches are able to reveal the rationales behind those events that manifest in statistics.



We conclude that any approach focusing on the subject and its individual path to a certain decision that – on a large scale – may lead to what we call peripheralization is equally able to succeed.

*Choosing a region:* Conceptualizing a research project for investigating peripheralization requires empirical work within and about certain spatial units. Often, spatial units that are known to be affected by peripheralization are analysed. This carries the risk of reproducing existing hegemonic and sometimes stigmatizing images about regions, and catalysing the relevant dynamics. At least, this must be considered when case studies are designed. In communicating the research project, the parameters of choice – such as peripheral regions, statistics, certain images – need to be explained in detail, not reduced to ‘x examines peripheral region’ (which may, unfortunately, be the case, especially for press releases).

### **b. Reflecting complexity: The empirical stage**

*Choosing a method:* Considering that rationales for taking action are as variable as the human condition in general, qualitative approaches seem to be the preferred tools. Methods such as group discussions allow insights into personal reasoning, depending on the particular setting of the group discussion. Furthermore, by following a qualitative approach that does not rely on singular interviews but, rather, on continuous companionship with the locals and a mutual relation of trust between researcher and locals, much more authentic findings seem possible. It is imperative to accept that investigating the variety of perceptions of living conditions, interpretations and reactions requires direct contact with the groups of people concerned.

*Reflecting the specific situation and conditions within a method:* The method of inquiry always influences what can be concluded from findings. We have chosen interviews and group discussions (for instance, Morgan 1997) as primary methodological vehicles in order to be able to elaborate on the subjective dimension of what is being considered as shrinkage – the perceptions, interpretations and circulation of information about, for instance, rationales for migration. Though we include participatory observations, and so far we have felt accepted by local communities and have been able to gain the trust of those being questioned, we experienced that if the interviewees reflected on the situation under investigation, they began to rationalize beyond their own experience.

Often, they felt as if they were expected to provide us with explanations of and answers to the situation of shrinkage within the Altenburger Land. Only if the conversation began to feel natural to them, rather than being interrogated by a researcher who dissected everything they said, were they able to comfortably report on their own personal living conditions, opinions and reasons. As these are the focal points for our research, our primary concern with empirical work was to set up a scene, a condition, within which the

subjects actually felt able to talk and – sometimes – let slip affective statements, giving us the ability to look beyond possible disturbing factors such as expected, adapted and restricted answers.

In contrast, if interviewees' practices of generalizing their understanding of certain social mechanisms (such as the transmission of opinions on the social micro-level of the family) were not reflected, persistent discourses about these would only be reproduced. Though this is not included in the citations in Chapter 3, almost every interviewee concerned with social welfare matters noticed the risk of generalizing their own statements, often adding a variation of the phrase 'We should not generalize this, but [...]'. In contrast, interviewees from politics and urban development initiatives in particular seemed to be comfortable with rather general statements, for example when stressing that cultural institutions are dispensable and one needs to attract people by 'providing them with the proper infrastructure, providing them with social institutions, which they need raise their children and go to work'. This demonstrates how important it is to reflect the setting of the interviews as well as to reflect the interviewees' description of actuality.

*Taking sides?* When researchers 'do fieldwork' they have to be aware of being regarded as potential allies or enemies of locals. On more than one occasion, we experienced demands from people under social and economic pressure that the interview would 'pay off'. On one occasion, we showed up just after a conflict had erupted between a planning authority and a local community, and were asked to provide assistance in return for giving us insight into the positions: 'I would call you some kind of supervisor for us, a bit. It actually is some kind of mediation. I am expecting some benefit for us. Just to make this very clear.' Although the respondents did not pursue this goal with any kind of aggressive determination, they frequently made sure that we understood their opinions and goals, and provided information about the planning process concerned.

*To keep it short:* This is a tricky point. It is vital to develop a relation of trust in order to access information that was originally reserved for trusted members of a local community. Without this precursor, hardly any worthwhile findings are possible beyond often rationalized, formalized and generalized statements about personal sensitivities. On the other hand, losing the trust of the opposing institution – here the planning authority – would undermine our legitimacy to act as independent researchers. However, we have to fully acknowledge interactivity in qualitative research, and, hence, are inevitably involved in questions of ethical responsibility (Orb et al. 2001, Bergold and Thomas 2012). Without addressing engagement in local issues, social research would be evading its responsibility, as its goal is to understand and support society. Engaging scientifically in precarious social situations means engaging with loss, tragedy and emotions, and, thus, one sometimes needs to provide help.

### c. Communicating complexity: The stage of dissemination

Disseminating the project and its results within the scientific sphere, as well as within politics and the media, and reporting the results to local institutions requires special attention, given the wide-ranging potential consequences of investigating potentially stigmatizing circumstances, such as being peripheralized. Certain decisive moments can be identified:

*Press releases and subsequent independent press coverage:* as a mandatory part of research projects these days, press releases by the host institution have the power to steer the whole empirical stage. Based on our own experience, press releases sometimes find their way into local newspapers, and what was originally of secondary importance can influence how potential interviewees behave within conversations, but also open up new milieus. We experienced frequent feedback on an article within a newspaper focused on Altenburg that was almost entirely based on our press release, which labelled the Altenburger Land as being exceptionally subject to shrinkage. This seemed to mobilize members of a local initiative for urban development, with whom we subsequently conducted friendly interviews, but who were also under the impression that they needed to provide us with numerous facts about why the Altenburger Land is not in a bad situation at all. Although we gained a lot of knowledge of partially unknown surveys about and undertaken within the Altenburger Land, we also lost – regarding the occasion of the first contact and interview – the ability to look beyond the initial intention of these very active individuals.

*Getting local feedback:* although the researchers' interpretations do not always comply with the locals' expectations regarding the outcome of research projects, the findings of social inquiries should incorporate communicative validation, which means that empirical findings are presented locally after a first interpretative step. This provides us with (1) the ability to validate the results, in the sense that one is able to understand how and why findings may diverge from the original understanding of the respondents, and (2) the opportunity to observe how findings initiate reactions and responses – negative or positive. Thus, it adds an additional interpretative dimension regarding the cycle of representations, perceptions and reactions, and helps to illuminate the complexity of researching peripheralization.

## 5. Lost in complexity/embracing complexity

Shrinkage, by the time it becomes statistically manifest, is the outcome of numerous individual decisions concerning education, job and career, children and family, real estate and investment; it results from economic and social, emotional and affective, political and administrative practices. These decisions become apparent as collective decline: as outmigration, unemployment, falling numbers of births, company closures and abandoned properties. Though space-related images, stigmas and stereotypes have been

regarded as part of the communicative mechanisms that discursively form processes of shrinkage and peripheralization, they are still under-researched. Therefore, our main aim for this chapter was to clarify certain important methodological and conceptual implications based on our own empirical experience in researching peripheralization. The complex relationship between researchers and the object of research – given the impact that research has on shrinking regions, for example – exerts an influence on the practices of research. Specifically, processes of peripheralization manifest themselves in socio-economic and quantitative ways as well as discursively, for example in the sense of stigmatizations. Thus, they consist of further processes of shrinkage and at the same time are able to fuel them. This is due to the fact that people perceive these stigmatizations; they see the statistics, witness their friends and family moving away, experience unemployment and have to cope with the fact of a cut-down (social) infrastructure.

The complex relationship between research on shrinkage and shrinkage itself – resulting from the fact that research on shrinkage influences the spatial units under investigation – has to be considered within the stages of conceptualization, empirical work, analysis and dissemination. Though this leads to increased challenges for scientific inquiries, the complexity implied is nothing new. Instead, as scientific findings have always found their way into society, the only difference now is the fact that we are actually acknowledging this complexity and are thus able to reflect it, and maybe handle it.

Essentially, the back-coupling relationship of the research with its object of research should not be viewed as distortion. Instead, by addressing its consequences and integrating certain reflexive cycles methodologically (for example by retesting findings with former respondents), research on peripheralization will not lose reliability, but gain validity.

## Notes

1. Though shrinkage, peripheralization and (spatial) marginalization are not entirely identical concepts, they share a notion of a downward spiralling of socio-economic development that has a spatial dimension. In this chapter, we use the term 'discourse of shrinkage' in quite a descriptive manner when socio-economic situations are indicated as 'shrinking', 'peripheralized', 'spatially marginalized' and so on by certain actors.
2. Funded by the German Research Foundation (DFG), 2013–2016, MI725/2–1.
3. Actually, by using spatial representation one tends to treat people 'covered' by this representation as a collective.
4. All quotes from interviews and group discussions were translated by the authors.

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# 5

## As Long as the Capital Is Far Away: Multi-Scalar Peripheralization in Central Asia

*Wladimir Sgibnev and Aksana Ismailbekova*

### 1. Introduction

#### a. Topic and outline

This chapter addresses the making of peripheries in the context of post-Soviet Central Asia. The chapter refers to Henri Lefebvre, and to de Certeau's distinction between strategies and tactics, in order to provide a dense description of local actor constellations and their impacts on changing ranges of manoeuvre of local elites in two peripheral metropolitan regions in Central Asia – Khujand, as the regional centre of northern Tajikistan, and Osh, as the regional centre of southern Kyrgyzstan.<sup>1</sup>

In a first step, we present the multiple facets of peripheralization using the example of two cities of the Central Asian Ferghana valley.<sup>2</sup> Locational 'hard facts', ever-changing border regimes, and peripheralizing academic and political discourses will be addressed in this chapter, as well as the question of an internalized peripheralization by local actors. In a second step, we will describe how local actors – in spite of, or even because of, the aforementioned internalization – turn peripherality into an asset and make use of it for increasing elite legitimacy.

#### b. Theory and methods

Before delving into the study in depth, we would like to clarify the paper's theoretical and methodological foundations – first of all, introducing Henri Lefebvre as a thinker of peripherality. His works on space as a social product have been in the academic mainstream for some years now. Still, in peripheralization research, his thoughts have not yet been fully acknowledged. Lefebvre was certainly Paris-centred over the course of his life, but he was by no means confined to the intellectual circles of intra-muros Paris. Lefebvre's interest in space originated in his fieldwork in the Pyrenees on agrarian sociology. Moving between the French capital and the provinces, he constantly experienced power and space relations between centre and

periphery. It seems that Lefebvre's thought developed out of these 'lived contradictions' (Entrikin and Berdoulay 2005: 133). The concept of a social production of space developed out of his preoccupation with the intertwined connections between land economies and social relationships (Stanek 2011: 16) – we can therefore think of Lefebvre's theory of a social production of space as a theory of peripheralization. His emphasis on processes (research into urbanization rather than a *sui generis* urban condition), furthermore, connects to the processual understanding of peripheralization. The multifaceted constructions of Central Asia's peripherality, and of Khujand within Tajikistan and Osh within Kyrgyzstan, are, therefore, interesting instances to make use of his theory. Within this process, the conception of space from below, its production through everyday practices, is particularly interesting to look at.

Second, we would like to operationalize the processes of a social production of space, returning to de Certeau's distinction between strategies and tactics – a lens which we found useful to structure fieldwork results and to develop the explanatory component of the study. De Certeau has proposed distinguishing between strategies and tactics when looking at everyday life practices (Certeau 1984: 365). Strategies are understood as a 'calculation of power relationships'. Those who are able to employ them, pro-actively shape the spaces they operate in. Tactics, however, are negotiations with these spaces, and negotiations with those who possess power and wealth that allow them to create space strategically. The distinction between strategies and tactics helps to clarify Lefebvre's understanding of social space. He has expressed the distinction between wishes and limitations with the terms of the 'dominated' and the 'appropriated' space. They co-exist and engage in constant negotiation: 'Dominated space and appropriated space may in principle be combined – and, ideally at least, they ought to be combined. But history – which is to say the history of accumulation – is also the history of their separation and mutual antagonism. The winner in this contest, moreover, has been domination [...] Not that appropriation disappears, for it cannot: both practice and theory continue to proclaim its importance and demand its restitution' (Lefebvre and Nicholson-Smith 1997: 166).

Using de Certeau's terminology to describe this line of thought, the strategic handling of space forces those who have no access to it to experience it passively. Having no means for a strategic handling of space, people engage in tactics within the limits of their possibilities. At the same time, they will not renounce the opportunity to behave strategically when they have the capacity to do so. There is, however, no clear-cut distinction between those who are able to produce space strategically and those who are not. Round argues that the relationship is neither dualistic nor fixed. On the contrary, the 'relationship between strategies and tactics is not a static one: they can operate within the same space, through the same people and at different scales' (Round and Williams 2010: 187). Looking at spatial processes through



the lens of tactics and strategies means, therefore, to reflect the dynamics between constraints and possibilities.

The chapter's findings are based on ethnographic fieldwork conducted in Khujand in 2010–2012 and in Osh in 2011–2012. Additional background information is drawn from an analysis of local media and expert interviews.

## **2. Grasping peripherality in a not-so-central Central Asia**

### **a. Borders: Natural and man-made**

Defining peripherality as a social product does not mean putting aside the importance of locational 'hard facts'. Indeed, the physical geography of peripherality plays a significant role in defining the strategies and tactics of actors. Khujand is located in the northern part of Tajikistan, while Osh is the main urban centre of southern Kyrgyzstan. The respective capitals – Dushanbe and Bishkek – are cut off by high mountain ranges<sup>3</sup> and remain inaccessible by road in winter. The physical geography is a supporting feature of a wide range of 'peripheralizing' tendencies, based on political history, ethnic make-up, kinship, border regimes and local economies.

In this regard, peripherality as an effect of location turns into peripherality as a social product. The first element in this regard is the borders between the respective republics, which came into being in the 1920s as part of a Soviet-wide nation-building programme. Yet the administrative borders back then turned into international state borders after independence. The Fergana valley used to be one large metropolitan region (although not in name), boasting a dense and efficient transport network (Thorez 2005: 495–6). While, in Soviet times, the trip from Khujand to Tashkent took two hours by car – 'When there were no borders yet (Interview TL 2010)' – today, the trip to the Uzbek capital would take half a day, and, furthermore, would require procuring a visa, and potentially imply additional expenditures for bribing embassy and border officials. Border regimes grow harsher from one year to the next (Megoran 2006) – not only impeding the free flow of persons in border regions, but affecting the entire country via increased retail prices.<sup>4</sup>

Khujand and Osh lost their status as regional transport hubs, which they enjoyed for a short period in the early 1990s when the borders were still open (Interview TL 2010), and have become locational dead-ends. Even if comparative advantages across the borders have created income opportunities for export-oriented bazaars, such as Dordoi and Karasuu in Kyrgyzstan (Kaminski and Mitra 2012: 63), the depth and breadth of exchange do not even come close to what they were in the Soviet era. Electricity and gas imports from Uzbekistan came to a halt, with tremendous effects on industry and private homes. This being said, borders and border regimes are an integral part of space production in the Fergana valley. Soviet nostalgia, in this context, means longing for a time when relatives on the other side of the border could be easily visited. It also means keeping in mind the price

of a plane ticket to Moscow (60 roubles) (Interview NA 2010), and the fond memories of students betting on who would get furthest with 50 roubles in the pocket, the winner making a call from Vladivostok (Interview SV 2010). This unlimited mobility within the Soviet Union, however, went along with very limited possibilities of going abroad, which is now open – to those who can afford it.

The second element of a social production of peripherality is ascriptions through hegemonic discourses and their internalization on the local scale. As Bernt et al. argue, '[s]tigmatization may be [...] cause and consequence of social peripherality' (Bernt et al. 2010: 11). In this regard, it is necessary to discern the peripheralizing discourses on the region in question, looking at 'geographies of knowledge production' (Smith and Timar 2010: 121), and to locate instances of their internalizations.

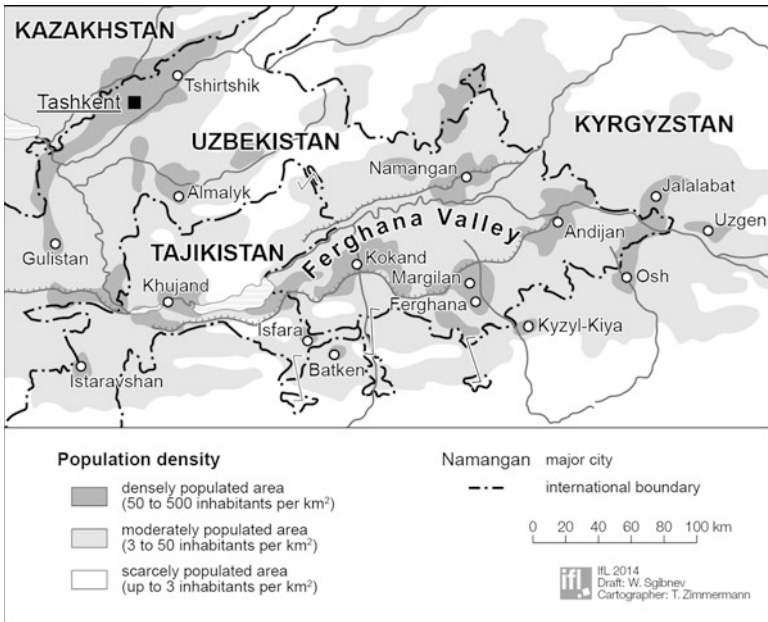
### b. Peripheralization through ascription

What's in a name? Defining the limits of Central Asia on a map is at least as controversial as grasping the borders of Europe. First of all, the term



Map 5.1 Location of the Ferghana valley in relation to state borders and main mountain ranges

Source: Leibniz Institute for Regional Geography.



Map 5.2 The Ferghana valley: Borders cut across one metropolitan region

Source: Leibniz Institute for Regional Geography.

is neither long-standing nor emic: Alexander von Humboldt coined it in 1844, covering the steppes, mountains and oases from the Caspian Sea to the Ob river, and from the Ural mountains to the Himalayas.<sup>5</sup> In Soviet times, the term ‘Middle Asia’ (*srednââ aziâ*) was preferred over ‘Central Asia’, and included the underdeveloped republics of Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, excluding the relatively more industrialized Kazakhstan. In Western usage, though, ‘Central Asia’ prevails, and generally encompasses all five former Soviet republics ending with a ‘-stan’. This is, as we have seen, intriguingly enough, not a Soviet definition, in contrast to the many Soviet-era legacies which still impinge upon our perception of the region.

This short digression shows that, depending on the definition you take, the puzzle of centrality and peripherality is being rearranged: a recent claim by Belarus (*Rossijskie geodezisty* 2008) set the geographical mid-point of Europe some place near Polotsk – a statement which makes no sense to anyone who might think that Europe ends immediately to the east of Berlin. In the same vein, it is not trivial to look at constructions, perceptions and outcomes of peripherality through the lens of diverging conceptualizations of underlying notions. In the following, we will elaborate on how an announced or presupposed centrality turns into its opposite,

namely into peripherality, in many regards when it comes down to social practice.

When Halford Mackinder set up his Heartland theory, he thought of Central Asia in imperial terms of geopolitical domination, and not in terms of the population concerned. From this point of view, indeed, Central Asia's centrality appears justified: Mackinder argues that the power which controls the Asian 'heartland', including those countries which are commonly called Central Asia today, would dominate the entire 'world-island' that is Eurasia and Africa. For the time it was coined, the theory provided a logical explanation for the 'Great Game', confronting the Russian and British empires in their struggle for the Central Asian oasis. This vision regularly reappears in contemporary geopolitics dealing with oil-rich post-Soviet backyards (Megoran and Sharapova 2013), war-torn Afghanistan or the Han Chinese migration to Xinjiang. The 'Central' in Central Asia is emphasized when governing elites proclaim the 'rebirth of the Silk Road' and outdo one another with infrastructure projects criss-crossing the continent.

Looking at academic knowledge production, the region's peripherality becomes more apparent: during the pre-Soviet past, very few explorers or scientists ventured to the region. In Soviet times, only a handful of foreign researchers were offered the opportunity to do fieldwork in the region. Since the demise of the Soviet Union, research on Central Asia is slowly gaining ground, yet at a very slow pace and with a particular limitation of research to capital cities. In addition, Central Asian scholars themselves have a hard time doing research at all, let alone making themselves heard. This adds up to the exclusion of the region from global knowledge flows, trapping it in largely Eurocentric academic discourses, established by 'Western' scholars doing research in 'Western' settings. With this in mind, we have to be attentive to 'geographies of knowledge production' (Smith and Timar 2010: 121). This distorted geography excludes researchers from peripheral regions, as well as the peripheral regions themselves from the research agenda, and thus exacerbates inequalities between regions on a global scale. This peripheral position – not only in geographical terms, but also in terms of academic knowledge production – is all the more salient for small and medium-sized cities in the post-socialist context (Borén and Gentile 2007: 105–6, Sykora and Bouzarovski 2012: 44).

The shortcomings in knowledge production on Central Asia as periphery – and all the more on peripheries of Central Asia – are exacerbated by a paradigm of deficiency, inherent to the region from times of Russian colonialism. 'Indigenous' ways of building and living were portrayed in terms of filthiness and lack of hygiene (Stronski 2010: 23). This imagery of unsanitary conditions, infections and settlements consisting of mind-boggling mud paths lined by mud huts was to be perpetuated in the Soviet era (Stronski 2010: 22) – which enshrined the stigmatization of Central Asia as backward periphery.

In the 1920s, the Soviet Union set off with a large-scale modernization project aiming at deeply transforming Central Asian societies, according to Stalin's slogan: 'national in form, socialist in content' (Kuoljok 1985). For the first time, communities in Central Asia were defined and subdivided into 'nation states' on rather arbitrary cultural, social and linguistic terms. The promotion of national consciousness was based on the idea that no rule of socialism could be established without class consciousness, and no class consciousness could exist without national consciousness (Martin 2001). This is how the borders (and, eventually, the border conflicts) between the republics as we know them today came into being. On both sides of the border, large tracts of the population were all of a sudden proclaimed 'ethnic minorities' – ignoring the fact that identity in Central Asia was not constructed along ethnic or linguistic lines, since most residents of the region were, and still are, bi- or trilingual (Megoran 2002, Liu 2012), but, rather, on ways of life and subsistence.

The other side of the coin was socialist internationalism; that is, that the newly ignited national consciousness was to be embedded into a broad modernist discourse, including, among other things, law and morality (Kassymbekova 2011), infrastructures (Humphrey 2005, Thorez 2005) and urban planning (Alexander et al. 2007). The massive relocation of people and industries towards Central Asia during World War II, and the participation of Central Asians in Soviet Army ranks, fostered the internalization of a 'Soviet-style' European belonging. Peripherality and the stigma of backwardness were, in this regard, the main arguments for attracting investment from central institutions in terms of industrialization and alphabetization.

This internalized conflict between the stigma of peripherality and the ambitious project of modernization can be conceived as a general post-Soviet phenomenon (for Russia, inter alia, Schimmelpenninck van der Oye 2010). The breakdown of the Soviet Union reinvigorated the debate, which is now being conducted according to the same paradigm, even if the terms may have changed. This 'crisis of knowing that played directly into understandings of the self' (Alexander et al. 2007: 3) continues to be characteristic of political struggles on the regional level. In Section 3, we will look at how local actors deal with peripheralization in a context of inter- and intraregional power struggles, making use of various strategies and tactics, using the examples of Khujand in northern Tajikistan and Osh in southern Kyrgyzstan.

### **3. Peripherality as a resource in the Ferghana valley**

#### **a. Osh: Peripherality as a claim to the capital**

The first case will be set in southern Kyrgyzstan, where we will highlight the peripheral argument employed in the course of the 'revolutions' of the beginning of the 21st century. Those residing in the north and south of Kyrgyzstan are suspicious of each other. This suspicion partly stems from

the political dominance of each at various times in history (Huskey 1997: 2, Roy 2000: 97, Hansen and Dukenbaev 2003: 7, Tolmacheva 2005: 25, Juraev 2008: 259). The issue of the north–south divide most saliently emerged following the fall of the USSR, concerning conflicts over a fair distribution of government personnel according to regional parameters (Asanova 2010). On both sides, a ‘modern’ nation-state, with a congruence between territory, language and ethnicity, was the ideal goal, yet with the precondition that the respective regional elites held the reins of power.

From independence until 2005, elites from northern Kyrgyzstan had been in control until a southern president came to power in the person of Kurmanbek Bakiev, following the ‘Tulip revolution’. Prior to this, southerners had felt disadvantaged, complaining about patronage and investment policies which, they believed, concentrated disproportionate political and economic power in the hands of elites from Bishkek and surrounding northern regions (Huskey 1997: 6). Once the southerners were in power, the confrontation continued, albeit with reversed roles. Northerners now mobilized similar strategies in their struggle for power, position and limited resources, which they expressed in terms of kinship and within the party system – which is structured along regional coalitions and genealogical links.<sup>6</sup>

When the next revolution swept the streets in 2010, the regional divisions went so far that supporters of the ousted president Bakiev, rallying in Osh in April 2010, attempted to divide the country into south and north (Asanova 2006). Leaflets calling for division suggested a federal state consisting of a Southern and a Northern Kyrgyz People’s Democratic Republic. In the following weeks, Bakiev’s supporters (prominently including Bakiev’s sons Marat and Maxim) (AP associated press 2013) staged outbreaks of unrest across southern Kyrgyzstan (Solovyov 2010), on the grounds that their region was once again being pushed to the periphery, its elites no longer able to get a fair share of the capital.

In June 2010, bloody riots between Uzbeks and Kyrgyz attracted the world’s attention. The conflict resulted in widespread violence, looting and destruction (Ismailbekova and Roche 2010, Megoran 2010, Reeves 2010, Roberts 2012). The cities of Osh and Jalalabad were almost completely ruined. According to official data, over 360 people died and around 2000 were wounded (News of Kyrgyzstan 2013); about 100,000 Uzbek people fled the area. Here as well, southern political claims to the capital seem to be the most likely scenario (Megoran 2010), involving the ex-president Bakiev, who was meanwhile in exile in Belarus. In this regard, igniting ethnic tensions in southern Kyrgyzstan served as a tool to discredit the transitional government of Roza Otunbaeva.

The ethnic clashes did indeed strengthen the Kyrgyz–Uzbek dichotomy, but did not abrogate the north–south divide. The fragile situation after 2010 deepened regional dichotomies, since southern elites progressively strengthened power resources in their fiefs. While political leaders on

the national level divided themselves and their programmes according to regional affiliation, the southern elite started to rule their region according to their own rules right after the conflict. The most prominent representative of this course is Melisbek Myrzakmatov, the mayor of Osh.<sup>7</sup> In November 2007, Myrzakmatov joined the pro-Bakiev party 'Ak-Jol', and in January 2009 he was appointed mayor of the southern capital. Even after Bakiev was overthrown, the mayor offered him his services, and did not support the Kyrgyz authorities' official version of the Bakievs' involvement in the Osh conflict.

With the advent of the interim government led by Roza Otunbayeva, Myrzakmatov began actively preparing to strengthen his position in Osh. His tactic was to demonstrate that only he could maintain peace and stability in the southern regions of the country, as long as he kept his position. He started to organize public talks, openly criticizing other authorities in the south, and demonstrating his ability to control the regional elites, including the underworld. In June 2010, during a visit to Osh, interim president Roza Otunbayeva attempted to remove the mayor from office. In defence, many supporters of the mayor gathered in the town square in front of the regional administration. Residents of Osh demanded that Myrzakmatov should remain as head of the city. The protestors did not hide the fact that the release of Myrzakmatov from office would result in armed conflict.

Myrzakmatov's tactics were based on citizens' support for his newly organized political party in parliamentary elections in October 2010. The mayor promised that the destroyed neighbourhoods would be replaced by modern apartment buildings and villas equipped with the latest technology, and further plots would be allocated in the neighbourhood of On Adir, an idea that many Uzbeks did not like. In the meetings, Myrzakmatov informed Uzbek community leaders that they should not wait for support and help from the capital; instead, they should trust him because he was the only person who could control the situation in the post-conflict context. In July 2010, at a meeting with regional political and informal leaders, Myrzakmatov proclaimed that only he could provide security for the city, and publicly announced his insubordination to Bishkek leaders (Centrasia news 2010). According to the mayor, he had enough resources to withstand Otunbayeva, or, if necessary, to 'deal' with her (Tastanova and Akunova 2013). In the case of his removal from office, the mayor threatened the authorities that he would arrange a new wave of riots in Osh region and destroy the dam on the Papan reservoir. Having secured support from Kyrgyz nationalists on the one hand, and the Uzbek community on the other, by means of pressure such as removing Uzbek leaders from local institutions (for example heads of 50 households (*eliq boshi*) and of 1000 households (*ming boshi*)) and replacing them with Kyrgyz leaders, he was strengthening his position with the armed forces stationed in the region, periodically rewarding them with gifts and prizes.

The peripheralization of the southern elite was the result of creative manipulation of the post-conflict situation and his ability to use this uncertain context for his own ends, such as strengthening his position as a local leader by recruiting his own Kyrgyz followers in all spheres of state administration. The Osh Uzbeks had no alternative options, since he was the only person who could at least take control over the post-conflict situation.

### **b. Khujand: peripherality for the sake of local identity**

As in the case of Osh, Khujandi elites were at the reins of power in the republic's capital for some time. From 1929 onwards, Khujand became subordinated to the government of the newly established Tajik SSR in Dushanbe. Yet from this moment on, Khujandis became the dominant regional fraction in the republic's governing bodies: in contrast to the North, which was directly incorporated quite early into the Russian Empire, heavily industrialized and exposed to Russian cultural influence, southern Tajikistan formed a part of the Bukhara Emirate, and was, after the Revolution, a stronghold of the anti-Soviet Basmachi movement. This meant that the Communist Party had developed much earlier in the North, and was thus better organized and deemed more reliable. From 1946 until independence, all heads of the Party's Central Committee came from Khujand or its immediate vicinity.

Shortly after independence, a civil war broke out in Tajikistan, but left the north of the country largely untouched. The Khujandi party supported the southern Kulobi fraction in its fight against the United Tajik Opposition, consisting of Islamists and democrats. It was in Khujand that Emomali Rahmonov was elected president of Tajikistan in 1992. With the end of the civil war, however, the Kulobi fraction took the reins of power and appointed southerners to leading positions even in Khujand. The protests against this policy led to bloody demonstrations in 1996 and 1997. Colonel Khudoyberdiev's revolt in 1998 fits well into this line of protest against Khujand's loss of influence in modern Tajikistan.

There is no clear evidence of the extent to which Khujand profited from the fact that Tajikistan's leading figures of the Soviet era grew up there. But, today, Khujandis look back with a certain nostalgia to that time, when relatives employed in the 'Centre' were able to 'arrange things', and repeatedly deplore that 'they' – that is, President Emomali Rahmon's Kulobi fraction – 'have taken over everything' (*vse podmâli pod sebâ*) (Interview SP 2010). Still, an informal power-sharing agreement is in place: although Khujandis are relegated to a lower position in the regional balance of power, it is interesting to note that all prime ministers of Tajikistan since 1992 have been Khujandis, with one exception from 1994 to 1996.

With their explicit or implicit support, in particular in the early 1990s, local actors were able to withdraw from central control and direct resources to strengthen local interests. Yet since the late 1990s, with the strengthening of the regime after a decade of unrest, central actors have gained influence.



This was supported by infrastructure investments, such as roads and power lines, promoted as prerequisites of national unity – aiming to overcome the above-mentioned locational ‘hard facts’. In the following, we will see how weakening and strengthening influence from the ‘Centre’ manifested itself in monumental construction in Khujand.

Public monuments are both highly consensual and highly contended elements of the built environment: consensual in their ambition to remember or to inspire great achievements; and contended precisely because of this community-building character, which always excludes one group or another. Statues and monuments only became an integral part of Central Asian urban landscapes with Soviet rule, and were promoted as ‘truly revolutionary elements’ (Pisarskij 1965: 28). In this vein, monuments became a part of the Soviet idea of an instrumental use of urbanism, educating the population through the built environment. Monuments were always set up in appropriate ‘modern’ surroundings, that is, in Soviet-style quarters, never in the old town. When the city expanded to the right bank, a new Lenin statue was planned on a hill above the central bridge, overlooking the city.

Looking at the development of Tajikistan’s monumental propaganda after independence, we observe three distinct phases. Each phase shows a particular interplay between strategies and tactics on national and local administrative levels. Immediately after independence, the civil war made it impossible to invest in monuments; therefore, very few monuments were set up until the end of the civil war. One notable exception is the statue of the 10th-century poet Ferdowsi in Dushanbe, erected in 1994 on the previous location of the Lenin statue, which was violently torn down in September 1991. This was the first representative occasion for the newly elected Rahmon to appear as mastering the situation during an ongoing civil war – at very low cost, by the way, as the Ferdowsi statue had already been cast in Soviet times and preserved in a backyard until being rediscovered as a potential central monument (Sgibnev 2007: 86). Furthermore, Ferdowsi’s statue went well with the prevailing pan-Iranian orientation of the earliest years of Tajik independence (Buisson and Khusenova 2011: 99).

The second phase roughly dates from the mid-1990s to the late 2000s. This period sees growing political and economic stability. For the sake of stability, statues of the Soviet period remain largely preserved. At the same time, a number of monuments were set up affirming Khujand’s regional identity. In 1996, a statue honouring the Khujand-born poet Kamoli Khujandi was built on Lenin Street, adjacent to the monument to the establishment of Soviet rule in northern Tajikistan. On the other side of the monument, an alley bearing the busts of the town’s important personalities – the so-called *sitorahoi Xuğand* (the stars of Khujand) – was extended, and additional busts were added. In front of the theatre, a fountain was built, featuring the replica of an ancient Soghdian statue of a female dancer excavated in Penjikent. Finally, in 2008, the theatre square saw another embellishment with the

statue of a wolf feeding two babies: the statue was inspired by excavated mural paintings in the region and is meant to symbolize Khujand's location on the Silk Road, along which legends travelled together with goods and people.

After the end of the civil war, Tajikistan set out to catch up with its Central Asian neighbours in terms of production of a national ideology, and even to outrun them in terms of a massive implementation of the national ideology in official discourse, school curricula and monumental representations. The search for the foundation of the Tajik state aims at establishing a distinct identity against both Turkic neighbours and Iran, and to avoid granting Islam too extensive a dominance within the national identity (Buisson and Khusenova 2011: 98). The search ends up with a Soviet-style 'ethnization of history' and, in practical terms, with an eclectic mixture of historical references to Aryanism, Zoroastrianism and the Somonid dynasty (Buisson and Khusenova 2011: 101–2). Ismoil Somoni was granted the role of the nation's founding father – which established a historical continuity of Tajik statehood from the 10th right up to the 21st century (Nourzhanov 2001, Buisson and Khusenova 2011: 101–2). As an expression of the new state ideology, the Ferdowsi statue on Dushanbe's central square was replaced in 1999 by a monument dedicated to Ismoil Somoni.

Monumental nation-building seems to emerge as a priority sector – akin to the heavy industry of Soviet times. It devours a significant amount of resources and has top priority when it comes to questions of urbanism; and it is strictly Dushanbe-driven, with virtually no range of manoeuvre left to local interests. These are, in short, the characteristics of the third and current phase of monument construction, roughly since the end of the 2000s. A particular role falls to President Emomali Rahmon. He is the author of the official ideology through his discourses as well as his oeuvres on the Aryans and the Somonids (Rahmonov 2000–2002). While Somoni is meant to be the founder of the historical Tajik state, Rahmon appears as the founder of modern Tajikistan. Through this parallel, Somoni statues are always Rahmon statues, too (Nourzhanov 2001). Monuments to the honour of Ismoil Somoni began to proliferate all over Tajikistan some ten years after the first statue of the ruler was unveiled in the capital. Khujand is no exception to this. In 2011, on the occasion of the 20th anniversary of Tajikistan's independence, the president inaugurated a Somoni monument on the former site of the Lenin statue.

Other monuments built in recent years are also centred on nation-building education: in front of the Khokimiyat, on a platform above the river, a column with Tajikistan's coat of arms in gold and the national anthem inscribed just below was built in 2006 (Dopolnenie k informacii 2006). Another alley of busts of important personalities was inaugurated in 2012, leading from the theatre to the river, yet this time with an emphasis on national rather than regional heroes.

This period of frenzied nation-building through monuments goes along with a suppression of Soviet statues – nonetheless, the Khujand administration is very diligent with them. Unlike other removed statues, remainders of the Soviet past are not sold for scrap. The city wishes to establish a park with historical monuments around the already existing monument to Afghan war victims, and both statues have been placed there, alongside the Kirov statue which stood in front of the university that once bore his name (Na severe Tadžikistana pamâtniki kommunističeskij 2011) – a development which would be unthinkable in the capital.

Far away from the capital, it is even possible to open a new monument honouring the Soviet past, provided there are powerful sponsors and a semi-private setting. In 2010, the Russian consulate assisted in setting up a monument in the courtyard of the High school Nr. 1, ‘from the thankful Tajik people – to the first Russian teachers’, who ‘in the first years of the establishment of Soviet rule in Tajikistan did not fear Muslim fanatics, and laid the foundation for a new Soviet school and a new system of education’ (V Hudžande otkryt pamâtnik pervym 2010). This only could happen because Khujand is not the national capital: in spite of all its ambitions for representation, on the periphery there is still some room to accommodate the past, but also to negotiate one’s range of manoeuvre where possible.

#### **4. Conclusion**

Khujand in northern Tajikistan and Osh in southern Kyrgyzstan have served as the backdrop for an exploration of peripheralization processes in post-Soviet Central Asia, which cannot, as we have shown, be reduced to one decisive factor. Peripheralization evolves as a multi-faceted process: locational ‘hard facts’ play a significant role. Due to almost impassable mountain ranges, both regions have experienced historic trajectories other than those of the capital regions, and, since independence, are able to maintain a certain degree of – unofficial – autonomy. The natural barrier further deepens the division of elites into ‘northern’ and ‘southern’ fractions competing for power in the capital (in the case of Tajikistan) and in the region (in the case of Kyrgyzstan). Huge infrastructure investments were employed in order to establish stable links between both parts of the countries by means of road tunnels and power supply lines, which served as the means of overcoming peripherality, but must also be seen as elements of regional elites’ manoeuvres and political games. In the case of Osh, millions of dollars were invested in the aftermath of conflict, in order to overcome the post-conflict situation. In this post-conflict transformation process, the regional elites played a crucial role in distributing resources.

A second facet of peripheralization, which all too often appears natural, are borders. As we have argued for the Ferghana valley case, the logics of border regimes changed dramatically with the republics’ independence.

Bazaar trade and other trans-bordering activities could have become important factors in strengthening the political weight of peripheral ruling elites vis-à-vis the central government. However, the ever-harsher border regimes have severely limited these economic opportunities. As of today, the political weight of regional elites is more connected to successfully mediating or exploiting border conflicts than to economic well-being. Following independence and stiffened border regimes, the nation-state level turned to be the major reference point for local elites. This exacerbated competition for power in the capitals, which have become the only option for getting access to the 'outside world' and its resources.

As well as mountain ranges and border regimes, we have addressed peripheralizing academic and political discourses and their local internalization. The paradigm of backwardness clashes with Soviet promises of modernity, the former being the argument for attracting investment from the centre in the name of the latter. After independence, the paradox has not been solved, but the claims are directed towards the capitals rather than towards Moscow. In this context, local actors seek tactics which allow them to turn peripherality into an asset. Here, we observe two diverging patterns of dealing with peripherality. In Kyrgyzstan, local leaders (such as the 'national patriot' mayor of Osh, Mirzakmatov) strongly affirm regional identity and lay 'southern' claims on the capital. The Khujandi elites, meanwhile, subtly test possibilities of regional affirmation in the framework of an increasingly authoritarian central state.

## Notes

1. The research for the Khujand case, on which part of the present chapter is based, was generously supported by the German National Academic Foundation.
2. The city of Osh has 260,000 inhabitants (as of 2012; see Nacional'nyj statističeskij komitet 2013: 94). The city of Khujand has 165,000 inhabitants (as of 2011; see Agenstvo po statistike 2012: 251).
3. The only road from Dushanbe to Khujand crosses two mountain ranges via the Anzob pass (3372 m) and the Shahristan pass (3378 m). A set of tunnels under the passes has been under construction since Soviet times. The structural works have been finished since 2006 and the tunnels are – in parts – open to traffic in a raw state: without lighting or water draw-off, which makes the connection still precarious and prone to interruptions. The road between Osh and Bishkek reaches 3600 m above sea level. The construction works are also finished, and there is a 2 km-long tunnel. This road goes through the Suusamyr valley, around the Toktogul Reservoir and Naryn River gorge, and into the broad Fergana valley.
4. Tajikistan has reportedly the highest contribution of transport costs to retail prices worldwide, according to a Tajik official (Interview TO 2010).
5. The 'larger' definition of Central Asia is still valid today. As a random, but not uninteresting, choice, UNESCO, the Lonely Planet guide for Central Asia, and the Humboldt University's department for Central Asian studies all include at least Afghanistan and Xinkiang in their definition.

6. The genealogical links are compatible with the party 'Ak-Jol'. Lineage-based party names such as Sanjyra and Ak-Jol represent both that party's programme and its obligation to support kin members within the party system. For the Kyrgyz, ancestors, patrilineage and genealogies constitute identity. Kyrgyz identity in public and private life is determined primarily by a person's membership of one of the patrilineal descent groups known as *uruu* and *uruk*. Political identity is formed through common patrilineal descent, as expressed through appealing to one's genealogy. Genealogy has become increasingly relevant in Kyrgyzstan, in part due to this process of nation-building, and in part as a result of the new freedom people have to express lineage identity, both orally and in writing, compared with Soviet times (Gullette 2010, Jacquesson 2010, Ismailbekova, 2014).
7. Born in 1969; Mayor of Osh from 2010 until his removal from office in January 2014.

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# 6

## Peripheralization through Planning: The Case of a Golf Resort Proposal in Northern Ireland

*Helen Carter*

### 1. Introduction

Policy processes such as planning play a key role in framing spaces and places through debate and decision-making, and in this way contribute to the construction of regions and places as central or peripheral. In this chapter I examine this process of peripheralization through planning in relation to a proposal for a golf resort in a rural area of Northern Ireland. Through the case, I show how peripheralization serves as a frame for decision-making in planning, and how peripheralization can contribute to legitimizing development.

The theoretical foundation for this chapter centres on discursive approaches to the construction of peripherality and the process of peripheralization. I investigate the way in which peripheralization occurs through planning using a discursive analytical approach, based on a framework introduced by Richardson and Jensen (2003). This framework focuses on language, practices and power-rationalities, and offers a link between textual analyses and materialities.

The case which I analyse is a proposal for a golf resort in the rural area of Runkerry, near Bushmills, Northern Ireland. The Runkerry golf resort, which was initially proposed in 2001 and received planning permission in 2012, garnered a considerable amount of attention in Northern Ireland due to its size and location, and was also opposed by a number of actors. Through the lens of peripherality, it is possible to examine the way in which the region is constructed discursively in this case, which I argue contributes to legitimizing the development.

The chapter begins with a discussion of theories related to the discursive construction of peripheries and peripheralization. This is followed by a brief presentation of the case study and the Northern Irish context within which the case study is based. The analytical frame of language, practice and

power-rationality is then introduced. In the analysis I examine the ways in which peripheralization is manifested in the language, practices and power-rationalities in the case. This leads to the conclusion of the chapter, stating that a peripheral region can be constructed discursively through planning, but also, in the case of the Runkerry golf resort, peripheralization contributes to legitimizing the development.

## 2. The process of peripheralization and planning

Within this chapter I approach peripheries and peripheralization from a discursive perspective, rather than working with functional or structural definitions. This view of the periphery, building on understandings of a socially and discursively constructed space, focuses on the creation of the periphery rather than an idea of absolute areas which can be defined through measurable parameters.

In this perspective, peripheries are often still viewed relative to a core, if only in terms of the idea that the periphery is ‘opposite to the main focus of attention’ (Danson and de Souza 2012: 7). Shields (1991) also highlights the important role of a core in terms of the discursive construction of the periphery, through his work on how ‘marginal’ places are constructed in core regions. Shields uses his socio-spatialization framework to examine how places are constructed through place myths and images, which then can be linked to the imaginable futures for these places, and the types of decision-making and policy deemed acceptable. In this manner, centre and periphery are ‘not constituted structurally but emerge discursively’ (Lang 2012: 1751).

These discursive focuses can be related to the concept of ‘peripheralization’, the construction of a periphery. Peripheralization can be defined as ‘a spatially organized inequality of power relations and access to material and symbolic goods that constructs and perpetuates the precedence of the centres over areas that are marginalized’ (Fischer-Tahir and Naumann 2013: 18). This definition frames peripheralization as a dynamic process by which a space becomes constructed as peripheral. An emerging literature, particularly based within Germany, looks at the way in which cities and regions are ‘peripheralized’ as the flipside of a centralization process (for example Ehrlich et al. 2012, Lang 2012, 2013, Kühn and Bernt 2013, Weck and Beisswenger 2013).

Lang (2012) has used the frame of ‘peripheralization’ to examine the contemporary research agenda regarding ‘shrinking cities’ in Germany. Such an approach goes beyond looking at urban planning initiatives to cope with the ‘symptoms’ of shrinkage, and instead focuses on ‘the impact of political debates and normative considerations linked to the strong metropolitan centres in Germany and the declining (mainly Eastern German) regions’ (Lang 2012: 1748). This peripheralization approach allows a broader understanding of how peripheries are created in society, as well as enabling us ‘to

better understand the emergence of socio-spatial disparities and the response of decision-makers as well as the room for manoeuvre which shapes these decisions' (Lang 2012: 1749). This link, between peripheralization processes and governance, is of particular interest in this chapter.

The idea of a 'room for manoeuvre' regarding regions or places which are peripheralized is key here. A number of authors have referred to the way in which particular discursive representations relate to the types of policies and actions which are then deemed possible in a particular region (Hechter 1975, Shields 1991, Richardson and Jensen 2003, Domański 2004, Eriksson 2008, 2010, Lang 2012). This resonates with points made by Hechter (1975) regarding the general way in which peripheral framings can lead to particular attitudes and decisions regarding certain regions, which can further reinforce both discursive and structural peripherality. Domański (2004) makes a similar point regarding imaginings of 'West' and 'East' in Europe.

Another aspect of moving beyond the purely functional definition of peripherality is to consider the different 'types' or 'elements' of peripherality which may be created. Paasi (1995), in his analysis of the social construction of peripheries, highlights a number of aspects with relation to the Finnish-Russian border region. These include political, economic, cultural and ideological peripherality. Luukkonen (2010) builds on Paasi's (1995) work, and uses five particular types (economic, political, social, physical and cultural) to examine territorial cohesion policies in EU member states. This serves to show the way in which peripherality is more than 'just' accessibility, for example, and in this case allows Luukkonen to examine the different understandings of peripherality in policy. The employment of different elements of peripherality aptly allows an examination of the way in which a region can be peripheral in one sense, but not necessarily another (Paasi 1995, Luukkonen 2010). Furthermore, these different dimensions of peripherality can 'fuel each other' (Luukkonen 2010: 450).

In this chapter I focus on the dynamic process of peripheralization in a planning case, which, in turn, illustrates the way in which particular constructions of space influence this type of decision-making. Richardson and Jensen (2003) have discussed analysing policy-making in a discursive manner, and here they place focus on three aspects of discourse: language, practice and power-rationality. This approach encompasses a broader understanding of discourse than merely language, and is appropriate for attempting to understand the links between discourse and the 'room for manoeuvre' which policy-makers within a certain discursive landscape may have. Richardson and Jensen's (2003: 16) 'discourse analytical framework' is conceptualized as 'an operational and analytical tool for probing the ways in which spaces and places are re-presented in policy discourses in order to bring about certain changes of socio-spatial relations and prevent others'. Using this framework, it is possible to examine how different elements of peripherality are created within the planning case in question and how this

links to certain actions. I will introduce the details of this approach with respect to the analysis later.

Before presenting the analysis itself, it is appropriate to briefly introduce the case and the context of Northern Ireland, and this is where I will move now.

### 3. Planning and public policy in Northern Ireland

The Runkerry golf resort case is located in Northern Ireland, which necessitates some discussion of the background to policy and planning in this region. Northern Ireland has, of course, been notorious internationally in recent decades due to the sectarian conflict in the region. Although this is not in any way the main focus of this chapter, it is an aspect of Northern Ireland's history which contributes significantly to the policy context today: as Paasi has stated, peripherality is a 'contextual category' (Paasi 1995: 253).

Northern Ireland remained a part of the UK after the partition of Ireland in 1921. The region was largely under self-government until 1972, when civil rights protests and growing political instability led to the instigation of direct rule from Westminster. This remained the case until 1998, when the Belfast Agreement restored self-government in the region. In the following decade, the return to self-government was not a smooth process, with a variety of political conflicts leading to the suspension of the assembly and the reinstatement of direct rule in a number of periods. The current Northern Ireland Assembly has been continuously operational since 2007.

The years of direct rule and sectarian conflict have significantly affected policy-making and planning, including spatial policy, in Northern Ireland (Ellis and Neill 2006). Under direct rule, all planning functions were collected within Northern Ireland's Department of the Environment (DOE) rather than at a local level. Although there are 26 local district councils in Northern Ireland, the growing political instability and 'allegations of the misuse of local powers especially in the fields of housing and planning' (Berry et al. 2001: 784) led to this central concentration of planning powers in the 1970s. The problems of planning in an increasingly divided society led to the planning system in Northern Ireland 'becoming heavily technocratic and relying on the notion of a unitary "public interest" as its guiding light' (Ellis and Neill 2006: 128). Reforms of public administration and planning in Northern Ireland are underway, but were not realized in the time-scale of this case.

Northern Ireland's history and its current post-conflict period continue to affect the general framings of policy. The difficulties this involves are apparent at many levels, from overall strategic policy to apparently more mundane issues such as planning permission. Turner (2006) points to the 'operational crisis' in which the planning system finds itself today in Northern Ireland, as it is 'quite literally being overwhelmed by an enormous surge in operational pressures' (Turner 2006: 81).<sup>1</sup>

#### 4. The Runkerry golf resort case

The focus of this chapter is a proposal for a golf resort on the north coast of Northern Ireland. This is a rural area, about 95 kilometres by road from Belfast, situated in the jurisdiction of Moyle District Council. The site is currently an area of agricultural land and sand dunes behind Bushfoot Strand, close to the villages of Bushmills (approx. 1300 inhabitants, 2001) and Portballintrae (approx. 700 inhabitants, 2001).

The proposal for the resort includes a links golf course, clubhouse, golf academy, hotel and guest suites. The first planning application was submitted in 2001, and this was then renewed in 2007. The proposal was treated under 'Article 31', a special procedure for large projects, meaning that the final decision lay with the environment minister. Permission for the proposal was granted in 2012. This decision was subsequently taken to judicial review by the main opponent to the proposal, the National Trust, and the decision in favour of planning permission was upheld in early 2013.

It should be noted that although the focus here is on the current proposal, the idea for a golf resort in this area has existed for longer. Two enquiries regarding golf/hotel developments in the area were received by the Planning Service in the 1990s (Strategic Projects Team 2012), and the Northern Ireland Tourist Board (NITB 2011) has listed a golf resort in this area in its strategic plans since the 1990s as well. The 2001 regional development plan for Northern Ireland, prepared by the Department for Regional Development, includes a general designation of this area for an international golf resort (DRD 2001).

The current proposal has received a substantial amount of media attention and discussion in Northern Ireland. The reasons for this can, of course, be discussed, but are likely to be related both to the procedure and to the proposal itself. The length of time this application was within the planning system has received some attention, particularly in light of a more general dissatisfaction with the operation of the Planning Service in Northern Ireland (Turner 2006). The proposal also received some comparison to plans for a golf resort in Aberdeenshire in Scotland, which is now under construction, and was funded by American Donald Trump.<sup>2</sup> Furthermore, aside from a focus on golf tourism more generally in Northern Ireland, this proposal has more recently been linked to the prominence of a number of local golfers in the professional game. Finally, what became one of the key factors in the debate surrounding this planning application is the proximity of the proposal to the Giant's Causeway, a natural promontory of regular hexagonal basalt rocks extending into the sea. The Giant's Causeway has been a UNESCO World Heritage Site since 1986 due to its unique geology and natural beauty, and the coastline in this area more widely was designated as an Area of Outstanding Natural Beauty by the DOE in 1989.

A number of government agencies and public departments were consulted by the Planning Service regarding the application. The most significant of these in terms of support or opposition to the proposal were Moyle District Council and the NITB, both of which strongly supported the proposal, and the Northern Ireland Environment Agency and the Northern Area Plan Team, both of which recommended against permission being granted. The former were particularly keen on the potential economic and tourism advantages of such a golf resort, whereas the latter were concerned with the environmental impact and the fact that the proposal went against, or was premature in terms of, a number of designations suggested to protect the area in the draft plan (Planning Service 2005). Outside of the formal planning process, UNESCO also expressed concerns regarding the development, with some disagreement on the process and the information made available to them, and requested in 2012 that the planning process be halted until the impact of the golf resort on the Giant's Causeway was assessed (UNESCO World Heritage Committee 2012). This also reflects a wider issue regarding a lack of statutory controls for World Heritage Sites in the UK (Cullingworth and Nadin 2002).

A public consultation was also carried out, with responses from both individuals and organizations, again both in support of and against the application. Letters of support were mainly written by individuals, mostly showing enthusiasm for the economic potential of the proposal. The most prominent actor to object was the National Trust, owner of the Giant's Causeway and operator of visitor facilities there, and this was also the actor which eventually brought the judicial review against the planning decision. Friends of the Earth were also vocal, both in the consultation and in the media, regarding their objections to the proposal on environmental grounds. A small number of local community groups also called into question points surrounding the proposal, from specific environmental concerns to questions about the real economic benefits.

## **5. Analysing peripheralization and planning**

The framework I am using in the analysis was briefly introduced above, relating to language, practice and power-rationality. These three aspects are not on an equal footing with one another. Richardson and Jensen (2003: 17) view language and practices as the objects of investigation through policy discourses, which, in turn, can 'reveal their underlying power-rationalities'. Language is investigated through the re-presentations in policy documents of 'actions, institutions or physical artefacts, attributes or relations' (Richardson and Jensen 2003: 17). The focus on practices places a wider focus on the policy process and its institutions, actions and practices (Richardson and Jensen 2003). Finally, the investigation of power-rationalities focuses on the combinations of different language and practices which create discourses

around space and place. These rationalities are also ‘implicitly acts of power in that they are attempts to govern what sort of social actions are to be carried out and what are not’ (Richardson and Jensen 2003: 19).

More concretely, the examination of language will be based on documents surrounding the planning application and case, and the language used to describe space and place within these. The examination of practices will look at the structures, institutions and decisions which surround this planning case, and the way in which peripherality is created through these. Finally the analysis of power-rationality will build upon the analysis of language and practices, looking at the overall discourse frames related to peripherality within the debate on this case.

The following analysis is built on selected documents surrounding the case. This includes documentation in the planning application from 2007, as well as the consultation response and letters of support and objection from the public, and the final judgement from the judicial review of the planning application. A number of news articles from the Northern Irish media will also be included to support the analysis, sourced from a general database search of regional and local newspapers in Northern Ireland. Finally, other policy documents which relate to issues in the planning application are mentioned in the analysis.

### **a. Language**

Much of the language surrounding this planning case constructs an implicit idea of the region as an economic periphery, which could and should be developed further. This is partly related to a construction of particular ideas about the future, if the golf resort project were to go ahead, whereby Northern Ireland would benefit from being more central in a golf tourism economy. The other side of this construction of the future is the implicit threat that the region will ‘lose’ these benefits and continue to be economically peripheral if the project is not realized. Two particular words which recur in discussions surrounding the application related to this economic peripherality are ‘potential’ and ‘jobs’.

The economic ‘potential’ of the region is highlighted in a number of places in the planning application and supporting documentation. The Economic Impact Assessment submitted with the planning application for the golf resort states from the start that the project is ‘aimed squarely at exploiting the undoubted potential of NI’s [Northern Ireland’s] golf tourism’ (Smyth 2011: i), contributing to a construction of a more centralized future for the region. Later in the Economic Impact Assessment, Northern Ireland is referred to as the “Cinderella” of the UK tourism market with only one or two attractions considered to be worth seeing [...] but with no reason for tourists to stay’ (Smyth 2011: 26). Again, this constructs an idea that Northern Ireland is currently economically peripheral, specifically in terms of the tourist economy and golf tourism, but has the possibility to change this in the future.

Of the various government departments and agencies consulted in the planning process, the NITB also puts emphasis on this 'potential', and relates this to the region surrounding the site of the project, stating that 'if the Causeway Coastal Route is to realize its full potential as a world class destination, private and public sector investment is a prerequisite for the delivery of sustainable visitor facilities and attractions' (NITB 2011). Once again, the possibility of a more economically centralized future is being raised, here with the idea that this region can be a 'world class destination', with the implication that it is currently peripheral in this regard.

In newspaper reports the language of 'potential' is also evident at times, including in the very early days of the proposal, when the *Belfast Telegraph* reported the agent behind the application as saying that 'Northern Ireland needs a major destination resort to fully maximize the potential of its various tourist attractions' (*Belfast Telegraph* 20 October 2001). A few months later it was stated in the same newspaper that 'if it is given the green light, it will provide a massive economic boost to the region, particularly the village of Bushmills' (*Belfast Telegraph* 2 January 2002). More recently, in the sports section, it was stated even more strongly that this resort 'possibly holds the key to unlocking a goldmine of potential around the entire north coast area', and that this area could 'become the golfing capital of the world' (*Belfast Telegraph* 22 February 2012c). This type of language, for example the reference to a 'goldmine of potential', illustrates further the seductive ideas about the future of the region which are evoked within the discussions of the planning application.

Another aspect of language which relates to this economic peripherality is 'jobs'. The discussion of jobs can be linked to the discussion of 'potential', in that it also constructs a particular idea about the future, although in this case the jobs are more specifically related to the local area surrounding the site of the project, rather than the economic 'potential' which is conceptualized more widely for Northern Ireland as a region. This can, for example, be seen in the support of Moyle District Council for the resort, which in the final report of the Planning Service on the application is paraphrased as having 'expressed full support for the proposal' and that 'the scheme will bring much needed jobs to the Bushmills area' (Strategic Projects Team 2012: 10).

Jobs are also mentioned in some of the letters of support from individuals which were received by the Planning Service; for example, one person states that 'this project will create a number of temporary jobs in the building sector when the golf course is being built and then after it is built many permanent jobs will be created for people working on the course or in the hotel' (Planning Service 2007: Representation Letter). Another, similar letter states simply: 'Jobs and futures depend on this' (Planning Service 2007, Representation Letter).

The discussion of jobs is made even more specific by the use of various numbers, serving to construct this less economically peripheral future even more persuasively. Particularly in newspaper reports, a specific number of



expected jobs is mentioned, often attached to descriptions of the project. This number also differs slightly at different time periods, illustrating some of the uncertainty around these numbers. For example, an early report refers to the ‘creation of a £45m golf resort along the Causeway Coast – and with it 300 new jobs’ (*Belfast Telegraph* 20 October 2001), or the ‘proposal to create a “golf resort” which could bring more than 250 new jobs to the Causeway Coast’ (*Newsletter* 3 March 2005). A number of more recent reports, in 2012, also refer to an expected ‘360 jobs’ to be created by the resort (for example, *Belfast Telegraph* 7 June 2012b, 20 June 2012a, *Newsletter* 28 June 2012).

This discussion of jobs in the media also includes an explicit focus on unemployment in the local area, particularly the village of Bushmills, with an implication that jobs created by this resort will be filled by these locals. This was the focus of a story in the *Belfast Telegraph* on the reception of the final planning decision in Bushmills, where it was stated that

One word was used by every person we spoke to in the small Co Antrim town dubbed ‘the gateway to the Causeway Coast’ – jobs. [...] Residents see the new 365-acre resort – which will be situated a mile outside Bushmills in an area known as Runkerry – as its future lifeblood. [XX], who is currently unemployed, said it was long overdue.

(*Belfast Telegraph* 1 March 2013)

Therefore, the language used surrounding jobs and current unemployment serves to economically peripheralize the local area as well as the region, and contributes to construction of a future which could be more economically ‘central’ if this project were realized.

## **b. Practice**

The practices surrounding this case which contribute to a construction of peripherality are mainly related to the peripheralization of the local area from the planning process. In this way, these practices create a social and political peripheralization, related to the regions and types of knowledge which are involved in the decision-making process. The practices which I will highlight here include the centralized planning system in Northern Ireland, planning procedures related to Article 31 procedures, and the consideration of economic analyses in the planning process.

As mentioned in the introduction to the case, the Northern Ireland Planning Service is a centralized government agency. This could contribute to a political peripheralization of local areas, as local councils and other local bodies are involved in planning processes as consultees or respondents to this centralized system. ‘Article 31’ planning procedures were also applied in this case, on the grounds that it would involve ‘a substantial departure from the development plan for the area to which it relates’, that it would ‘be of significance to the whole or a substantial part of Northern Ireland’,

and, finally, that it would 'affect the whole of a neighbourhood' (Strategic Projects Team 2012: 30). This contributes to further peripheralization in the decision-making, whereby it is moved to ministerial level rather than resting with the Planning Service.

Another practice peripheralizing the local area relates to the type of knowledge which is considered within decision-making. This can be seen in particular in the treatment of the Economic Impact Assessment. In the case for judicial review brought by the National Trust against the decision to grant permission for the resort, one of the challenges raised was that the treatment of the economic case was insufficient; however, the court decided that it could not intervene on this matter. In the final decision from the court, it was stated that

A full economic appraisal cannot be shown to be a mandatory consideration. The Department completed what was considered to be a sufficient economic impact assessment. I am not satisfied that any ground has been shown on which to set aside the approach that has been taken by the Department.

(Wetherup 2013: §96)

This statement illustrates a practice which places in-depth analysis of the economic arguments out of the scope of the planning process, and positions the 'strategic' aim to create economic development and employment as sufficient, once again constructing the region as economically peripheral. This is related to the broader role of judicial reviews in the UK planning system, from which powers to intervene in the substance of planning are excluded (Cullingworth and Nadin 2002), despite a growing use of judicial review procedures by those disputing planning cases (Allmendinger and Haughton 2012). In this case, it means that economic growth is considered strategically important and that this is somewhat unquestionable, illustrating again some anxiety regarding economic peripherality.

These practices, like the language of 'potential' and 'jobs', contribute to a construction of economic peripherality, and an assumption that the future must be oriented towards creating further economic growth in the region. This links to the next point, regarding the overarching power-rationality which is apparent in the case.

### **c. Power-rationality**

The power-rationality within the case which I highlight in this analysis is the need for economic development in a peripheral area. The language and practices within the case which I have analysed support this rationality, which evokes a possible 'future' of greater economic centralization, particularly in terms of tourism and employment, while implicitly constructing the region (both Northern Ireland as a whole and particularly the local area)

as currently economically peripheral. This is furthered by practices in the planning system which politically peripheralize the local area, and place decision-making at a centralized level.

This can be placed in a wider context of public policy in Northern Ireland in recent years, where Graham and Nash (2006) highlight attempts to create some kind of 'neutral' frame for the future of Northern Ireland, but in doing this there is a strong focus on a neoliberal rationality. This includes aspects such as the "normality" of economic individualism, choice, competition and class-based social differentiation' (Graham and Nash 2006: 270). This can be related to the rationality of a need for economic development in a peripheral area, where the language and practices reinforce an idea of economic growth as the priority for a 'normal' society.

This rationality of the need for economic development also contributes to a lack of nuanced debate surrounding the planning application. Particularly in the media, the discussions of the proposal are quite focused on either the perceived economic benefits or the environmental costs, which in many ways is typical of a planning case of this type. However, when this is coupled with the construction of economic peripherality, the rationality of the need for economic development becomes a strong legitimating argument for development. In this case, such a framing can contribute to making a proposal such as this golf resort even more desirable for decision-makers.

## 6. Conclusions

Peripherality can be constructed discursively through decision-making processes such as planning. This conclusion both supports the literature with a focus on the discursive construction of peripherality, and extends it by using planning as a process through which to study its construction. The language and practices surrounding the Runkerry case are in many ways not unique; however, the case serves to illustrate the manner in which economic peripheralization offers an implicit legitimation for development in the periphery. Peripherality is constructed through the discussions and debate surrounding the case, but also supports the rationality that the golf resort is the best option.

The Runkerry case also illustrates some different scales of peripherality, as Northern Ireland as a region is peripheralized economically, while the local area surrounding the site itself is peripheralized politically. The golf resort is legitimized by an implicit construction of economic peripherality (and an idea that the future could be different), and then political peripheralization of the local region makes any kind of nuanced local response to the application difficult. These peripheralization processes affect the 'room to manoeuvre' (Lang 2012: 1749) of decision-makers, as the construction of the region as economically peripheral, and the local region as peripheral within that, makes the decision in favour of the golf resort seem the most rational.

The analysis of the language, practice and power-rationalities which contribute to constructing peripherality in this case also shows the potential for examining peripheralization through planning cases. Planning cases provide ‘moments’ in which particular understandings about a region are constructed, either to legitimate development, as in this case, or potentially to argue against particular development proposals. This illustrates the fundamental power relations which are expressed spatially through peripheralization processes (Fischer-Tahir and Naumann 2013). The peripheralization of a region can frame a planning case, but can also be constructed through the discussions and debates within a planning case.

## Notes

1. For more in-depth information on the UK and Northern Irish planning systems, see, for example, Cullingworth and Nadin (2002) and Berry et al. (2001).
2. For more on this case, see Jönsson (2014) and Jönsson and Baeten (2014).

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## **Part II**

# **Role of Diverse Socio-Political Agents in the Production of Peripheries**

# 7

## Rural Peripheralization – Urban Polarization? The Significance of Gendered Mobility in Central Germany

*Tim Leibert, Giulia Montanari and Karin Wiest*

### **1. Peripheralization, polarization and the production of gendered space**

Societal changes, uneven spatial development and gender issues are intertwined in several ways (Massey 1994: 1ff.). Recent studies show that especially remote and economically weak regions in Europe have been affected by age- and gender-selective out-migration, leading to unbalanced sex-ratio structures with a shortage of young women (Wiest and Leibert 2013: 457–8). Changes in gendered migration patterns are considered to be an outcome of structural changes such as rising female labour force participation, the transition from industrial to post-industrial economies, the growth of the information society, and basically new frameworks for social relations in a globalizing world (ESPON and Leibniz-Institut für Länderkunde 2013). In particular, highly qualified women supposedly favour residential locations in inner-city areas due to favourable conditions in the labour market and the possibilities for reconciling job and family life. Against this backdrop, the rising attractiveness of urban core areas as a residential location for families has been considered as a consequence of changing gender relations. The underlying assumption is that living in certain spatial environments is related to certain notions of being a woman or a man (Berg 2004: 137), or, more specifically, to a certain notion of arranging family life. Taking this into account, the present chapter refers to the assumption that the differences between and within places, including the production of core-periphery relations, ‘are all part and parcel of the social constitution of gendered social relations and the structure and meaning of place’ (McDowell and Sharp 1997: 2–3).



Recent scientific approaches dealing with the construction of peripheries take the relational and dynamic nature of peripheralization into account and emphasize several key processes in the production and reproduction of peripheries (Keim 2006, Kühn and Weck 2013). Processes of selective migration and the loss of the most capable part of the population are considered to be a key indicator and common feature of peripheral regions (Kühn and Weck 2013: 41). Further dimensions of peripheralization are mutual dependencies between core areas and peripheries and the uncoupling of socio-spatial development from a prevailing centralization. A process of stigmatization based on a negative self-image and unfavourable perception by others, leading to a downward spiral, is emphasized as another important feature of peripheralization (Kühn and Weck 2013: 39). Spatial discourses, mutual dependencies and migratory movements as key dimensions of peripheralization also have a gender dimension.

In this context, we shed light on gendered processes of peripheralization and polarization by analysing sex-selective migration patterns and by considering discursive constructions of space with regard to gender issues. In this context, it should be highlighted that typical dichotomies such as 'rural'/'urban' or 'core'/'periphery' do not reflect the social and built reality. The same applies to the pluralization of the category 'gender' and the dichotomies of masculinity and femininity (Berg 2004: 136). The deconstruction of these established categories makes the analysis of dichotomously structured representations the focus of research (Massey 1994). Also, migratory movements and spatial discourses related to peripheralization and polarization appear on different scales, within regions and metropolitan areas as well as between regions. They mirror basic societal and economic structures and relations in different contexts. In order to address the intersections and interdependencies of diverse spatial processes on different scales, this chapter aims to establish a link between large-scale processes in growing and declining regions, on the one hand, and small-scale processes of gentrification and marginalization within urban areas, on the other hand.

In the first part of the chapter (sections 2 and 3), a literature review will be presented with regard to possible impacts of gender issues on processes of spatial polarization and peripheralization. By considering spatiality as the product of intersecting social relations, the focus is not on spatial structures per se, but on societal communication and spatial behaviour that produce specific spatial patterns. Discursive constructions and migration processes are considered in order to explore the interrelations between constructs of 'periphery' and 'gender'. Here we assume that core-periphery relations are reflected in sex-selective mobility, the production of space for different gender relations (McDowell and Sharp 1997, van den Berg 2013) and the emergence of a shortage of women in economically weak rural areas (Wiest and Leibert 2013). In the empirical part of the chapter (Section 4), we will analyse the age and sex-specific patterns of migration in Central Germany

(Saxony, Saxony-Anhalt and Thuringia) with a specific focus on migration streams between the urban core areas and rural municipalities. Against this backdrop, we will also consider how young women and men perceive their rural home region, and investigate to what extent rural East Germany has been constructed as a male periphery. Taking the relational character of peripheralization into account, the inner-urban housing decisions of young women and men in Leipzig will be analysed in the second part of Chapter 4 (sections e and f) as a counterpart to the processes in rural Central Germany. Here, we refer to the term 'genderfication' to highlight the gender dynamics in housing preferences as well as urban development strategies that try to change the gender composition of the city (van den Berg 2013).

## 2. Peripheralization related to sex-selective migration

Young people who grow up in peripheral rural regions have to deal with the fact that the availability of jobs or educational institutions is very limited; young women and men react differently to this challenge. Whereas young women tend to leave their rural home regions, many young men prefer to stay or commute. These sex-specific differences in migration behaviour have led to a 'lack' of women in many peripheral rural regions across Europe (ESPON and Leibniz-Institut für Länderkunde 2013). Several studies prove that age and sex-selective migration is a general feature of rural regions in industrialized countries (Ní Laoire 2001, Alston 2004, Camarero et al. 2009). It is a *reason* for peripheralization due to the regions in question losing the people they most need for sustainable endogenous social, economic and demographic development. At the same time, selective migration is also a *result* of peripheralization, because a significant proportion of the young people (and their parents, peers and teachers) believe that there is no bright future for them in their native regions.

This perception is closely linked to processes of *economic* polarization and peripheralization. A lack of attractive jobs, which is caused by the industrialization of agriculture, deindustrialization, and the withdrawal of public and private sector services (Alston 2004: 300) providing the kind of jobs to which women are usually more attracted, is probably the most important cause of selective migration. This combination of economic restructuring and out-migration sets a downward spiral into motion which leads to a disintegration of rural societies and a declining quality of life (Weber and Fischer 2010: 91). As well as this socio-economic downward spiral, there are two other dimensions of the reciprocal relationship between selective migration, on the one hand, and polarization and peripheralization, on the other. The first is education. Young women are more inclined towards training and education and tend to reach higher educational levels than rural young men. Some authors claim that the education system is 'designed for those who leave' (Corbett 2009: 1), 'promoting the abandonment of rural life and sacralizing

the values and forms of urban life' (Camarero et al. 2009: 51). This would, in consequence, result in a progressive distancing and uprooting of girls and young women from rural lifestyles and the values and aspirations of young men. The rural dilemma, in a nutshell, is that young women react to the social and economic conditions in their home regions by investing in formal education, which, in the circumstances, increases the odds of leaving. Their skills and qualifications, on the other hand, are essential for economic and social diversification, which would increase the attractiveness of their home regions for economic investors. Sex-selective migration is closely connected to socio-economic change in rural regions, especially to the gradual disappearance of the 'traditional' family model of the male breadwinner and the female homemaker. A good education is increasingly regarded as essential for girls (but often not for boys), which leads to a growing gender divide and diverging life plans of young rural women and men (Ní Laoire 2005: 102).

The second dimension of sex-selective mobility is a *social and cultural* polarization and peripheralization. Rural out-migration may be motivated by the quest for the increased personal freedom urban lifestyles offer and dissatisfaction with social control and the absent or hesitant economic and social progress in rural areas (Dahlström 1996: 262). In studies dealing with gendered perceptions of rurality, a gendered image of the countryside is discussed, which gives predominance to masculine activities and symbols. This implies that women 'feel less "at home" with the rural social fabric' (Rye 2004: 5) and favour the anonymity of urban environments. In this context, Dahlström (1996) analyses the socially constructed space in rural regions in Norway forcing young women to out-migrate. She describes the life world of a 'male periphery', which is dominated by male activities and offers few modern role models for young women. When considering moving from the city to the countryside or from the countryside to the city, men and women take constructions of spatial masculinity and femininity into account: 'They assume that to belong to the rural community is to comply [...] with accepted notions of being a woman or a man' (Berg 2004: 137). The concept of 'rooted' and 'routed' femininities and masculinities (Ní Laoire and Fielding 2006) is a theoretical framework to explain the causes of this cultural alienation and the way young people deal with it. 'Rooted' masculinities represent the traditional rural gender order. Femininity is connected to the domestic sphere, while the public spheres of work and leisure are perceived as the domain of rural men. 'Rootedness' is, in many cases, performed through practices which exclude young women and some groups of young men, such as organized sports, drinking at the local pub or farm work. This may lead to an alienation and marginalization of certain groups of rural youth. They may choose to become 'routed', that is, to construct identities that are socially and/or culturally rooted in urban areas. The formation of an urban identity can be connected to out-migration (Ní Laoire and Fielding 2006: 110–16). The higher 'routedness' of women may also be a result of

gender-related differences in socialization. Rasmussen argues that women are much more open to change and the socio-economic changes which are connected to the emerging knowledge economy. In other words, rural women learn to embrace change during their socialization, whereas rural men are 'socialized into path-dependency', which makes it difficult for them to accept and deal with change (Rasmussen 2011: 247). The way in which these processes influence a gendered production of space, through gendered migration and housing decisions within urban areas, will be discussed in the next section.

### **3. New gender relations and the production of urban space**

Societal changes and new economies not only imply new gender roles, but are also directly related to new forms of spatial organization. The rising female labour force participation in the frame of a service-based, post-industrial information society is directly linked to changes in the everyday life of families, and in this way to new demands on the housing market. For instance, it has been supposed that the pluralization of households and living arrangements and the spread of 'non-traditional' family forms fuel the trend to return to or stay in the city (Buzar et al. 2005). At the same time, the preference of young middle-class families for suburban lifestyles in detached houses seems to have fallen into a crisis. Häußermann (2009: 55) argues that suburban living requires a full-time worker: the homemaker. In living arrangements of double-earner households that are based on commuting to workplace and schools, it is not only difficult to coordinate everyday tasks but also to find a place of residence that is satisfying for both partners in terms of travel distances. Responsibility for children limits the distance a woman can journey to work (Hanson 2010). In this context, the new demand for inner-urban housing has to be considered as an expression of specific lifestyle preferences and consumer patterns of middle-class families. With regard to the gendered nature of family migration mentioned above, we can assume that those trends have an impact on the organization of daily life and the residential mobility of families. Family-oriented women with a preference for traditional gender roles will be more likely to move to rural and suburban regions, whereas career-oriented women and couples with more egalitarian gender role models can be assumed to stay in the urban areas, and specifically close to the city centre. A study about young parents living in inner-city neighbourhoods shows that, beyond practical considerations, a bias towards urban lifestyles and the rejection of traditional family and role models that are connected to living in suburbia are also related to urban housing preferences (Karsten 2009). Frank (2012: 77) equates the social uniformity of recent inner-city middle-class enclaves with the social significance of suburban neighbourhoods in the industrialized society. Van den Berg (2013) points out that the spatial organization of the

city is a reflection of dominant gender ideals. Against this backdrop, it has been argued that changes in gender relations and in the position of women, both in the family and in the paid labour force, have also been influential for gentrification processes (Bondi 1991: 190). This brings to the fore the question of to what extent gender identities are constructed and expressed through gentrification processes (Bondi 1991). With regard to urban policies in Europe, women and families currently play an important role as gentrification pioneers. To highlight the gender dimensions of this process, and to refer to the production of space for different gender relations, Van den Berg (2013) proposes the term 'genderfication'. In order to highlight how ideas about the social structure of space and place are partly related to issues of gender, she states that urban policy in Rotterdam utilizes femininity as a marketing strategy as well as a tool for construing a hegemonic gender identity capable of excluding lower-class groups:

Rotterdam aims to present itself as a culturally interesting city in large part because the idea is that the attraction of a creative class will lead to a job. Just as the entrepreneurial is most often associated with the masculine, the creative is associated with the feminine. Not only are employees of the service and creative sectors women far more often than in other economic sectors, the 'creative' itself is considered a feminine trait. The masculine entrepreneur that is Rotterdam thus has to get in touch with its feminine side in order to attract much desired feminine creativity.

(van den Berg 2013: 73)

#### **4. The production of gendered core–periphery relations – empirical findings in Central Germany**

In order to shed light on urban–rural relations and processes of peripheralization with a gender perspective, we will refer to the results of two different research projects. The ESPON project SEMIGRA (2010–12) dealt with processes of sex-selective migration throughout Europe. The analysis revealed that rural East Germany in particular has been affected by a loss of young women (ESPON and Leibniz-Institut für Länderkunde 2013). These findings are supplemented by results from a survey on housing decisions within the city of Leipzig.<sup>1</sup> Here, an analysis of migration data and the results of a survey in selected neighbourhoods are considered from the perspective of gender-related housing decisions. The idea behind juxtaposing the results of different projects is to examine the opposing sides of uneven spatial development in Central Germany, to study polarization on different scales, and to explore the question of to what extent gender is related to the production of core–periphery relations – be it on a regional or an inner-urban scale.

### a. A male periphery in rural Central Germany?

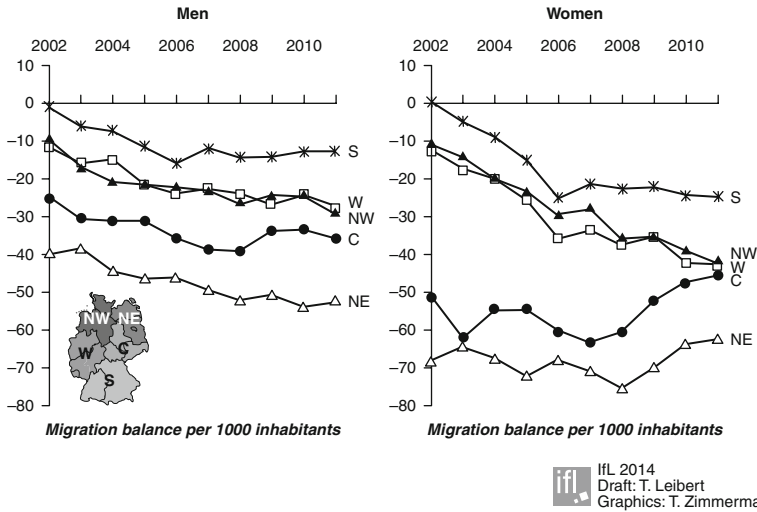
It is a common feature of rural regions in industrialized countries that migration is selective, with regard to both sex and qualifications. Those who move away seem to be predominantly female and highly qualified, while those who stay behind tend to be male and those with fewer educational qualifications (Ní Laoire 2001: 220). Given the extraordinary sex-selectivity of the out-migration from rural Central Germany in the last 20 years and the resulting 'deficit' of young women, we will address the question of whether this 'rural exodus' of young women is the result of very traditional gender relations. The concept of 'male peripheries' implies that women are marginalized in all aspects of life, especially in the labour market, in the political sphere and with regard to leisure activities. Another aspect is a preponderance of 'traditional' gender roles in family life. Before we answer the question of whether rural East Germany can be considered a 'male periphery', we will give a short overview of the demographic context and region-specific explanations for the 'rural exodus' of young women.

### b. Population development and sex-specific migration in Central Germany

East Germany is facing severe demographic challenges, which are a combination of depopulation, ageing, out-migration of young adults and a distinctive 'lack' of women in the younger age groups. This accumulation of demographic problems is unique in Europe (Leibert and Lentz 2011: 42–4). The root cause of depopulation and ageing is age- and sex-selective migration. Young women have been more likely to leave East Germany since reunification (Gerloff 2004: 224). A comparison of the migration patterns of 18- to 25-year-old women and men in sparsely populated rural districts by macro-region<sup>2</sup> (Figure 7.1) shows that out-migration rates in East Germany are still considerably higher than in West Germany. The figure also clearly depicts the pronounced differences in migration rates of women and men in East Germany until 2008.

The sex-selectivity of out-migration from East Germany has decreased since 2008. Two diverging trends are responsible for this development: an increase in the out-migration rates of young men and a decrease in the rates of young women. The latter trend is quite remarkable, since the out-migration of young women and the sex-selectivity of out-migration from sparsely populated rural regions in West Germany has increased noticeably in recent years. It seems that sparsely populated rural districts in general are increasingly less attractive for young people, and especially for young women. In this regard, the reversal of the trend in rural East Germany is rather surprising.

The result of sex-selective migration in Central Germany is a polarized pattern of local 'surpluses' and 'deficits' of women in the 18–30 age group, which covers the stage in the ideal-typical life course between leaving school



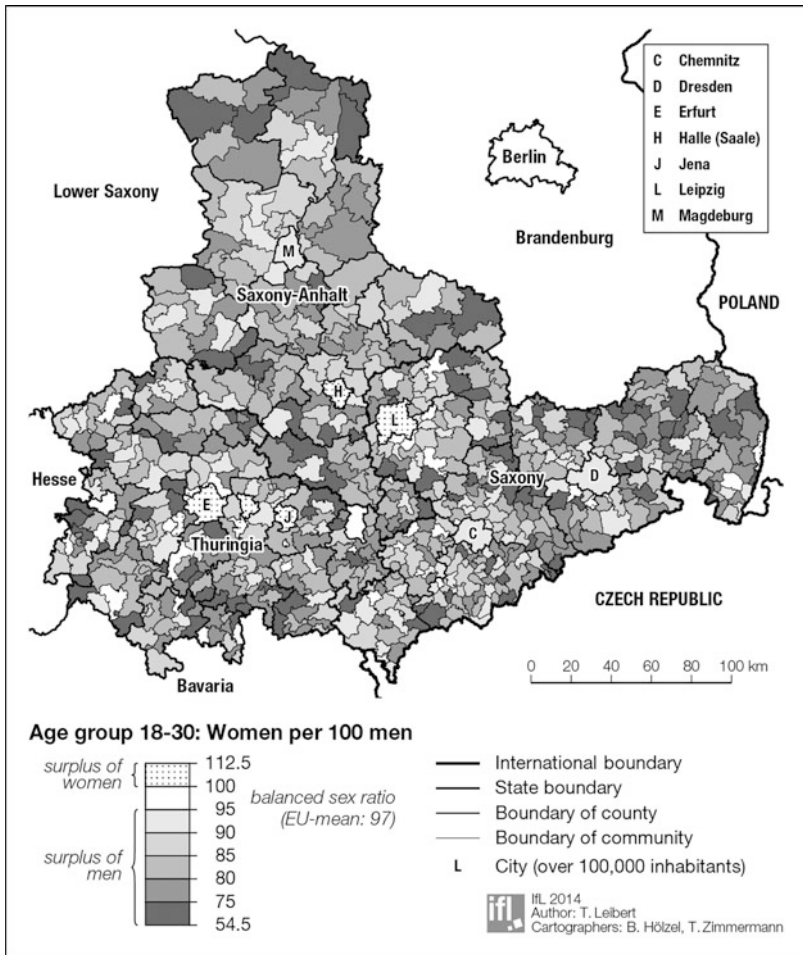
*Figure 7.1* Migration balance of 18–25-year-olds in sparsely populated rural districts by macro-regions and sex, 2002–2011

*Source:* Statistische Ämter des Bundes und der Länder (2013), author's own calculations.

and starting a family. In this age group, a distinctive urban–rural divide can be noticed; the number of women per 100 men is above the European mean in university towns such as Erfurt, Halle (Saale), Jena, Leipzig and Weimar. There is, on the other hand, a considerable ‘surplus’ of young men in small rural settlements, especially in peripheral and remote regions of Central Germany such as the north of Saxony-Anhalt or the eastern part of Saxony (Map 7.1). In recent years, demographic problems – not only out-migration of the young and unbalanced sex structures, but also depopulation and ageing – are increasingly concentrated in small remote rural municipalities, whereas the demographic situation of the regional centres has improved significantly (Leibert 2012: 5–9, 39–41).

### c. Region-specific explanations for the ‘deficit’ of women in rural East Germany

The high out-migration rates of young adults from rural East Germany are – at least in part – a consequence of the economic restructuring after the German reunification, which has led to a massive loss of jobs. The unemployment rate soared to a peacetime record, especially in peripheral rural regions. Women were especially affected by this labour market crisis. They were more likely to become unemployed and had more difficulties re-entering the labour market. The re-emergence of a sex-specific hierarchization of the working environment was another result of the German reunification (Gerloff 2004: 227). For school-leavers, ‘blocked’ labour markets were



Map 7.1 Unbalanced sex ratios on the local level in Central Germany, 2011  
 Source: Statistische Ämter des Bundes und der Länder (2013), author's own calculations.

characteristic of East Germany until 2011. Entering the labour market was very difficult, especially for young women, since there was a pronounced mismatch between a low number of older workers on the verge of retirement and a high number of school-leavers (Lutz 2010: 18). Under these conditions of 'blocked' labour markets, out-migration to West Germany was often the only solution to avoid long-term unemployment. The combination of 'blocked' labour markets for the young and their parents' experience of mass unemployment and fear of losing their livelihood have resulted in a 'culture of migration' in rural East Germany. Young people tend to think that their



home regions are places of stagnation, with a poor job situation and low wages, offering them only very limited opportunities for their future lives. Staying is connected to economic marginalization. Against this backdrop, leaving is perceived as the most promising strategy for professional success, by both the young people themselves and their parents (Beetz 2009: 141–2; Wiest and Leibert 2013: 463–4).

The internal and external image of rural East Germany also plays an important role in the development of this ‘culture of migration’. Young people are aware of the gradual physical and socio-economic decay of their home towns:

The infrastructure is in an extremely poor state. Where I come from, there is nowhere to go shopping, hardly any social cohesion, [...] there are no streets still intact, historical buildings are dilapidated and facilities which still exist, for example the local swimming pool, are becoming really run-down.

(Male Gymnasium pupil, Harz district)

The result of this downward spiral is a particularly negative image of the rural East. This trend becomes most apparent in the national press, which conveys ‘the impression that qualification and age-selective migration depicts a type of negative selection, which [...] leads to socially ill structures in society and the population’ (Rolfes and Mohring 2009: 78). Demographic groups which stay behind are then given particularly bad press, especially young men, who are often portrayed as being right-wing, alcohol-dependent, unemployed and lacking in education (Rolfes and Mohring 2009: 77). Against this backdrop, the hypothesis that young women literally flee the social realities in rural East Germany, which are said to be characterized by especially problematic hegemonic masculinities, is quite a popular explanation for the unbalanced sex structures. Gerloff (2004: 228–9), for example, suspects that rightist youth cultures, with their very traditional concepts of femininity and masculinity, are an important reason why well-educated young women leave.

#### **d. How pupils perceive their rural home region**

To get an impression of local living conditions and life plans of rural youth in Central Germany, we will now turn to the results of the fieldwork of the ESPON SEMIGRA project, which consists of a quantitative survey with pupils, expert interviews and in-depth interviews with young people in their twenties and early thirties. For the survey with pupils, nine *Sekundarschulen*<sup>3</sup> and nine *Gymnasien* in remote and impoverished rural regions with high out-migration rates and a pronounced ‘deficit’ of women in the 18–25 age group were chosen. In total, 499 pupils were surveyed in summer 2011. The most important outcome of the survey is that the interviewees feel that their

home region has no future and that the economic situation is utterly devastating. Finding an apprenticeship position and getting a job are described as the biggest problems. It turns out that the female *Gymnasium* pupils are the most critical – 97 per cent state that finding a job in their home region would be hard or very hard – whereas the male *Sekundarschule* pupils are by trend the most optimistic (77 per cent assume that finding a job will be (very) difficult). Generally, the response behaviour of *Gymnasium* pupils (regardless of their sex) and female *Sekundarschule* pupils is very similar, whereas the male *Sekundarschule* pupils appear to be the most optimistic and rooted group. This is in line with the findings of Camarero et al. (2009: 54), who state that women and men with higher education are generally more mobile, but that women with lower education are much more likely to leave rural areas than men of the same educational level.

Cultural aspects were rarely mentioned. Both male and female pupils feel that boys and girls are treated equally. The only sex-specific difference in the way the local community deals with young people seems to be that people watch what the girls do more closely. The girls, especially the *Sekundarschule* pupils, are consequently more critical about gossiping. In a nutshell, the results of the survey do not indicate that girls feel marginalized. There is also no indication that social realities are so unbearable for girls that they feel they have to escape as soon as possible. The concepts of ‘rootedness’ and ‘routedness’ seem more appropriate. The survey results indicate that the male *Sekundarschule* pupils are the most rooted group – 42 per cent agree with the statement ‘I feel very much at home here. It would be terrible if I had to move away’, compared with only 23 per cent among female *Gymnasium* pupils, who are the most routed group. This pattern is also reflected in the attitude towards the home town. Seventy-two per cent of the male *Sekundarschule* pupils agree with the statement ‘My home community is a great place to live’, compared with 50 per cent of the male and female *Gymnasium* pupils. The results of the survey also indicate that boys are better integrated into local communities; almost two-thirds belong to a local association, compared with only 46 per cent of the girls.

One aspect which the pupils do perceive is a lack of diversity in local youth cultures and a dominance of rightist political world views: ‘It’s difficult to find like-minded people because right-wing extremist views are very widespread around here’ (female *Sekundarschule* pupil, Stendal district). One reason is the low population density and the low number of young people: ‘It’s difficult to find friends if you live in a village with 204 inhabitants’ (male *Sekundarschule* pupil, Harz district). Hence, we cannot rule out the possibility that hegemonic gender constructions play a role in the decision-making process of whether to migrate or not. However, the dominance of economic explanations for out-migration from rural Saxony-Anhalt, which becomes apparent in the survey of pupils and the in-depth interviews, may obstruct our view of the contribution of these local gender relations, and constructions and performances of (hegemonic) femininities

and masculinities, as well as a lack of diversity in local and regional youth cultures.

Summing up, and regarding the wider societal context, there is at best weak evidence that rural East Germany is a 'male periphery'. The 'atlas of equal opportunities' which has been published by the Federal Government (BMFSFJ 2013) does not give an indication that gender relations are more traditional in the East. If anything, the opposite is true: the probability of women occupying leading positions is actually higher in East Germany, especially in the private economy. There is evidence that professional equality is also more advanced in the East. The differences between the labour market participation rates of women and men, as well as the gender pay gap, are much smaller than in West Germany, not only in the cities but also in rural areas. The fact that every other child under three is looked after in a crèche in the Eastern states – compared with 16–25 per cent in the area states of the West – indicates less traditional family values. These phenomena can be traced back to the societal system of the GDR, which favoured the integration of women into the labour force. All things considered, gender equality appears to be more advanced in rural East Germany. Against this backdrop, the 'male peripheries' seem to be the rural areas of West Germany.

Young people do, however, decide whether to stay or to leave based on their own experiences, aims and expectations and the advice and support they get from their social networks, and not on government reports. Having said this, young women in the East might be socialized into a high work orientation by their mothers, assess the local situation as unsatisfactory and decide to leave. The following section will consider where young women and men are moving to, and whether urban residential decisions are related to gender issues.

#### **e. Gendered migration pattern within urban regions: Examples from the city of Leipzig**

As discussed above, polarization processes as well as gendered migration patterns can be observed not only on an interregional level, but also within urban areas – as we will show in the case of Leipzig. The findings presented below are based on an analysis of migration data and the results of a quantitative survey in selected neighbourhoods. After taking a closer look at inward migration to Leipzig, we will discuss the organization of everyday life and the gendered perception of urban spaces as a phenomenon accompanying demographic patterns – both rooted in fundamental societal processes that seem to favour gendered polarization processes on different levels and in different societal contexts.

#### **f. Socio-spatial differentiation by sex and age**

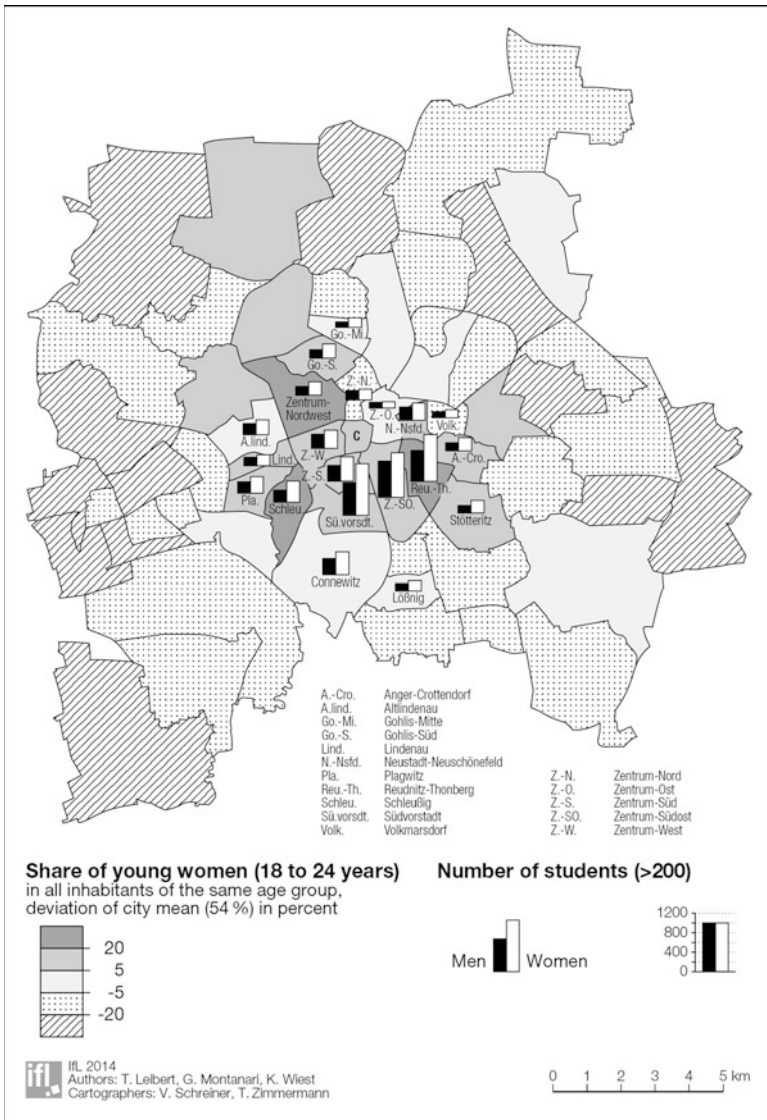
After German reunification, Leipzig initially experienced a severe population loss: the number of inhabitants decreased between 1990 and 2001. A reversal

of the trend has been taking place since 2002. The population is constantly increasing, and the main driver of this growth is the in-migration of young women and men in their late teens and twenties, often from surrounding rural areas.

An important aspect that makes Leipzig a site for further exploration of peripheralization and polarization is the fact that segregation processes seem to have strengthened over the last couple of years. A recent and widely noticed study concluded that polarization processes in German cities are increasing. Berlin and Leipzig were among the cities with the fastest ongoing segregation processes (Seidel-Schulze et al. 2012: 54). The authors find one explanation in the relaxed housing markets, which give tenants more opportunities to move where they want. Therefore, explanations which focus on the decision-making processes come to the fore. Against this backdrop, a closer look at gender patterns within the city of Leipzig might be of particular interest.

Considering the distribution of young women and men in Leipzig (Map 7.2) reveals a concentration of women aged between 18 and 25 in neighbourhoods close to the city centre, whereas the outlying boroughs of Leipzig – which are either villages that were incorporated into Leipzig in the 1990s, or the locations of large-scale socialist housing estates – are characterized by a significant surplus of young men. The sex-ratio pattern shows similarities to the population development in Leipzig: in growing neighbourhoods close to the city centre, a surplus of young women is clearly discernible. Shrinking boroughs, on the other hand, are by trend characterized by a surplus of young men. The trends in Leipzig are also in line with the theoretical concept of ‘genderfication’ discussed in Section 3. A surplus of young women is a consistent feature of districts affected by recent reurbanization trends, including in particular areas close to the city centre with a large stock of historical buildings (Map 7.2). These are also the locations where most students live. Students tend to choose inner-city areas, which are close to the university and provide leisure facilities. Hence, students are supposedly the drivers of gentrification processes, at least in the early stages. Since the sex structure of the student body is relatively balanced in Leipzig, the argument that the inner-city neighbourhoods are dominated by students, and therefore quasi-automatically prone to ‘surpluses’ of women, does not apply.<sup>4</sup> Part of the explanation of why young men dominate in the outlying boroughs might be the fact that men tend to leave their parental home later than women. This is in agreement with the fact that in 2008, in Germany, 63 per cent of men in the 18–26 age group still lived with their parents, but only 47 per cent of women (Statistisches Bundesamt 2010: 10). The higher ‘rootedness’ of young men might, therefore, also explain local gender patterns, even if young people only move within the city.

Housing and the ‘home’ have different connotations for men and women, and act as a main site where gender relations are negotiated. This aspect



Map 7.2 Sex ratio in Leipzig's boroughs (deviation from city mean) and residential locations of the students of different colleges and the university in Leipzig

has been increasingly recognized in research (Duncan and Lambert 2004: 386). Still, there is a lack of contributions that explicitly investigate the decision-making process of choosing a 'home' with regard to gender differences. Recent findings suggest that the explanatory value of the lifecycle, household composition and age is higher, but that gender-specific differences still exist. A comprehensive study of the housing experience in Germany found that women value functionalistic aspects of housing to a lower degree than men and focus more on style, furniture and atmosphere (Harth and Scheller 2012: 123–44). Unfortunately, location was not considered in this particular study, but it can be assumed that there are differences. Women, for instance, tend to attach more importance to the daily-life qualities of a neighbourhood (for example closeness to childcare facilities or shops) or the architectural design of a residential area – regardless of whether or not they have children (yet; author's own study).

The small-scale analysis in urban destination areas of Leipzig reveals some slight differences with respect to male and female residential preferences. In our study, one interesting result concerns the strength of the answers: women more often than men value housing criteria as 'very (un)important', whereas men much more often use the category of 'rather (un)important'. This finding might indicate the significance of housing for women, reflected in stronger opinions on different criteria. We also see that their search is much more focused: 35 per cent of our female study participants ( $n = 750$ ) stated that they only looked for housing in the neighbourhood they are living in now, compared with only 29 per cent of the men ( $n = 686$ ). Considering that women do, in fact, spend more time at home (due to part-time work and caring for children), this might be the reason for the observation that a 'cosy' and safe home is more important for women than for men.

The interviews reveal that closeness to childcare facilities is not an important criterion for most men, but it is for many women, when searching for a new residence. Women are more likely than men to be concerned with the cost of housing – an indication of more precarious living conditions among young women. But it also reveals existing differences in the division of domestic labour, with women accounting for a higher proportion of it, even when both partners work full-time (Kwan 2000). New forms of social disadvantage which manifest spatially are, for example, discussed with regard to the 'double socialization' of women, who not only still have the major responsibility for the family, but are also supposed to be successful in their jobs (Becker-Schmidt 2010). Beyond that, in our sample, more women than men seem to have moved as 'tied movers', in the sense that more women than men declared that the closeness to work of another household member was an important criterion when choosing the current housing location. In this regard, the reason for moving also reveals more traditional gender arrangements. Another difference can be found in the criterion of proximity to family or friends, which is more important to women; this points to

single mothers, who often move closer to their family after a separation in order to be supported in everyday life.

#### **g. Spatial representations of gendered ways of living related to life course**

Ideas of rurality and urbanity are key aspects that influence people's image of where they will be able to realize their idea of 'good living'. Therefore, spatial images have to be analysed when trying to understand migration choices. When people are asked about their idea of rural communities and of what they have to offer in terms of leading the life they desire, notions of privacy, safety and health are referred to, as well as a more natural environment. The city as a counter-image is constructed as a harmful place – at least for children (Valentine 1997) – that at the same time provides a richer cultural life – an aspect that seems to be important especially to the younger generations. This cosmopolitan attitude came to the fore in several interviews with young women out-migrating from rural home regions, who considered the migration decision an inevitable part of their biographies: 'I did just like most people do after their graduation: leaving home to see the world, and, to be honest, at some point you just have had it with a small town.' Other interviewees claimed that weekend activities in rural areas are often reduced to drinking, which is not their idea of spending meaningful time. The standard of comparison for young people is mostly the gentrified neighbourhood close to the city centre with their wide variety of bars, cinemas, concert venues and the like; in this way, they constitute a site for participation in urban life which promises short distances and easy mobility, aesthetically appealing surroundings, and a culturally rich variety of activities.

However, there are only certain stages of life (for example young adulthood) in which orientations are more or less the same for both men and women. When a family is founded, more traditional arrangements gain importance. At this point, ideas about how – and specifically where – to raise children come into play, revealing a still prominent wish for a quiet and safe neighbourhood that is, in many cases, closely connected to rurality and the 'rural idyll' (Valentine 1997). This was illustrated by many interviewees, men as well as women. One interviewee, who was asked whether he could imagine moving to a rural community when he had children, claimed that 'this is not only a consideration, for me, that is a fact [...]. For employment reasons I won't be able to go too far in an extremely rural region, but a smaller suburban community is what I have in mind'.

Even though there are still many people who prefer to locate their family-oriented lifestyle in suburban neighbourhoods, another trend is now being discussed in research: the trend for families to stay in the city (Karsten 2009, Frank 2012). This trend – which can also be described as a weakening of the suburbanization trend – is accompanied by municipal housing development

strategies such as the concept of 'town houses', which was developed by the city of Leipzig to target the young, well-educated, middle-class strata. With the idea of 'town houses', the ideal of suburban living was transferred to inner-city areas. This strategy was intended to counteract the process of suburbanization and keep the affluent strata in the city by offering building plots with attractive conditions in inner-urban districts. Key target groups are young families who would otherwise be expected to move to suburban areas. In conclusion, it may be stated that the unbalanced sex-ratio structures within the city of Leipzig call for a deeper look into the life world of younger age groups, and consideration of biographical contexts that shed light on changes of lifestyle ideals and housing preferences during the life course. The search for 'the good home', which itself is located in either urban or rural communities, can be interpreted as a way of coping with the insecurities that accompany socio-economic developments such as labour flexibilization or rising mobility demands (see Cairns 2013), which affected people living in Central Germany to a high degree in the course of the transformation process after reunification.

## **5. The production of gendered core–periphery relations**

This chapter has dealt with the question of how gender dimensions are related to the production of marginalized and peripheral, or centralized and gentrified, space. Sex-selective migration patterns, as well as young women's and men's perception of space, were considered in order to shed light on gendered core–periphery relations. Areas characterized by inward migration or growing population surprisingly often reveal a surplus of young women, whether on a regional level or in an inner-urban context. On the other hand, there is a tendency for shrinking regions in Central Germany or urban districts within the city of Leipzig to be affected by a shortage of young women. These patterns related to sex-selective migration processes on different scales can be explained by a multiplicity of factors, such as educational differences, ideals of ways of living, or family ideals that include gender arrangements within partnerships. While the analysis of migration patterns of young people in Central Germany points to gender differences when it comes to education, inner-urban sex-ratio patterns have been linked to the later emancipation of young men from their parental home and the stage of starting a family. Considering different facets of the production of peripheries in the context of a 'culture of (female) out-migration' in rural Central Germany, the pronounced shortage of young women seems remarkable at first glance. This is related to the fact that traditional gender stereotypes cannot be identified as potential push-factors for the female population. Contrary to Dahlström's study in the Scandinavian north (1996), modern role models prevail. Nevertheless, or precisely for this reason, young women are more prone to leave for higher levels of education and job prospects, whereas



young men increasingly run the risk of lagging behind. That the most entrepreneurial leave while those lacking initiative stay behind seems to be a kind of implicit knowledge in these areas. This situation is aggravated by the German media, which paint a dark picture of the rural East, portraying this part of the country as being full of dull places inhabited by predominantly male 'passive losers' endangered by impoverishment, unemployment and alcoholism. The analysis of gender-specific migration patterns also revealed that hegemonic masculinities and femininities in rural areas seem to operate more in the background, while education differences and economic forces were experienced as the main driving forces for sex-selective migration. Therefore, the fact that young men appear to be those 'left behind' in marginalized areas – rural as well as inner-urban – points to an emergence of new interrelations between social change, social inequality and gender.

## Notes

1. DFG-funded project 'Residential decision making in polycentric regions' (2010–20).
2. Rural districts with a population density of fewer than 150 inhabitants per km<sup>2</sup> on 31 December of the year under review. Classification of states to the macro-regions: Central: Saxony, Saxony-Anhalt, Thuringia; North-east: Brandenburg, Mecklenburg-Vorpommern; North-west: Schleswig-Holstein, Lower Saxony; South: Baden-Württemberg, Bavaria; West: Hesse, North Rhine-Westphalia, Rhineland-Palatinate.
3. The *Gymnasium* is the school type in the German education system which enables graduates to pursue higher education. The *Sekundarschule* is an integrated type of school in Saxony-Anhalt where pupils can obtain two types of school leaving certificates, the *Hauptschulabschluss* (after the ninth grade), which is a certificate of basic education, and the *Realschulabschluss* (after the tenth grade). At the time of the interview, the pupils in the branch 'Hauptschule' were taking their final exams or had already left school, so the sample exclusively consists of pupils in the branch 'Realschule'.
4. The numbers in Map 7.2 do not include the Leipzig University of Applied Sciences, a technical university with a predominantly male student body.

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# 8

## The Everyday Practices of the Reproduction of Peripherality and Marginality in Hungary

*Erika Nagy, Judit Timár, Gábor Nagy and Gábor Velkey*

### 1. Introduction

The persistence of spatial inequalities within Europe is an issue that has been pointed out in governmental papers and also in academic discourses looking back to the last ten years of the enlarged European Union. Official reports put a strong emphasis upon the ‘convergence’ of European regions supported by the eastward extension of the European division of labour. Meanwhile, scholars engaged in critical social research were concerned with the various forms and dimensions of ongoing socio-spatial polarization and the emerging dependencies of East and Central European (ECE) spaces that were made apparent and reinforced by the recent economic crisis (Smith and Timár 2010, Hudson and Hadjimichalis 2013, Lang 2013). Such discourses revealed the multi-scalar nature of polarization processes that occur at European (east/west, south/north) and also at a sub-national scale, and manifest vigorously in ECE in the centralization of power and resources in capital cities, in regional inequalities, and also in urban–rural dichotomies (Ehrlich et al. 2012).

In the following, we focus on socio-spatial polarization processes within the rural spaces of Hungary, where economic decline and ethnic exclusion produced contagious ‘ghettoes’ in the last two decades (Csurgó et al. 2009, Smith and Timar 2010, Virág 2010). The study areas exhibit various local contexts and trajectories, yet manifest a number of social, economic and political conflicts produced by ECE transformations throughout the region. We focus on two particular processes shaping rural spaces: peripheralization and marginalization through the lens of critical theories. Each has various interpretations – the former is associated traditionally with proximity problems, and the latter with major structural changes scarcely regarded as spatial processes – and the critical review of those is beyond the scope of this chapter. Here, we consider peripheralization as more than just being

far from growth centres or as economic 'backwardness'. Instead, we take it as a process of making and entering various forms of dependencies, while marginalization will be regarded as a set of processes that weaken integrative social mechanisms. We consider both as 'products' of various social relations that are linked to different spatial scales, and shaped by various socio-cultural contexts and historical trajectories, to provide a relevant conceptual framework for critically analysing polarization processes in ECE.

In the following, we discuss the theoretical background of the chapter through the concepts of peripherality and marginality and their ECE contexts (Section 2), and introduce the methods employed in researching these socio-spatial processes in four rural regions of Hungary (Section 3). In Section 4, we discuss how local entrepreneurs perceived and responded to their own and to their region's marginal position, and how their strategies (re)produced new marginalities and dependencies within local spaces and beyond. In Section 5, we analyse the changing role of the state as an agent of tackling and also of reproducing marginalities, with reference to the ongoing (re)centralization in Hungary as a possible approach to managing crisis and spatial polarization. Moreover, we also analyse the impact of structural changes and of local agents' strategies on everyday lives, and the responses of the residents of marginalized rural spaces (Section 6). Finally, we come to some conclusions about the interrelatedness of spatial and social marginality, as well as peripherality and marginality, in both the Hungarian and the ECE context.

## **2. Conceptualizing peripherality and marginality in the East and Central European context**

The emergence of ECE as the (semi-)periphery and the unfolding polarization processes within the macro-region are closely interrelated, and thus should be analysed at various scales and by using concepts that consider existing power structures, as well as the diversity of everyday practices and their contexts. Socio-spatial inequalities produced by the spatial logic of neoliberal capitalism at a European scale and also within the national economies of the ECE have been discussed by critical scholars in the context of the highly imbalanced relationships of and differences between 'core' economies and eastern 'peripheries' (Smith and Timár 2010). Interpreting the spatial transformations of ECE in relation to capital accumulation drew attention to the various forms and layers of dependencies that peripheralized ECE economies in global flows (Smith and Pickles 1998, Harvey 2005, Vliegthart and Overbeek 2007). This – often implicit – engagement with dependency theory and also with world system theory (Wallerstein 1979, Taylor 1999) provided a framework for contextualizing socio-spatial inequalities within the globalized and spatially uneven system of capitalism. Nevertheless, the adoption was far from being uncritical due to the economic

reductionism and functionalism of the discussed theories, which failed to address non-economic dimensions of dependence or the complex social relations of semi-peripheries (Jeffrey and Painter 2009, Peet and Hartwick 2009).

In our chapter, drawing on lessons of earlier debates revolving around dependence theory and the conceptualization of post-socialist and recent transformations in ECE, we focus on the system of dependencies shaped by strategies and relations of more and less powerful agents – reflecting their embedding into various political, cultural and ethnic (for example) contexts and historical trajectories – through our concept of peripherality (as has also been argued by Smith and Pickles 1998, Stenning 2005, Stenning et al. 2011). We analyse social practices in local spaces to reveal how peripherality – within the shrinking institutional systems of the neoliberal state, in production networks, within the flows of capital and so on – is perceived and responded to by firms, institutions and residents through entering, transforming or quitting relationships that embody various forms of dependence.

Interpreting peripherality as a ‘product’ of power relations led us to focus on those who are powerless – marginalized – and to review discourses over marginality, relating them to peripherality, to conceptualize their relationships. Although the term ‘marginalization’ was widely used in analyses focused on the socio-spatial transformations of ECE, attempts to conceptualize it as a spatial process and its relation to peripheralization were scarce. In fact, marginality and peripherality were often used as synonyms (for instance in Smith and Timár 2010, Kühn and Berndt 2013). Nevertheless, marginalization has been discussed explicitly by many scholars using various concepts. In the political-economic approach, marginalized spaces are considered as economically backward, due to their weak embedding into global flows and division of labour, to their highly imbalanced relations to economic ‘core’ regions, and to the lack of resources to change their position (Pickles and Smith 2007, Schmidt 2007). Under neoliberal capitalism, marginality manifests in a weak bargaining power in labour market processes and in limited access to public goods provided by the shrinking state that (re)produces poverty and makes it increasingly segmented and exclusionary (Ward 2004, Váradi 2005).

Post-colonial ‘readings’ of marginality criticized the above – basically, structuralist – approach for ignoring everyday practices and lived experiences of the marginalized, as well as the discursive contexts of such processes. Such studies revealed how marginality is produced by the hegemonic and simplified view of space and of history and by institutional practices promoting dominant values and norms (Ward 2004, Massey 2008, Sharp 2011), and, moreover, how various social practices, identities and their spaces were marginalized by institutional transformations in ECE (Stenning and Hörschelmann 2008, Kuus 2013). They also argued that spatial marginality

might be rooted in class-based, as well as age-, gender-, culture- or ethnicity-related, marginalities of residents that manifest in their daily practices – and are shaped by being part of marginalized spaces (Váradi 2005, Murdoch 2006).

Inspired by the above discourses over marginality and dependence, we will analyse socio-spatial polarization through the lens of peripheralization – changing dependencies – and of marginalization within rural spaces. We consider the latter (along with Williams 2005, Sharp 2011, Kuus 2013) as a set of socio-spatial processes produced by multiple and uneven social relations that weaken integrative mechanisms and social cohesion. We reveal such processes through studying everyday practices locally – how marginality is ‘lived’ and dealt with in existing power relations. In this way, we can avoid taking ‘marginal’ simply as the ‘other’ and understand the multiplicity of strategies and relationships – on various scales – through which local agents overcome, reproduce or simply survive the conditions of marginality.

The aim of the following discussion is to reveal how marginality and peripherality are interconnected. We analyse whether and if weak embedding into social relations (marginality) produces new dependencies locally and across local spaces, and whether and if being released from hierarchical relations produces marginality. Moreover, we discuss how the accumulated (class, age, gender, cultural, ethnic) conditions of marginality reinforce each other and lead to powerlessness and dependence of rural regions on ‘core’ spaces and powerful agents, such as the state, new landlords and major investors.

### 3. Methods

The aim of the chapter is to provide a deeper insight into socio-spatial polarization processes through the lens of local agents’ perceptions, strategies and practices. We focus on marginality and peripherality as manifestations of polarization and provide a more differentiated view of social relations shaping such processes. To do this, we employed a three-tiered methodology. First, we reviewed theory-related discourses over marginality and peripherality, as well as earlier empirical results on the socio-spatial transformations of ECE, to conceptualize our research. Second, we analysed the socio-spatial processes in Hungary according to various indicators to choose our study areas. Third, in order to explore how marginality is ‘lived’ and what strategies are employed by local agents in the study areas (Figure 8.1), we used qualitative methods.

We focused on *marginal rural* spaces<sup>1</sup> in Hungary, stigmatized as ‘backward’, ‘declining’ and ‘uncompetitive’ in public debates over regional development.<sup>2</sup> Each of our study areas has a strong ‘rural’ character – such as a

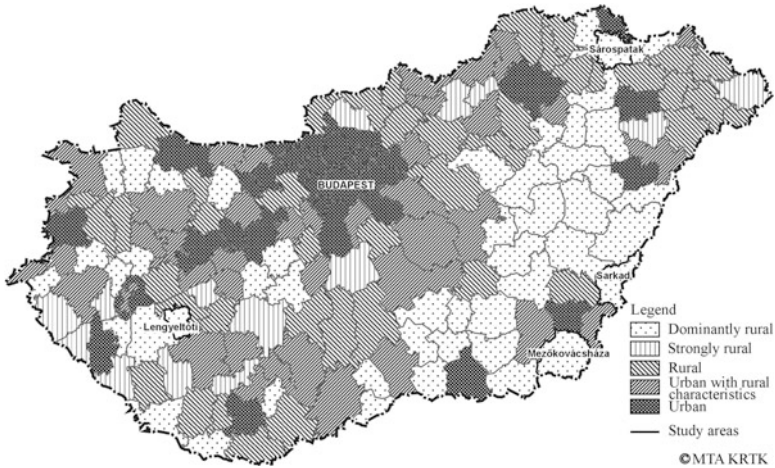


Figure 8.1 Urban/rural character of LAU1 regions in Hungary, based on OECD methodology and the study areas

Source: Csatári (2005).

relatively low proportion of urban population and low population density – and all are characterized by a weak embedding into global flows, economic decline and demographic erosion.<sup>3</sup> Nevertheless, they also exhibit different conditions of marginality in terms of historical trajectories, local assets, ethnic conflicts and geographical contexts. For practical reasons, we relied on recent territorial government structures (LAU1) to delineate our study areas: the regions of Lengyeltóti, Mezőkovácsháza, Sarkadi and Sárospatak.

We approached three major groups of local agents with a view to involving them in our research in each study area: local entrepreneurs representing various sectors by activity and ownership; top officials of public institutions and bodies; residents experiencing marginality in various social relations (gender, ethnicity, disability); and, through the last group, several local non-governmental organizations (NGOs). We conducted semi-structured interviews with local entrepreneurs, officials and representatives of NGOs, and life-course interviews with residents. The choices were supported by a local opening workshop in each study area (involving mostly local mayors and leaders of public institutions) and by the information we acquired locally using the ‘snowball’ method. Altogether, 78 interviews were conducted in four study areas in 2013 and analysed to understand how marginality and peripherality are ‘lived’ and produced through local and non-local social relations. In the following analysis, due to lack of space, we shall focus primarily on social relations that are at work not only in particular places, but in all studied local contexts.



#### 4. Entrepreneurial strategies and changing dependencies in marginal economic spaces

In the last two decades, public discourses over rural spaces have centred on economic decline and unemployment, as well as the 'countryside' as the ultimate source of values and identities embodied in traditional food, craftsmanship and landscapes of tranquillity in Hungary. This double-faceted construction of rural economies reflects the unfolding rural–urban dichotomy in socio-spatial restructuring and its neoliberal construction, supported by institutional transformations from 'marketization' to the current austerity agenda. Competitiveness-centred policies and practices reinforced socio-spatial polarization trends, as they did not counteract the market-driven devaluation of local assets – labour, land/property, skills, social relations – and marginalized socio-economic practices related to rural spaces (Bihari and Kovács 2005, Váradi 2005, Csurgó et al. 2009). The strategies of entrepreneurs analysed below will contribute to understanding how marginality and dependencies are produced through their relations in the context of unfolding European division of labour and changing institutional practices.

Although the 38 firms interviewed in the four study areas shared the view that they were not marginal within their business relations, they agreed that their region was 'declining' or 'being in crisis' and that this had negative feedback effects on their business activities. The interpretations of spatial–economic marginality were diverse, involving sectoral characteristics, ownership, size, market orientation (local/domestic/global), and local characteristics of the interviewed firms. Nevertheless, three distinct groups of enterprises – *connectors*, *dependent smallholders* and *local service providers* – could be clearly identified in each study area according to their embedding into global flows, their skills and scope for translating and exploiting policies and institutional practices in their daily routine, making use of local resources, and their role in shaping local socio-economic processes.

The group of *connectors* is small but influential, as they link marginalized spaces to global flows, contribute to local employment, and support organizational learning locally by mediating business models and competitive skills as well as 'labour culture'.<sup>4</sup> They have all entered global production networks (GPNs), and thus their stories reflect the interplay of global processes and various institutional contexts shaping local economic processes in marginal spaces (Coe et al. 2008). The founders of the enterprises discussed built their strategies upon local assets, such as agricultural land, premises and abandoned industrial plants that they acquired at a low price, exploiting the rent gap (Smith 1996) produced by the conditions of the post-socialist transition and, later, by property market mechanisms. Such investment strategies carried major risks due to the shifts and turns in national policies and regulations that distorted land market processes<sup>5</sup> and heavily hit marginal spaces

in need of investment for revalorization of local assets. At the same time, the introduction of support schemes favouring investments in the food sector (EU Common Agricultural Policy) and in ‘highly backward’ regions (European Regional Development Fund) encouraged investment in spatially fixed assets, and provided additional sources for capitalizing on spatial marginality by utilizing cheap land. Nevertheless, changing regulations and the logic of development programmes strongly polarized local enterprises, favouring agents that have skills and capital for making use of marginality through revalorizing fixed assets.

The *connectors* also make use of local surplus labour, as well as of their social embedding. Although marginal spaces are considered by political economists as reservoirs of cheap labour and, thus, potential areas for investment of surplus capital (Harvey 2003, Welch and Dear 2005), we discovered various, multi-layered patterns of marginality in labour–capital relations in our study areas. The local workers’ wages are far below the European average – often slightly over the national minimum – which the employers consider ‘reasonable and fair’ within their specific local context. Nevertheless, connectors considered the majority of local labour ‘inadequate’ in terms of skills and labour culture. As the manager of a meat-processing plant described it in the Lengyeltóti region,

Basically, we cannot recruit skilled labour locally [...] seven of our butchers left us for a better-paid job in Austria and only one came back. We must substitute them by semi-skilled workers who are not precise and quick enough.

This reflects how the region is marginalized by global labour migration, and also the way that low-skilled ‘remaining’ groups of local labour are marginalized as ‘cheap labour’. To deal with the risks stemming from the erosion of the local labour market, employers often rely on their personal relations and family ties in recruiting new staff. Nevertheless, we should not consider such ‘patriarchal’ relations as prevalent; rather, they are part of a highly complex net of formal and informal capital–labour relations shaped by self-interest as well as by social norms mediated by labour market institutions (as suggested by Granovetter 1985 and Murdoch 2006).

Connectors exploited their local and intra-firm assets – including their professional knowledge, business relations and skills accumulated under socialism and capitalism – to engage in GPNs and improve their positions within these. In this way, they entered new dependencies to improve their market position. The majority of the firms interviewed could not break out from their ‘captive links’ (Kalantaridis et al. 2011). Their competitive advantages – cheap labour and low operation costs – and lack of resources for innovation destined them to remain captured at the bottom of the hierarchy of GPNs. ‘Hybrid’ strategies – relying on wider distribution and combined

sales along with strong specialization, organizational learning and technological innovations – are scarce (yet not entirely absent) in the study areas.<sup>6</sup>

Integration into GPNs reinforced trends towards splitting up locally embedded food chains. As most of the integrative organizations that linked local small farms to the global flows by providing loans, services, know-how and stable buying-up conditions ceased to fulfil this role, the majority of *dependent smallholders*<sup>7</sup> – 58–67 per cent of local enterprises in the study areas – were increasingly exposed to volatile market processes and exploited by mediators – such as wholesalers and major retailers – who transferred the market and environmental risks to the farmers. The dependence of this major group of local agents was – and still is – also being reproduced by the common (EU) agricultural policy that supports strategies of farmers basically relying on the existing grant system, which maintains existing – often outdated – production structures and technologies. Moreover, the recent incorporation of local cooperative banks – which provided loans to small enterprises marginalized by the business practices of major financial institutions<sup>8</sup> – into a centralized national regulative system also limited their scope for investment and innovation. Thus, as dependent smallholders remain marginalized within the existing institutional contexts and have limited scope for capital accumulation, their strategies do not go beyond survival and self-employment. As the local official of the Chamber of Agriculture in the Sarkad region stressed,

Even those who used to be well-off agricultural entrepreneurs under socialism – growing vegetables in green houses in their backyards and selling their products on the market by themselves – grew strongly dependent on 3–4 major mediators, and they can hardly live on this business despite the self-exploitive way of life they pursue.

The outcomes of the above trends are the increasing control of a few powerful – often non-local – agents over local land markets,<sup>9</sup> the shift towards a simplified production structure that leads also to the loss of knowledge and social relations linked to earlier, place-specific activities, and the emergence of informal networks dominated by local firms and landlords that are sources of stability and also of dependence for local labour and small enterprises.

As ECE spaces were integrated into flows of goods and services through the production of new consumption spaces, new social practices and constructions of citizenship emerged (Mansvelt 2006, Smith and Jehlicka 2007). Nevertheless, the key agents of this process – major branded producers and retailers, backed by the practices of the neoliberal state – marginalized extensive rural spaces by not investing there, by ‘hollowing out’ local retailing through market competition, and also by introducing new technologies and organizational patterns that changed consumption-related practices. The

strategies of the *local service providers* interviewed reflect how particular non-mobile, low-income groups living in such rural spaces are being marginalized and how new consumption-related dependencies have emerged. Service providers' strategies rely on a limited range of goods provided locally, including mostly low-quality and low-price categories, on delaying technical development, and also on exploiting competitive market conditions – the dependence of their local suppliers – to keep sourcing costs low. The marginality of low-income groups trapped in local markets is also reinforced by the organization of consumption spaces by retailers, which manifests in refocusing their activities into well-off areas locally, and also physically controlling access to goods.<sup>10</sup> Such practices are justified by local discourses over the erosion of safety in rural spaces and the presence of Roma minorities – interpreting them implicitly as 'lower-rank' consumers who 'just cannot calculate what they can afford and go [to the shop] for making trouble'.<sup>11</sup> Meanwhile, the traditional ways of tackling marginality in food consumption – such as production for self-supply and mutual aid – are fading due to the restructuring of the food market and increasing poverty.

Although the ongoing liberalization processes and the changing role of the state pushed the rural spaces studied into a downward spiral of disinvestment–unemployment–economic decline in the early 1990s, local entrepreneurial strategies and their consequences reflect the complexity and the multi-scalar nature of local processes. The restructuring of local economies was largely shaped by assets accumulated locally under 'socialism' and in the transition period, and also by individual strategies of entrepreneurs that combine formalized market and locally embedded informal relations. Such strategies produced new local and non-local dependencies, and marginalized local social groups in various ways that challenged local and central state institutions in terms of defining and addressing the problems of rural spaces.

## **5. The role of the state in mitigating and reproducing marginality and peripherality**

Since we interpret the phenomenon of marginalization as the absence of social integration (Giddens 1984, Sommers and Mehretu 1998, Jones et al. 2007) that manifests in the dissolution of existing nets of relations and in a growing economic, cultural and political gap between the individual members and groups of society, it is of utmost importance to study the role of the state in this process. The very duty of the state as interpreted under public law is to strengthen social integration through providing public services to the whole society. It means that, representing the community as a whole, the state is responsible for mitigating economic, political and cultural inequalities that pose the threat of a disintegration of society. However, the state is often interpreted as a key actor in the echelons of power rather than as a

public services provider (Massey 1999, Taylor and Flynt 2000). This approach focuses on spatial and structural differences in access to public services and considers the state as an actor generating inequalities through its institutions. This duality can be grasped through practices of central, regional and local organizations of the state that should be considered as arenas of conflicting interests of communities and of the centralized bureaucracy.

Three factors played a key role in spatial marginalization and adversely affected rural areas: the organization of public services, including public administration, education, health care and social care, on the basis of overly decentralized local governments (3200 'small republics'); heavy cutbacks in financing public services and increasing spatial inequalities in the quality of services due to the differences in local tax revenues (potential additional funding for providing services); and weakness, haphazardness or lack of reintegration initiatives.

The fragmented structure of the organization of public services itself gave rise to economies-of-scale issues in terms of establishing an infrastructure and providing the expertise needed for high-standard services. This, coupled with central 'underfinancing', made the quality of public services dependent on the fundraising ability of individual municipalities and their local tax revenues. The above problems produced substantial differences in all public services provided locally, particularly in the quality and availability of basic educational and social services.<sup>12</sup> Our empirical studies revealed that better-off mobile social groups of rural communities take their children to nearby towns to provide better education for them. Such processes contribute to the socio-spatial polarization of local societies, particularly in small villages hit by emigration trends and by the ethnic segregation of Roma residents. These results contributed to earlier findings on the interrelatedness of ethnic segregation in education, on the one hand, and poor material conditions and low quality of public services, on the other (Forray 1986, Kertesi and Kézdi 2004). Thus, the increase in the proportion of marginalized social groups and individuals in the rural communities studied was clearly supported by the marginalization of small and financially weak municipalities within the system of public services.<sup>13</sup>

Our empirical studies also highlighted the dependence of local communities on the institutional practices and underlying power relations of development policies. Either the municipalities lacking disposable resources have no access to national and EU development funds, or it is conditioned largely by their relationships to central governmental bodies. As a local entrepreneur in the Mezőkovácsháza region stressed, 'there is no point in applying for any development grants [...] If your major doesn't have his [political] links, no one has chance in the village.' This led to increasing dependence of local politics and political elites on their formal and informal relations to central government and political parties, which also resulted in spatial and structural inequalities in public investments and services. Thus,

the exposure of the local state to the forces of the market and its political dependence played a major role in the evolution of spatial and social inequalities in the study areas – and beyond, marginalizing rural spaces and their residents throughout Hungary (Juhász 2006, Kovách 2012).

The above processes were exacerbated by the disintegration of local communities, which was emphasized by most of our interviewees. The central state was putting neoliberal policy into practice by pushing the mitigation of social conflicts to local level, by ‘thinning’ public services in terms of financing and competences, and, moreover, by introducing competition-centred development policy in terms of aims and practices that paralysed community control and led to a growing apathy towards public affairs locally in the study areas. Our interviews suggested that the local political elite was neither motivated nor strong enough to initiate reintegration processes and thus mitigate social polarization.

The economic and fiscal consequences of the global crisis further amplified these processes. The Hungarian government’s response to this emergency situation was a fast, forceful and widespread centralization, which conferred the competences of the organizations of local communities upon the hierarchical institutions of the state – in public administration, education, vocational training and healthcare – and placed the infrastructure of services under state management. The rapid implementation of this scheme was facilitated to a large extent by the disintegration of institutionalized mechanisms of social control over public resources. Nevertheless, due to the acute shortage of funding in public services reinforced by the government’s austerity scheme, the recentralization did not result in better access to or a higher quality of services in the study areas. Thus, increased state responsibilities failed to reduce the problems and vulnerability of marginalized spaces; they just replaced the market-(tax)-based dependence of communities by a stronger dependence on public financing and political relations.

Competences and funds removed from local communities increased state responsibility for mitigating the acute problem of unemployment in rural spaces. The central government introduced a new system of public works based on the principle of ‘work instead of social benefits’. Due to the shrinking public sector and the decline of investments, the state made this way of creating jobs for the unemployed ‘mass’ living in marginalized spaces the focus of social policy. Public works programmes provided central governmental funding schemes and equipment to ease the financial problems of municipalities. Nevertheless, such programmes ignored issues of productivity and efficiency, putting the sustainability of the concept in question. Most of the experts interviewed agreed that the support of such programmes through tendering produced new dependencies in the community–central state nexus (political), and also in the relations of unemployed residents to local authorities (personal). Public workers experience such relations day by day; as one of them stressed in the Mezőkovácsháza region, ‘you must have

a good relationship with the major, otherwise you have a chance only for daily work that is a very little and uncertain money'. Moreover, these programmes cannot address, let alone resolve, the marginalization of the labour market groups in the most difficult situation, and the strict control of working hours also leads public workers to give up their earlier, combined labour market strategies based on flexibility and self-exploitation.

Under the circumstances of recentralization and an increasingly meaningless community autonomy, it is difficult for local actors to succeed in exploring and mobilizing local resources and finding a way out from the processes of marginalization and the dependencies produced by state interventions. The marginalization of the studied rural communities means not only weak embedding into global flows, but also having little or no power to change the existing institutional contexts and social practices imposed upon them by the state.

## 6. Marginalization as experienced by residents of rural peripheries

Bringing together on a single site a population homogeneous in its dispossession strengthens that dispossession.

(Bourdieu [1993] 1999: 129)

In the context of studying the relationship between peripheralization and marginalization, which is the subject-matter of our analysis, Bourdieu draws our attention to the importance of the interconnection between social and territorial marginalization. Castel's concept of 'the zones of social cohesion' ([1991] 1993) is relevant for getting a better understanding of the process of marginalization as the lack of integration. According to the concept, the location of individuals and social groups ranges from the social space – 'zone' – of *integration*, which ensures the strongest social cohesion, through the zone of *vulnerability* to the zone of *disaffiliation*. The position of individuals is determined by two components, functioning as the two axes of a 'coordinate system'. One is the axis of *labour* relations – a scale ranging from integration to non-integration – and the other is that of *social and familial ties* – from inclusion to isolation. Relying on this concept, we decided to select our interviewees not only from groups for whom there are no available jobs, but also from groups hit by discrimination and social rejection – marginalization in various social contexts (Barz 2007), such as the Roma, the disabled and women in a vulnerable position. Current Hungarian social relations based on ethnicity, gender and (dis)ability are ridden with inequalities, which impairs the labour market chances of nearly all our interviewees. Besides being deprived of power, respect and recognition from others, and educational opportunities, they usually face enormous difficulties in getting a paid job. As a result, they may easily slip from the zone of vulnerability into the zone of disaffiliation.

Most of our interviewees experience *material (financial) deprivation* as a consequence of the various types of marginalization reinforcing each other. When asked to place themselves within their respective local communities, they relativize the idea of poverty. Many of them mention the problem of growing social differences in their local community. They mostly think of only a few agrarian professionals-turned-entrepreneurs – who got rich in the transition period through the privatization process or inheritance – as members of ‘the elite’. Typically, they divide the society of their respective communities into *them* – a small number of rich persons or members of the elite – and ‘the others’, to whom they think they belong. It is not uncommon for them to use ‘poverty in the village’ as their benchmark, which makes them assess their own personal position somewhat more favourably. As one of the interviewees put it, ‘Our family belongs [at a national level] to the poorest social group. We can hardly make both ends meet. [...] Here [in the village] we are somewhere near the middle.’ Identifying themselves as individuals belonging to the category of ‘somewhere near the middle’ is also likely to reflect the fact that the interviewees have redefined poverty using access to food as its yardstick. For instance, a Roma interviewee defines those who are ‘in the middle’ as ‘persons who can afford to cook proper food each day’. Therefore, although he and his family are struggling financially, he does not define himself as poor, because they do not starve.

Our interviewees shared with us their experience of how they had been excluded from *the labour–capital relationship*, which is the very essence of capitalism. *Women*, as a rule, think that, for a start, there is less work for them than for men locally. Even in the case of public work, the conditions are harsher today, as consideration of the special needs arising from having children depends exclusively on the mayor’s benevolence. For the same reason, it is much more difficult for women to find work beyond the boundaries of their place of living. It is not uncommon for prospective employers to decline female applicants upon learning that the prospective female employee has a young child and/or more than one child. As regards *the disabled*, even if there were jobs suited for them in the cities and towns in the vicinity or slightly farther off, they cannot commute due to the lack of physically accessible mass transport facilities and financial means. An interviewee of ours agreed with the findings of our research in Békés County (Timár and Fabula 2013), stressing that ‘poverty is an inevitable outcome’ of disabilities.

At the turn of the second millennium, Júlia Szalai (2002) described two collective types of social exclusion in Hungary. One was linked to spatial inequalities that affect residents in isolated small villages and economically depressed areas; the other was of ethnic origin, afflicting the poor who account for the majority of *the Roma population*. Our interviewees of Roma origin experience these two types of exclusion simultaneously. The complaint that ‘there is no work *here*’ is complemented with the lament of ‘there is no work for *us*’ by either the interviewees themselves or a relative or friend.



A Roma interviewee with a university degree who arranged employment for the Roma in a project told us about more pervasive phenomena:

I've found that no amount of learning helps if you look a thorough gypsy. If you're dark-skinned or swarthy, that puts you at a disadvantage. You don't stand the slimmest of chance of working as what you've been trained for if you've got any training at all. If you're unskilled, you're not needed even as a dig. The most that you can have is public work in a public work programme organized by the local government. The Roma don't have a future to look forward to. They keep saying that the Roma should become integrated. But there's nowhere for them to be integrated into.

Where the interviewees are marginalized *along the axis of social-familial relationships* is also person-, group- and settlement-specific. Individual examples of marginality include the life of an interviewee who described her familial ties as having disintegrated due to her abusive husband, and the story of a disabled woman whom poverty had driven into physical isolation and who, therefore, can no longer visit even her grandchild, which is the most painful fact of life for her. Nevertheless, such individual examples are clearly set in an unmistakably patriarchal and ableist social setting. As regards the level of settlements, there are villages among those studied where Roma and Hungarian residents co-exist peacefully; in others, however, 'the Roma cannot even set foot'. Villagers seem to agree on one thing, though. They all find their own settlement or region – or both – 'disadvantaged', 'underdeveloped' or 'peripheral'. Although most are emotionally attached to their place of living, they all think that it can offer neither work nor a future for their children.

Villages and regions undergoing marginalization cannot become properly integrated into primary labour market processes: investors avoid them, and no new jobs are created there. Furthermore, similarly to large cities in the West undergoing polarization (Wacquant [2007] 2011), the intermingling of spatial and social processes of marginalization destroyed the community networks that used to work as a 'hinterland' supporting those who were temporarily excluded from the labour market. Therefore, a typical response from many residents is to integrate *living on benefits* into their strategies. An example of this strategy is the 'protection' of the disabled status, even if the person concerned feels stigmatized because of it. It is also in the interest of unemployed members of families to preserve their eligibility for a 'hard-earned' nursing fee, which is, though small, a steady income compared with a job offering a subsistence wage with no employment contract. As a result, in a certain sense, the marginalization of the disabled also affects their families, which, in turn, weakens the integration of their respective villages into the labour market, reproduces ableist social relations and increases dependence on the state. Public work programmes and the acceptance, out of necessity,

of grossly underpaid jobs from entrepreneurs offering seasonal or informal work also reproduce marginality and strengthen dependencies on powerful local agents, such as mayors and entrepreneurs.

Our interviewees consider *migration* enabling them to access paid work as the only way out from social and spatial marginality and the existing systems of dependencies. However, moving to another place is fundamentally hindered by the state's housing policy and the lack of social housing. Current market conditions render large houses in villages – the only major investments of rural households in the socialist era – unmarketable, and families are afraid of putting their homes at risk in return for a job in the capital city or abroad. This is, indeed, one of the reasons why migration is also a selective process. Those who stay behind join the group of those who are marginalized in various social nexuses, and become dependent on local agents and institutional practices. Their status exacerbates the marginality of the community they live in.

According to some statistical analyses conducted in Hungary, one can already witness the concentration of certain marginalized social groups in areas considered 'peripheries' in public and academic discourses. This is reflected by the relatively higher proportion of the disabled (Fabula 2010) and by the concentration of Roma residents in economically declining rural spaces (Pásztor and Péntzes 2012). Earlier research (such as Ladányi and Szelényi 2004, Bihari and Kovács 2005, G. Fekete 2005, Virág 2010) provided evidence for the existence of undergoing segregation – in many cases, ghettoization – on the municipal and even the regional scale since the 1990s. The experience of our interviewees confirms that the peripheralization and marginalization of their respective places of residence, and the underlying macro-social, economic and power relations and processes – uneven spatial development, government policies, labour market, patriarchal and ableist relations – strongly restrict the scope of social groups endangered by marginalization. Therefore, given the current structural factors, their responses are often no more than solutions for 'surviving the day'. Over the longer term, they will contribute to social and spatial marginalization, the reproduction of their own dependence and that of their respective villages, and enable these phenomena to reinforce each other.

## **7. Conclusions – production of marginality and peripherality through entangled social relations**

Our empirical results suggest that various forms of social marginality produced by institutional practices of neoliberal capitalism are interlinked, reinforce each other, and perpetuate the social and economic decline of the studied rural spaces. Moreover, the marginality of the discussed local spaces in the European division of labour and in the institutional context of the shrinking state – the scarcity of resources ranging from financial capital

to bargaining power in various hierarchical contexts – forced local agents to enter relationships based on dependence. Thus, we found relationships between peripherality and marginality that mutually support and strengthen each other through local actors' strategies.

The group of local agents is strongly polarized in terms of financial, relational capital, and knowledge that enables them to respond to their marginal status. Only a minority of entrepreneurs entering GPNs ('connectors') and several local NGOs possess skills and capacities to combine local, network-based and intra-organizational assets for actively shaping the embedding of the areas studied and their residents into flows going beyond local spaces. Nevertheless, the former group strengthened the dependence of the study areas on core regions by joining GPNs, and polarized local labour markets by their selective recruitment strategies. Meanwhile, NGOs are weak in local financing and social support, are marginalized by institutional practices driven by fiscal austerity and recent recentralization processes in public services and governance, and thus cannot counteract socio-spatial decline. An increasing number of residents have very little (or no) scope for changing their social status, as they are marginalized by global labour market processes and 'thinning' public services, and/or are dependent on the shrinking social welfare system. Those who have sufficient assets to change their status might choose migration as a response – mostly the young and skilled – reproducing the marginality of the local society they leave behind. Those who stayed and became entrepreneurs (such as self-employed smallholders) entered an arena of bureaucratic institutional practices and imbalanced market relations – dependencies shaped by power relations and interests (EU policies, national land market regulations, global food production networks and so on) that are far beyond the reach, the influence and, often, the knowledge of local agents.

Processes of marginalization and peripheralization are not considerably eased by national and supranational policies. Austerity schemes introduced across Europe from 2010 on reinforced existing inequalities at various scales (Hadjimichalis 2011) that manifested in social deprivation, impoverishment and emerging formal and informal dependencies – for instance, through public work programmes – in the study areas. National and EU policies that were supposed to support socio-spatial equalization focused, rather, on linking social problems and conflicts to local spaces and managing them in situ, through a funding system that is basically competitive and does not empower the majority of local agents to respond to their own and their region's marginal status. As a consequence, external control over local assets – land, firms, labour market – was strengthened, cementing the peripheral position of the spaces discussed (Smith and Pickles 1998, Harvey 2005), and those who are 'trapped' in declining rural spaces remain powerless and dependent on shrinking public resources and locally embedded social relations.

Studying strategies and social practices of various agents of the above-discussed rural spaces provided lessons for further research, as well as for policy-making in the Hungarian and also in the European context. Although the study areas exhibited various trajectories and social contexts, the responses of local agents to institutional changes and market processes revealed some of the mechanisms that (re)produce marginality and various forms of dependence and, in this way, reinforce ongoing polarization on the European and also the sub-national scale. Moreover, case studies enhanced our knowledge of locally embedded social practices, and made us understand the multi-scalar – including the local – nature of polarization processes and the diversity of capitalisms in ECE (argued for also by Stenning and Hörschelmann 2008, Stenning et al. 2011). Our findings might raise further questions about the ways we should approach the multiplicity of social relations shaping spatial inequalities in ECE and interpret local ‘realities’ in the context of wider structural changes; moreover, they call for a deeper understanding and a more nuanced treatment of the problems of peripheral rural spaces by the makers of spatial policies across Europe.

## Notes

1. To identify rural spaces, we applied the OECD definition, based on population density (below 120 residents/km<sup>2</sup>) and the proportion of urban dwellers (below 50 per cent) within the researched spatial units (LAU1).
2. Our results are based on the research project supported by the National Research Fund, Hungary (OTKA 109296; 2013–17) and on the fieldwork done in the framework of the research project ‘Rural transformations in Hungary’ (2012–13) supported by the Ministry of Rural Development.
3. We used 45 indicators, including dynamic datasets on demography, employment, household incomes, property markets, entrepreneurial activity and performance, accessibility, access to public services and utilities, and land use. We chose regions belonging to the weakest quintile of ranked LAU1 regions on at least 80 per cent of the indicators.
4. The term was used by the interviewees to refer to ability for regular work, readiness for permanent learning and loyalty to the firm.
5. Regulations have been affected by the rival concepts of competitiveness (liberalization of all segments of the property market) and of nationalizing the agricultural land market (linking citizenship to ‘saving our homeland’) since 1989. Tangled ownership of land – a post-socialist ‘heritage’ – reinforced uncertainties, particularly in agriculture.
6. Firms involved in the motor industry were the most successfully ‘geared’ in growing cores of the domestic market, largely due to strong national policy support. Nevertheless, they derived little benefit from macro-scale upgrading processes in the sector (Pavlínek et al. 2009). At the same time, the clothing industry fell victim to changes of trade regimes and restructuring within the sector globally, which marginalized firms with no other market advantages than low labour costs (Pickles et al. 2011). The ‘thinning’ of this sector in the study areas marginalized local female labour, which was considered a key factor in the reproduction of poverty by Váradi (2005) and also by the interviewees.

7. The group includes individual farmers cultivating a maximum of 20 hectares of arable land or 4 hectares of vineyard.
8. The lending practices of cooperative banks relied on locally accumulated deposits and personal relationships; thus, trust and local embedding were a key – although non-transparent – element of their lending policy. ‘Integrating’ the Hungarian cooperative sector into the banking system (enacted in 2013) fitted into the policy discourses that have marginalized all business relations outside formalized institutions of the market throughout ECE since the late 1980s (Williams 2005).
9. The concentration of ownership of agricultural land can be traced clearly in the official statistics on land ownership and tenure in our study areas. This loss of control over local resources should be considered as capital accumulation through dispossession (Harvey 2003).
10. Practices range from the introduction of surveillance systems based on ICT – such as in the Tesco store in Sarkad – to abandoning the self-service model and returning to the ‘direct hand-out’ practices of the 1970s, as we discovered in Kevermes (Mezőkovácsháza region).
11. An interviewee’s complaint about the increasing number of thefts in the local shop and its interpretation as an ethnic problem in the Lengyeltóti region.
12. For instance, in basic-level and kindergarten education, the ratio of quota-based state subsidies to actual costs had dropped below 50 per cent by the end of the first decade of the new millennium. The municipalities of the study areas that did not have tax revenues and could not raise contributions from parents responded to the situation by reducing services, ignoring quality requirements and postponing maintenance and development.
13. The proximity problem – traditionally a criterion of peripherality (see, for example, Kühn and Berndt 2013) – is also considered an aspect of marginality within the system of public transportation and public road maintenance, as an interviewee in a small village of the Sarkad region put it: ‘We have only two buses per day going to the centre [Sarkad], and no one cares of the conditions of the roads either ... only the big jeeps [symbols of high social status in villages] can pass without damage.’

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# 9

## Socio-Spatial Polarization and Peripheralization in a Rapidly Changing Region – Building Europe’s Balkan Edge: Tourism Development in Coastal Bulgaria

*Max Holleran*

### 1. Introduction

The development of viable tourism industries has been a central goal for post-socialist countries in Central and Eastern Europe. On the one hand, this represents a macroeconomic strategy aimed at combating industrial decline, which swept through the region in the 1990s. On the other hand, it is a political strategy focused on managing post-socialism as a crisis of ideology, which often spills into debates about economic strategy (Eyal et al. 2000). Many countries have used tourism development as a way to rebrand the nation (Aronczyk 2013): that is, to utilize new spaces of leisure to reorient national images for citizens looking for symbols to articulate the multi-faceted changes of 1989 (Czaplicka et al. 2009). The use of tourism-based urbanization, particularly beachfront growth in the Balkans, has been an important strategy. It was advocated by politicians, both to transcend post-socialist peripherality in economic terms and to further European cohesion through enhanced tourism and investment. While this process is sometimes managed coherently by cities, regions or national governments, it is often taken up on an ad hoc basis by a variety of entrepreneurs, small-scale tourism operators and property speculators (Kennedy 2001). Controversies around coastal development have erupted in many political and cultural spheres, including environmental concerns, corruption, and public outcries over the style of coastal construction and hedonistic beachfront behaviour. This chapter investigates all of these aspects in the context of Bulgaria’s rapidly developed Black Sea coast.

The coast of Bulgaria is a particularly noteworthy example of post-socialist urbanization (Hirt 2006, Stanilov 2007): extensive coastal construction

around the cities of Varna and Burgas occurred as a result of deregulation in urban planning, property restitution and less constrained travel. The transformation of the Bulgarian coast began in the mid-1990s with the restitution of formerly agricultural property and the sale, mostly piecemeal, of socialist-era resorts. By the early 2000s, the pace of development near the cities of Varna and Burgas was brisk due to the construction of new resort communities, hotels and second homes. Often these complexes were built with little consultation with planning authorities or regard for the environmental impact they would cause (Anderson et al. 2012). The strategy of largely unregulated touristic development was particularly welcome given the post-socialist exhaustion with industrialization via central planning (Andrusz et al. 1996). Constructing new hotels and resorts that dwarfed their socialist predecessors in terms of capacity and architectural flamboyance was an economic struggle to transcend the ravages of deindustrialization. It was also a cultural project, meant to project the charm of the Balkan ‘good life’ to foreign visitors (Ghodsee 2005), the power of a new class of entrepreneurs, and aspirations for a prosperous free-market future.

This chapter will investigate the rapid growth of Bulgaria’s Black Sea coast, both as a unique historical event aided by dormant regulation, and regarding the ways in which the growth was interpreted by residents as a unique symbol of post-socialism and ascension to the European Union (in 2007). Bulgaria is an exemplar of a country that has long struggled with peripherality. While coastal tourism development bears a strong resemblance to previous projects in the Mediterranean periphery, the country’s Ottoman and post-socialist legacy has made the concept of being at the edge of empire and the edge of Europe a salient facet of public discourse for generations (Todorova 1997). This discourse was especially pronounced in public debates over pervasive corruption and the question of what cultural styles, in leisure and architecture (Czaplicka et al. 2009, Zinganel et al. 2013), best represented a fully European future.

The post-socialist beachfront offers a unique means to understand centre-periphery relations through changing notions of taste and relaxation and how these changes are related to new domestic and international class divisions. Regulatory, environmental and aesthetic battles over new development are a fruitful terrain to examine peripherality in the Balkans, because the new politics of European cohesion shifts the symbolic edge of Europe to the Black Sea, requiring new performances of ‘Europeanness’. The construction and tourism industries (Rojek 1995) are often sites of heated conflict about how best to progress from a peripheral political and economic position, often using corruption as a benchmark for change. Informants were frequently bitterly divided on whether coastal tourism could provide an engine for equitable change or whether rapidly built new hotels and homes were emblems of a growing class divide and embarrassingly insufficient regulation.

This chapter will examine how contestation over best practices in coastal growth has become a means for Bulgarians to discuss their status vis-à-vis the 'centre' through the field of post-socialist regulation of construction and development. Coastal development will be analysed as a way to understand the relationship of the Balkan EU periphery with the centre, and to better grasp how debates over the successes and failures of post-socialism have bled into the cultural sphere, particularly the fields of architecture and leisure.

## **2. Methods**

Using 16 months of ethnographic fieldwork in Bulgaria (2012–13), that concentrated on the shifting professional position of urban planners and architects, this chapter will explore how coastal development mushroomed in Black Sea communities on a largely unplanned basis and how this growth highlighted problems of corruption, environmental harm and economic disparity. The fieldwork involved informal participant observation in more than eight Black Sea coastal towns, most of which were located between the major cities of Varna and Burgas. Observation centred on those working in the tourism and construction trades as well as impromptu conversations with local residents in public spaces, restaurants and cafes. These interactions were to establish a sense of recent urban development from those drawn to the Black Sea coast by the economic opportunities. The majority of subjects worked in the tourism industry, either as service-level employees, property developers, real estate agents or business people.

To supplement the ethnographic component of the project, there were also interviews of those involved in urban policy, review of key planning documents, and participation in architectural forums. Interviews were completed in a semi-structured manner, in both Bulgarian and English, with 48 stakeholders in urban development, including academics, developers, urban planners, architects, tourism officials and planning officials. Interviewees were selected using snowball sampling criteria and asked to comment on coastal growth, changes in their professional fields, and regulatory issues that have recently arisen in the construction industry. These interviews enabled a better understanding of urban development as a political process and helped chart the positions of stakeholders involved in the process: particularly the ways in which they drew on the concept of operating at the 'edge' of Europe and the periphery of the European Union.

## **3. Post-socialist growth spurt**

In Bulgaria, property rights were endowed with a new importance after 1990 as the much-criticized process of land restitution began (Hirt 2012: 90). Some of the most controversial areas restituted were locations that had previously been rural and had become valuable for tourism purposes. Land along the

Black Sea was of prime importance: areas such as Albena, Golden Sands, Sunny Beach, Kavarna and Primorsko had begun to develop during socialism as beach resorts (Ghodsee 2005). Some resorts rivalled modest western European or Yugoslav resorts, while others were basic and accommodation was often in spare rooms of private homes. However, those who sought land restitution saw that tourism would play an important role in the future of the Black Sea coast, particularly near the cities of Varna and Burgas. Unlike most Bulgarian cities, the two major ports of the Bulgarian Black Sea and their surrounding zones began to grow during the late 1990s, while the rest of the interior of the country emptied out due to deindustrialization (Bulgarian National Statistics Institute 2011).

The 1990s saw the growth of the two poles of Bulgaria: the coast, where tourism began to be explored as a viable growth option (Ghodsee 2005: 127), and Sofia, the capital, where job opportunities were clustered (Stanilov 2007), creating a national crisis of polarization that mirrored transnational peripheralization with Europe's core. Many during this period used Sofia as a stepping zone to eventual emigration. It is estimated that over a million Bulgarians left in the first decade of democracy. This was mostly due to the haemorrhaging of manufacturing jobs, dissatisfaction with corruption and organized crime, and macroeconomic instability, which culminated in the currency crisis of 1996–97 when the Bulgarian currency, the Lev, was put on life support by permanently linking it to the Deutschmark (Creed 1998, Pickles and Smith 1998, Ganev 2007). The expansion of coastal cities offered a reprieve to the beleaguered economy in several ways: restitution would theoretically empower a new class of small landowners and micro-entrepreneurs while symbolically correcting one of the many wrongs committed under socialism; visitors would experience the 'new' Bulgaria; and tourism would potentially fill some of the employment gap left by deindustrialization and stem the flow of emigrants. Sadly, very few of these goals were realized with unreserved success, and the quick push towards coastal development created many externalities.

Coastal cities grew rapidly and with little direction from urban planners or the state, starting in the late 1990s (Stanilov 2007, Hirt 2012): resort communities expanded dramatically, burgeoning to take over land that had formerly been used for agriculture or camp sites. According to informants, the new influx of money from Sofia and abroad also brought several enduring problems: illegal construction, neglect in developing adequate infrastructure for new hotels and homes, and the use of the real estate sector to clean funds from organized crime. Starting in this period, many hotel developments ignored what limited zoning restrictions existed and built using legal grey areas and pliable local officials, or even built in protected areas. Many cases have been documented of homes and even small hotels being built on protected areas and even in natural parks. The reason for this audacious behaviour in property development is twofold: the state after 1989

lacked capacity to properly regulate the growing coastal construction industry, and public opinion was generally opposed to any state intervention. Regarding the former, state urban planning agencies were often dissolved in the 1990s or made entirely impotent when it came to enforcing codes. Master plans were ignored in developing areas for years; there is an ongoing investigation of Varna's recent master plan for corruption in the zoning process. According to informants who regulate urban planning, court cases that attempted to tackle instances of illegal construction head-on were often stymied by politicians, bogged down by changing legal statutes (in both the immediate post-socialist period and the rewriting of laws to align with EU doctrine), or, worse yet, never attempted because of the financial burden (Petrunov 2006, Ganev 2007). Finally, in light of public opinion, much excessive development was never challenged because of the general ethos of extreme *laissez-faire*. In this environment, all state intervention, particularly long-term urban planning and goal-setting, smacked of the previous socialist order (Åman 1992), and was intensely distrusted, not just by would-be developers but by average citizens, who experienced both regulatory fatigue and deep mistrust of public institutions.

Another reason why the model of tourist-oriented urbanization was broadly embraced in the late 1990s as a growth strategy was because of its perceived success in the former European periphery of Spain (García 2010). Following the end of the Franco epoch in 1975, Spain's new administration made compromises to minimize industrial growth and concentrate on tourism, particularly beachfront development. This strategy worked both to attract tourists, in its initial phase, and later to bring foreign capital, second-home buyers and international retirees. The culmination of this process was the Barcelona Olympics of 1992, when Spain made the visible transformation from bargain 'sun, sand, and sangria' tourism to a major player in more lucrative and less environmentally degrading heritage, cultural and gastronomic tourism. The 'Spanish Model' (Lopez and Rodriguez 2011: 7) served as a blueprint for the new periphery of Europe for several reasons: other EU members hoped to elicit comparable sums of infrastructure development grants that Spain had been successful at procuring as a member of the EC and EU, post-industrial countries sought to reboot their labour force through the tourism and construction sector, and less affluent countries wanted to take over Spain's large bargain tourism sector as the country's sector became more expensive and diversified. Additionally, post-socialist countries such as Bulgaria had the goal of using the Spanish Model to reorient European perceptions of countries behind the Iron Curtain (Ghodsee 2005: 141) and to transcend popular European ideas about Balkanism (Todorova 1997).

Spain's ability to greatly expand its tourism sector after Franco and to use it as a way to communicate positive ideas about Iberian culture to the rest of Europe was an alluring model to follow for Bulgaria (Standart 2013). In the absence of other viable possibilities, it became a blueprint for growth and

an aspirational idea of how peripherality is not a permanent state but a temporary process of integration that can be quickly transcended. A central paradox of the model is that politicians sought to build spaces that exhibited positive national changes to those both within and outside the country, but the process was often bogged down by the very problems of political instability that political elites were attempting to transcend.

By the early 2000s, obvious problems with the coastal development model had emerged. The first and most evident was that lack of coordination had led to excessive growth in some of the most populated tourist strips. Sunny Beach (*Slanchev Bryag*) had become a low-cost destination for western and northern Europeans by the mid-2000s, but struggled with problems endemic to that category of tourism, such as drug use, prostitution, public drunkenness and more severe issues such as death from over-intoxication. The built environment of Sunny Beach had changed dramatically, expanding its footprint by nearly 100 per cent and, according to an informant in urban planning, taking over 70 per cent of formerly public spaces to build new hotels and shopping areas. According to most of the experts interviewed, this trend could have been controlled in Sunny Beach and elsewhere if there had been some method of institutionalized design review or long-term planning for growth. Instead, piecemeal restitution enforced an 'anything goes' environment, except for the coastal resort of Albena, which was the only socialist-era property sold as a parcel (Zinganel et al. 2013). Other well-used resorts began to experience serious infrastructural problems related to a lack of standardized code in architectural and civil engineering practices, including lack of infrastructure for transport, inadequate sewage disposal, and blatant disregard for ecological impact on sensitive issues such as marine species and erosion. The resort of Golden Sands (*Zlatni Pyasatsi*), north of Varna, became famous for exhausting its grossly deficient waste disposal system by July and spending the month of August dumping raw sewage into the Black Sea. What is more, by the mid-2000s, overbuilt areas generally ended up building beyond effective demand due to their eagerness to enter the tourism market.

Many critics of coastal development on the Black Sea coast, including numerous people working within the tourism sector, have pointed out that Bulgaria primarily experimented with a single tourism model, rather than dedicating resources to other potential avenues to attract visitors. The model of low-priced beach tourism with a focus on parties and cheap alcohol is socially less than desirable, as well as one of the most environmentally taxing forms of tourism growth (Sharpley 2009). This model also re-emphasized the purported 'wildness' of the periphery through hedonism and low cost. Starting in the 2000s, this growth also interfered with heritage tourism and opportunities to bolster cultural tourism in two key ways: it sometimes threatened archaeological sites, such as during construction in central Varna, and it often incentivized development in protected areas, such as the

old town centres of Sozopol and Nesebar, both home to extensive Roman ruins. Nesebar, a UNESCO World Heritage Site, was warned repeatedly to limit development or to face possible expulsion from the World Heritage list. Many local business people scoffed at this and maintained that heritage tourism was actually more harmful than helpful due to restrictions, international meddling, and an odious level of enforcement. One small business owner commented that there was a YouTube video of Bulgarian soldiers storming the ancient peninsula in order to stop a minor demolition of a dilapidated small structure (he called it a 'barn'). He chalked up the incident to an utter lack of priority in the municipality, and suggested that businesses in historic places were being unfairly monitored in peripheral countries.

The attitude of anti-regulation is pervasive in seaside communities. Although residents have not seen the material betterment they may have planned on ten years ago, they were quick to assert that the regional governments of Varna and Burgas were incapable of smart regulation and of controlling improper growth. Fatigue with government incapacity was a common view expressed by those interviewed and in the Bulgarian media, often because corruption is thought to be part and parcel of any planned intervention in the built environment. Even in cases such as the protected national park of Irakli, where large amounts of illegal building have gone on, local growth opponents feel that involving regional-level regulators is often a mistake, given their strong ties with developers.

Environmentalist groups, such as Greenpeace and the Bulgarian Green Party, have worked to raise awareness about coastal overdevelopment by petitioning politicians, running their own candidates on environmentalist platforms, and mounting legal challenges, but with little success. Environmentalist movements were strong and publicly well supported in the last years of socialism, particularly in the battle over pollution in the industrial city of Ruse on the Danube River. Many green groups enjoyed the support of pro-democracy parties in the early 1990s and pursued pressing issues of industrial pollution. Yet, this momentum waned early on as green issues took a back seat to the plummeting Bulgarian economy. Beginning again in the mid-2000s, environmentalists were able to challenge overdevelopment and illegal building in popular touristic ski areas such as Bansko and Borovets. They were often supported by international groups who donated money, expertise and political support at the nascent EU level. However, protests against coastal development, whether framed as preserving habitat, safeguarding national heritage or encouraging smart economic growth, have not been widely successful.

One of the more effective challenges in recent years was the protests in Sofia and other cities aimed at a new and controversial Forestry Bill (2012) that would seriously endanger already mistreated swaths of nature in several regions. These actions, by a younger cohort of activists, also fed into the wider economic and political protest movement that began

in February 2013. One environmental activist and young outdoorsman, Plamen Goranov of Varna, was among the first of more than half-a-dozen fatal public self-immolations. Goranov, who set himself on fire in front of Varna's City Hall, was particularly incensed by the illegal practices of Varna's largest corporation, TIM. The company, founded by former Bulgarian navy special forces soldiers, made a regrettably common shift from organized crime to legitimate holdings in the 1990s (Petrunov 2006), including very large stakes in seafront construction and coastal tourism.

While environmentalists have enjoyed a renewed bully-pulpit to express their fears about coastal destruction in the past two years as the national debate about corruption rages, their ability to reshape public opinion around key development issues has been limited. Several factors have influenced this marginalization in the overlapping worlds of politics and regulation. Often, environmentalist discourse is not merely perceived as encroaching upon newly won property rights, but is identified with elite discourse of the wealthy and educated, who are primarily located in Sofia and are seen as being out of touch with more economically struggling regions. Additionally, environmentalist discourse is often framed in terms that draw on EU law and the practices of international non-governmental organizations (NGOs). Activists use this frame as a way to emphasize common principles of protection that should be implemented across Europe and guidelines for best practices that will help the Black Sea coast as it struggles to implement new post-socialist guidelines. However, for many coastal residents, imported discourse from the NGO sector is unappreciated and international involvement is regarded as meddling. EU codes are seen by some as impossible to implement given the Bulgarian legal context, and as following a double standard in which Brussels and Western European countries advocate policies for the periphery that they would never adhere to themselves. Not only do sceptics of environmental advocacy regard NGOs as stifling their ability to compete, but they often draw parallels between the imposing of norms from Brussels and the early-20th-century efforts to cure Balkan 'backwardness' (Todorova 1997). In this sense, environmental concerns have been sidelined as unhelpful directives from centre to periphery that overlook economic strain for hollow and unachievable values, derided by many as being more concerned with protecting arcane marine species than combating poverty.

#### **4. The coast as cultural space: Interpreting the boom years**

When surveying the last decade of growth on the Black Sea coast of Bulgaria, one is apt to see a profusion of new construction, some of which seems to have already been abandoned during the peripheral European property glut that coincided with, and was a major factor in, the financial crisis of 2008. Communities flanking the southern portion of the city of Burgas, which used to be the main industrial port of Bulgaria's coast, have grown



immensely as the northern Black Sea region reached a point of saturation. Many new developments have been built on virgin land, sparking resentment that developers were too eager to build before adequately assessing the market for more homes, hotels or resorts. Yet, many residents of coastal cities express more than just anger at bad planning, including frustration with the culture of corruption within the development process, which they feel is on display in the aesthetics of the new seaside. Objections to new development using a rubric of cultural critique were split into three main categories: the foreclosure of public space (Pickles 2006), the encouragement of hedonistic culture and the rise of mafia culture. All of these forms of critique, by local residents, environmentalists and NGOs, were linked back to unsatisfactory practices in construction, tourism and regulation often seen as endemic to peripheral, and particularly post-socialist, Europe. Using a cultural frame, these concerns were articulated far more directly and with a higher degree of emotional resonance.

The first aspect of overdevelopment that became noticeable for residents and frequent visitors was the foreclosure of public spaces. One urban planner described it this way:

During the previous era, many open spaces were incorporated into the tourism villages: parks, squares, promenades. Basic places where people could relax and be around other people. Those were all the first to go when resorts were sold off.

According to architects and planners interviewed, the idea of places that did not require access via a security booth, by virtue of being a guest at a hotel, or through renting a lounge chair became anathema to the new business spirit of coastal communities. Public spaces were seen as problematic for two reasons: they were costly to maintain and they did not reward those who paid money for the privilege to use them. New spaces of leisure were not meant to be egalitarian (Boym 2001, Hirt 2012) because this would attract the 'wrong kind of people'. Instead, setting some basic barriers for exclusivity was rationalized by tourism promoters and developers as a needed sacrifice to keep international clientele, that is, those from the European core, satisfied (Pickles 2006). Disturbingly, many developers also sought to capitalize on previous outlays of state money to attract visitors. This was particularly true in the controversial recent case of the Varna Primorski Park, in which developers, reputedly a holding company associated with the scandal-imbued TIM, privatized a swath of formerly public land. By using the park, a city property, as an amenity for new development, the land deal both capitalized on local corruption in acquiring public property and will, presumably, reap value from prior public investments in the park.

Many tourism promoters were chagrined to see only one kind of seaside development, and they often attributed this to the lack of know-how among

developers. One woman, who had worked in tourism promotion for nearly 30 years, confided:

The mafia: they own a lot of things here still and they do not like tourism professionals or architects... in fact, anyone with education. They resent those who have achieved any kind of power in ways they didn't... like studying, for instance. They build very bad stuff: ugly, loud, and sometimes badly built.... Maybe they don't care. Maybe it is all just for cleaning money from whatever else they are doing.

The trope of the uneducated and unprofessional taking the reins of development is a common one and, among tourism professionals, is often used to describe why there is not a more diversified market. Many working in the tourism industry believe that, if properly nurtured, Bulgaria could follow the Spanish path of breaking away from environmentally unfriendly beach-front development to concentrate on new markets such as village tourism, Balkan dance, viticultural tourism, or archaeological expeditions to Roman ruins or Thracian tombs. Yet, this involves substantial state support and promotion, as well as an entirely different crop of visitors with very different taste culture and norms about what a vacation should look like (Bourdieu 1984).

Some went as far as to say that the current type of tourism was a direct effect of post-socialist developers hoping to model the coast as a place of freedom with the raucous undertones of dance parties, drugs and binge drinking. Indeed, cities like Sunny Beach resemble mini-Ibizas and are replete with strip clubs, drugs and more-or-less open air prostitution for groups of young tourists from Great Britain and Scandinavia. Often, groups of university students use the coastal landscape as a backdrop for a week of unmitigated revelry, relying on the favourable exchange rate to provide cheap alcohol, accommodation and trips to the plethora of nightclubs. Invariably, each summer at least one tourist falls to their death from a hotel balcony after consuming too much alcohol, creating a problem that is so endemic that it has even been investigated by the British authorities.<sup>1</sup> Many of those interviewed working on the coast subscribed to the general maxim that 'the customer is always right', and that, while they can attempt to mitigate serious harm, they should also keep the party atmosphere going lest tourists go elsewhere. One young hotel employee referred to a popular t-shirt sold to tourists that resembles a major mobile brand's logo and reads: 'Rakia [Bulgarian grape brandy]: Connecting People'. He agreed that many cities have become a place to misbehave and youth act in ways that would never be permissible in their home countries, but then shrugged and said: 'I don't really like it, but these are not the kind of people who want to go to a museum and learn about Roman history. They come here to get drunk. We fulfill their desire.'

New perceptions of the coast were also imbued with subtle clues to the changing class dynamics in Bulgaria, in which many people struggle, given average monthly earnings of approximately €400 per month (United Nations 2012). While most in the cities of Burgas and Varna are at least indirectly related to the tourism industry, many felt that perhaps they had sacrificed too much to lure tourists to Bulgaria. As one young parent put it,

I used to go camping on the Coast with my friends. All those places are gone now. Campsites are massive hotels... the worst part is that I am not sure if anyone even stays there. But what really bothers me is the culture there: drunk 19-year-old foreigners... It is really bad. I don't want to take my kids there and my mother won't go anymore either. We go to Greece now... it is a bit more expensive but, for me, worth it.

The feeling of encroachment of class change within the country (Vesselinov 2004) as well as by those from the European 'core' was expressed frequently, and some went on to assert that foreign tourists saw Bulgaria as a place where they could behave badly without ramifications. One older woman put it this way: 'I'm not sure if they are just on vacation, and away from their parents, so they are out of control. Sometimes, I think they believe this is the way that everyone acts in the Balkans. You know: without proper manners.' Others said that because their buying power is exceptionally high (Bulgaria is the poorest country in the EU) they feel that their economic contribution can wash away their unpleasant behaviour. A young professional in Sofia returned from a recent trip to the coast and said: 'they get belligerently drunk, puke, expose themselves... you name it. In the end no one stops them really, and if they do they just throw some money at them. You would not believe the things I have seen: literally drunk British teenagers *throwing* money at bartenders and waiters. I guess they get here, change their pounds, and our money is like monopoly money for them.'

The gravest, and perhaps most abstract, field of cultural contestation of new development on the Black Sea has been in the world of aesthetics, architecture and pop culture. Many, particularly those who view themselves as better educated and more worldly, object to what they see as the rise of mafia culture. As in the former Soviet Union, organized crime has been an enduring problem of post-socialism, particularly in the field of real estate development. For Bulgaria, mafia involvement in private enterprise and public affairs, including government, has been a major stumbling block to maintaining a good relationship with the European Union, and has led to hundreds of millions of Euros in development money to be deposited in escrow because of concerns regarding corruption in public works (Petrunov 2006). More germane to the cultural field, the new class of post-socialist entrepreneurs, who are widely perceived as being linked to

the mafia, are identified with a unique taste culture of luxury, excess and chauvinism.

The presence of mafia culture at the Bulgarian seaside is often referred to in conversations and internet postings using architectural styles, presumably commissioned by developers connected with the mafia and accused of lacking good taste. A common moniker for mafia style is *mafia baroque* (Holleran 2014), denoting architecture that is criticized as kitsch and gaudy. A mainstay complaint against post-socialist culture maintains that, whatever the flaws of the suppressed cultural realm under socialism, it was replaced by lack of moderation in all things aesthetic, particularly displays of sexuality and a general embrace of material excess (Boym 2001: 91). Critics, most often the educated elite, describe the plunging of national culture into vulgarity, embodied by the success of turbo folk music (in Bulgaria *chalga*) featuring techno drum beats and almost-naked women involved in sexualized poses that can hardly be described as merely suggestive (Silverman 2007, Apostolov 2008). One of the main locations of new luxury and sexual freedom in the videos of *chalga* musicians is the Black Sea coast, where clubs frequently play the music at high decibel levels throughout the night. The emphasis on luxury lifestyles and images of the good life is a strong element of fantasy present in new music videos that has been utilized by Black Sea resort towns. Of older informants in this study, many saw the construction of *mafia baroque* villas and the prevalence of *chalga* music as an attempt to cleanse away the modesty and shortages of socialist life. They maintained that this was entirely understandable, to a degree, but that the relentless pursuit of 'glamour' (Goscilo and Strukov 2010) had revealed the paucity of durable cultural forms after socialism (Todorova and Gille 2012). Finally, many older informants maintained that youthful imitation of mafia culture, centring on consumption, was acceptable. They even likened it to the American flirtation with the movie *Scarface*, but maintained that the difference was that the mafia really did have a large role in running the country, and, in particular, the Black Sea coast.

The appearance of an aesthetic and culturalist critique of post-socialism at the seaside has been an important factor in defining a new post-socialist periphery that has moved far away from the political economy and cultural life of the Eastern Bloc, but has not adequately integrated with Western Europe. Informants living on the Bulgarian coast often internalized a sense of peripherality as a constant force in measuring the recent physical transformation of the landscape by way of comparison with the European 'core'. New forms of architecture, leisure culture, and beachfront development are contested realms that many believe must follow fairly straightforward standards of regulation and far less clear European cultural values that have become an important marker of the division between centre and periphery. Advocates of environmental protection have generally looked

towards Brussels for regulatory discipline and architectural and business norms, but many also resent this transmission of standards because they feel that the Balkan periphery is in a state of everlasting tutelage.

## 5. Conclusion

While new urban spaces and demolition of the past have been employed to illustrate the transition from socialism in south-eastern Europe, touristic spaces represent a particularly unique opportunity to explore how tourism developers and their allies attempt to articulate cultural, economic and political change to the rest of Europe and beyond. The Bulgarian coast is a particularly salient example of how new spaces of tourism opened debates around what European integration should consist of and whether it has progressed quickly and equitably in the post-socialist context. As property development and tourism become mainstays of most peripheral European economies, arguably excessively so, their social effects must be examined to better understand both elite notions of ideal economic development and popular impressions of how thriving property markets represent both post-socialist aspirations and anxieties over class segmentation, cultural change, and the relationship between residents and visitors. As Bulgaria progresses slowly towards Schengen membership, the rapid development of the Black Sea coast and the social response to it present a key challenge, not only to economic prospects in Bulgaria but to managing economic stratification, corruption and environmental harm at the EU level.

## Note

1. The British Consul launched a campaign in 2013 called 'Holiday Hangover: Don't Over Do It' to encourage young people visiting Sunny Beach to consider that a hangover may be one of the less severe consequences of binge drinking.

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# 10

## Paths of Socio-Spatial Change in Post-Socialist Cities – Insights from Five City-Regions in Central and Eastern Europe

*Carola Neugebauer and Zoltán Kovács*

### 1. Introduction<sup>1</sup>

Since the end of the Cold War in the early 1990s, intense research has been focused on the manifold processes and patterns of change in Central and Eastern Europe (CEE) triggered by the breakdown of the socialist system and shaped by increasing globalization and internationalization. Urban research on socio-spatial issues has boomed, producing, on the one hand, empirical studies that investigated relevant spatial and societal processes such as suburbanization, gentrification or marginalization as *single phenomena* detached from urban regional contexts – comparing, for example, socio-spatial processes in large-scale housing estates of different cities in CEE. On the other hand, studies emerged which portrayed and explained the entangled socio-spatial changing and persistence within *one city-region* (Sýkora 2007, Marcińczak 2012). Until now (2013), however, no studies have taken a city-regional investigatory approach which considers the interplaying developments of different neighbourhood types *while at the same time* comparing these city-regional insights among post-socialist European countries. More than 20 years after the start of societal transformation in CEE, clear socio-spatial development trends are showing, new processes are being indicated, the fundamental factors determining these developments are becoming evident, and new theoretical concepts such as the idea of post-socialist ‘heteropolitization’ (Gentile et al. 2012) are being developed.

Against this backdrop, this chapter aims to pool the knowledge from existing case studies published in literature, and to develop it further with regard to similar and/or different socio-spatial development patterns and paths in CEE metropolitan regions floating between persistence and polarization. Using a systematic and comparative approach which views the individual



city-regions and their different, mutually dependent housing market segments as a whole (Brade et al. 2009, Sýkora 2009) – the presented primary research helps to specify the concept of ‘heteropolitization’.

## 2. Urban research on socio-spatial change in post-socialist city-regions

The available literature features a number of studies describing socio-spatial developments in metropolitan cities across CEE. They often take up an *intraregional perspective*, that is, viewing city-regions at neighbourhood level, and thus highlight three housing market segments in particular, which form the key focus of observation:

First, there are the *large housing estates*, which were built under state socialism and represent a significant housing market segment in CEE countries. Large parts of the urban population still live in these estates today (Table 10.1) which are characterized by a high level of diversity in terms of building structure, quality and connotation (Brade et al. 2011). In literature, the estates’ development since 1990 is described on the one hand as a process of general reassessment, socioeconomic and symbolic devaluation due to the selective out-migration of better-positioned households (Turkington et al. 2004, Beckhoven and Kempen 2006, Sýkora 2009). So ‘primarily isolated and spatially differentiated devaluation trends’ (Knorr-Siedow and Droste 2003, Bernt and Kabisch 2006) are depicted, which are dependent on media-based, regional and local influences (Dekker et al. 2005, Liebmann 2006) and are positioned in relation to the base level of social composition and symbolic connotations inherited from the socialist era (Steinführer 2001, Strubelt 2006 et passim). On the other hand, there are also, however, findings which point to a relative socio-structural persistence of large housing estates due to the high immobility of residents and the stable level of satisfaction among these residents (Kovács and Wießner 2004, Sýkora 2009, Kährlik and Tammaru 2010). Thus, large housing estates in CEE ‘still [feature a] relatively broad social mix of residents’ today and ‘still [enjoy a] relatively positive acceptance’ as a place to live in the city-region (Liebmann 2006: 219, Hagen-Demszky 2009).

Second, the *new suburban forms of living* describe a topic which has been extensively studied in urban research since the consequences of the liberalization of settlement and housing policies in CEE became noticeable. Current studies discuss, among other things, the diversity of suburbanization processes in the CEE metropolitan regions. They mention elitist forms of living in gated housing complexes (Smigiel 2013, Kovács 2014), newly constructed estates with multi-storey housing and/or single-family homes, and the transformation of seasonal summer abodes (datcha settlements) into main residences; the latter being especially applicable to socially weak households and older residents (Ouridnicek 2007, Brade et al. 2009, Leetmaa

et al. 2012). As a result of the selective influx of the middle classes and the elite from the inner city, the new suburban construction activities led to a considerable socio-structural appreciation of suburbia (Kok and Kovács 1999, Borén and Gentile 2007, Hirt 2007, Novak and Sýkora 2007, Ouridnicek 2007, Leetmaa et al. 2009, Sýkora 2009). Current CEE research makes little reference to a weakening of the suburbanization process or even to a change in trend towards reurbanization (Földi et al. 2014) with the exception of the former East German states (Herfert et al. 2012b).

Third, *neighbourhoods in the historic inner city* make up the third housing market segment dealt with as part of CEE urban research, which has so far presented heterogeneous findings. For example, the socio-spatial transformation of inner-city neighbourhoods after 1990 is described both as an isolated gentrification process (Standl and Krupickaite 2004, Wiest and Hill 2004, Hirt 2006, Rouppila 2006, Borén and Gentile 2007, Kovács et al. 2007, Kempen and Murie 2009) and as a process of ghettoization (Kovács et al. 2007, Sýkora 2009).

Aside from this intraregional perspective, however, and when viewing all the specialist literature together, we finally reveal a lack of primary research which looks at socio-spatial developments in CEE metropolitan regions as interdependent play of various housing market segments and which compares these interplays on an interregional level: Thus, the *interregionally comparative perspective* on CEE city-regions has so far lacked an empirical base. Against this backdrop, it is difficult either to confirm or to falsify statements, saying that simultaneous yet opposing socio-spatial developments and the (small-scale) diversity of these developments are the characteristic features of the socio-spatial transformations in CEE city-regions (Rouppila and Kährlik 2003, Sýkora 2009). This also holds true for the current concept of 'heteropolitization', which identifies a development towards a 'socially, economically, culturally and spatially heterogeneous and complex city' as the 'prevailing trend' in CEE and argues that this trend stands for 'creativity', 'connectivity' and 'competitiveness' (Gentile et al. 2012: 292ff.). With regard to the socio-spatial dimension of city development, these authors distinguish the post-socialist city from the so-called 'homopolis', which was the ideal 'under socialism', but actually resulted in a 'lower level of socio-spatial inequalities' and more socially mixed neighbourhoods compared with the West (Gentile et al. 2012: 293ff., Kovács 2014). Finally, however, neither the concept of heteropolitization nor the aforementioned, conceptual considerations feature a differentiating, systematically comparative view on urban developments in CEE after 1990. They do not broach, analyse and explain the similarities *and* differences which (may) exist between the socio-spatial heteropolitizations of CEE city-regions, which mirror the interplay of socio-spatial persistence<sup>2</sup> and the up- and downgrading of neighbourhoods, and possibly, in some cases, are indicative of socio-spatial polarization<sup>3</sup> within a city-region.

Nowadays, scholars explain the socio-spatial transformation of CEE city-regions after 1990 especially as the hybrid overlapping of transnational influences (in the form of ‘globalization’ and ‘European Union enlargement’), socialist legacies and ‘particular choices and experiences of the transition period itself’ (Stenning and Hörschelmann 2008: 312, 323ff., Haase et al. 2011, Sýkora and Bouzarovski 2011, Gentile et al. 2012). Due to the lack of interregionally comparative studies, however, the interpretations of similar and/or different socio-spatial developments in CEE city-regions are even today limited in their explanatory power (Brade et al. 2009, Sýkora 2009). Similarly, empirically founded discourse on the phenomenon of a ‘single path of post-communist urban transition’ (Borén and Gentile 2007: 95, Sýkora and Bouzarovski 2011) and/or the formation of diverging paths of post-socialist urban development seems weak so far, as well.

Against this backdrop, the key questions in this chapter are:

- Which patterns and trends of socio-spatial development characterize the CEE metropolitan regions after 1990; what similarities and/or differences can be recognized?
- What explanatory power is assigned to one or multiple post-socialist urban development paths, showing the hybrid overlap of socialist legacy, transformative experiences and transnational influences?
- And what do we learn about the spatial imprint of societal transformation in CEE city-regions in terms of socio-spatial polarization?

### 3. Methodological principles

The chapter’s methodology was chosen in view of the above-mentioned lack of previous studies on socio-spatial transformation in CEE metropolitan regions. The multiple case-study design, which provides an *interregional comparison* of the five selected CEE city-regions of Leipzig, Budapest, Vilnius, Sofia and St Petersburg, is thus essential for the chapter. Based on an approach which addresses the types of structure (development structure and location properties) and representativeness of the respective housing market, five intraregionally significant types of neighbourhood were selected in each city-region. Of these, three types of neighbourhood were then investigated across all of the city-regions:

- large housing estates built in the 1970s/1980s and located on the outskirts;
- historical block housing<sup>4</sup> found in the inner city;
- new suburban estates which comprise single-family houses.

In order to reveal socio-spatial patterns and processes since 1990, macro-level (structural analysis) and micro-level (activity analysis) research approaches

were linked in the study, and qualitative and quantitative social-scientific methods were combined. This approach allows to reveal and explain the spatial forms of social inequality and the actions undertaken by the different local players, while paying special attention to the overriding contexts.

The methodological triangulation (guided expert interviews with representatives from the local city administration, housing industry, academia and civil society; group discussions with local urban researchers; standardized household surveys in the neighbourhoods, with 500–750 questionnaires per city-region; analysis of documents and literature; participatory observations) supports the desire to derive socio-spatial differentiation trends that apply to the city-region using results that are relevant to specific neighbourhoods. Limitations on the transferability of neighbourhood-specific results arise as a result of the invariably restricted representativeness of the chosen quarters, since various developments also take place within a specific neighbourhood type located in a certain city-region.<sup>5</sup> Against this backdrop, group discussions and expert talks were fundamental in facilitating critical reflection and city-regional classification of housing-specific results and in identifying valid socio-spatial trends.

The *intra-regional comparison* of household survey results was vital in order to gain views on socio-spatial development processes since 1990. For this reason, only those households which had moved into the studied neighbourhood after 1990 were incorporated into the analyses. The characteristic features of these new households were then compared primarily from an intra-regional perspective, meaning between the inner-city neighbourhoods, large housing estates and suburban settlements in the respective city-region. This enabled an overview of the extent to which socio-structural transformations have taken place in favour of one or two neighbourhoods since 1990: a crucial basis for making statements on up- and downgrading processes and/or persistence in the neighbourhoods studied. The advantage of comparison on an intra-regional level is that it allows reciprocal transformations between types of neighbourhood in their city-regional context to be viewed more clearly, and thus allows optimum evaluation. By contrast, with regard to potential up- and downgrading trends in neighbourhoods, only limited information can be gathered by comparing residents who have moved into the quarters since 1990 with long-term residents (residential population who lived in a quarter before 1990) in the same neighbourhood, as long-term residents do not depict the base level of social structure that existed in the quarter before 1990; rather, they portray a more or less segregated residual group as a consequence of out-migration. Due to the lack of long-term analyses of CEE city-regions, the intra-regional comparison of households moving into a quarter thus remains the more reliable approach for examining and describing socio-structural transformations in the neighbourhoods.

#### **4. Socio-spatial transformation in Central and Eastern European metropolitan regions**

The differentiated effect of transnational factors, as well as of the transformative and socialist legacy, has produced significantly diverse arrangements of development conditions in the studied CEE city-regions (Table 10.1). This ranges from surplus housing to a huge lack of housing; from a dominant tenant market to a property-owner market; from housing restoration activities which are just starting to those which are extremely advanced; from very low to extremely high levels of new construction work; and a city-regional form of development which stretches from dynamic suburbanization through to reurbanization.

These differentiated city-regional contexts entail, among other things, clear differences of residential mobility between the studied city-regions and also between the neighbourhood types (see details in Brade and Neugebauer 2012). For Leipzig in particular, a very high level of residential mobility – a type of ‘relocation tourism’ – was characteristic after 1990. This was facilitated by surplus housing in the 1990s and the dominant rental market. In contrast, mobility in the four city-regions studied in Eastern Europe was considerably lower due to the more or less closed housing markets and the high rate of home owners; it was generally lowest in St Petersburg due to the extremely restrictive conditions still present in the housing market.

At the neighbourhood level, the large housing estates built in the 1970s/1980s represent islands of residential stability/immobility in Eastern Europe. By comparison, they feature the lowest mobility rates since 1990 (Brade and Neugebauer 2012). The majority of residents who live here moved into the flats in the 1970s, when they were first built. By contrast, the living quarters in the inner city, which, like the large housing estates, saw hardly any residential mobility in the 1990s, have experienced an increasing number of people moving to the area due to the economic consolidation in Eastern Europe since the turn of the millennium. Out-migration to the cities’ suburban outskirts, which had already reached its peak in the Leipzig region by the end of the 1990s, generally began to pick up pace in the Eastern city-regions after 2000, particularly in Vilnius and St Petersburg. The limited purchasing power of the majority of the population and the lack of support by the public sector, however, had until then prevented suburbanization from becoming a mass phenomenon.

##### **a. Interregionally similar development trends in residential neighbourhoods**

Despite the differentiated city-regional parameters and differences in mobility, similar socio-spatial development trends can be seen in the five studied city-regions for the neighbourhood types of suburbia, large housing estate and inner city, which were all viewed comparatively.

Table 10.1 City-regional contexts in the studied CEE metropolitan regions

	Leipzig	Budapest	Vilnius	Sofia	St Petersburg
Demand and supply of living space	Surplus supply	Balanced	Slight lack of supply	High lack of supply	High lack of supply
Dominant status of the residents	Tenant	Owner	Owner	Owner	Owner
Level of inner-city restoration	Four-fifths	One-third	One-third	Very low	Very low
Level of restoration in large housing estates	High	Low	Low	Very low	Very low
Percentage of city dwellers living in large housing estates	ca. 20%	ca. 30%	ca. 50%	ca. 75%	ca. 70%
Level of new housing construction in the city-region since 2000	Very low	Medium	High	High	High
Level of public (national/municipal) control of housing restoration and construction	Very high	Medium	Medium	Little (selective)	Little (selective)
Population development in the 1990s/since 2000	Intense shrinkage/growth	Shrinkage/slight growth	Shrinkage/slight growth	Intense growth	Shrinkage/stable
Dominant city-regional development trend since 2000	Incipient reurbanization	Decreasing suburbanization	Continuing suburbanization	Dynamic suburbanization	Dynamic suburbanization

Source: Herfert et al. 2012b, supplemented.

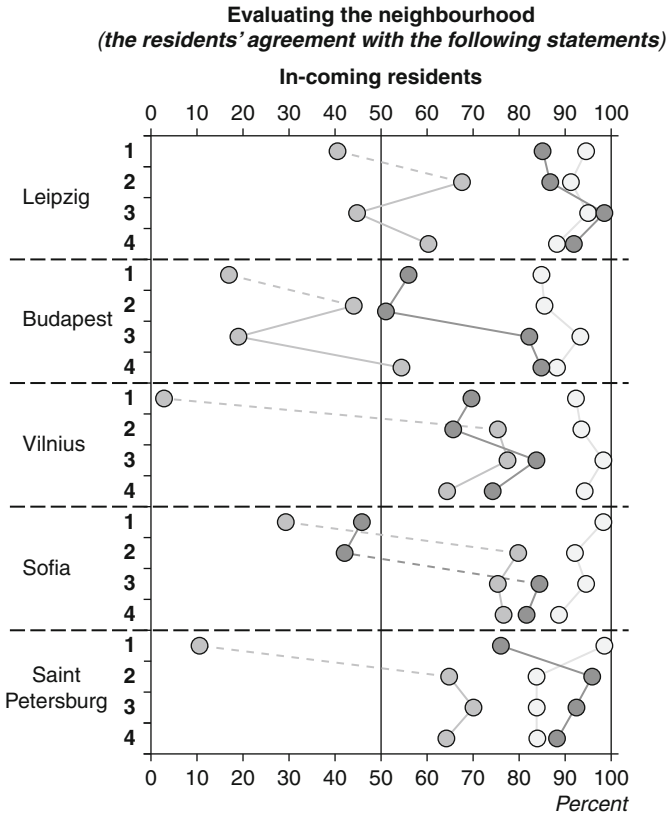
*The new suburbia*

A new element of the city-regional housing landscape in CEE emerged with the suburbanization of housing, which began mainly after 1990 (Smigiel and Brade 2011). Suburban one-family, and to a much lesser extent also multi-family, housing estates emerged both on the outskirts of the old towns as well as on green fields. In Eastern Europe, it took on the form of guarded and enclosed suburban housing complexes (gated communities). These new types of suburban housing estates depict neighbourhoods associated with intensive social appreciation in the studied CEE city-regions. The majority of people who moved into the neighbourhoods, primarily higher earners and professionals (families with children, 35–45 years old), had previously lived in the city. While households migrating into the single-family housing estates tend to be of the upper middle class, residents of the gated communities primarily count among the local business elite (Smigiel 2013, Kovács and Hegedüs 2014). Although infrastructural facilities, such as utility installations, social facilities and leisure activities for young people, as well as local public transport connections to the new estates, were usually non-existent or inadequate, the suburbanites' level of satisfaction with their home and living environment was still very high. Compared with other types of neighbourhood studied, residents identify strongly with their living quarters; they rate the image of their quarters extremely high; they feel safe and have largely accomplished their living ideals (Figure 10.1).

*Large housing estates built in the 1970s/1980s*

Contrary to many scenarios that predicted a huge drop in significance and socio-spatial stability of large housing estates in the CEE city-regions, the large housing estates built in the 1970s/1980s have not deteriorated into places of social decline, nor have they turned into ghetto neighbourhoods. On the contrary, their image ranges – in each case in relation to the other types of neighbourhood – between socio-spatial persistence and mild devaluation (Figure 10.2, Table 10.2).

A form of social mix still present in large housing estates in Eastern Europe is particularly noticeable (Kährlik and Tammaru 2010, Neugebauer et al. 2011, Brade and Neugebauer 2012), although signs of emerging social devaluation should not be overlooked. One expression of persistence in the large housing estates is the significantly lower degree of mobility among residents when compared with the respective inner-city neighbourhoods. The potential mobility of residents in the estates, in terms of the expressed intention to move away, is lower by comparison. Among other reasons, this is due to the high level of satisfaction among residents with their housing; this satisfaction level is much higher than postulated in public discourse. So the 'satisfied stayer', a resident who is pleased or extremely pleased with his/her home and



**Statements**

- 1 *If I chose without restrictions, I would stay in this neighbourhood.*
- 2 *I like to live here very much and would like to stay here forever.*
- 3 *This neighbourhood has a very good reputation.*
- 4 *This neighbourhood is safe, even at night.*

**Neighbourhood types**

- Inner-city neighbourhood
- Large housing estate
- New suburban neighbourhood



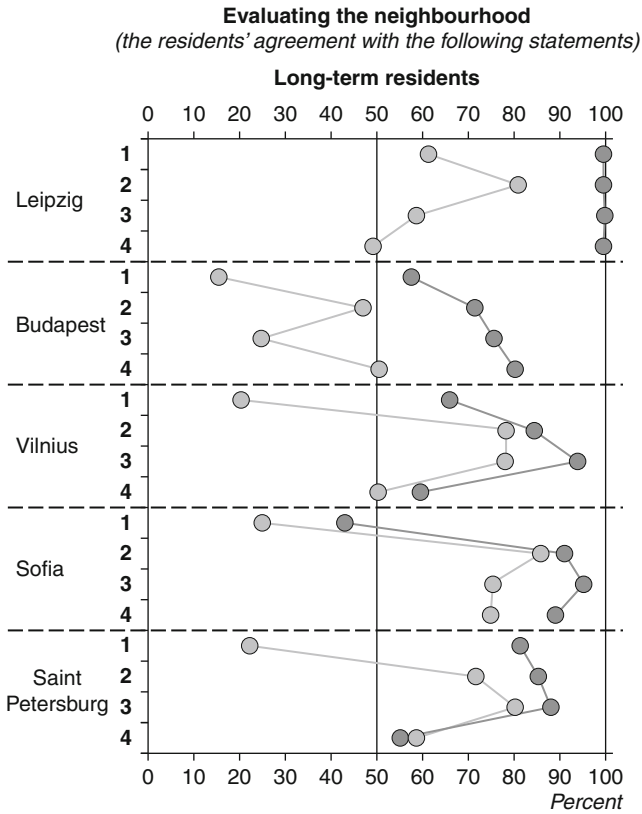
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Draft: G. Herfert  
Graphics: A. Kurth, T. Zimmermann

Figure 10.1 The evaluation of neighbourhoods in CEE city-regions

Source: Own surveys (2007).

local area and also wants to stay in the quarter, is dominant in all five large housing estates studied (Herfert et al. 2012a). However, this high level of residential satisfaction partly conceals the phenomenon of an adjusted level of satisfaction. Consequently, some households cannot financially afford to





**Statements**

- 1 *If I chose without restrictions, I would stay in this neighbourhood.*
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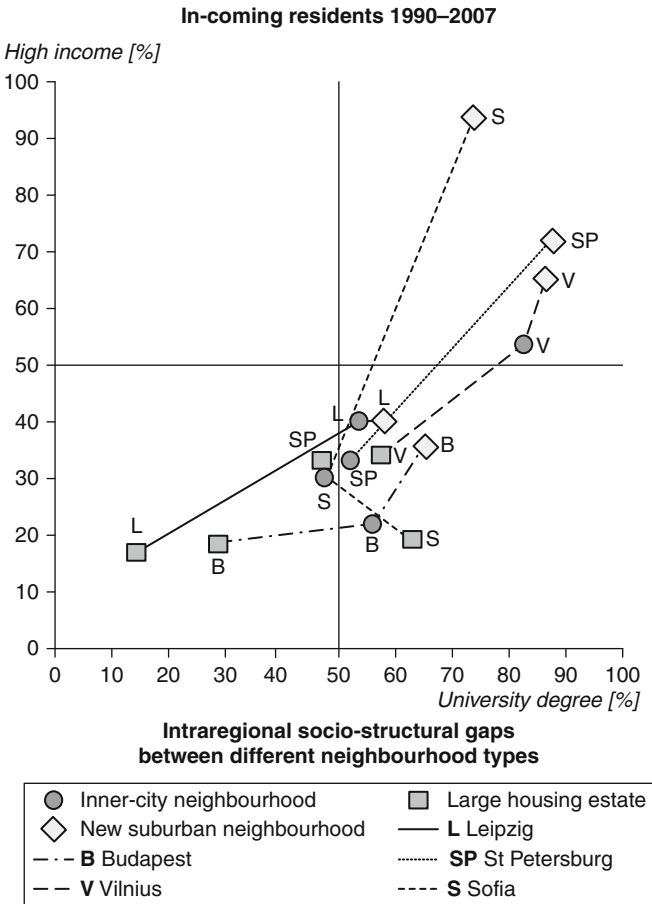
**Neighbourhood types**

- Inner-city neighbourhood
- Large housing estate

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Figure 10.1 (Continued)

move, and therefore are (or have to be) happy with this standard of living – a phenomenon especially applicable to newly moved households. As a consequence, despite the high level of residential satisfaction, large housing estates often do not match up to the residents' preferred form of living, and tend to be rejected as a living ideal (Figure 10.1).



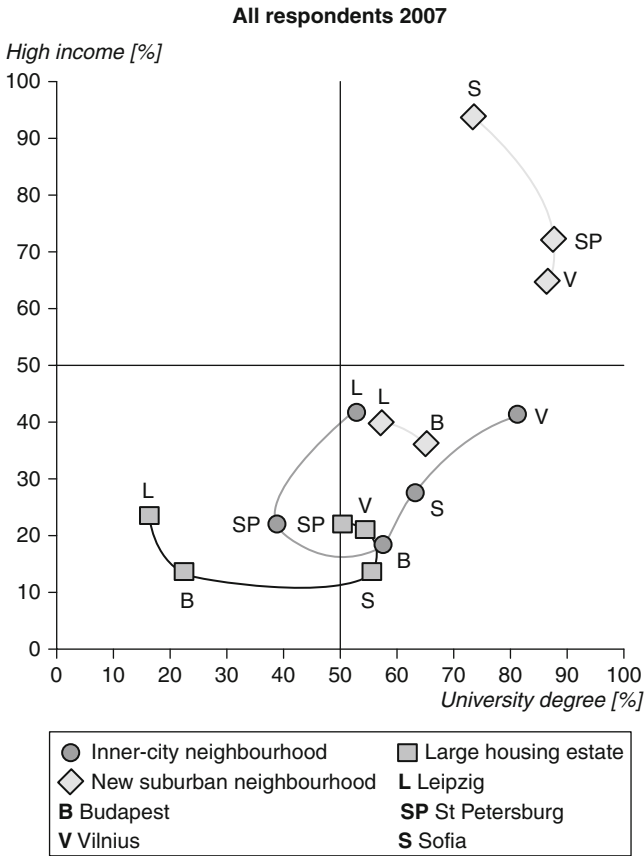
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 Graphics: C. Kunze, T. Zimmermann

Figure 10.2 The socio-structural gaps between different neighbourhood types in the CEE city-regions, shown by varying characteristics (income level and university degree)

Source: Own surveys (2007).

### Residential neighbourhoods in the inner city

Inner-city residential neighbourhoods located close to the city centre dating back to the *Gründerzeit* period were shaped by a more or less distinctive trend of devaluation during the socialist period, especially due to the ageing of the population and increasing structural deterioration. Today, however, a clear trend towards rejuvenation and diversification of inner-city residential



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Figure 10.2 (Continued)

structures is recognizable, primarily thanks to young, non-familial types of households moving into the area (Herfert et al. 2012b). At the same time, the weakly evident, small-scale social mosaic of the socialist inner city has given way to increasing socio-spatial differentiation. The image of diversity and simultaneity of developments, pitched between socio-economic appreciation and devaluation, is becoming apparent in the CEE inner cities. The revalued inner-city neighbourhoods, often marked by the recent revival and/or persistence of positive pre-socialist connotations (neighbourhood images) and building structure assets, feature a high level of satisfaction and intention among residents who have moved into the area intending to stay

*Table 10.2* Patterns of socio-spatial change in CEE city-regions: Socio-structural characteristics of incoming households in large housing estates and inner-city neighbourhoods

Intensity of socio-structural differentiation between large housing estate and inner-city neighbourhood (analysis of households moved to the neighbourhoods since 1990)					
	Leipzig	Budapest	Vilnius	Sofia	St Petersburg
higher-income household <sup>1</sup>	⇨	⇨	⇨	○	○
university degree	⇨	⇨	⇨	○	○
'winner' after 1990 <sup>2</sup>	⇨	○	⇨	○	○
lower-income household <sup>3</sup>	⇨	○	⇨	○	⇨
'loser' after 1990 <sup>4</sup>	⇨	⇨	⇨	○	○
<b>Pattern of socio-spatial change</b>	<b>Fragmentation without polarization</b>	<b>Moderate socio-spatial transformation</b>		<b>Persistence and polarization</b>	

Share of the social group in large housing estate (minus) the share of the same group in inner-city neighbourhood:  
 ⇨ high deficit (< -30%)    ⇨ slight deficit (-10% > -30%)    ○ small differences (+/-10%)    ⇨ slight surplus (-10% > -30%)

<sup>1</sup>Higher-income household: The way the respondent sees it, his household can afford a car and housing property any time.

<sup>2</sup>Lower-income household: The way the respondent sees it, his household can only afford groceries and clothes.

<sup>3</sup>'Winner' after 1990: The way the respondent sees it, his life situation has 'much improved' or 'rather improved than worsened' since 1990.

<sup>4</sup>'Loser' after 1990: The way the respondent sees it, his life situation has 'much worsened' or 'rather worsened than improved' since 1990.  
 Source: Own surveys (2007).

(Figure 10.1). They show a high degree of residential affinity for city-centre living. However, this positive trend among new city-centre residents towards a decision to permanently stay does not apply everywhere, but varies greatly at neighbourhood level. This means that, until now – despite the affinity of new residents with the city centre – the CEE city centres have remained a place of high living mobility in the city-region, particularly with regard to the in-migration of a young population (Herfert et al. 2012b).

### **b. Differentiated city-regional development patterns**

Besides the previously mentioned similar development trends in selected neighbourhood types, clear differences in socio-spatial patterns and developments are emerging at the same time between the five city-regions studied. These differences are caused by differentiated *dynamics* and *intensities* which characterize the social up- and downgrading processes and/or persistence of the individual neighbourhoods studied. Thus, three *patterns of socio-spatial development* can be derived and described qualitatively as specific interplay of city regionally modified processes on the neighbourhood level.

#### *Socio-spatial fragmentation: The example of Leipzig*

Accordingly, we may describe the socio-spatial development in the city-region of Leipzig after 1990 as a process and pattern of socio-spatial fragmentation<sup>6</sup>: an intense process of socio-spatial dissolution began here in 1990, related to a revaluation of individual residential neighbourhoods in the city-region. Due to the high level of residential dynamism linked with selective relocation into and away from these areas, socio-spatial disparities in the city-region have significantly intensified; however, without any polarization tendencies, in the sense of an increase and strengthening of social extremes between population groups and their impact being recognizable in space.

The winners of this development in the 1990s were the new suburban housing estates. This once-dynamic trend towards suburbia has now, however, completely disappeared. Furthermore, there are many inner-city residential neighbourhoods which became favourite areas of in-migration within the city-region as of 2000, following a distinct demographic and economic downturn (Heinig et al. 2012). The socio-structural upgrading of both neighbourhood types is shaped by households with medium to high, yet by no means elitist, incomes, which is due to the special East German housing market conditions and building subsidies. Many inner-city neighbourhoods experienced mild gentrification (Wiest and Hill 2004).

The losers of these developments were predominantly the large housing estates on the outskirts of the city. Despite extensive renovation and modernization of the housing stock, the socio-spatial gap between large housing estates and other types of neighbourhoods increased considerably (Figure 10.2) as a result of the selective departure of higher earners and the

influx of socially weaker households such as single parents, pensioners and less qualified individuals. Following extremely high levels of population loss in the 1990s, the level of migration out of the large housing estates has, however, substantially lessened, and a relatively high level of satisfaction and identification with the neighbourhood is visible, especially among long-term residents (moved in before 1990, Figure 10.1). Despite various living alternatives in the city-region of Leipzig, these ‘really satisfied stayers’ even view their housing wishes as being largely fulfilled on their renovated large housing estates (Herfert et al. 2012a). However, a lack of incoming young households simultaneously reinforces the trend towards an ageing population found in this type of neighbourhood. The migration flows within, and particularly from outside, the city-region are concentrated on the inner city, primarily with regard to young, highly qualified households who are hugely fond of the city centre and want to stay here – also as a place to start a family (Herfert et al. 2012b). This results in a constantly widening socio-structural discrepancy between the peripherally located large housing estate and the inner city. A characteristic feature of living in Leipzig is the general change in living model from suburban single-family home to city-centre living.

*Persistence and polarization: The examples of St Petersburg and Sofia*

In contrast to the city-region of Leipzig, the inner-city *Gründerzeit* quarters and the large housing estates in St Petersburg and Sofia are distinguished by continuously stable, mixed resident structures. The city-regions are also characterized by the extremely selective socio-structural nature of their new suburban housing estates, especially in the form of gated housing complexes. The influx of high-income, well-educated residents with children, representatives of the developing upper middle class, resulted in the emergence of a number of suburban, affluent enclaves. The motivation for the privately maintained, isolated areas is not so much the fear of crime, but, rather, the high social prestige granted to these estates and the desire for social delimitation (Smigiel 2013, Kovács and Hegedüs 2014). This socio-structural gap between suburban estates, which stand out as being more elitist, and the rather more stable structures of the large housing estates and the inner city reflects a unilateral polarization trend in this type of city-region (Figure 10.2).

The social persistence of large housing estates in St Petersburg is becoming particularly apparent in the quarter of Lenin-Prospekt (series 137), where middle-class households continue to dominate, and low-income households – in contrast to the studied inner-city quarter of Vasily Island – only represent a marginal group (Brade et al. 2011). Although a symbolic and structural devaluation of large housing estates since 2000 is also seen here, this has not led to an increase in people moving away from such estates (Figure 10.1: relatively high residential satisfaction and will to stay), or to a

drop in demand, primarily due to absent or financially unaffordable housing alternatives (Brade et al. 2011).

In the inner city, where mixed social structures continue to dominate and social differentiation can only be observed in isolated cases, traditional, positive and negative images of the neighbourhood have distinctly emerged once again since 1990. Besides specific features relating to a flat's location and building type, they are becoming increasingly influential when it comes to deciding where a person should live. In the inner city, compared with large housing estates, there is a considerably higher level of affinity associated with living in the quarter. So, on the Vasily Island (St Petersburg), an inner-city neighbourhood with a level of prestige likened to the elitist suburban locations of the city-region (Axenov and Vladimirova 2008), the high level of residential satisfaction and intention to stay actually corresponds to the residents' living ideal (Figure 10.1). A positive development trend is therefore visible in this prestigious inner-city neighbourhood, despite renovation measures having been carried out only in isolated cases (Table 10.1).

#### *Moderate socio-spatial transformation: The examples of Vilnius and Budapest*

In contrast to the two aforementioned patterns of development, the city-regions of Vilnius and Budapest are characterized by a moderate, socio-spatial differentiation process since 1990. The social gaps between the three types of neighbourhoods studied have increased due to selective migration flows into and out of the quarters (Figure 10.2, Table 10.2). The relative devaluation tendencies in large housing estates and the clear socio-structural upgrading trends in the inner city contribute in particular to socio-spatial differentiation.<sup>7</sup> At the same time, new suburban neighbourhoods stand out from the city-regional structure because of the selective socio-structural immigration of residents. In suburbia, a trend towards elitist living models in gated communities may well exist, similarly to St Petersburg and Sofia; however, it is quantitatively less prominent and/or only a side issue. In Budapest and Vilnius, primarily middle-class households are lured to surrounding areas.

The devaluation of large housing estates, however, is – compared with St Petersburg and Sofia – more obvious in Vilnius and Budapest, first in terms of socio-structural downgrading (Table 10.2), and, second, with regard to a more definite rejection of peripheral large housing estates as desirable places to live.<sup>8</sup>

### **5. Post-socialist development paths: Hybrids of socialist legacies, transformative experiences and transnational influences**

As previously illustrated, besides interregionally similar development trends in certain neighbourhoods, socio-spatial developments in the CEE

metropolitan regions indicate specific city-regional development patterns which can be summed up into the three patterns outlined above. So, which factors are responsible for these similar and/or different socio-spatial patterns?

We argue that the patterns of socio-spatial development in the studied city-regions of Central Eastern Europe are a manifestation of differentiated post-socialist urban development paths, which are based upon the varied forms and specific eclipsing of both the socialist legacy and transformative experiences, as well as transnational influences. In the transformative phase, in particular, the way in which housing was privatized and urban policy was realigned resulted in crucial, fundamentally different decisions, which significantly shape the development paths of the city-regions today.

### **a. The path of Leipzig: Active housing policy and rental market**

Leipzig's development path can mainly be defined in terms of a *transformative legacy*. On the one hand, the privatization of old building stock as a result of the restitution law (returning property to previous owners) has resulted in the emergence of completely new owner structures – today, as a result of reselling, these are primarily larger real estate companies and housing associations. On the other hand, state housing subsidy programmes initiated in the 1990s, and home ownership support for owner-occupiers, have shaped the development of Leipzig's housing market. This meant that not only the substantial housing deficit of the pre-turnaround period could be relieved very quickly, but a large surplus of housing, due to a large number of abandoned properties, emerged at the end of the 1990s. This was later – again subsidized by the state – reduced by demolishing pre-fabricated panel buildings and *Gründerzeit* housing. From as early as the second half of the 1990s, those looking for housing encountered a very relaxed rental market, which featured a variety of alternatives in various sub-markets. Rent and purchase prices sank accordingly to a relatively moderate level.

Due to the housing subsidies in the 1990s, which were especially geared towards new builds, building work focused initially on suburban locations, reinforced by the restitution law. The trend towards suburbanization, however, halted in 2000, and the once-prosperous suburban surrounding region entered into a gentle process of demographic shrinkage, with the exception of a few attractive locations near the city. A trend reversal towards reurbanization began in the city-region, in the sense of qualitative restructuring, particularly benefiting the inner city (Brake and Herfert 2012). The revitalization of *Gründerzeit* quarters was increased by the urban redevelopment programme *Stadtumbauprogramm Ost*, and today, the level of renovation stands at over 80 per cent (Table 10.1). All this results in a rising socio-spatial fragmentation of the city-region, but without polarization.

The growing effectiveness of *transnational influences*, for example the internationally observed reversal of living ideals away from the suburban idyll



and back towards an inner-city preference, is shaping the fragmentation of Leipzig's city-region: the reurbanization trend is accompanied by increasingly active replacement processes in inner-city neighbourhoods, replacing the mild form of gentrification seen so far. At the same time, the socialist legacy, with its various, symbolic to physical dimensions, has in Leipzig a rather more peripheral significance, since, for example, the shortfall in modernization work in inner-city neighbourhoods and large housing estates inherited from the GDR era has been largely eliminated, the acute lack of housing has been overcome, and the formerly positive image of and preference for the large housing estates has reversed.

### **b. Eastern European paths: Neoliberalization and property-owner market**

In clear contrast to Leipzig, the socio-spatial development patterns in the Eastern European city-regions are shaped by neoliberal tendencies, which are a manifestation of *transnational influences*. They already characterized the first decade of transition. After 1990, a period marked by the withdrawal of state institutions from the planning and management of urban development set in for these city-regions. This led to a complete collapse of public housing construction and drastically intensified the housing deficit inherited from the socialist period. At the same time, the almost region-wide privatization of property ownership, that is, the transfer of the right of residential use to the occupants, shifted the responsibility for any necessary complex renovation measures to the new owners. Due to a lack of capital and the lack of state funding measures, however, they were and are not in a position to make large investments (see also Neugebauer et al. 2011, Smigiel and Brade 2011).

The import of a neoliberal urban policy – deregulation, decentralization and privatization – has thus made its mark on the socio-spatial differentiation of city-regions in Eastern Europe (Pichler-Milanovic 2001). Even if a cautious realignment of urban policy can be observed in some countries since 2000 (Milstead 2008, Neugebauer et al. 2011), so far this has only served inadequately as a steering institution within the meaning of efficient and sustainable urban development, and rarely follows the objectives associated with a welfare state. In the new alliances of urban development, the public sector is just one of many players (Smigiel and Brade 2011). Depending on the nature of neoliberal forms, gradually differing development paths can be seen in Eastern Europe.

#### *Neoliberalization with polarization tendencies*

In St Petersburg and Sofia, clear neoliberalization approaches, associated with increasing polarization of income levels in a very tight housing market and a private construction boom in the high-price segment, led to the described socio-spatial polarization tendencies. This constellation offers

attractive living alternatives to just a small part of the population, from newly constructed high-rise and apartment complexes within the city, to suburban single-family homes, right through to gated luxury housing complexes. New high-rise housing structures, partly new estates and partly achieved by densification of existing socialist large housing estates, enjoy extremely high acceptance and demand. This new 'post-socialist prefab' is preferred by young, high-earning, middle-class families, who feel very much at home in their own property and want to stay put for the time being (Brade et al. 2011).

Neoliberal urban development is also reflected in the fact that, in contrast to intense new construction activities in the high-price segment, public and private investments in the old, pre-turnaround building stock are being somewhat neglected. As a consequence, the hierarchy of housing preferences between these diverse old residential neighbourhoods of St Petersburg has not yet changed (Brade et al. 2011). The clear price differences between them, however, reflect the potential attractiveness for investors, which should be assessed as an indication of future socio-spatial polarization. At present, inner-city neighbourhoods continue to reflect mixed social spaces (Axenov and Vladimirova 2008), where socio-structural contradictions, if any, are more profound within individual apartment buildings than between the quarters.

As a result of surplus demand, particularly in the middle and lower-price segments, and of the relatively high purchase prices in the new-build segment, young couples tend to get their first foot on the housing ladder in the socialist large housing estates. Demand even remains high in the Chruschovki, the first prefabricated housing estates developed in the 1960s, with poor building quality, facilities and image, so that flats are never vacant (Brade et al. 2011). While the physical deterioration of these estates is obvious, we still cannot speak of marginalized social spaces, even if niches of poverty are becoming apparent.

While primarily higher earners are able to realize a higher quality of living by moving, the large middle-class group and/or socially weak households are compelled to stay, or, at best, have to look for a larger or smaller flat in the same price segment and/or type of neighbourhood. Due to a lack of alternatives, there is still a high level of residential settledness and thus socio-spatial persistence, especially in large housing estates. Housing suburbanization began in the mid-1990s and has proceeded rather dynamically since the 2000s. However, its dynamism appears to be relatively minor compared with that in the new high-rise segment. The non-transparent interweaving of public institutions with private groups of increasingly international players leads to informal regulation structures at local level, which produce new socio-structural disparities in the city-region (Smigiel and Brade 2011): here, gated communities have become a distinct, neoliberal element of post-socialist urban development.

Besides this neoliberal influence, the effectiveness of the *socialist legacy* for socio-spatial development patterns continues to be significant in St Petersburg and Sofia – the socialist legacy in terms of the complete dominance of large housing estates (Table 10.1); the poor condition of buildings and lack of housing inherited from the socialist era still determining the residential behaviour of locals; and the large proportions of the original socially mixed residential structures in the old housing stock (the inner city and large housing estates).

*Neoliberalization with moderate socio-spatial differentiation*

Unlike in St Petersburg and Sofia, neoliberalization in Budapest and Vilnius, particularly in terms of deregulation, is less far-reaching, and thus features moderate, socio-spatial differentiation. Within the city, the path of socio-structural persistence is being abandoned, and a widening gap between large housing estates and inner-city quarters can be seen. At the same time, migration to suburban exclusivity, as described in the development path and pattern of St Petersburg and Sofia, is much less common.

Similarly to St Petersburg and Sofia, the growing dynamism of the local housing market was set in motion after 1990 due to intense, private construction of new suburban homes. Unlike in St Petersburg and Sofia, however, these partly deregulated construction processes in Budapest and Vilnius were also accompanied by the onset of renovation activities in the inner city and on large housing estates. These renovation activities were supported both by national subsidy programmes for large housing estates and the city centre, backed by the European Union, and also by subsidy programmes of individual municipalities (for Budapest, see Kovács 2009). Despite visible transformation, however, the renovation programmes are by no means achieving the region-wide effect seen in Leipzig (Kovács 2009, Neugebauer et al. 2011). Both the publicly controlled and somewhat hesitant renovation of the housing stock, as well as the intense, liberalized new construction activities, contributed to the relaxation and supply differentiation of the housing markets in Budapest and Vilnius. The inner city is experiencing moderate physical and socio-structural upgrading, comprising small-scale gentrification processes, partly organized by municipalities (Budapest, Kovács 2009), as well as the slowing or stopping of downward spirals in socially disadvantaged inner-city neighbourhoods.

Large housing estates are seen as losers of post-turnaround development, even if the housing market is not yet showing any signs of vacancy. Experts see them as being stuck in a vicious circle of downward movement, since the owners' lack of investment strength and the absence of extensive renovation work on the ailing housing infrastructure will intensify the currently gentle downward trend in the medium term.

Against this backdrop, the socialist past of Budapest and Vilnius is becoming less important for their socio-spatial development. The lack of housing

and the outstanding renovation work are continually declining, albeit slowly, and alternatives for housing are being created. The original residential structures are changing relatively quickly, as are the traditional images of neighbourhoods and housing preferences with regard to the city centre and large housing estates.

## 6. Conclusion

Based on the *interregional* comparison of the five CEE city-regions of Leipzig, Budapest, Vilnius, Sofia and St Petersburg, similar socio-spatial development trends have become apparent on the neighbourhood level: the rise of the new suburbia, the stability of large housing estates in the face of many negative scenarios, and the rediscovery and upgrading of inner cities following a long period of decline. At the same time, different patterns of socio-spatial developments can be highlighted after 1990 on the city-regional level. They result from dynamics and intensities of socio-spatial change in the individual residential neighbourhoods that differ between city-regions.

- According to this, Leipzig's development pattern may be described as *socio-spatial fragmentation without polarization*, in consequence of high residential dynamism and extensive socio-spatial dissolution. Winners of this development are new suburban single-family housing estates and upmarket inner-city neighbourhoods; losers are large-scale housing estates on the edge of the city.
- The socio-spatial development pattern of Vilnius and Budapest city-regions is a *moderate socio-spatial transformation*, which has been marked by a mild socio-spatial differentiation process since 1990. The growing gap between large housing estates and inner-city neighbourhoods is becoming especially apparent in an increasing concentration of socially weak households on prefabricated housing estates (Table 10.2).
- The development pattern of the St Petersburg and Sofia city-regions shows socio-spatial *persistence and polarization*. Since 1990, a clear socio-structural divergence of the rather more elitist new suburbia from more stable, mixed structures in large housing estates and in the inner-city neighbourhoods has taken place. Socio-spatial polarization, therefore, resulted mainly from new, exclusive, suburban types of neighbourhoods, and only to a lower extent from marginalization processes at the lower social margin.

Moreover, the study shows that these three different patterns of socio-spatial change are based on the eclipsing and the nature of the socialist and transformative legacy specifically related to the CEE city-region, as well as on transnational influences. The different weighting of these factors has brought about the emergence of differentiated post-socialist urban

development paths. Two fundamentally different paths can accordingly be demonstrated in the five city-regions under investigation. On the one side is the development path seen in the Leipzig city-region, which is primarily shaped by the dominant effect of the *transformative legacy* in the form of the state-subsidized influence on the housing market, connected with the continuation of the rental market. On the other side stands the diametrically opposed development path seen in city-regions studied in Eastern Europe. This is particularly characterized by the *transformative legacy* in the form of privatizing the housing stock and through the strong, transnational influence of a neoliberal housing policy shaped by the radical retreat of state institutions from the active planning of the social housing market. Depending on the level of deregulation of neoliberal urban policy, city-regions with actual tendencies towards polarization (St Petersburg/Sofia), and/or those with moderate, socio-spatial differentiation (Budapest/Vilnius), are becoming evident in Eastern Europe.

Given these findings, the study presented here confirms previous notions of the simultaneous occurrence of upgrading and devaluation processes in post-socialist city-regions (Rouppila and Kährrik 2003, Sýkora 2009). Moreover, it illustrates the recent concept of 'heteropolitization' of CEE metropolitan regions after 1990 (Gentile et al. 2012) by revealing similar trends of neighbourhood change as well as different patterns of socio-spatial development in CEE city-regions. Finally, it shows two fundamental paths of socio-spatial 'heteropolitization', and thus helps to differentiate the overall, but still vague, idea of the 'heteropolis'. As well as this, the study highlights the critical features of 'heteropolitization', pointing out that the interplay of socio-spatial persistence and up- and downgrading processes results – at least in some cases – in tendencies towards socio-spatial polarization in CEE city-regions. Although polarization, in terms of elitist or/and disadvantaged neighbourhoods, does not to date represent a general feature of CEE city-regions, it brings into question the positive attribute of 'connectivity' that some authors link to the process of 'heteropolitization' in CEE city-regions.

## Notes

1. This article is based on the findings of the DFG (German Research Foundation) project entitled 'Between gentrification and downward spiral. Socio-spatial differentiation in CEE city-regions', which evolved between 2007 and 2011 as a joint project between the Leibniz Institute for Regional Geography in Leipzig and the institutes/faculties of geography at the Hungarian Academy of Sciences, Vilnius University, St Petersburg State University and the Institute of Sociology at Sofia University.
2. *Persistence* in this chapter means the resistant existence of *socially mixed* neighbourhoods which still show the residential structure of the socialist era and/or retain and continue its inherited socio-spatial characteristics.

3. *Socio-spatial polarization* is the spatial outcome of the widening gap between groups of people in terms of their economic and social circumstances and opportunities. In this chapter, polarization refers to the development of extreme socio-structural inequalities in a city-region which is linked to the emergence of socially elitist neighbourhoods and/or disadvantaged quarters. Given the lack of relevant statistical (census) data in each CEE city-region under study (Marcinićzak 2012), the authors argue the term based on qualitative and quantitative empirical data obtained for selected neighbourhoods.
4. The inner city refers to the historical centre and the adjacent, highly concentrated living quarters (syn.: city centre). The only neighbourhoods analysed are those adjacent to the very centre of the city.
5. The authors have pursued this internal differentiation in greater depth in further publications, cf. Brade et al. (2011) on large-scale housing estates; Letmaa et al. (2012) on suburban space; Herfert et al. (2012) on inner-city neighbourhoods in CEE.
6. *Socio-spatial fragmentation* is understood in this chapter as a process of small-scale, socio-structural differentiation, not necessarily accompanied by socio-spatial polarization as the spatial imprint of extreme socio-structural inequalities.
7. The socio-spatial gap would be much more apparent in Budapest if the attractive inner-city villa neighbourhoods of Buda were taken into consideration.
8. The residential satisfaction in large housing estates in Budapest and Vilnius may be relatively high, similar to that seen in St Petersburg and Sofia; however, the number of 'adjusted satisfied stayers' is much higher (Herkert et al. 2012).

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## **Part III**

# **Fragmented and Relational Construction of Peripherality**

# 11

## Cohesion as a Multi-Scalar Challenge: The EU-Wide Perspective

*Tobias Chilla and Markus Neufeld*

### 1. Introduction

This volume covers the topic of cohesion in Central and Eastern Europe. This issue is part of a wider debate, as cohesion is an ongoing challenge throughout the history of European integration. In this context, cohesion is predominantly understood as a form of socio-economically positive trend that has – implicitly or explicitly – a spatial dimension. A fixed definition is still lacking; rather, cohesion appears to be a ‘moving target’ – politically, spatially and statistically. The most prominent idea is to achieve *convergence* between the EU member states and their regions (see Bachtler et al. 2013), aiming to reduce socio-economic differences between regions or states. From a more *institutional* perspective, cohesion policy is a redistribution-based instrument that aims to achieve convergence (Baun and Marek 2008). The notion of *territorial* cohesion goes back to debates on spatial development within European multi-level governance: in this much broader context, cohesion comprises a more instrumental debate on how territorial potential on the regional level can be explored and how to reorganize political mandates, including the supranational level (Faludi 2009, 2010).

However, ignoring the institutional strand of debate and instead focusing on the objective of socio-economic convergence, the situation remains complex. Which indicator is most relevant – is it Gross Domestic Product (GDP), income or productivity (Grasland and Hamez 2005)? What are the most appropriate statistical tools and indexes for measuring and monitoring convergence (Montfort 2008)? These questions are not only of academic interest but also politically relevant. The fundamental economic crises since 2008 have shown that cohesion remains a challenge, in particular for the Eastern European member states (Musil 2013).

This chapter has two objectives. The first aim is to raise awareness of the consequences that are linked with the different conceptions of cohesion.

The example of Eastern Europe shows that – depending on which spatial scale one refers to – cohesion performance appears vastly different. Even if we consider cohesion to be a convergence trend to be measured by GDP, we still have very different and sometimes contradictory findings, depending on which scale we refer to. This seems to be an important point in times when post-crisis cohesion policy is being developed. The debate on economic imbalances is accelerating, and European economic policy is frequently debated. The *bon mot* that the cohesion concept is of ‘unifying vagueness’ (see Eser 2009: 20) might not be the ultimate answer to the challenges of European integration.

The second objective of this chapter is to position Eastern Europe on the European ‘cohesion map’. We show that – depending on the spatial reference – Eastern European performance differs significantly with regard to cohesion. We develop three ways to reflect cohesion, all of them based on the GDP indicator, but varying in the spatial reference. The ‘default perspective’ measures convergence/divergence between countries and regions on a European scale; the ‘club perspective’ measures differences in performance between and within country groups; and the domestic perspective analyses the divergence/convergence processes within countries, with a special focus on polarization processes. The results clearly differ: depending on the spatial scale, the degree of convergence and divergence is different. Still, we can postulate one common point of the multi-scale analysis. Cohesion in Eastern Europe takes place at the expense of polarization, which can be understood as a ‘drifting apart’ of regions along with a spatial concentration of extreme values around one point or very few points.

Our argument is developed in three steps. First, we position the concept of cohesion in the historical development of European integration, starting with the Treaty of Rome (1956/1957) and reaching the Lisbon treaty (2008/2009) and the debate on territorial cohesion in its aftermath. Second, we draw upon the conceptual discussion on the objective of cohesion that has mainly been based on normative and critical approaches. We argue that these perspectives are linked to particular spatial references. In a third step, we explore this by means of an empirical analysis, following the comparative approach introduced above.

## **2. The political background: From ‘harmonious development’ to ‘territorial cohesion’**

Geopolitical and economic motivations were the driving forces of European integration and EU enlargements. In parallel, the idea of cohesion in the sense of convergence was already mentioned in the founding document of the European Union, in the Treaty of Rome, even if the wording was different at that time (1957/1958):

Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favored [...].

(preamble of the Treaty of Rome, European Union 1957)

Already in this early document we see the main understanding of cohesion as the objective to reduce differences in socio-economic development among countries and regions. But in de facto politics, the idea of reducing differences between regions was not high on the agenda. It is true that differences within the agricultural sector have led to strong political and financial instruments, and that agricultural policy has always included aspects of redistribution between the member states (and their regions). But it was not until the 1980s that cohesion as an EU policy field appeared on the agenda (for details, see Michie and Fitzgerald 1997, Dühr et al. 2010: 270ff., Zonneveld 2012). Commissioner Jacques Delors fundamentally strengthened regional policy, and for many he is the founder of the cohesion policy, as he introduced the programmatic approach and considerably enlarged the financial volume (Faludi 2010: 97ff.).

Within this framework, the role of regions has fundamentally changed as regional policy established them as new players in European politics. Until that time, political negotiations had exclusively taken place between the European Commission and the member states. From the 1990s on, the establishment of regional policy initiated European 'multi-level governance' (Hooghe and Marks 2001). In parallel, a series of EU enlargements (in particular the accession of Portugal and Spain in 1986) reinforced the position of socio-economic development on the agenda. In those years, the understanding of cohesion was still focused on convergence; for example the absence of large differences in socio-economic development. This objective was mostly operationalized with the indicator GDP on NUTS 0 or NUTS 2 level.<sup>1</sup> The most prominent statistical policy element is the threshold of 75 per cent (GDP, NUTS 2), which is a major argument for EU funding eligibility (ERDF, 90 per cent for cohesion fund). The convergence-based understanding of cohesion might be the most prominent, but there is a series of potential alternatives, referring to 'benchmarks', thresholds, a common trend and so on. However, given the dominance of the convergence understanding in contemporary literature (see Janikas and Rey 2005, Montfort 2008), we will not go into the alternative discussions in any more detail.

In parallel, the debate on *European Spatial Development* (or *Planning*) widened the focus of the cohesion debate considerably. An epistemic community of researchers, representatives from member states and the Commission elaborated concepts of how to address spatial development beyond state-of-the-art regional policy with its dominant financial focus

(Faludi 2009), including a supranational mandate for planning matters. This debate was fuelled by a growing presence of cartographic representation after decades of EU documents with only few graphic elements and ‘spatial visions’ (Waterhout 2008: 88ff., Dühr et al. 2010: 60). During the 2000s, we have seen a trend of mapping territorial development on a European level, in particular from the ESPON programme,<sup>2</sup> and more recently the EU Commission (Directorate General for Regional Policy).

Although regional policy quickly became the second largest part of the EU budget, efforts to develop a European spatial planning competence were not very successful. The European Spatial Development Perspective (ESDP) was meant to be a milestone towards a stronger supranational mandate. It was agreed on in 1999, but is still a non-binding document decided by an informal meeting of the ministers responsible for spatial planning. At the same time, the organization of the regional policy budgets relies to a large extent on the *national* organization. Against this background, EU politics (including regional policy) have been labelled *spatially blind* (for example Barca 2009). However, the term ‘cohesion’ has now begun to mean more than convergence of GDP. The planning debate has opened the concept more widely. Cohesion was not only about convergence and redistribution, but also about institutional matters. Moreover, reflections about ‘territorial capital’ gained attention (see Camagni 2008, Eser 2009).

The reference document Territorial Agenda (TA, updated version TA 2020) concretizes the objectives of a ‘cohesive’ spatial development. Just as the ESDP, the TA does not unfold any juridical force as it was decided in 2007 by an informal meeting of the ministers, too. Therefore, it is rather an overall concept than a legal framework (for example in contrast to the Maastricht Treaty). The emphasis is to promote objectives such as territorial cohesion in general, policentricity, and territorial potential or sustainable development. It is not easy to assess the influence on national frameworks beyond community-specific discourses (for example Waterhout et al. 2009). However, there is no doubt that in the field of territorial development the explicit competences of the European level are low compared with most other fields (for example environmental policy, the common market). At the same time, the spatial consequences of European integration are hardly negligible: the funding schemes in agricultural policy, the establishment of Trans-European Networks and the liberalization of national borders for services are just a few examples of the fundamental spatial processes that are inevitably linked to European integration (Dammers and Evers 2008).

In 2008, the Lisbon Treaty enacted the shared competence of *territorial cohesion* (Art. 174 of the Treaty on the Functioning of the European Union, TFEU, European Union 2008), complementing the long-established aims of economic and social cohesion. Shortly afterwards, the Commission launched a Green Book procedure on the concept of territorial cohesion, aiming to concretize the idea (COM 2010). This process might be regarded

as an inspiring exchange, but it has not contributed much to political concretization. Nor has the Commission taken action to activate its potential competence in this field. As long as this remains true, territorial cohesion remains a diffuse concept that is de facto subject to the member states' competence.

### 3. Conceptual reflection

#### a. Cohesion and polarization

Beyond political struggle about mandates and priorities, the general spatial pattern of the EU is quite obvious. The metaphor of the pentagon summarizes the core-periphery gradient pretty well. In the pre-crisis years, convergence was to be monitored in large parts of Europe, and the political discourse was quite positive – European integration and regional policy seemed to deliver (for example ESPON 2006a: 68, Dühr et al. 2010: 76 and the diverse cohesion reports of the European Commission). Certainly, on the domestic level cohesion has not taken place in most countries, but the differences among countries were decreasing until the economic crisis (Dühr et al. 2010: 47).

Since the beginning of the current economic crises in Europe, at least the overall impression of a cohesive trend in Europe has been questioned (Musil 2013). Those countries that were successful in the pre-crisis years (for example Spain, Ireland, the Baltic states) have suffered particularly badly during the crisis, and former convergence effects have been questioned. This has led back to the insight that regional responses to political effects are very complex, and measuring convergence can lead to very contradictory results (see Rodriguez-Pose 1999).

Following the transition process in Eastern Europe and the 2005 accessions, the phenomenon of *polarization* had already come onto the agenda (Ezcurra et al. 2007). While the regions around the capital cities of many new member states have developed rather dynamically, this was not true (to the same extent) for the 'rest' of the countries. In this context, polarization (in a more geographical sense) refers to the spatial concentration of disparities around one point or a very few points. These points can be identified on several spatial levels, and, accordingly, are considered to be poles (for example NUTS 2 or NUTS 3 capital regions). The statistical definition of polarization goes beyond this understanding. Hence, polarization addresses the distribution of a certain indicator, focusing on the highest and lowest values, at first sight without any spatial dimension. The indicators applied vary; they can be related to labour economics, such as demand for a certain skill level or income distribution (see, for example, Pellegrini 2002), or economic output, such as GDP growth (Jones 1997, Quah 1997). To recapitulate, polarization refers to a particular type of disparity or inequality, although there is a "clear analytical distinction between

polarization and inequality”, as Esteban and Ray (1994: 823) point out. Accordingly, polarization and inequality can develop simultaneously, but do not necessarily do so.

To sum up, polarization can be understood as a ‘drifting apart’ of regions. This understanding, in turn, contains not only a static dimension, characterizing a country’s *condition* as polarized, but also a *dynamic* aspect when it comes to the process of polarization (be it either an increase or a decrease).

Reflecting this idea of polarization against the background of cohesion, it becomes clear that polarization is – at least on the domestic level – not beneficial for cohesion.

### **b. Political geography: Addressing hidden conflicts**

The political struggles about mandates for spatial development and conceptions of cohesion are linked to (more or less) hidden agendas that refer to financial and political ambitions of actors on all political levels (Heizer-Susa 2001). Several conflict lines are of importance here. First, there is a normative debate about ‘more Europe’ or not, for example the question of supranational competences. Since the 1990s, this debate has explicitly addressed a competence of spatial planning and development, as mentioned above. It is mainly based on a (neo)functionalist argument, stressing the fact that most policy fields are subject to a higher degree of European integration than spatial policy. At the same time, the spatial consequences of the other policy fields (for example environmental or single market policy) are rarely coordinated, let alone anticipated. From this perspective, only a European-wide spatial competence could ensure cohesive development (Waterhout 2008, Stead 2013).

Second, we see a conflict of political-economic perspectives, ranging from liberal and neoclassical to more state-centric, redistribution-friendly approaches (cf. Armstrong and Kervenoal 1997). The (neo)classical, liberal approach sees European integration as a tool that reduces transaction costs and barriers between European countries in a globalized economy. The European Single Market improves the opportunities for specialization, also building on ‘critical mass’. The fewer the barriers to international economic integration, the more likely is economic growth, and the better it is for all actors involved. Referring to the Treaty of Rome again, we already find this argument in the early years:

Decided to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe [...] Recognizing that the removal of existing obstacles calls for concerted action in order to guarantee a steady expansion, a balanced trade and fair competition.

(Preamble of the Treaty of Rome, European Union 1957)



The Lisbon Agenda and its successor, the EU 2020 Agenda, mainly refer to this idea. The focus is on economic development and competitiveness (jobs and growth), even if more comprehensive arguments have been taken into account since the Gothenburg treaty. Spatial questions are not very prominent in this context, although the financial crisis since 2008 has raised the question of how territorial development can contribute to the overall objectives (Faludi and Peyrony 2011).

More Keynesian thinking has accompanied the fostering of the EU regional policy, with its growing budgets, which have a dimension of redistribution between the richer and the poorer (Armstrong and Kervenol 1997). The idea behind this is that economic integration bears the risk of negative consequences for some regions, which have to be supported in order to 'catch up'. This idea was already very strong in the early days of EU integration with regard to the agricultural policy, and has been extended to regional policy since the Delors presidency. In this context, the cohesion label can be seen to be of 'unifying vagueness' (Eser 2009: 20). Thus, conflicts about the degree of 'territorial solidarity' are not greatly present in policy formulation, but are seen instead in budget negotiations (Davoudi 2005, Faludi 2010).

Beyond political-economic debates, we see more fundamental critique, which partly goes back to neo-Marxist thinking and considers European integration to be a tool that serves particular capitalist accumulation strategies (see Jessop 2004). From a more critical perspective, European integration is a 'neoliberal' project that privileges economic concerns over social questions, and that actively neglects patterns of spatial unevenness. From that perspective, political discourses on (territorial) cohesion and spatial development accompany this process without achieving convergence. Instead, they are said to 'neoliberalize' Europe (see Moisio 2011). From that perspective, European integration fosters economic growth by reducing transaction costs, but also by reducing social protection. Economic specialization leads to concentration of capital in certain regions, in particular in the core area of Europe (the so-called *pentagon* between London, Hamburg, Munich, Milan and Paris) and in Europe's major metropolises. Parallel to spatial polarization, sectoral concentration in certain businesses is criticized, naming in particular the FIRE (finance, insurance and real estate) sector. This strand of the debate comprises perspectives of Keynesian ideas that intend to prevent polarization processes and downward spirals (for example Musil 2013), and neo-Marxist approaches that consider the integration process to be an accumulation strategy of the most powerful actors and sectors of contemporary capitalism. In that sense, European integration can be regarded as a politics of scale: bypassing the nation states with their social and environmental regulations enables stronger capital accumulation in certain fields.

## 4. Empirical arguments

### a. Spatial references – methodological background

The above-mentioned debates are linked to a series of spatial references. Neoclassical approaches tend to neglect spatial differentiation, since – following the underlying equilibrium postulate – positive development and economic convergence can be expected in all parts of the territory, at least in the long run. On the other hand, the more Keynesian approaches assume that economic development easily tends towards spatial polarization and divergence. Only public policy intervention (either supporting or protecting) can prevent this dynamic from going to extremes; this may also comprise deficit spending, which should be compensated for in easier times. This perspective has seen considerable influence on geography – the Scandinavian welfare geography and the German focus on the *Gleichwertigkeit der Lebensverhältnisse* (equivalence of living conditions) are prominent examples. The ESPON project on Spatial Scenarios in Europe (ESPON 2006b) has illustrated the differences of the perspectives which privilege either ‘competitiveness’ or ‘cohesion’ against precisely this background. The political debate on the current EU and Euro crises shows that both perspectives are still of high importance politically, even if no actor exclusively refers to just one approach.

According to how positive the attitude is towards (further) European integration, and the political-economic attitude, the spatial references in the respective cohesion concept differ significantly in two dimensions. We can find different (‘vertical’) levels and perimeters. European-wide perimeters, country groups and the domestic perspective can be of relevance. Moreover, the spatial resolution or scale of the data can play a role. This, in practice, comprises NUTS 0 to LAU 2 data.

The variety of indicators beyond GDP is a topic of its own, but this is not the place for a comprehensive look at the different operationalizations of cohesion. Instead, we will focus on three different understandings that are of key importance with regard to contemporary political processes, concentrating purely on three different spatial conceptions of cohesion:

- An EU-wide reflection that compares countries is the ‘default’ perspective that has long been reported by Eurostat and mainstream literature (Dühr et al. 2010: 270ff., Musil 2013). This approach refers to politically positive approaches towards European integration. The media and political debate comprise a variety of underlying spatial *leitmotifs*, among them the *United States of Europe* and the *Europe of the regions*, which are linked to the idea of a European federalism. This perspective is important in practice for the mechanisms of European regional policy, with its financial allocation funds referring to the NUTS 2 level (Molle 2007).

- A less prominent perspective focuses ‘groups’ of countries (or regions). This ‘club perspective’ is linked to the picture of a *Europe of multiple speeds*. It describes the different degrees of European integration in different policy fields such as the Euro area, the Schengen area and so on. This concept is close to the approach of flexible geometries (Goldsmith 2003).
- Finally, we focus on national disparities from a comparative perspective in Europe. This covers the classical, domestic perspective of national politics that aims to reduce socio-economic differences. It comes back to an intergovernmental approach of *Europe of Fatherlands*, as de Gaulle termed the idea (Rosamond 2000). Beyond political discourse, this perspective allows specific national situations to be considered.

With our empirical arguments, we will explore the relevance of the spatial reference. Our starting point is that comparing just GDP at the national level can only be one argument among others. We will show that the assessment of whether or not a development is cohesive depends considerably on the spatial reference and focus. This finding underlines the fact that (territorial) cohesion in the contemporary debate remains a fuzzy concept. It is true that in a complex political context such as European politics one cannot insist on non-ambiguous definitions and indicators – political compromises have to accompany a certain openness to implementation processes. However, given the uncertainty about the effectiveness of regional policy, a systematic reflection of what cohesion means and wants to achieve is overdue.

### **b. The pan-EU perspective**

We start with a pretty classical understanding of cohesion. In that sense, cohesion is understood as a European-wide challenge that aims to achieve convergence among countries (NUTS 0) as well as among regions (NUTS 2).

In order to illustrate this understanding, we follow the methodology suggested by Eurostat (2010: 87). First, the difference between national/regional GDP per capita in purchasing power standards (pps) and the EU 28 average is calculated. Second, this value is weighted by the corresponding population share. Third, weighted differences are summed and, fourth, divided again by the EU average. This indicator – in per cent – is similar to the coefficient of variance (ratio of standard deviation and arithmetic mean; for further measures of inequality see, for example, Montfort 2008).<sup>3</sup>

If values of deviation drop, we consider this to represent convergence. In contrast, an increase of total deviation is interpreted as growing inequality and – accordingly – divergence. Figure 11.1 illustrates that convergence can clearly be observed on the national level from 2005 until 2009. During the same period, development on the NUTS 2 level is only slightly positive, if not stagnating, as the graph has only a slightly negative slope. Caused by the financial and economic crises, disparities have been rising again since 2009 on both spatial levels. At this point, it has to be mentioned that

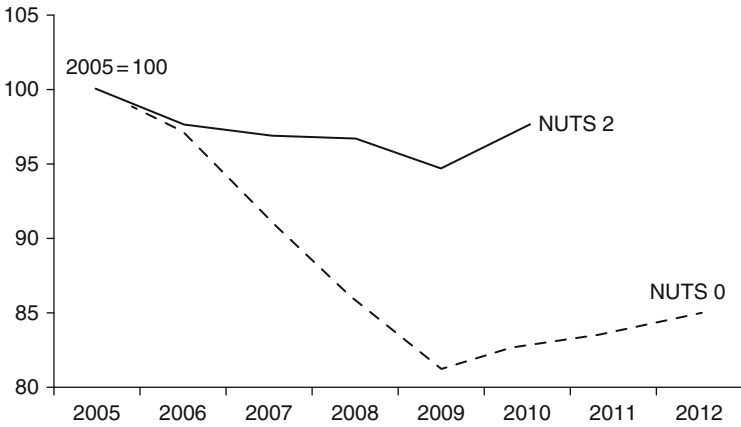


Figure 11.1 Development of total weighted deviation of NUTS 0 and NUTS 2 from EU average GDP/capita (pps) in per cent, 2005–2012

Source: Eurostat, author's own calculation.

the level of deviation of NUTS 2 regions (27–29 per cent) is much higher than on the NUTS 0 level (18–22 per cent). This can partly be explained by the larger number of NUTS 2 regions in comparison to the number of countries considered, and, consequently, a possibly larger variation of values.

The take-away message of this simple example is as follows. When operationalizing cohesion, the spatial-scale basis and resolution it is referred to is of major importance. Different resolutions can even lead to opposite findings. In our case, with reference to the EU average, EU-wide cohesion takes place between the EU countries but rarely between EU regions.

At first sight, the overall trend of convergence on both NUTS 0 and NUTS 2 seems not to be in line with the findings by Dühr et al. (2010: 46), who state that on the regional level divergence predominates. However, this is true when referring to the national level: regional disparities within countries have genuinely been rising (see ‘The “club perspective” on country groups’ on polarization). In contrast, we calculate deviation from EU 28 average instead of national averages, following a more political approach, whereby the 75 per cent threshold (of EU average) is applied in order to identify regions that are eligible for structural funds (see, for example, Krueger 2012).

### c. The ‘club perspective’ on country groups

There are several reasons why it makes sense to take a closer look at different groups of countries, which we call ‘clubs’. First, following the political logic, a close correlation is expected between the duration of EU membership and socio-economic convergence. Accordingly, the longer the common EU

membership of a group of countries, the larger the degree of convergence is supposed to be between these countries. This historical perspective is of particular interest, as it considers the relatively short membership of the Eastern EU countries. Second, explicit convergence criteria are set for members of the European Monetary Union (EMU) by the European Central Bank (see, for example, ECB 2013). These political aspects can be taken into account to mark off clubs such as EU 6, EU 15 or EMU (for EMU, see Martin 2001).

Theoretically, statistical similarities can also be applied in order to define such clubs. This approach is complex in detail, considering numerous indicators. Here, econometric modelling and questions of homogeneity within and heterogeneity between such clubs are of relevance. There might be convergence within clubs, but little convergence between these groups (Fischer and Stirböck 2006: 694). Although political clubs as described above are assumed to show homogeneity to a certain degree, they are not necessarily clubs in a statistical sense. Yet, applying political clubs makes sense in the context of this book, as Eastern European transformation countries can be viewed as one club, being involved in European regional policies from the very beginning of becoming EU member states. Subsequently, we regard EU 28 in total, EU East (defined as EU 28 minus EU 15), EMU, EU 15 and EU 6 as relevant political clubs.

Figure 11.2 shows cohesion in terms of convergence within these clubs, calculated by the total weighted national deviation from the corresponding club average between 2005 and 2012. Among these clubs, deviation within EU 28 is at a relatively high level, with a positive trend until 2009 (decreasing values, convergence) and a subsequent slight rise of disparities (cf. 'The pan-EU perspective'). This development is characterized to a large extent by the convergence process within Eastern European transformation countries, where disparities continue to decrease in the aftermath of the financial and economic crises (post 2009). In the other three clubs – EU 15, EU 6 and EMU – deviation remains at a fairly low level of 5–8 per cent until 2009. The reasons for homogeneity within these clubs are twofold. First, it can be explained by the Maastricht logic and the resulting convergence criteria, which aim at homogeneity among member states. These criteria accounts for EMU, of course, and accordingly for the whole EU 6 and large parts of EU 15, too. Second, the above-mentioned rationale of European integration seems to hold true.

Thus, in the years after 2009, a strong increase in divergence can be noticed. Here, the question of population weight plays an important role; Germany, with a high proportion of the population, recovered relatively fast after the crises, whereas other countries suffered longer. A similar effect can be observed in Eastern Europe: except for Poland, the GDP of all countries dropped sharply during the crisis. Still, the average GDP per head (pps) in EU East (approx. 24,000 in 2012) is significantly lower than that of EU 28 (25,500) or EU 15 (28,000). Furthermore, deviation within the club of 'EU East' has nearly reached the level of deviation within EMU by 2012. Does

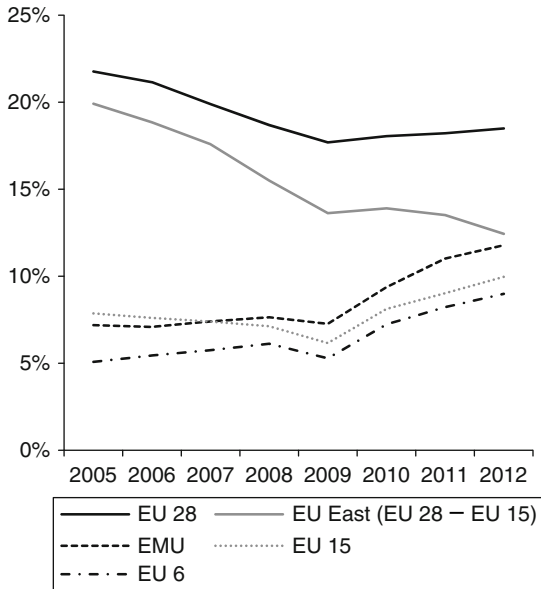


Figure 11.2 Total weighted deviation from club average of GDP/capita (pps), 2005–2012

Source: Eurostat, author's own calculation.

this mean that cohesion works? When thinking of a 'Europe of different speeds', the development presented above can be regarded as positive for the Eastern EU.

Accepting the political club logic, at first sight, the picture looks much better than it does when taking the pan-EU perspective: the curves are approaching each other, giving the impression that differences between clubs have been decreasing. Given the possibility of different levels of economic output, clubs increasingly seem to function similarly in terms of deviation from the respective club average. To be more precise, relative deviations within clubs are approaching a similar level. However, from a pan-European point of view this result is to be criticized as misleading: approaching curves between Eastern Europe and EMU, as pictured in Figure 11.2, by no means point to a pan-European cohesive development, since they do not consider the specific level of economic output.

#### d. A domestic perspective on polarization

Let us finally take a closer look at the development of regional disparities within European countries. As stated above, the point of increasing inner-national disparities between regions (NUTS 2) is well known (see section 4b The pan-EU perspective, Dühr et al. 2010: 47). This trend is

continuing despite the economic crises. Therefore, it can be helpful to take a closer look at aspects of polarization within countries. Two reasons account for a polarization approach. First, polarization is simply obvious when looking at economic development in Eastern Europe (ESPON 2012: 7) on both the NUTS 2 and the NUTS 3 level. Here, the picture clearly shows that capital regions normally have the highest GDP values compared with the national and European levels. For example, in Bratislavský kraj, the Slovakian capital NUTS 2 region, GDP per capita in 2010 (43,100) surpassed the European average (24,500) by 76 per cent, while the rest of the country's regions have values significantly below the national as well as the European average. Second, it can be argued that metropolization as a consequence of European integration leads to a concentration of capital (See section 3a Cohesion and polarization) and, accordingly, to polarization. This effect is accelerated by the fact that the spatial structure within Eastern European countries can be characterized as rather monocentric.

Despite more complex indexes suggested by Esteban and Ray (1994), Duclos et al. (2004) and Foster and Wolfson (2010), which try to picture the degree of polarization by one single value, we suggest a simple way to capture the degree of polarization by looking at the ratio of the top-performing region (NUTS 2) of a country and the respective national average. Hence, the higher the ratio, the higher is the degree of polarization. Although this method does not go into detail (for example performance of other regions, possible other poles at the lower end of the distribution and so on), we get a pragmatic and simple picture of polarization across Europe. Furthermore, by applying the NUTS 2 level, we exclude possible outliers on a smaller scale.

Two aspects are shown in Figure 11.3. First, the *condition of polarization* is pictured in 2000 and 2010 (distance in percentage points from national average). Besides the Eastern European countries, Belgium (Région de Bruxelles) as well as the UK (Inner London) can be characterized as highly polarized. In contrast, Scandinavian countries (Denmark, Sweden, Finland) show low degrees of polarization (< 50 per cent above average), with Denmark actually being the least polarized within the EU. Consequently, the above-mentioned welfare geography seems to be reflected in this picture. Second, the *process of polarization* is illustrated by the difference between 2000 and 2010 values: the higher this value, the stronger is the polarization process within the period, as the top-performing region is 'drifting apart' from the national average. Here, Bulgaria is the country with the highest increase in polarization. The national increase of GDP per capita can, to a large extent, be explained by the development of the capital region Yugozapaden. Nearly half of Bulgarian GDP is achieved within this region by only about one-quarter of the national population. GDP per head within the capital region significantly increased from 10,700 in 2000 to 18,700 in 2010. This equals an annual average growth rate of 5–6 per cent. However, we can see that the process of polarization is not limited to the Eastern parts of the EU. Besides, all the

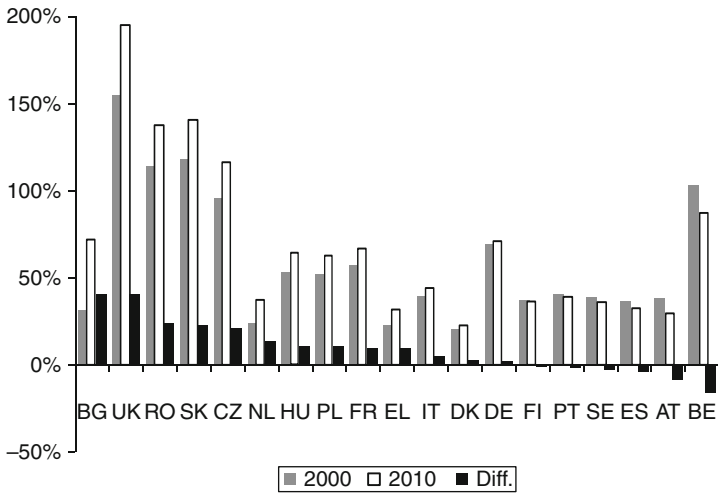


Figure 11.3 Polarization – GDP per capita (pps), distance of top-performing NUTS 2-region from national average in percentage points (sorted in reverse order of difference between 2010 and 2000)

Source: Eurostat, author's own calculation (only countries with at least four NUTS 2 regions; consequently omitting IE, LT, LV, ET, LU, SI, HR, MT, CY).

countries of EU East, the UK (Inner London, again) as well as the Netherlands (Groningen) show high increases in polarization, whereas Denmark, Sweden and Finland find themselves at the lower end of polarization development, with the smallest changes throughout the past decade.

Conceptual findings from empirical results of polarization show, first, that non-cohesive, polarizing development is a clear trend in all Eastern European countries. Supposedly, the process of metropolization (as a consequence, among other factors, of European integration) has led to a higher degree of polarization. Second, there are large differences between all EU countries in terms of the conditions as well as the process of polarization. Third, non-cohesive development is more evident than it is when considering the pan-European or club perspective. While the club of EU East is developing cohesively, this is not the case on the national level, as polarization is increasing. To put it simply, most Eastern European countries do not tend towards internal cohesion, but the countries are developing similarly. Fourth, the supposed success of European cohesion policy has only limited explanatory power at the sub-national level.

## 5. Conclusions

Our empirical arguments have shown that territorial cohesion is not easy to assess. Depending on what spatial basis we refer to, we come to different,



sometimes contradictory assessments. For example, GDP trends at the NUTS 2 level are convergent (that is, cohesive) if we look at the EU level, but they are divergent (that is, not cohesive) if we apply a European comparative perspective of national development.

Focusing on Eastern Europe, we can state that the pan-European perspective and the club perspective lead to more or less positive assessments – from these perspectives, ‘cohesion works’. From the domestic, intranational perspective, we can state almost the opposite, as the polarization processes can be considered as non-cohesive development, and all the Eastern European countries studied show an increase in polarization. This, in turn, leads to the assumption that pan-European cohesion is taking place at the expense of domestic polarization.

These insights come back to the fundamental questions of spatial development: how ‘similarly’ do we expect territorial units to develop (Chilla 2012)? What is our spatial focus? Which political tools are considered to be effective? These questions cannot solely be answered by scientific arguments as they remain subject to political debate. However, the following arguments cannot be neglected, no matter which political focus is preferred, be it a more liberal or a more Keynesian approach:

First, the question of disparities on the EU level cannot be answered without considering the domestic trends. Trends of polarization tend to be hidden by either a rough statistical assessment on the NUTS 0 level or by similar developments within relevant country groups. Accordingly, we suggest a multi-scale approach to address regional disparities, including an EU-wide, a national and a regional analysis.

Second, and despite the aspect mentioned above, country clubs are highly relevant, particularly in political contexts. This perspective allows reflection on and ‘monitoring’ of historical developments. Moreover, the political narrative of a multi-speed Europe is not an irrelevant vision of the EU, in particular in the aftermath of the crisis; for example, the UK is not very convinced about its future, and the Euro currency is still a hot topic.

Third, European-wide monitoring of spatial developments is, without any doubt, still of crucial relevance. However, it is a challenge to overcome the spatial blindness of the European integration beyond general geopolitical arguments. Indicators beyond GDP, methodological accuracy beyond convergence, spatial reference beyond EU average, spatial resolution beyond NUTS 0, or weighted calculations are still far from being established in cohesion policy.

## Notes

1. NUTS stands for “nomenclature des unités territoriales statistiques” – and refers to different spatial administrative scales: NUTS 0 = nation states, NUTS 2 = regions etc. LAU stands for “Local Administrative Unit” and signifies the spatial administrative scales on the local level (LAU 1 and LAU 2 were formerly NUTS 4 and NUTS 5).

2. EU Programme for applied research in regional development, online: [www.espon.eu](http://www.espon.eu). Abbreviation refers to the original program title 'European Spatial Planning Observatory Network', which has been changed to 'European Observation Network, Territorial Development and Cohesion'.
3. For a long time it was not common to refer to data that considers the size of the population. This has to be viewed against the political background that it is sensitive to a politically equal treatment of large and small countries. However, from a functional perspective, the size of a country does matter. Referring to GDP *per head* without considering the size of a country is not very meaningful. This is why we refer to weighted data in the rest of our chapter.

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# 12

## Paths of Convergence and Polarization in the Visegrád Countries

*József Benedek and György Kocziszky*

### 1. Introduction

The strengthening of territorial cohesion at the regional level represents one of the main objectives of the European Union (EU) member states, as well as for the peripheries of Eastern European countries (European Commission 2004, 2007, 2010). It represents an important challenge for setting the right cohesion policy goals and instruments, which are at the core of recent academic debates.

The topic has generated a huge amount of literature during the last decades. The focus of this debate is whether economic growth produces increasing or diminishing territorial disparities and cohesion. Territorial cohesion, therefore, is strongly related to processes such as economic growth, convergence or polarization. Two basic questions are related to this issue. The first is how economic development takes place in a different spatial context. The second question addresses the appropriate policies for diminishing regional disparities created by uneven economic development. These questions have not been easy ones to answer in any spatial and socio-economic context. This chapter will focus mainly on the first question, but some policy-relevant questions will be addressed in the final part as well. We will look to bring new facts and arguments to this debate from a Central European perspective, offering a critical evaluation of the convergence and spatial polarization processes in the Visegrád countries (Czech Republic, Slovakia, Poland and Hungary), for the period 1995–2010.

The chapter is structured as follows. After an introduction, the second section offers an overview of theories explaining the convergence process, and a short synthesis of the spatial convergence process in the EU. The third section will evaluate the new concept of multi-dimensional convergence, while in the following part we analyse the economic convergence (sigma and beta-convergence) and the multi-dimensional convergence process in the Visegrád countries. As proxies for economic convergence, we use

the gross domestic product (GDP) per capita, and the Human Development Index (HDI) for the measurement of the multi-dimensional convergence at NUTS 2 level (35 regions). In the fifth section of the chapter, we focus on testing the hypothesis of convergence clubs, first introduced by Baumol (1986). We share the opinion formulated in recent studies on convergence clubs (Mora 2005) that backward regional economies can be trapped in clubs with no chance of a way out. Finally, the chapter ends with a summary of key findings.

## **2. Spatial convergence: Theoretical background and empirical foundations**

The theoretical background offered by the neoclassical growth literature still plays an influential role in convergence studies, since it provides a simple explanation for the evolution of regional disparities: poor regions tend to grow faster than richer ones, which could eventually result in income convergence (Solow 1956, Mankiw et al. 1992). Convergence studies rooted in neoclassical theory are based on Solow-type growth models (Solow 1956), using a linear regression approach, called beta-convergence, which compares the GDP per capita growth rates between poor and rich regions. Accordingly, once a region achieves its steady state in long-term development, it will grow at the rate of technological progress. The further a region is below its steady state, the higher its growth rate of GDP per capita (Stanisic 2012). These theoretical views have been challenged by new growth theories, proposing growing differences and divergence due to the spatial concentration of knowledge (Romer 1986). Even more, theories of economic waves propose a new logic for the convergence/divergence debate: territorial differences have a cyclical evolution, and phases of growing differences and divergence are followed by phases of convergence and reducing disparities (Quah 1996a).

On this theoretical basis, a vast empirical literature has investigated the extent of convergence or divergence processes at various spatial scales: from the global to the European or regional scale. These studies have revealed that, while on the global scale cross-country income inequality was not reduced during most of the post-war period and there is evidence for a divergence on the global scale (Mankiw et al. 1992, Barro and Sala-i-Martin 1995, Quah 1996a, Maddison 2001, Becker et al. 2005), in Europe the dominant tendency is for reducing income disparities between countries (Barro 1991, Barro and Sala-i-Martin 1992, Islam 1995, Abreu et al. 2005, Matkowski and Próchniak 2007, Czasonis and Quinn 2012).

A different perspective on the European convergence process is offered by an analysis of NUTS-2 income differences (Armstrong 1995, Lopez-Bazo et al. 1999, Rodriguez-Pose 1999). All these studies indicate a general trend to beta-convergence, with varying intensity according to the time-frame of the analysis, the geographic area and the methodology of convergence used.

In addition, Sala-i-Martin finds a slow convergence inside the group formed by developed industrial countries outside the continent (Sala-i-Martin 1996). This idea was underlined by other studies as well, and, as a consequence, a new theoretical strand has developed: the so-called theory of convergence clubs (Baumol 1986, Quah 1996b). It assumes that convergence is taking place inside groups of countries or regions called clubs, while the differences between the clubs are growing. It accounts for the possibility of multiple equilibrium and steady states to which similar economies converge. We will adopt the latter theoretical position in this study. Therefore, our basic assumption is that economic growth and convergence are following different paths in the Visegrád countries and that different convergence clubs have developed, building the framework for the future development of the considered regions.

### **3. Multi-dimensional convergence**

Some of the latest research (Liargovas and Fotopoulos 2009, Smetkowski and Wójcik 2012, Rodríguez-Pose and Tselios 2015, Royuela and García 2015) has defined the concept of convergence as a multi-dimensional process, while mainstream economics still operate with the one-dimensional economic convergence concept, proxied by a GDP per capita-based approach. The multi-dimensional convergence approach is based on the fact that economic convergence does not reflect changes in the quality of life and social welfare, and that regional policy instruments designated to support economic convergence are neglecting some basic interests of local, regional or even national communities. On the other hand, one can observe that economic growth often has no significant influence on the income of households or the improvement of indicators expressing the quality of life (Easterly 1999, Rodríguez-Pose and Tselios 2015). Even more, on a global scale, Becker et al. found that income and health inequality trends have been different: while income inequalities have tended to grow, cross-country inequality in different dimensions of health was reduced (Becker et al. 2005).

### **4. Economic and multi-dimensional convergence/divergence in the Visegrád countries**

As we have mentioned earlier, the vast empirical literature on economic convergence does not reveal spectacular convergence in GDP per capita in the EU at NUTS 2 level (Nomenclature of Units for Territorial Statistics). Moreover, the Cohesion Reports of the European Commission show that real economic convergence is a long-term process, while economic disparities in some countries have even worsened (European Commission 2004, 2007, 2010). The latter situation is characteristic of each of the four Visegrád countries. In addition, the general recession caused by the twin (banking and

*Table 12.1* The GDP per capita\* of the EU countries, per cent in EU-27, for 2000, 2004, 2007 and 2011

Country	2000	2004	2007	2011	Country	2000	2004	2007	2011
EU (27)	100	100	100	100	Latvia	36	46	57	58
EU (15)	115	113	111	110	Lithuania	40	51	62	62
Euro Area (17)	112	109	109	108	Luxemburg	245	252	274	274
Belgium	126	121	116	118	<b>Hungary</b>	<b>54</b>	<b>63</b>	<b>61</b>	<b>66</b>
Bulgaria	28	35	40	45	Malta	85	80	78	83
<b>Czech Republic</b>	<b>71</b>	<b>78</b>	<b>82</b>	<b>80</b>	Netherlands	134	129	132	131
Denmark	131	125	122	125	Austria	132	128	123	129
Germany	118	115	115	120	<b>Poland</b>	<b>48</b>	<b>51</b>	<b>54</b>	<b>65</b>
Estonia	45	57	70	67	Portugal	81	77	78	77
Ireland	132	142	146	127	Romania	26	34	41	49
Greece	84	93	90	82	Slovenia	80	86	88	84
Spain	97	101	104	99	<b>Slovakia</b>	<b>50</b>	<b>57</b>	<b>68</b>	<b>73</b>
France	115	109	107	107	Finland	117	116	117	116
Italy	118	107	104	101	Sweden	128	126	125	126
Cyprus	88	91	94	92	UK	119	124	118	108

Note: \*GDP per capita is based on purchasing power parities.

Source: Eurostat, author's own calculations.

currency) crises since 2008 has sensitively influenced the Visegrád countries (Dietrich et al. 2011). Their economic growth has stopped, which has, in turn, negatively influenced the convergence process and the internal cohesion as well. Although they have registered an important convergence at a national level between 2000 and 2011 (Table 12.1), at sub-national level the economic development has been polarized by the capital cities.

None of the capital regions of the Visegrád countries will be targeted by the Cohesion Policy 2014–2020, having GDP per capita values over 100 per cent of the EU average. On the other hand, we find a range of peripheral regions in these countries whose positions have even worsened during the last programming period. This means that we have assisted the emergence of a highly polarized, unbalanced spatial structure and an even stronger peripheralization of regions lagging behind.

In order to establish the type of convergence, we have analysed the process of convergence by applying both classical methods: sigma- and beta-convergence. Both methods were developed at the beginning of the 1990s, when an intense debate started over the question of whether regional disparities (measured in GDP) will diminish or grow in the long run (Mankiw et al. 1992, Barro and Sala-i Martin 1995). Beta-convergence does not imply sigma-convergence (Quah 1996a). The second is a reduction in the variance in cross-country output over time (Czasonis and Quinn 2012), and therefore usually attracts less attention in convergence studies. Sigma-convergence occurs when the standard deviation of the GDP per head of the analysed regions declines over time. Beta-convergence starts from the assumption



that the GDP per capita of poorer regions grows at a higher rate than the GDP per capita of richer regions, and, therefore, in the long term the poor regions will catch up with richer ones. In this chapter we use a linear regression model, in which the independent variable is the initial level of the GDP and the dependent variable is the mean growth rate of the GDP during the analysed period. The negative regression coefficient indicates increasing convergence, which implies that the lower the GDP of a region, the higher its growth rate, and, conversely, a positive regression coefficient indicates divergence.

### a. Sigma-convergence and spatial polarization

We have measured the sigma-convergence by means of the coefficient of variation (CV) and by the Moran's *I* index (Table 12.2).

CV is the most widely used indicator for sigma-convergence, and it is calculated as the ratio between the standard deviation and the mean of all regions. Higher values are statistical expressions for important inter-regional disparities, and vice versa. The Moran's *I* index measures the spatial autocorrelation. It expresses the correlation between the values of a certain parameter in neighbouring spatial units. It takes values between  $-1$  and  $+1$ . Values close to  $0$  indicate that there is no significant spatial correlation between neighbouring territorial units; high positive values (close to  $1$ ) indicate a strong positive correlation, while high negative values (close to  $-1$ ) indicate a strong negative correlation of the analysed indicator (in our case the GDP per capita and the HDI). Applied to the process of regional polarization, a strong negative Moran's *I* value indicates a high level of polarization.

We have used both CV and Moran's *I* to highlight two different aspects. CV is used for determining whether sigma-convergence is taking place or not, without taking into account the spatial interdependence between regions. Moran's *I* adds a territorial dimension to the analysis. More precisely, it reveals whether there is territorial autocorrelation in the spatial distribution of income values, which in turn allows us to evaluate whether spatial polarization is characteristic of a certain territory or not (a strong correlation coefficient reveals spatial polarization, while weak coefficients mirror a random spatial distribution of income values, which still does not exclude spatial polarization).

Table 12.2 shows that the CV of the GDP per capita increased in all countries of the Visegrád region until the financial crisis of 2007. The highest increase has been registered in the Czech Republic, Poland and Hungary, the lowest one in Slovakia. This situation is related to the initial value of the CV measured in the base year 1995, when Slovakia registered the highest regional disparities, while the other three Visegrád countries had relatively low levels of regional disparities, expressed by low levels of the CV. Hence, based on this index, there is no sigma-convergence in the Visegrád countries

Table 12.2 Sigma-convergence (coefficient of variation (CV)) and Moran's *I* statistic\*

Year	GDP per capita		HDI	
	CV	Moran's <i>I</i>	CV	Moran's <i>I</i>
<b>Czech Republic</b>				
1995	0.256	-0.073	0.099	0.896
2000	0.357	0.055	0.135	0.794
2004	0.430	0.039	0.164	0.472
2007	0.455	0.047	0.176	0.140
2010	0.434	0.001	0.187	0.164
<b>Hungary</b>				
1995	0.243	-0.270	0.084	0.886
2000	0.323	-0.240	0.114	0.826
2004	0.380	-0.226	0.118	0.713
2007	0.418	-0.190	0.125	0.631
2010	0.392	-0.188	0.126	0.613
<b>Poland</b>				
1995	0.155	0.067	0.070	0.925
2000	0.211	-0.038	0.072	0.931
2004	0.221	-0.036	0.072	0.905
2007	0.243	-0.053	0.081	0.829
2010	0.251	-0.061	0.088	0.755
<b>Slovakia</b>				
1995	0.488	-0.014	0.219	0.525
2000	0.493	-0.015	0.188	0.725
2004	0.603	-0.008	0.198	0.474
2007	0.651	0.026	0.224	0.088
2010	0.578	-0.018	0.235	-0.001
<b>Visegrád countries</b>				
1995	0.395	0.345	0.123	0.858
2000	0.399	0.203	0.127	0.878
2004	0.449	0.194	0.141	0.761
2007	0.476	0.167	0.159	0.557
2010	0.464	0.071	0.161	0.474

Note: \*The values of Moran's *I* range between -1 and +1; 0 indicates a random spatial pattern.

Source: Eurostat, author's own calculations.

in the period between 1995 and 2007. In other words, regional disparities in these countries have increased in the last period. This means that there is an evident process of spatial polarization.<sup>1</sup>

Since 2007, as an effect of the financial crisis, the CV has fallen in all countries, except for Poland. The economic downfall was accompanied by a decrease in dispersion. Poland is considered separately because the GDP per capita has not dropped since 2007, a unique situation in the Visegrád countries. In other words, the financial crisis has reduced the level

of regional disparities, because of the reduction of the economic output of the capital regions. As a consequence, we can identify a longer period of economic divergence (1995–2007) and rising spatial polarization in the Visegrád countries, while the last years have shown a tendency to economic convergence.

However, we have a different evolution in the case of multi-dimensional convergence. In contradiction to the evolution of the GDP per capita, over the same period the CV increased in all Visegrád countries in terms of HDI. In other words, we can identify a long-term trend for a multi-dimensional divergence in all the countries of the Visegrád region, and this trend has not stopped with the financial crisis. This means that the social components of the HDI are changing at a lower rate than the GDP, and advantages or disadvantages accumulated over time cannot be changed by short-term interventions.

### **b. Spatial autocorrelation**

The index of spatial autocorrelation shows low values, which means that the GDP per capita has a random spatial pattern. In addition, it evolves over time, in contradiction to the economic divergence: high values of Moran's *I* for GDP per capita in 1995 are followed by a massive decrease throughout the entire period. The results show that economic divergence occurs with low levels of spatial autocorrelation. The evidence found is in contradiction to other studies (for example Royuela and García 2015). In the case of the Czech Republic and Slovakia, the index values are the lowest and slightly decreased over the period, due to the strong regional polarization exercised by their capital regions. The values are low in Poland as well, but Poland is the only country in the Visegrád region that has experienced a slight strengthening of the spatial autocorrelation. In the case of Hungary, the spatial autocorrelation has the highest values, due to the spatial structure of the country, with a strong west–east divide, but the values of Moran's *I* decreased after the EU accession in 2004.

In terms of HDI, Moran's *I* indicates a much stronger spatial autocorrelation than in the case of GDP per capita. Over the entire 1995–2010 period, the values of the autocorrelation have decreased, in the Visegrád region and in each country as well. The most dramatic decrease characterized the Czech Republic and Slovakia, where there was no significant spatial autocorrelation in 2010, due to a strong GDP per capita increase of the capital regions. In Poland and Hungary we still have an important spatial autocorrelation, both countries being characterized by a west–east development divide. Another interesting figure is that spatial autocorrelation evolves over time in parallel with the CV, which means that growing regional disparities and/or divergence are found in parallel with a weakening spatial polarization. This underlines our main assumption that convergence or divergence processes are highly interconnected with spatial polarization and peripheralization.

### c. Beta-convergence

We have measured the beta-convergence in order to overcome some methodological shortcuts related to the sigma-convergence, namely sensitivity to extreme values, which implies that the development of the poorer regions affects the value of the CV as much as the reduction of GDP per capita among the best-performing regions. Beta-convergence is not dependent on changes to the volume of income or to extreme values of the data series, expressing the catch-up process of peripheral regions. Table 12.3 shows the details of model estimates of beta-convergence for cross-section data, as well as when using spatial error and spatial lag specifications.

On the basis of GDP per capita data for the period 1995–2010, we have used a linear regression model (Table 12.3), in which the dependent variable is the GDP per capita of the region in 1995 and the independent variable is the change that has occurred between 1995 and 2010. The regression line shows a negative beta component, which means that over this period there is an increasing convergence of NUTS 2 regions of Visegrád countries in comparison to the EU level. In 1995, they had GDP per capita values well below the EU average, and some of them have produced GDP growth rates higher than the EU average. However, the yearly speed of convergence is

Table 12.3 Beta-convergence: Cross-section estimates

Visegrád countries	No spatial effect	Spatial lag	Spatial error	No spatial effect	Spatial lag	Spatial error
	GDP			HDI		
$\log Y_{t-1}$	-0.3523			0.2659		
Yearly speed of convergence (divergence) (%)	0.53			0.87		
R-squared	0.919	0.910	0.909	0.097	0.097	0.096
Adjusted R-squared	0.916	0.907	0.907	0.070	0.070	0.069
Sum squared residual	0.062			0.012		
Sigma-square	0.001			0.0003		
S.E. of regression	0.043			0.019		
Sigma-square ML	0.001			0.0003		
S.E. of regression ML	0.042			0.018		
F-statistic	374.6			3.560		
Log likelihood	61.0			89.2		
Akaike info criterion	-118.0	-116.1	-116.1	-174.4	-171.2	-171.1
Schwarz criterion	-114.8			-171.3		

Source: Author's own calculation, based on Eurostat data.

low – 0.53 per cent – which confirms the long-term character of the catch-up process. Convergence was higher in regions with a lower GDP per capita in 1995 and in some capital regions, but we must note that the beta parameter has low values in most of the regions. There are also strong regional differences in the convergence process: all Slovakian regions have undergone a catch-up process, while the Czech Republic has the highest number of regions (Praha, Jihozápad, Severozápad, Severovýchod, Střední Morava) without beta-convergence.

If we change the scale of analysis, studying the convergence of NUTS 2 regions to the country level, the beta-convergence becomes a rarity (Annex 12.2). For example, in the Czech Republic only the Střední Čechy region (surrounding the capital Praha) registers beta-convergence, while in Hungary the regions Közép-Dunántúl and Nyugat-Dunántúl (in the north-western part of the country), and in Slovakia the region Stredné Slovensko have realized a beta-convergence. All this completes the picture of increasing polarization in the national context, established by the analysis of sigma-convergence. The situation is different in Poland, where the majority of the NUTS 2 regions realized beta-convergence. Two factors are related to this situation: first, the general economic situation of the country, where the economic growth was not stopped by the financial crisis of 2008, and the low level of GDP per capita in the eastern Polish NUTS 2 regions, which were, in 2004, among the poorest in the EU, and realized high growth rates of their GDP per capita.

If we take into account the multi-dimensional character of development (HDI), we find a weak positive relation between the growth of HDI and the starting level of HDI. It means that the beta component is positive, and therefore there is no evidence for beta-convergence. This finding opposes the neoclassical theory of convergence, but is in line with the main findings of other empirical studies which include the social dimension into the analysis of the convergence (Rodriguez-Pose and Tselios 2015, Royuela and García 2015). In addition, we have a high yearly speed of divergence (0.87 per cent) for HDI, demonstrating that multi-dimensional convergence is a long-term process which does not run parallel to economic convergence.

## **5. Convergence clubs**

The group of regions can be listed in so-called convergence clubs, whose steady-state paths are close to one another. Obviously, these economic and geographic entities are characterized by a certain similarity (socio-economic processes, geographical location and so on).

A time series analysis was used in order to verify the existence of a negative relationship between initial per capita income and its growth rate. In order to group the countries, we have used a priori criteria represented by the initial GDP per capita and the GDP per capita growth rate. Each club was tested for beta-convergence with the use of linear regression. If the majority

Table 12.4 Economic convergence clubs for the period 1995–2010

Club	No. of NUTS 2 regions	No. of converging regions within the club	GDP per capita (1995)	Average growth rate of GDP per capita (%)	GDP per capita (2010)
1	14	12	5743	0.66	14,121
2	11	5	6464	0.48	12,582
3	7	1	10,343	0.32	16,443
4	3	1	14,900	0.60	37,133

Source: Eurostat, author's own calculations.

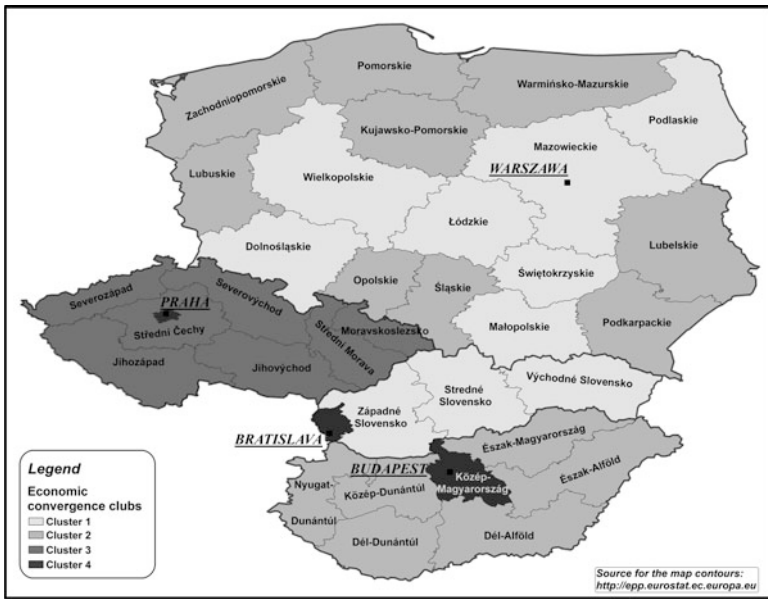


Figure 12.1 Economic convergence clubs in the Visegrád countries, 1995–2010

of regions in a group are converging, the group may be considered a convergence club. The main objective was to establish groups with minimal intra-group differences and maximal inter-group differences.

We have identified four convergence clubs, based on the value of GDP per capita and the growth rate of GDP per capita for the period 1995–2010 (Table 12.4, Figure 12.1, Annex 12.1).

The first convergence club consists of 11 Polish (including the capital region) and three Slovakian regions (all except the capital region). They have been generally peripheral regions in 1995 in terms of GDP per capita,

but they show higher growth rates of GDP per capita than the members of the second and third convergence clubs, and among the highest in the Visegrád region. In 1995, the GDP per capita (fluctuating between 4800 and 8000 Euros per head when measured in terms of purchasing power parity) has been relatively low in this club. However, the average yearly growth rate of the GDP per capita between 1995 and 2010 can be considered as high (between 0.56 and 0.79 per cent). As such, the regions with the highest increase in GDP of the Visegrád countries belong to this club.

The second convergence club consists of six Hungarian (all, except for the capital regions) and nine Polish regions. In this club in 1995, the GDP per capita was slightly higher on average (fluctuating between 5500 and 7900 Euros per head when measured in terms of purchasing power parity) than in the first club. However, the average growth rate of the GDP per capita between 1995 and 2010 was lower than it was in the first club (between 0.36 and 0.56 per cent).

The third convergence club comprises only Czech regions with relatively high GDP per capita values in 1995 (between 9900 and 10,800 Euro), but with a lower dynamic of the GDP per capita growth rate (between 0.25 and 0.38 per cent).

The fourth club includes the capital regions of the Czech Republic, Slovakia and Hungary. They have the highest initial GDP per capita, and also the highest values of the GDP per capita growth rate, comparable to the values registered by the first club.

Due to the higher growth rate of GDP per capita registered in the regions belonging to club one, they appear to have reduced the initial economic development gaps. Together with the capital regions of club four, they are the most dynamic regions of the Visegrád countries. If we compare the values of GDP per capita in 1995 and 2010 (Table 12.3), it is obvious that, while the regions are converging inside their convergence clubs, there is a slight convergence between clubs one and three, while the regions of club two seem to be trapped at a lower development level, showing clear signs of a peripheralization process. In this sense, in the longer term we expect that some of these regions will not be able to narrow the gap with the regions of the third club.

If we analyse the beta-convergence inside the convergence clubs (Annex 12.2), we can observe an increasing convergence of the members of each cluster, confirming Baumol's hypothesis of convergence (Baumol 1986). Therefore, we bring empirical evidence to the 'club convergence' hypothesis in the Central and Eastern Europe, which states that some economies may converge with each other towards a common steady-state position, without any convergence across different clubs or clusters.

The results prove that in the first cluster only the regions *Západné Slovensko* (western Slovakia) and *Východné Slovensko* (eastern Slovakia) do not converge. In the case of the second cluster, the regions

Észak-Magyarország, Észak-Alföld, Śląskie, Nyugat-Dunántúl and Dél-Alföld have not registered beta-convergence. In the third cluster only the region Severovýchod, and in the fourth cluster only the region Bratislavský kraj, were not able to converge to the cluster mean value. In the case of most regions unable to converge to the cluster mean value, there is a tendency to fall out of the cluster. In other words, they are undergoing a process of peripheralization. However, in the case of the capital region of Slovakia (Bratislava) there is an opposite tendency: the region is exceeding the cluster mean, registering the highest growth rates among the Visegrád countries. Our findings are in contradiction to those of other studies carried out in Western Europe, in which a strong convergence among the wealthiest regions and a trend towards weak convergence among the remaining groups have been established (De Siano and D'Uva 2006). In our case, the strongest convergence is among the first cluster regions, including peripheral regions, with generally low levels of GDP per capita in 1995.

We have used the same methodology for testing the multi-dimensional convergence club hypothesis, according to a similar logic as in the case of economic convergence. Based on their HDI values, we divided the Visegrád countries into four clubs according to the average variance in the HDI values for the 1995–2010 period (Table 12.5, Figure 12.2).

In comparison with economic convergence clubs, we have the same number of clubs, but it is more relevant that there is a different composition of the clubs in the case of multi-dimensional convergence, due to the high growth rates of HDI in the capital regions, which underlines again one of the main conclusions of the economic convergence test. Unlike in Western Europe, there is little convergence among the members of the clubs with higher economic or social performance, but there is a strong convergence among peripheral regions.

For the first club, the average growth rate of the HDI can be considered relatively high, but the initial HDI values were lower. It includes the highest number of regions (22) from all Visegrád countries: ten Polish regions, three

*Table 12.5* Multi-dimensional convergence clubs for the period 1995–2010

Club	No. of NUTS 2 regions	No. of converging regions within the club	HDI (1995)	GDP per capita (1995)	Average growth rate of HDI (%)	HDI (2010)	GDP per capita (2010)
1.	22	19	0.491	6398	0.95	0.56	13,328
2.	9	7	0.537	8256	0.37	0.56	14,789
3.	2	2	0.575	9410	1.60	0.73	25,500
4.	2	0	0.734	16,950	1.60	0.93	42,650

*Source:* Author's own calculation, based on Eurostat data.



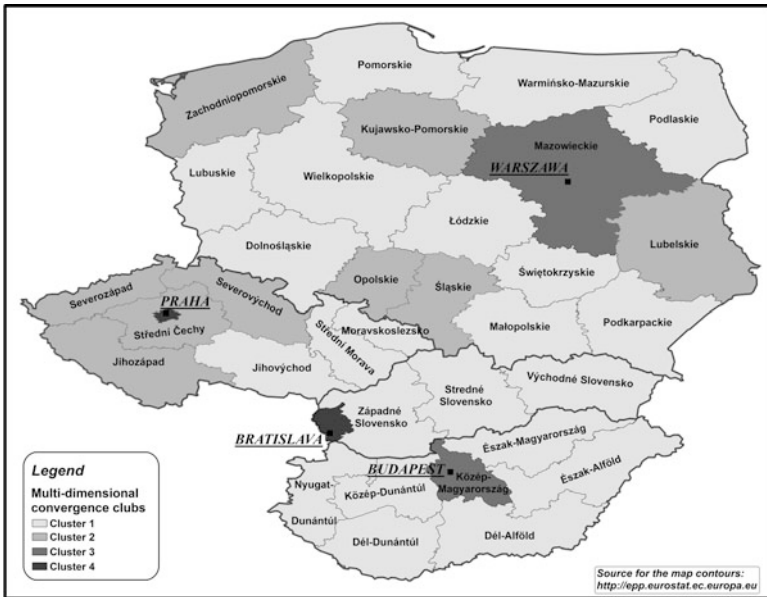


Figure 12.2 Multi-dimensional convergence clubs in the Visegrád countries, 1995–2010

Slovak regions (all apart from the capital region), three Czech regions and six Hungarian regions (all except for the capital region).

The second club is made up of five Polish and four Czech regions. For this group we have the lowest growth rate of HDI. The regions of this club have low levels of both HDI and GDP, and are hence undergoing a process of peripheralization.

The third club comprises two capital regions (Mazowieckie and Közép-Magyarország), with high HDI values but growth rates close to the first two clubs. The fourth club is also made up of two capital regions, the regions of Bratislava and Praha, which already had a relatively high HDI value in 1995 and are also showing the most dynamic average growth rate of HDI in the Visegrád region in the analysed period. They are the most dynamic regions, with the high levels of their economic and social development inducing a strong process of spatial polarization.

## 6. Discussion and conclusions

This chapter has analysed the convergence process in the Visegrád countries. We have considered not only economic variables but also a composite (HDI), in order to express the multi-dimensionality of processes such as polarization

and peripheralization. We examined the sigma-convergence and the beta-convergence, and also tested the hypothesis of convergence clubs in one dimension (economic) and in a multi-dimensional approach. Moreover, we have considered a spatial dimension for estimating the relationship between convergence and spatial polarization (Moran's *I*).

This analysis found no sigma-convergence in the period of 1995–2010 for NUTS 2 regions of the Visegrád countries, either in economic (GDP per capita) or in multi-dimensional terms (HDI). The interpretation is that regional disparities in these countries have increased in the last period, and that there is an evident process of spatial polarization. These processes are very rapid in Hungary and Slovakia. In addition, spatial autocorrelation runs over time in parallel with the evolution of regional disparities and polarization. It underlines our main assumption, that convergence or divergence processes are highly interconnected with spatial polarization and peripheralization.

The next major finding of the analysis is that there is an increasing convergence of NUTS 2 regions of Visegrád countries in comparison to the EU level, for the period 1995–2010. Our study indicates that the Visegrád countries have developed in line with the hypothesis of income-level convergence. This means that less developed regions grew, on average, faster than more developed ones. But at the sub-national level we have found only a few cases of beta-convergence of NUTS 2 regions to the country level. It underlines the fact that nation-wide convergence to the EU mean level of development has been achieved at the cost of increasing internal polarization and peripheralization.

Finally, the test of the convergence clubs hypothesis has confirmed the existence of such clubs for the Visegrád countries as well. More than that, it has found that in the absence of sigma- and beta-convergence, there is an evident local convergence of NUTS 2 regions inside each club or cluster. These results prove that peripheral regions seem to be trapped in a lower development stage: they converge inside the convergence clubs. In this sense, in the longer term we do not expect spectacular changes in their position.

As we have seen in this study, the newly proposed multi-dimensional convergence incorporates economic and social convergence. This fact may have an important impact on the type of regional policy intervention: instead of the classical regional policy aiming at economic development, a new type of regional intervention has to take shape, based on mobilizing local assets and social convergence. In this light, it becomes evident that regional policy instruments designed to support economic convergence are neglecting some basic needs related to social aspects of development. In other words, this is the right time to set up a subject-centred regional approach, as opposed to the existing object-centred one.

## Annex 12.1 Economic convergence clubs in the Visegrád countries

	Convergence to the cluster mean (NUTS 2)	Convergence to the cluster mean (NUTS 3)
<b>1. Convergence club</b>		
Mazowieckie	$y = 0.0094x + 0.9714$	$y = -0.0017x + 1.0128$
Západné Slovensko	$y = 0.0016x + 1.0005$	$y = 0.0019x + 0.9996$
Stredné Slovensko	$y = -0.0894x + 1.3427$	$y = -0.0984x + 1.3764$
Wielkopolskie	$y = 0.0071x + 0.9798$	$y = -0.0014x + 1.011$
Dolnoslaskie	$y = 0.005x + 0.9879$	$y = -0.0004x + 1.0079$
Lódzkie	$y = -0.0145x + 1.0613$	$y = -0.001x + 1.0097$
Východné Slovensko	$y = 0.0134x + 0.9561$	$y = 0.0013x + 1.0014$
Malopolskie	$y = 0.0132x + 0.957$	$y = -0.0022x + 1.0143$
Swietokrzyskie	$y = 0.0022x + 0.9982$	$y = -0.0067x + 1.0315$
Podlaskie	$y = 0.0039x + 0.9918$	$y = -0.0016x + 1.0119$
<b>2. Convergence club</b>		
Pomorskie	$y = -0.2711x + 2.0379$	$y = -0.0017x + 1.0119$
Közép-Dunántúl	$y = 0.0073x + 0.9771$	$y = -0.0093x + 1.0406$
Warminsko-Mazurskie	$y = -0.0104x + 1.0445$	$y = -0.0062x + 1.0287$
Podkarpackie	$y = -0.0068x + 1.0307$	$y = 0.0187x + 0.9338$
Lubelskie	$y = -0.0059x + 1.0275$	$y = -0.0023x + 1.0138$
Lubuskie	$y = -0.0274x + 1.1092$	$y = 0.0056x + 0.9841$
Kujawsko-Pomorskie	$y = -0.0285x + 1.1135$	$y = -0.0021x + 1.0132$
Zachodniopomorskie	$y = 0.1451x + 0.4519$	$y = -0.0058x + 1.0271$
Opolskie	$y = -0.0089x + 1.0389$	$y = 0.0043x + 0.9885$
Észak-Magyarország	$y = 0.0089x + 0.9708$	$y = 0.01x + 0.967$
Észak-Alföld	$y = 0.0048x + 0.9868$	$y = 0.0004x + 1.003$
Slaskie	$y = 0.0113x + 0.9618$	$y = 0.0009x + 1.0019$
Nyugat-Dunántúl	$y = 0.0014x + 0.9994$	$y = 0.0011x + 1.0004$
Dél-Dunántúl	$y = 0.0803x + 0.6989$	$y = -0.002x + 1.0118$
Dél-Alföld	$y = 0.2983x - 0.1317$	$y = 0.0027x + 0.9935$
<b>3. Convergence club</b>		
Strední Čechy	$y = -0.033x + 1.1357$	
Jihovýchod	$y = -0.2532x + 2.0197$	$y = 0.0005x + 1.0016$
Moravskoslezsko	$y = -0.0018x + 1.0753$	
Jihozápad	$y = -0.0038x + 1.0187$	$y = -0.0018x + 1.0106$
Střední Morava	$y = -0.0055x + 1.0253$	$y = -0.0015x + 1.0092$
Severovýchod	$y = 0.0875x + 0.652$	$y = 0.0057x + 0.9801$
Severozápad	$y = -0.0407x + 1.1668$	$y = -0.0534x + 1.2177$
<b>4. Convergence club</b>		
Közép-Magyarország	$y = 0.000009x + 1.006$	$y = -0.0009x + 1.01$
Bratislavský kraj	$y = 0.3087x - 0.2823$	
Praha	$y = -0.008x + 1.0396$	

## Annex 12.2 Multi-dimensional convergence clubs in the Visegrád countries

Region	Convergence to the cluster mean (NUTS 2)	Convergence to the cluster mean (NUTS 3)
<b>1. Convergence club</b>		
Észak-Alföld	$y = 1.5507x - 0.3283$	$y = 0.0141x + 1.0026$
Észak-Magyarország	$y = 1.0361x - 0.0759$	$y = 0.002x + 1.0085$
Dél-Dunántúl	$y = 0.6237x + 0.1532$	$y = -0.0134x + 1.0162$
Dél-Alföld	$y = 0.2357x + 0.3503$	$y = -0.0187x + 1.0188$
Východné Slovensko	$y = 1.223x - 0.1348$	$y = -0.0064x + 1.0127$
Podlaskie	$y = 1.0598x - 0.0498$	$y = -0.0105x + 1.0147$
Swietokrzyskie	$y = 0.8504x + 0.0567$	$y = -0.0188x + 1.0188$
Warmińsko-Mazurskie	$y = 0.8112x + 0.0758$	$y = -0.009x + 1.014$
Lubelskie	$y = 0.662x + 0.1482$	$y = -0.014x + 1.0164$
Podkarpackie	$y = 0.5363x + 0.2115$	$y = -0.0157x + 1.0172$
Közép-Dunántúl	$y = 0.8207x + 0.0788$	$y = -0.0207x + 1.0198$
Stredné Slovensko	$y = 1.1841x - 0.0979$	$y = -0.0174x + 1.0181$
Lódzkie	$y = 1.0127x + 0.0005$	$y = -0.0248x + 1.0217$
Malopolskie	$y = 1.3122x - 0.1422$	$y = -0.012x + 1.0155$
Wielkopolskie	$y = 1.3553x - 0.1423$	$y = -0.021x + 1.0197$
Moravskoslezsko	$y = 1.039x + 0.0111$	
Západné Slovensko	$y = 0.6132x + 0.2167$	$y = -0.0288x + 1.0237$
Strední Morava	$y = 0.5713x + 0.2404$	$y = -0.0202x + 1.0195$
Nyugat-Dunántúl	$y = 0.4035x + 0.3185$	$y = -0.0309x + 1.0247$
Pomorskie	$y = 0.5933x + 0.2442$	$y = -0.0263x + 1.0224$
Dolnoslaskie	$y = 0.9696x + 0.0615$	$y = -0.0275x + 1.0229$
Jihovýchod	$y = 1.1273x - 0.0117$	$y = -0.0138x + 1.0163$
<b>2. Convergence club</b>		
Jihozápad	$y = 0.1258x + 0.4796$	$y = 0.005x + 1.0034$
Severovýchod	$y = -0.0079x + 0.5446$	$y = 0.005x + 1.0034$
Kujawsko-Pomorskie	$y = -0.1456x + 0.6058$	$y = -0.0073x + 1.0076$
Zachodniopomorskie	$y = -0.2492x + 0.667$	$y = -0.0129x + 1.0107$
Lubuskie	$y = -0.3412x + 0.7047$	$y = -0.005x + 1.0064$
Opolskie	$y = -0.5372x + 0.8117$	$y = -0.0093x + 1.0087$
Strední Čechy	$y = -0.7933x + 0.9518$	
Severozápad	$y = -0.5923x + 0.8595$	$y = -0.0103x + 1.0092$
Slaskie	$y = -0.6842x + 0.9446$	$y = -0.0228x + 1.0158$
<b>3. Convergence club</b>		
Közép-Magyarország	$y = 2.7982x - 1.0587$	$y = -0.0755x + 1.0589$
Mazowieckie	$y = 1.8859x - 0.4857$	$y = -0.0669x + 1.0531$
<b>4. Convergence club</b>		
Praha	$y = 4.5819x - 2.6656$	
Bratislavský kraj	$y = 1.6395x - 0.4335$	

## Note

1. The growing spatial polarization is revealed by a further dispersion or concentration of indicators as well. We calculated the standard deviation values and the concentration index (Hirschman-Herfindahl index) for the period 1995–2010 for both GDP per capita and HDI. The values are increasing in both cases and for both indicators, which means a growing spatial concentration or polarization and growing regional disparities.

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# 13

## Measuring Territorial Cohesion: A Macro-Regional Approach

*Tomas Hanell*

### 1. Introduction and research objective

#### a. Territorial cohesion – how to measure the unknown?

The concept of territorial cohesion (TC) has in recent years attracted particular interest among policy-makers in the EU. One of the principal reasons for the increased attention is that Article 3 of the Treaty of Lisbon acknowledges TC as an additional horizontal goal for the European Union, putting it on a par with more traditional goals of, for example, economic or social cohesion.

The EU Commission's Green Paper on Territorial Cohesion (CEC 2008: 3) paved the way, denoting it 'a means of transforming diversity into an asset that contributes to sustainable development of the entire EU', and the Territorial Agenda (Territorial Agenda of the European Union 2020 2011: 3) has strengthened the process dimension of TC by stating that it is a 'set of principles for harmonious, balanced, efficient, sustainable territorial development'.

It is highlighted by several authors (for example Farrugia and Gallina 2008: 7, Eser 2009: 19, Medeiros 2011: 3–5) that conceptually TC does not have a precise, commonly shared definition. The main principles, such as enforcing territorial aspects in general and in economy, social planning and decision-making in particular, appear to be more or less universally comprehended (Zaucha 2013: 1–11). It is also apparent that the concept of TC has particular relevance for regional socio-spatial polarization and peripheralization processes, where core–periphery aspects are at the nucleus of the debate. Adding to the complexity of the debate, regions with specific geographic features have also been introduced in connection with TC (CEC 2008: 8). This denotes regions with certain handicaps such as mountains, islands or sparsely populated, border or rural regions.

Eser (2009: 19) points out that this lack of a clear-cut definition can act as a strength in transnational policy-making, since the concept as such may

take on a vast array of differing or even contradictory interpretations. Sooner or later, however, as is the case with most policy goals, in particular in the EU context, there will emerge a need to measure the level of and advancement towards increased, or indeed decreased, TC. One could compare this situation, for example, to the policy goal of competitiveness: how would EU competitiveness policies be evaluated in a situation where none of the indicators or measurements so commonly used, such as Gross Domestic Product (GDP), labour productivity, employment rates and so on, were available?

The aforementioned lack of a precise definition of TC is, however, naturally also extended to similar challenges when wanting to operationalize its measurement (Grasland and Hamez 2004). Or, to put it simply: how to measure something which one has no conception of? This question has already been posed in the Green Paper on Territorial Cohesion (CEC 2008: 12), but, not surprisingly, extremely few subsequent attempts have appeared. These can, in general, be divided into two primary groups.

On the one hand, several TC measurements focus merely on a collection of thematic variables to be utilized in assessing trends and patterns in TC. Examples of this include the ESPON projects of INTERCO (2013a) and KITCASP (2013b).

On the other hand, there are also some attempts to measure TC by combining a number of such variables to composite indices, the principal idea being a wider thematic coverage with simultaneous parsimony in presentation, and possibly also interpretation. Examples of such endeavours include the European Territorial Cohesion Index (ETCI), partially developed in the ESPON project 3.2 (2006) and the work by Farrugia and Gallina (2008), Prezioso (2008) and Medeiros (2011). Such attempts result in an index that can be used to rank and group regions, but they disclose rather little of the spatio-territorial patterns among, and processes between, these regions.

In both these perspectives, the measurement of TC is conceptually reduced to a simple discussion about which variables are appropriate to use and, possibly, how they should be combined and weighted. However, the wider topic of what to do with these variables once they have been identified and operationalized is still left untouched. In other words, they do not yet address the basic question of *how* TC should be measured; only *with what* variables or combinations thereof this should be performed.

Finally, we may note that, even though not specifically targeted at TC, one recent effort at a slightly broader perspective on cohesion measurement is the working paper of DG Regio (Monfort 2008). Here, a number of techniques for measuring convergence are applied to the entire EU territory and evaluated in terms of their technical capabilities.

### **b. A need for a holistic approach in measurement**

Even though economic and social cohesion are already included as horizontal goals of the EU, TC ostensibly adds the wider territorial component to



the policy arena. Schön (2009: 7) states that ‘cohesion policy involves more than territorial cohesion [and] territorial policy includes more than territorial cohesion’ (emphases in the original). Due to the evident fuzziness in its interpretation, if one wishes to statistically capture as much as possible of the (current) concept of TC, it is likely that this would call for a more holistic approach enabling inclusion of the numerous thematic components of the debate.

Based upon the discussion above, we may identify at least four separate lines of discourse in the current TC rhetoric, the first three of which may have an effect on how TC could tentatively be measured.

First, even though it is apparent that the concept of TC has travelled beyond the ‘traditional’ notion of regional cohesion (Schön 2009: 7), distributional or equality aspects as such also appear not to have been excluded from it.

Second, cohesion, particularly as a goal, and hence also as a spatio-territorial process, still seems to be part of the equation. Numerous references are made in all major TC documents to balanced territorial development and the like. In this respect, the aspect of convergence as a process leading to reduced disparities should also tentatively be included in the measurement.

Third, as was highlighted already in the so-called Barca Report (Barca 2009), places and territory are at the core of territorial development, something which calls for a need to take into consideration their specificities in different types of human activities and interventions. Also closely connected to this trajectory of the debate is the notion of territorial specificities as an asset and not merely as a handicap. At the same time, apart from traditional spatial equalization policies, other paths to levelling out differences could also be viable. In terms of statistical measurement of TC, it thus seems unavoidable to exclude the specific types of territories debate altogether.

Finally, an additional core issue in the debate concerns the governance aspect, particularly how policy efficiency could be improved by streamlining separate sectoral policies that do have an effect on a particular territory. This issue, however, lies beyond the scope of this chapter.

Eser (2009: 19) argues justifiably that ‘territorial cohesion seems [a] complex matter and there are demands for examples of a territorial cohesion index’. One might question, however, whether at the end of the day it is possible, or even meaningful, to try to construct a single index that would enable capturing this complexity in full. And would such an index be universally applicable and valid at all different spatial scales?

In the case at hand, when dealing with the macro-area of the Baltic Sea region (BSR), further aspects concerning TC are introduced by the specificities of this region and by the facets that set this macro-area apart from other corresponding areas. The main arena of spatial cooperation in the BSR is the Vision and Strategies Around the Baltic Sea (VASAB) intergovernmental multilateral co-operation of eleven countries of the region, and particularly its

Committee on Spatial Planning and Development. From its emergence in the early 1990s, the cooperation has identified a number of core challenges to be tackled. Three of these have remained on the agenda throughout, generally referred to as the three territorial divides of the BSR: the east–west; the north–south;<sup>1</sup> and the urban–rural divide. The most recent VASAB policy document, the VASAB *Long-Term Perspective* (2010: 11), states that ‘Concentration of sectoral and territorial development policies of the BSR countries is a necessary condition to address the above territorial divides and to pursue the territorial cohesion perspective of the Baltic Sea Region in 2030.’

To sum up, when striving for measurement instruments able to capture the diverse variety of the aforementioned aspects, the approach must by necessity be broad. However, if one is at the same time also striving for wider utilization among policy-makers, such an approach needs to fulfil the additional preconditions of simplicity, transparency and (at least to a certain degree) intuitive comprehension.

### **c. Research question and objective**

The objective of this chapter is to quantitatively measure TC in the Baltic Sea macro-region. The basic hypothesis is that the complexity of the concept calls for a holistic approach, hence a broad variety of methods are applied, without which such a multi-faceted notion cannot be adequately depicted.

At the same time, the chapter tries to achieve this goal by utilizing familiar, well-established and transparent measurement techniques. This prerequisite is important from the point of view of wider applicability. Spatial planning is by nature a more practice-oriented science and has, by virtue of this, close connections to policy-making, so that any linkages that can be made between practice and science could be considered advantageous.

The article defines TC as consisting of three separate territorial cohesion issues identifiable from the wider discourse that lend themselves to statistical measurement. These angles are: (1) distribution in terms of equality of space; (2) convergence in terms of a movement towards or away from equality; and (3) specific BSR policy objectives connected to specific types of BSR territories.

## **2. Measuring territorial cohesion in the Baltic Sea region**

### **a. Ten measurement methods utilized**

We utilize here ten specific measurement techniques that lend themselves to analysis on a macro-regional scale. The implicit presupposition is that the BSR would constitute a functional entity in itself. Such is, of course, not the case in reality.

This list of techniques used is based on a somewhat arbitrary choice and does not claim to be exhaustive. Naturally, there exist several other techniques – in many cases more refined – with which these measurement

challenges could have been equally well addressed. That being said, the list is nonetheless well suited for addressing the specific types of TC discourses identified in the analysis above.

### **b. Distribution or inequality indicators (1–3)**

The three first indicators measure overall cohesion in a distributive manner, each from its own specific point of view.

(1) The Gini Concentration Ratio (GCR) is one of the most widely utilized inequality indicators. It measures the dispersion of a phenomenon and it operates within the range 0–1, where a value of 0 would indicate perfect equality (that is, in our case, that all regions would be exactly the same) and a value of 1, in turn, maximum inequality (that is, all that is measured would be concentrated into a single region alone). A GCR value of, for example, 0.45 could be interpreted as the amount (45 per cent) that requires to be shifted for perfect equality to take place. Apart from being non-spatial, the GCR has the analytical limitation that it reacts, in relative terms, equally to changes within the middle band of regions as it does to changes in the extremes, which is troublesome, for it is most often occurrences at the extreme ends of the scale that are of interest to policy.

(2) The Atkinson index seeks to address this shortcoming of the GCR by introducing a sensitivity parameter ( $\epsilon$  value) that enables greater emphasis on, in our case, small or low-performing regions. It operates on a similar scale to the GCR; 0 would indicate perfect equality and 1 maximum inequality. For the purpose of this chapter, the sensitivity parameter ( $\epsilon$  value) is always set at 0.8, which implies that greater weight is given to changes among the lower performers (Monfort 2008: 6). By comparing the results of the Atkinson index with those of the GCR, we are, in the context of these two measurements, able to draw conclusions on whether or not the changes in inequality stem from the changes in the lowest performers.

(3) The 80/20 ratio (also known as the Kuznets ratio) is a simple bivariate analytical technique that concerns the relationship between the highest (top 20 per cent) and the lowest (bottom 20 per cent) performers. It is calculated as the ratio between these two, and as such, does not concern itself at all with what happens in the three middlemost quintiles. The higher the value, the larger is the discrepancy between the two extreme groups, and vice versa. A value of, for example, 8.0 indicates that the best-performing group (that is, the top quintile or the highest 20 per cent of regions) has eight times more of what is measured than the corresponding lowest-performing group.

### **c. Traditional convergence indicators (4–5)**

The following two indicators measure the process of convergence by means of two commonly used standard techniques. By applying both methods in parallel, one can obtain a picture of whether the process of convergence – or

lack thereof – is of a sigma type (that is, reduction of disparities in general) or of a beta type (that is, convergence through a catch-up of the low performers).

(4) Sigma-convergence occurs when disparities in general are reduced (Young et al. 2007: 3). It is commonly measured simply by the coefficient of variation, which is calculated as the standard deviation divided by the mean of all regions. The higher the value, the larger are the overall differences between all regions, and vice versa. This indicator is very sensitive to extreme outliers and can be used as a supplement to, for example, the GCR. A catch-up process of the poorest performers affects the value as much as would similar reductions among the best performers.

(5) Beta-convergence concerns itself primarily with disparity reduction via a catch-up process by the poorest performers (for example Barro and Sala-i-Martin 1992: 226).<sup>2</sup> In this chapter, it is measured by means of a linear regression model in which the dependent variable is the level of the region at the beginning of a year and the independent variable the change that has occurred during this particular year. By looking at the unstandardized 'b' regression coefficient from each model, one can obtain a picture of how much the growth rate is affected by the initial level. A negative rate implies increasing convergence, as (on average) it implies de facto that the lower a region's performance, the higher its growth rate has been. A positive value indicates the opposite, that is, a situation where the best performers would have the highest growth rates.

#### **d. Targeted BSR territorial cohesion indicators (6–10)**

The remaining five indicators are targeting five specific aspects of TC with particular relevance in a BSR context. Simple though they are from a methodical point of view, they are nonetheless able to provide a more diversified picture of different aspects of TC in the BSR with a clear focus on regional specificities, and may be used in addition to the more traditional indicators described above. One aim of these is to capture the three principal divides of the BSR. Each indicator is bivariate, meaning that it compares two groups of regions against each other. The last four of these indicators are based on four different DG Regio territorial typologies (Monfort 2009), supplemented by information on Belarus and north-west Russia. For a methodical description of how the territorial typologies have been extended to north-west Russia and Belarus, see Hanell and Hirvonen (2014: 5–11). Each indicator is calculated as a straightforward ratio; for example, a value of 1.3 would indicate that the numerator (for example 'east' in the 'east/west ratio' or 'south' in the 'south/north ratio') has 30 per cent more of the measured entity than has the corresponding denominator.

(6) The east/west ratio compares the amount of a phenomenon in eastern BSR with that in western BSR. Eastern BSR is comprised of the new German Länder, the Baltic States, Poland, Belarus and north-west Russia. The Nordic

countries and former West Germany, including the NUTS 3<sup>3</sup> region of Berlin, are consequently classified as western BSR.

(7) The south/north ratio is based on the DG Regio typology of sparsely populated areas (supplemented by information on north-west Russia and Belarus). All regions classified as sparse in the typology (that is, fewer than 12.5 inhabitants/km<sup>2</sup> at NUTS 3 level or fewer than eight inhabitants/km<sup>2</sup> at SNUTS<sup>4</sup> level 2 in north-west Russia and Belarus) are classified as 'north', the remaining areas as 'south'.

(8) The urban/rural ratio is based on the DG Regio typology of urban–rural regions (supplemented by information on north-west Russia and Belarus). The indicator compares the class 'predominantly urban regions' with the class 'predominantly rural regions'. The latter class includes regions 'close to a city' as well as 'remote' regions. This indicator thus excludes the middle-most category of the typology ('intermediate regions') and is able to provide a crude picture of relative changes between the top and bottom sections of the urban–rural hierarchy.

(9) The non-border/border ratio is based on the DG Regio typology 'Border regions – internal and external' supplemented by information on Belarus and north-west Russia. It compares the external border regions of the BSR with all the remaining regions. Based on this typology, there are no external border regions identified in Denmark and BSR Germany. Please note that for reasons related to easier interpretation, we have throughout calculated the ratio as 'non-border regions' divided by 'border regions' instead of the opposite.

(10) The coast/inland ratio is based on the DG Regio 'Typology on coastal regions', in which coastal regions are classified on the basis of the (low, medium, high or very high) share of population living within the coastal zone. Our indicator (supplemented by information on north-west Russia and Belarus) compares the entire group of coastal regions with all other regions.

### **e. Data utilized**

The ten techniques are consistently applied to three separate datasets: total GDP,<sup>5</sup> total employment and total population for the entire BSR<sup>6</sup> spanning the period of 2005 to 2011. The data stems from Eurostat, Belstat and Rosstat.

The ten analytical methods could also have been applied to any other suitable variables, but these three have deliberately been chosen as they are able to act as mirrors for a wider array of thematic and conceptual themes, encompassing factors such as the knowledge economy, innovation, entrepreneurship, agglomerational economies and the like. Having said this, it is also fairly apparent that particularly environmental or social issues are not given adequate focus here.

Why not just apply this to a single variable instead; why go through the trouble of doing it all three times? One obvious advantage of such a multi-thematic approach is that it acts as a quality and sensitivity control in itself.

Our hypothesis is that the three chosen variables should co-vary, at least to a moderate extent, and by comparing each indicator we are able to corroborate the findings and tentatively avoid messages that could stem from statistical anomalies in just one of them.

#### **f. Main findings**

This section presents brief analytical findings from the application of the ten methods, which are shown in Table 13.1. All ten utilized indicators depict a rather consistent macro-level story of increasing polarization, as is the case also elsewhere in Europe. The BSR has undergone a process of increased concentration, whereby the redistribution of economic activity and humans has, by and large, been to the detriment of regions in the most vulnerable positions, albeit at varying intensity.

Figure 13.1 depicts the development of the GCR (left scale) and the Atkinson index (right scale) for the period 2005–2011 for the three analysed variables: GDP, employment and population.

Assessing all six trend lines jointly, we see first and foremost the megatrend of an increasing concentration of economic activity, jobs as well as population, in the BSR, as all lines are pointing upwards. Here end the similarities, though.

The difference in the relative position of the GDP, employment and population trend lines indicates that economic activity in the BSR is much more concentrated than jobs, which, in turn, are much more concentrated than the BSR population, testifying to the unbalanced spatial distribution of economic activity in the region, or, alternatively, to the currently untapped demographic and labour potential.

In terms of economic value-added, we see, when comparing the two curves (Gini and Atkinson), that initially (2005 to ca. 2008) there has been a moderate increase in concentration to fewer and fewer regions in the BSR. The steeper slope of the Atkinson curve indicates that small regions have lost to larger ones.

In contrast to the more moderate trend at the beginning of the examined period, the more steeply upward-pointing slopes after ca. 2008 indicate that this process has picked up even more speed as a consequence of the European financial crisis. What is more, the even sharper slope of the Atkinson index means that this concentration of economic value-added has largely been an affair of even further relative shifts from small regional economies to large ones. This notion is corroborated by studying the similarly steep increase in GDP in favour of the largest regions in Figure 13.2.

The message obtained from these three techniques stands in stark contrast to the related beta-convergence indicator (see Table 13.1), which tells the story of regions with low GDP/capita closing in on the wealthier ones until 2009, after which no statistically significant evidence is found between the level of GDP and its growth rate. The discrepancy between the two indicators

Table 13.1 Ten indicators for measuring territorial cohesion in the BSR, 2005–2011

Indicator	Variable	2005	2006	2007	2008	2009	2010	2011
<b>Distribution indicators:</b>								
1. Gini Concentration Ratio	GDP	0.509	0.511	0.513	0.516	0.520	0.527	:
	Employment	0.495	0.497	0.498	0.498	0.503	:	:
	Population	:	:	0.462	0.463	0.463	0.465	0.467
2. Atkinson index ( $\epsilon = 0.8$ )	GDP	0.311	0.313	0.315	0.319	0.324	0.332	:
	Employment	0.295	0.296	0.298	0.298	0.303	:	:
	Population	:	:	0.264	0.265	0.266	0.269	0.270
3. 80/20 (or Kuznets) ratio	GDP	12.8	12.9	12.9	13.2	13.6	14.2	:
	Employment	12.5	12.7	12.9	13.0	13.1	:	:
	Population	:	:	11.0	11.1	11.2	11.3	11.4
<b>Convergence indicators:</b>								
4. Sigma-convergence	GDP	1.46	1.46	1.48	1.51	1.53	1.54	:
	Employment	1.29	1.29	1.28	1.27	1.30	:	:
	Population	:	:	1.10	1.11	1.11	1.13	1.14
5. Beta-convergence	GDP	:	-1.36*	-4.33*	-0.75*	-1.59*	-0.66	:
	Employment	:	0.05*	0.04*	0.03	0.00	:	:
	Population	:	:	:	0.29*	0.37*	0.26*	0.22*
<b>Targeted BSR Territorial Cohesion indicators:</b>								
6. East/west ratio	GDP	0.96	0.99	1.03	1.07	1.13	1.13	:
	Employment	1.71	1.71	1.72	1.73	1.74	:	:
	Population	:	:	1.98	1.96	1.95	1.94	1.93
7. South/north ratio	GDP	16.5	16.6	17.1	17.2	18.4	17.9	:
	Employment	18.8	18.9	19.2	19.6	19.9	:	:
	Population	:	:	20.2	20.2	20.3	20.7	20.8
8. Urban/rural ratio	GDP	1.78	1.81	1.83	1.87	1.92	1.94	:
	Employment	1.42	1.43	1.44	1.43	1.49	:	:
	Population	:	:	1.13	1.13	1.14	1.15	1.16
9. Non-border/border ratio	GDP	7.05	6.87	6.80	6.69	6.72	6.62	:
	Employment	4.13	4.15	4.17	4.17	4.20	:	:
	Population	:	:	3.88	3.90	3.92	3.94	3.97
10. Coast/inland ratio	GDP	0.93	0.95	0.94	0.95	0.92	0.92	:
	Employment	0.70	0.70	0.69	0.68	0.67	:	:
	Population	:	:	0.61	0.61	0.62	0.62	0.63

Notes: \* =  $P(2 \text{ tail}) < 0.05$ .

Based on total GDP in Purchasing Power Standards, total employment and total population, NUTS level 3 (Belarus and north-west Russia: SNUTS2) ( $n = 238$ ).

Source: Eurostat, Belstat, Rosstat, author's own calculations.

is explained by the fact that the beta-convergence indicator by necessity utilizes GDP/capita as a primary measurement unit, whereas the other indicators described above use total GDP (that is, without the population component).

Nonetheless, from such cross-cutting signals we may deduce that the gradual shift of value-added from the smaller to the larger regional economies

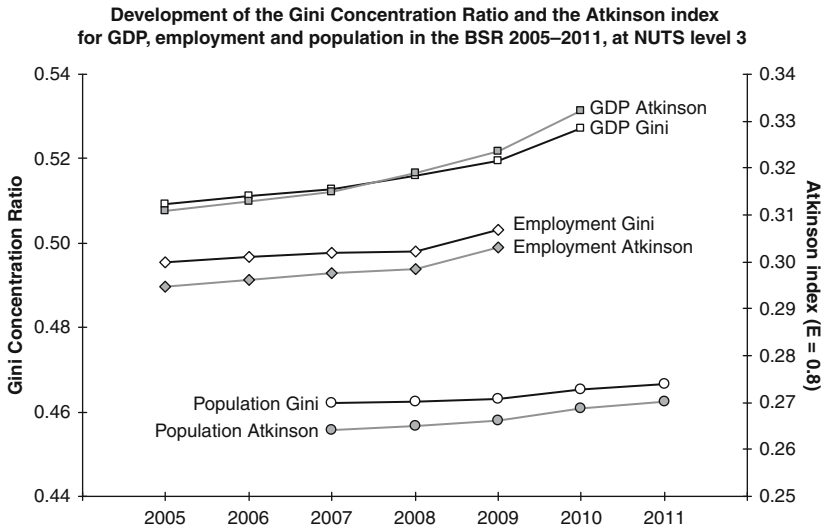


Figure 13.1 The Gini Concentration Ratio and the Atkinson index in the BSR, 2005–2011

Source: Eurostat, Belstat, Rosstat, author's own calculations.

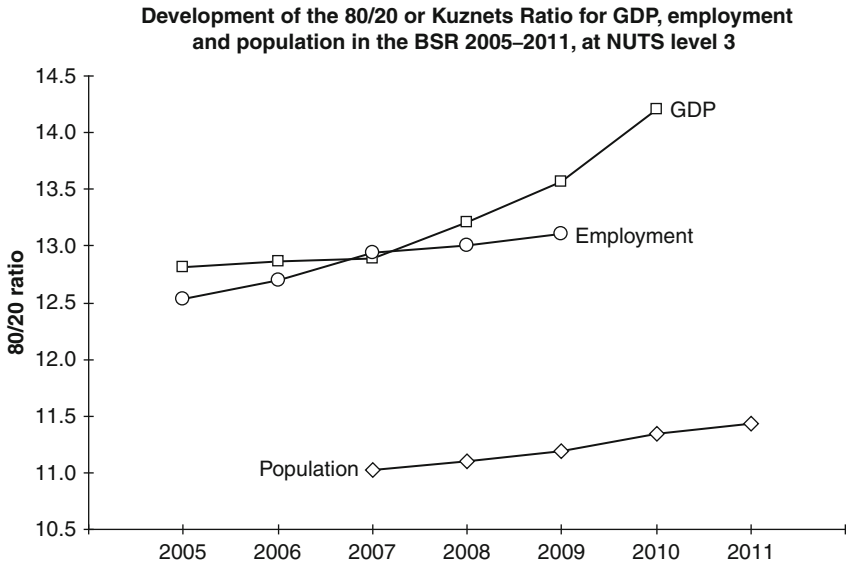


Figure 13.2 The 80/20 or Kuznets ratio in the BSR, 2005–2011

Source: Eurostat, Belstat, Rosstat, author's own calculations.



of the BSR, and simultaneously from the richer to the poorer ones, has primarily been a process of a relative decline of smaller but wealthier regional economies (that is, western BSR peripheral/rural regions) in favour of large but less wealthy ones (that is, eastern BSR capital and other metropolitan areas): in other words, a simultaneous process of polarization and cohesion. It appears as though the largest fall-between class are the small peripheral and/or rural regions in particularly the eastern BSR.

The corresponding trends in employment are also complex and somewhat difficult to assess coherently. Both the GCR and the Atkinson index tell a story of gradually and, until 2008, more or less linearly increasing concentration of jobs in the BSR. After the 2008 crisis, this concentration has picked up further speed. Looking at the 80/20 ratio, from the break-off point in 2007 (that is, when the largest 20 per cent of regions no longer gained equally rapidly on the smallest 20 per cent), we can assume that the rapid concentration process of post-2008 is the result of a gradual decline in employment in the small, but not the smallest, BSR regions. Such a notion is corroborated by the beta-convergence indicator on employment, which indicates that, on average, the smaller the labour market, the worse its development has been.

The sigma-convergence indicator, however, depicts an opposing story regarding employment concentration. It describes a process of gradual deconcentration until the year 2008 (when the positive development of small and medium-sized towns in particular implied increasing polycentric development), whereupon differences once more started to increase. This indicator is, as stated, very sensitive to outliers, and the group of 20–30 largest metropolitan areas have seen continuous growth throughout the period (including after 2008), so that the statistical contrast with most other regions entails a message of increasing concentration. Such a message is, of course, correct in a technical sense, but needs to be interpreted in connection with other measurements.

In many cases, a very similar story could be told concerning the concentration of population in the BSR. Small regions in the BSR lose a steady battle against large population centres in the region. The biggest difference between the concentration of economic value-added and jobs, on the one hand, and the corresponding concentration of people, on the other, is that the process of concentration of BSR citizens continues unabated regardless of any economic trends. Thus, we see a gradual and slowly grinding shift of population from small to large, rural to urban, as well as emigration out of the region.

Regarding economic value-added, the east–west ratio has seen a gradual shift in favour of eastern BSR until 2008, since when the development has been balanced, favouring neither shore of the Baltic Sea. At this level, we can thus see a general tendency towards decreased east–west disparities. However, at the same time, the gradual shifts in both jobs and people have not followed apace, and, particularly in population, eastern BSR is constantly losing the battle. This implies a process of increasing productivity in the

eastern BSR, whereby fewer and fewer people, and, in relative terms, a smaller workforce, are able to create more and more value-added through their economic activity. For natural reasons, this shift is not equally apparent in western BSR, as the process of increased productivity has already been underway for more than a half a century.

Also, regarding the BSR 'north', recent trends in general territorial development in the region point towards increasing spatial polarization, further aggravating the already existing unbalanced regional structures. Sparsely populated, remote and rural regions in the north of the BSR have generally experienced a gradual decline in virtually all aspects of socio-economic development vis-à-vis the more populous southerly core areas of the BSR. That the three trend lines are situated at a certain distance from each other is an indication that the north of the BSR is most disadvantaged in terms of population, and least in terms of economic value-added.

It is precisely in economic terms that the relative decline has been the most rapid. While the ratio of GDP in 2005 was some 16:1 in favour of the south, it had increased to well over 18:1 by 2009. The subsequent decline in southern dominance after 2009 may be explained by many factors, not least the rapid economic shrinking of some of the largest (southerly) regional economies in the BSR. However, much of the value-added in many northerly regions stems from large-scale mining, oil and gas, and other extraction of raw materials. Such economic activity tends to be less sensitive to very rapid shifts in the global economy, which leads to more stable economies in the north. In the Nordic countries, the public sector is also a major economic contributor in the most sparsely populated regions, and it is also less sensitive to rapid fluctuations. The relative decline in employment has continued unabated throughout the period examined, as has that of the population, albeit the relative decline has not been as steep.

In absolute terms, sparsely populated regions in the BSR experienced a continuous employment growth up till 2007, albeit at a more modest rate compared with all other regions in the BSR. The subsequent fall was also steeper for the BSR north than for the other regions taken as a group.

The last of the three BSR divides is, in many respects, the most difficult to grasp. Yet, it is tentatively also the most profound among the three. The multi-dimensional approach regarding the urban-rural gap indicates that rural areas in the BSR have, taken as a group, a population that is some 10 per cent smaller (the ratio is roughly 1.10) than the combined urban population of the region. In terms of number of jobs, however, the urban areas exceed rural areas by close to 50 per cent, and in terms of GDP by nearly double. Such figures illustrate clearly the magnitude of the urban-rural gap in the BSR. Looking at the trends, we see that the gap is generally getting wider still, particularly in terms of employment.

Such territorial divides in the BSR are most pronounced in the light of the urban hierarchy. With very few exceptions, the rural areas generally

occupy the bottom positions regarding most aspects of socio-economic development. Demographic structures are weak, while rural areas have an accessibility some 20 per cent lower than the BSR on average, and more than 40 per cent lower than urban areas (Hanell and Hirvonen 2014: 73–5).

The core rural areas are handicapped by lack of opportunities for economic development outside the sphere of primary production, often low levels of education, and substandard infrastructure, which results in bad accessibility and connectivity to larger centres, despite not being among the most peripheral regions. Most indications also point towards a strengthening of the urban–rural divide in terms of migration.

Regarding the remaining specific types of BSR territories analysed, the applied indicators depict a gradual shift of both economic value-added and population to the coastal regions of the BSR. That employment has grown faster in inland areas can be explained by the simple fact that employment increase in (wholly inland) Belarus, several larger Polish (inland) cities, or, for example, in the Berlin-Brandenburg area, has been rather substantial, and if these were removed from the data, the trend would be synchronous with the other variables.

The economic concentration to BSR border regions has been equally constant in terms of jobs as well as in terms of economic value-added. However, at the same time these border regions have, in relative terms, lost population throughout the period. The rapid depopulation of Latvia–Lithuania, most Russian border regions, or, once more, Belarus, is the primary cause of this discrepancy. Despite this depopulation, these regions have nonetheless been able to maintain, or even increase, in particular the value of the output of their regional economies.

### 3. Discussion

The vast flows of differing, and at times even controversial, messages from this chapter lead at least to four general conclusions.

First, it is evident that for such a complex issue as TC, utilizing only one single instrument for its measurement is potentially misleading. Rather, the criss-crossing trends and patterns evident in the material above indicate that a panel of measurement instruments is probably needed in order to be able to grasp even a small section of the entire process. That is, provided it is *one* process alone, something which, based on the same analysis, appears rather improbable.

Second, even with a wider array of measurement instruments, it is evident that a thorough understanding of the limits and drawbacks of each of them is a prerequisite for their proper utilization.

One could illustrate this by a hypothetical example with GDP, comparing the GCR and the Atkinson index. If we artificially change the actual values of GDP in 2010 of the middlemost quintile (that is, group nr 3/5) of all BSR

regions, and do the same in parallel for the lowest quintile (5/5), the Gini index displays 'more increased cohesion' for the change in the middlemost group than for that at the lower end (due to their larger size, which creates more change in the entire distribution). A straightforward interpretation of this information (without knowing exactly where in the distribution the change has taken place) would lead to a misleading conclusion.

For the same hypothetical change, however, the Atkinson index, in contrast, displays 'more increased cohesion' for the change in the lower end than for the corresponding change in the middlemost range of regions, whereupon one may also conclude precisely where the 'increased cohesion' visible in both indices actually stems from.

Third, it is equally evident that whichever technique is used, there probably also exists a need to utilize it on more than a single variable. At least in a BSR context, spatial processes are too complicated to enable them to be grasped by merely one aspect of society, even if that may be the all-mighty GDP. In this respect, the ongoing discussion about appropriate indicators for measuring TC appears more than justified.

Fourth, even supra-level trends tend to be affected by particular thematic or technical details. Hence, while summary measures such as those utilized above may be efficient in terms of parsimony of interpretation, they can remain insensitive to a number of background factors that can and do affect the results considerably. In this respect, then, no single measurement of TC can be interpreted in a vacuum; other relevant supporting evidence is also needed for robust conclusions to be drawn.

One may now return to the question of whether it was possible to depict TC with, specifically, the above-chosen indicators. Even though these methods are able to provide one statistical picture of this complex issue that suits a limited section of the differing comprehensions of TC, other methods could, and probably would, provide other pictures. In terms of different primarily convergence-oriented measures alone, Monfort (2008) additionally introduces the Theil index, the Mean Logarithmic Deviation, cumulative frequency analysis, Salter graphs, the Markov chain analysis, and the simple non-parametric estimation of the distribution. All such techniques are able to add something to the general picture, thus possibly enabling a broader view of the concept of TC.

Tentatively, the most apparent fault in the ten techniques chosen here is their lack of 'true territoriality'. They are concerned with relative non-spatial relationships, but do not take into account any fixed spatial location. A hypothetical example with population can be used to illustrate this. If we were to shift the population of all ten capital regions of the BSR so that they all encircled St Petersburg, all the measurement techniques utilized here would still display exactly the same figure as was the case before this hypothetical shift. Obviously, such drastic changes do not occur in reality, and, if they did, they would be visible in a simple map. However, smaller

trends in clustering or agglomeration may pass unnoticed by the human eye, but should, nonetheless, be detected by any measurement claiming to measure TC.

It is, therefore, evident that the panel of techniques utilized here would be greatly enhanced by other methods taking into account clustering tendencies (for example by measuring spatial autocorrelation). Additionally, as proposed by the ESPON project 3.2 (2006: 4), the analysis of heterogeneity or homogeneity in adjacent regions would substantially benefit our understanding of TC processes. The findings of ESPON BSR-TeMo (Hanell and Hirvonen 2014: 25–32) corroborate this. However, such analytical techniques generally lend themselves poorly to policy purposes, as their interpretation is not unequivocal and requires certain analytical skills. In this respect, then, the ten indicators utilized here are nonetheless defensible, as long as their deficiencies are recognized.

The chosen array of the three variables utilized in the ten indicators also deserves some attention. It is painfully evident that the lack of a more pronounced social context, in particular, is misleading. This would be particularly relevant in light of the more social component of the EU 2020 strategy. In a BSR context, these would be highly important, since east-west disparities in well-being or quality of life appear to be growing at a rapid pace regardless of reduced (macro)economic differences. In a similar way, it could be considered a deficit that the chosen array of variables completely bypasses the environmental aspects of territorial development.

One could also question the relevance of the macro-regional approach in itself. The nation state (with the partial exception of the federal countries of the BSR) is, despite all rhetoric, still the principal acting unit in terms of wider territorial development. This argument is naturally also applicable to any other spatial entity imaginable. An analysis with exactly the same techniques and exactly the same input variables, but subdivided, for example, by country, would probably yield very different conclusions. The same argument could be extended to the analytical level (NUTS 3/SNUTS 2) used. Disregarding the obvious prerequisites for the level used here (sheer data availability, the DG Regio typologies being constructed at this level), an analysis at a finer level would also provide differing results.

An additional issue concerns the universality of this attempt. It is apparent that the first five methods could certainly be considered both relevant and feasible to transport to other contexts than the BSR, for they concern themselves with rather universal issues of equality that are applicable virtually everywhere.

The remaining five, however, are contextually targeted to the BSR and, as such, tentatively less relevant to other spaces. Having said this, the simple methods developed herein are nonetheless able to act as stimuli for the development of other, more locally adapted, similar measurement instruments. In this respect, the panel of measurements can be said to have a wider

relevance to, at least, other Central and Eastern European (CEE) countries in general, and for other CEE macro-regions in particular. Macro-regions that are characterized by similarly large development gaps as the BSR, such as the Danube region, appear especially feasible candidates.

Finally, one may note that an attempt (such as this) at operationalizing a measurement of an evolving concept is reminiscent of shooting at a moving target. It is likely that TC will be understood in quite a different way after a certain period of time, which, in that case, also calls for the application of additional measurement instruments.

### Acknowledgement

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### Notes

1. The north–south dichotomy is in the BSR generally analogous with sparsity rather than strict compass direction.
2. The chapter therefore disregards the extensive theoretical debate on, for example, intra-distribution mobility, or so-called convergence clubs (as introduced by Baumol 1986), where groups of spatial entities may display internal convergence despite the distance between the groups remaining unchanged or showing divergence.
3. The nomenclature of territorial units for statistics (NUTS) is a hierarchical system for dividing up the economic territory of the EU.
4. The SNUTS is a corresponding system utilized outside EU, accession or EFTA countries.
5. For the indicator beta-convergence, GDP/capita is used.
6. The variables are applied at NUTS level 3 for EU and Norwegian parts of the BSR, and at SNUTS level 2 for north-west Russia and Belarus. The BSR is defined here as the eligible area under Baltic Sea Region INTERREG programme 2007–2013. All in all, this adds up to 238 regional units in the area.

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# 14

## Challenges of the Post-Soviet Development of Ukraine: Economic Transformations, Demographic Changes and Socio-Spatial Polarization

*Kostyantyn Mezentsev, Grygorii Pidgrushnyi and Nataliia Mezentseva*

### 1. Introduction

Most of the economic and demographic trends in Central and East Europe are typical of Ukraine. The ensuing new socio-spatial polarization is typical as well, but it has its own peculiarities throughout Ukraine. The gaps between various regions and various kinds of settlements (in rural areas, small towns and urban regions) in terms of economic, demographic and social indicators are due to the history of settling and colonization, geopolitical issues, unequal socio-economic development and ethnic composition.

Ukraine inherited significant regional imbalances from the Soviet era which were exacerbated after independence; the negative influence of the east-west dichotomy only began during the 1990s (Skryzhevskya 2008, Mykhnenko and Swain 2010, Shyshkin 2012). Shablii (2001) notes that this regional inequality was largely caused by excessively uneven investments in industries on both national and regional scales. Thus, the western and central regions received only a small share of investment. On the other hand, 50–80 per cent of industrial capacity was concentrated in regional centres. Industrial development in the regions is also characterized by asymmetry (polarization): there is a large concentration of industrial capacities in regional centres and cities of regional significance (Zakharchenko 2000, 2004). This has led to two negative processes: 1) the level of economic development in central and western Ukraine was almost twice as low as in eastern regions; 2) migration from western regions is driven by purely economic factors (such as inability to find a job), as well as daily labour migration to regional centres (Shablii 2001, Shyshkin 2012).



“After the change of political regime, the social and economic conditions changed dramatically. On the one hand, there are much better economic conditions (new investments, factories, service facilities), but, on the other hand, serious social problems also resulted (unemployment, decreasing number of employees). The most important consequence of these circumstances is the increasing regional disparity” (Bajmócy and Hegedűs 2008: 144).

In general, heterogeneity of space-economy in Ukraine is caused, first, by the increasing influence inherited from the Soviet-period factors (level of economic development, production and employment structure), and, second, the emergence of new factors primarily linked to economic development under market conditions: private property, infrastructure and politics (related to the formation of regional political elites closely associated with large and medium-sized businesses) (Gukalova 2009). As Harvey noted, capitalism survives through uneven geographical development (Harvey 2005).

Regional asymmetry in Ukraine in terms of economic growth significantly deepened during the transition period (Gukalova 2009). Mykhnenko and Swain showed how the country's sub-national uneven development was related to the changing development model (Mykhnenko and Swain 2010). Lane emphasizes the role of capitalists ('oligarchs') and significant state ownership or control (sometimes both) in the economic development of post-communist countries, in particular in Ukraine (Lane 2011).

The economic transformation of the 1990s has had a negative impact in all spheres of life in Ukraine. In regional terms, it is manifested in the increasing polarization of space and in the depressed areas (Baranovskyi 2009). The depressed areas should be considered the result of peripheralization. This new periphery, characterized by a degenerating economic base, poverty and unemployment, is the focus of social tensions and regional crisis, as well as an obstacle to economic growth (Baranovskyi 2009).

The peripheral, mostly rural, areas, experience the strongest form of polarization. There are increased disparities between the capital's periphery and other peripheries, between suburban localities and outlying ones (Baranovskyi 2011a). The polarization of the rural area is related to an increasing concentration of agricultural production and rural population in suburban areas of large cities. The consequences of this polarization are the depopulation of peripheral rural areas and the reduction of agricultural land, leading to the loss of state social control over the territory, of the traditional way of life of rural residents, and of development opportunities for agriculture and the non-agrarian economy (Baranovskyi 2011b).

Under socio-spatial polarization, changes affect the levels of social inequality and the social gap between the capital and the rest of the territory, between regions, between urban and rural settlements, and between cities and towns. As a result, poles (leading regions) emerge, where the positive effect of economic transformation and demographic changes is present, while large areas are converted into periphery (lagging regions).

There have been attempts to identify different types of regions in Ukraine in terms of uneven development. Mykhnenko and Swain identify three major types of specialized regional economy: a series of agricultural, peripheral economies in the west and centre of the country, which are falling behind the national average; a group of industrial economies towards the east of the country; and five islands of service-sector-oriented economies led by Kyiv (Mykhnenko and Swain 2010). Pidgrushnyi identifies five types of regions according to their stage of evolution as the result of an analysis of economic development, economic structure dynamics and high-tech and innovative activity: regions in the primary phase of post-industrial development (city of Kyiv, regions of Kyiv and Kharkiv); regions in the highly developed industrial stage, unable to transit to the post-industrial stage (Dnipropetrovsk, Zaporizhia, Donetsk regions); regions in the industrial stage, both capable and incapable of transiting to the highly developed industrial stage; and regions in the less developed industrial stage (Pidgrushnyi 2009).

However, there is no research as yet to show the interrelations of economic transformations, demographic changes and socio-spatial polarization in Ukraine at the regional level. Therefore, this chapter aims to examine two aspects of the socio-spatial polarization in Ukraine: the nature of its origin (economic and demographic) and multi-level manifestation (heterogeneity of poles and peripheries).

In order to display the features of socio-spatial polarization in Ukraine, and to focus on the specifics of its various components, the chapter is organized in the following way. In the first part we outline our main theoretical findings. The next section characterizes the sources of data and methods. In the following section we attempt to show the economic challenges of spatial polarization, which cause uneven regional development. Particular attention is paid to economic conditions of regional economic inequality in the pre-transformation period, on the one hand, and, on the other hand, to inefficiency, chaoticity or lack of effective reforms during the transition to capitalist relations that preserves or deepens inequality. The next part is devoted to the demographic challenges of socio-spatial polarization. The chapter argues for the conditionality of demographic trends from Soviet times, increasing negative trends in the 1990s and slight improvement in recent years. Then we examine socio-spatial polarization as a result of overlapping economic and demographic changes, focusing on the spatial issues of social exclusion and poverty. The chapter ends with some conclusions that emerge from the analysis.

## **2. Main findings**

As a result of our empirical studies, we identify three key provisions. First, socio-spatial polarization in Ukraine is caused not only by economic, but also, essentially, by demographic factors. They are overlapping,

strengthening or weakening the socio-spatial inequalities. For example, positive economic results can be offset by the negative impact of demographic change, and vice versa.

Second, uneven regional development in Ukraine is not only a consequence of the transition to a market economy. The roots of inter- and intraregional disparities stem from the Soviet era: both economic specialization ('Soviet heritage') and population structure (migration and low fertility have distorted age structures since the 1970s).

The spatial context of economic transformations in Ukraine is primarily related to changes in the concentration and specialization of industrial, agricultural and service facilities. While in the Soviet era the distribution of services and industrial facilities of some sectors (engineering, textile and food industries) was more uniform, in the post-Soviet period there is an increasing concentration in certain cities and areas and decline elsewhere. In Ukraine, reforms led to a disappearance of collective farms, but without providing reliable conditions to develop small agribusinesses in rural areas. Economic transformations are challenged mainly by job loss, low incomes (especially in peripheral areas) and, as a result, significant amounts of labour emigration.

Demographic changes in Ukraine are reflected in the trends of fertility, mortality and natural decrease/increase of population, on the one hand, and the age structure, on the other. The main challenges of the demographic changes are the depopulation of rural areas, and, in most urban areas, an alarming increase in ageing.

The socio-spatial polarization resulting from economic transformations and demographic changes is manifested mainly in poverty and social exclusion of the poorest segments of the population from healthcare, education, mass culture, IT and media. A middle class has not developed in Ukraine.

Third, the socio-spatial polarization in Ukraine is multi-layered, and the poles and peripheries are miscellaneous. Polarization is obvious at several levels: 1) interregional (leading versus backward regions), 2) intraregional (regional centres and industrial centres with favourable conditions versus periphery), 3) inter-poles (capital city, regional capitals versus other poles) 4) intra-peripheral (near-centre versus backward periphery).

### **3. Statistical data and methods**

The empirical part of the chapter is based on official statistics, surveys and authors' estimations. The reference years are 1991 (or 1990), 2001 (2000) and 2011 (2010).

The sources of official statistics are the statistical compendiums of the State Statistics Service of Ukraine, including the yearbooks 'Regions of Ukraine', 'Population of Ukraine' and 'Labour in Ukraine', containing the basic economic (gross regional product, structure of value-added, employment, unemployment, investments, industrial and agricultural production,

incomes and expenditures, average wage, retail trade and so on), demographic (number of population, fertility, mortality, natural increase, net migration, age structure) and social (provision of education and medical services, mass communications, services and food consumption) indicators. The main problems concerning the use of official statistics are representativeness, credibility and completeness of data. The only representative and reliable source of demographic data is the last census of 2001. An additional source of data is the results of sample surveys of households' living conditions conducted by the State Statistics Service of Ukraine in 2009–10, including indicators of poverty and social exclusion.

To assess the dynamics of regional economic disparities, Gini coefficients were calculated (all indicators were weighted by population of regions). To assess the dynamics of disparities in demographic terms, total fertility rates, share of old-age population and old-age dependency ratios were calculated.

The emphasis is on trend analysis of the main indicators, identifying inter-regional disparities and gaps and the peculiarities of the above-mentioned processes in urban and rural areas. To estimate them, gap indicators were calculated as the ratios of maximum and minimum values in the regions, and ratios of values in urban and rural areas.

In order to group the regions by indicators of poverty and preconditions of middle-class formation, multivariate cluster analysis (Ward's method) was used, based on two groups of indicators: economic (wages, incomes, ratio of income and spending, deposits in banks, unemployment, paid services and food consumption, availability of private transport and communication tools) and social (average life expectancy, crude death rate, level of education).

#### **4. Economic transformations in Ukraine: Reforms, trends, challenges**

In this section we consider the impact of economic reforms and the causes and consequences of transformations in industry, agriculture and services for uneven regional development, and identify the main economic challenges: unemployment, labour migration and a growing gap in incomes.

The economic development of Ukraine and Ukraine's regions in the post-Soviet period features intensive dynamics and complicated transformations. Thus, the 1990s were marked by an unprecedented fall in gross domestic product (GDP). The lowest GDP volume occurred in 1999, reaching only 40.8 per cent of the 1990 level. In that period, there were problems of economic development in Ukraine caused by the formation of the nation state, by the transition from socialism to a market economy, followed by changes in ownership models, and by the breakdown of traditional economic relations.

Not until the 2000s did liberal reforms of export–import policies achieve results, featuring growth of the economy and substantial changes in its structure. This growth temporarily slowed down in 2009 because of the global financial crisis. The growth of the national gross value-added in 2011 amounted to 171.5 per cent from 2000. The group of regions with the highest growth rates consists of undeveloped regions with certain investments, on the one hand, and, on the other hand, regions with the most developed cities (Kyiv and Kharkiv), which had gained metropolitan features and moved up to a post-industrial stage of development. The lowest rates were observed in the historical industrial regions of Donbas, Dnipropetrovsk and Zaporizhia, which are characterized by low-diversified economic structures with a prevalence of low-tech heavy industries (Pidgrushnyi 2013).

During the last decade, the most essential feature of economic transformation has been the reduction in the share of primary and secondary sectors ('real sectors') and the rapid growth of the tertiary sector. Thus, the share of the tertiary sector in gross value-added has grown from 36.4 per cent in 2001 to 50.2 per cent in 2011. The highest share is in the western border regions and in regions where large post-industrial metropolitan cities are situated. We observed the lowest share in historical industrial regions with a stagnant economic structure. Ukraine's trends of tertiary sector growth are in line with global trends. But the share of the tertiary sector in most regions is growing mainly due to the increase in the proportion of trade-related and real estate activities. At the same time, the activities that ensure effective manufacturing and innovations (research, design and construction, management and consulting) remain underdeveloped in most regions.

Industry remains the main economic activity in Ukraine. In 2011, it made up 28 per cent of gross value-added, a slight decrease in comparison with 2000 (31.4 per cent in 2000), and 24.5 per cent of labour occupation (27.9 per cent in 2000). About 51 per cent of industrial output is produced in historical industrial regions featuring a high proportion of heavy industries (more than 80 per cent) – the Donetsk, Dnipropetrovsk, Luhansk and Zaporizhia regions – while 12.3 per cent of industrial output is produced in the city of Kyiv. The industrial crisis has lasted since the 1970s. Its immediate causes were the faults of a planned economy, lack of consumerist orientation and prevailing defence orientation. In the 1990s, procrastination over reforms reinforced the crisis. In 1990 industrial growth had stopped completely, and in the following years it decreased rapidly. Not until 1995 did the decrease begin to slow down, and in 1999 slight growth (4 per cent) was recorded.

Agrarian reform in Ukraine was initiated in the early 1990s. It was driven by low labour capacity (in the early 1990s one US farm labourer supplied food for 130 people, while one Ukrainian farm labourer only supplied enough for 12–13 people). In 1991, Ukraine's collective farms covered 93.5 per cent of arable land, but produced only 75 per cent of gross

agricultural product. The first phase of agrarian reform involved privatization of land, sharing out of agricultural land and division of farms' property into smallholdings. By 2000, 14,200 private farms had been created in place of the collective farms. However, the agrarian reform did not result in positive changes until 2001. During this period, there was a 20-fold decrease in capital investment in agriculture. In only ten years, Ukraine's agriculture was pushed back to the level of the 1950s. This resulted in impoverishment of the rural population, reduced food production, loss of foreign and domestic markets, and land degradation. The turning point for agriculture was the establishment of the agrarian market in the early 2000s. In the process of reform, land was redistributed among agricultural companies (public and private). A peculiarity of Ukraine is that smallholdings produce more than half of the gross agricultural product, but their share is reducing annually (from 66 per cent in 2000 to 52.7 per cent in 2011). In 2000–11, spatial changes in agriculture led to an expansion of sunflower-sowing areas outside the traditional areas, an increasing concentration of grains in the steppe and a reduced concentration of fodder crops. In combination with modern technology and equipment, these changes led to job cuts and growing unemployment.

Continuing reforms in some tertiary industries (education, healthcare) are not completed, so that we cannot judge whether reforms have been positive or negative. The service sector employs approximately 60 per cent of the working population. Over the last decade, this number has increased by more than 10 per cent. The maximum value is in the city of Kyiv, and the minimum in Ukraine's central regions. Over the last decade, the share of employment in retail, the hospitality industry and financial services has increased, while the share of employment in education and healthcare is declining. At the same time, the service radius of business entities has changed: it has increased for some services in rural areas (especially education and healthcare facilities) and declined in urban areas (especially retail sales, financial, and some medical services, for example dental, family medicine and so on). The variety of services has expanded significantly in the cities, but reduced in rural areas. Retail sales per capita are almost five times higher in urban areas than in rural areas. This index is the highest in the city of Kyiv.

#### **a. Challenges of the economic transformations**

*Unemployment challenges.* In 1991–2011, the absolute number of employees decreased steadily in Ukraine (by more than 20 per cent). However, the employment rate (both for the workforce as a whole and for those aged 15–70) is quite high and has increased steadily. Ukraine's youth is neglected in the labour market (over 40 per cent of the registered unemployed are young people aged under 35), and youth unemployment is tending to increase. The official unemployment rate in Ukraine is low – 1.8 per cent in 2011 – yet the relatively low official unemployment rate does not correspond

to the actual situation in the labour market due to unregistered (informal) employment, hidden unemployment (part-time workers) and labour emigration. These negative processes have been intensified by the global recession. Short-time working has doubled in Ukraine since 2008. The ILO (International Labour Organization) unemployment rate annually exceeds the registered unemployment rate by two or three times. The lowest unemployment rate is typical of metropolitan, industrial and coastal areas. The highest rate is typical of agrarian regions. In urban areas, the unemployment rate was higher until 1999, and since 2000 it has decreased significantly, while increasing in rural areas. As a result, the registered unemployment rate in rural areas is double the rate in urban areas. The unemployment-to-vacancies ratio differs by 140 times between leading regions and lagging regions (city of Kyiv – one person per job; Cherkasy region – 140 persons; country average – eight).

Unregistered (informal) employment is widespread in Ukraine. It involves more than 21 per cent of employees. Over 65 per cent of unregistered employment is in agriculture, 12 per cent in construction, and almost 12 per cent in retail and domestic services. Unregistered employment is more typical in rural areas (in some years it accounts for more than 50 per cent of employment). Unregistered employment is widespread mostly in western and central regions, and least common in the capital.

In terms of employment and unemployment indicators, the pole of least tension in the labour market can be found in the city of Kyiv (the highest employment rate, the lowest unemployment and number of applicants per vacancy), and in the regions of Dnipropetrovsk, Zaporizhia, Odesa, Kharkiv, Luhansk, Donetsk and Crimea (high employment rate, low unemployment, but a significant proportion of youth among the unemployed). Other regions are the vast periphery: the worst tensions occur in the regions of Chernihiv, Sumy, Cherkasy, Kirovohrad, Ternopil, Rivne, Chernivtsi, Transcarpathia, Ivano-Frankivsk, Volyn, Vinnytsia, Zhytomyr and Khmelnytskyi.

*Labour migration challenges.* The level of labour migration from Ukraine is difficult to estimate, due to the fact that there is no accounting system for labour migrants. The number of Ukrainian labourers in the world totals from 1.5 to 3 million people (the Ministry of Social Policy of Ukraine gives a figure of about 3 million labour migrants, while the Ministry of Foreign Affairs counts about 2.5 million. The State Statistics Service, in conjunction with the Ptukha Institute of Demography and Social Research of the National Academy of Sciences, based on the 2012 survey of households, found that about 1.2 million people are working or searching for work abroad). The motives for labour out-migration are economic (low salaries, pay gap, unemployment, desire to ensure children's welfare and education, undeveloped small business), and socio-psychological (political and economic instability in Ukraine, hopeless rural areas, ethnic and family ties, 'fashionable migration' and so on).

The flows of labour migration clearly tend towards neighbouring countries and countries that ensure jobs for migrants (Russia, Italy, Spain, Portugal, the Czech Republic and Poland). Migrants from western regions (Volyn, Rivne, Khmelnytskyi, Ternopil, Ivano-Frankivsk, Chernivtsi, Transcarpathian and Lviv regions) are active seekers of foreign jobs. This is explained by three factors: the regions contain surplus labour; the regions border the European Union; Ukrainian migrants receive preferences (ethnic preferences, preferences for residents of border areas, preferences for seasonal workers).

*Challenges of growing income disparities.* A significant disparity of incomes and wages has developed in Ukraine. At one pole are the city of Kyiv and the regions of Donetsk, Dnipropetrovsk and Zaporizhia; at the other we find the Transcarpathian, Volyn, Chernivtsi and Ternopil regions. Moreover, the pay gap between the two poles is increasing. In 2001, the maximum value of this indicator exceeded the minimum by 1.8 times; in 2011, by 2.3 times. We constantly observe relatively high wages in the city of Kyiv and the regions of Donetsk, Dnipropetrovsk and Zaporizhia.

The income gap between urban and rural populations is significant. In 2011, the urban household income was 12.5 per cent higher than the rural one. The average urban household income per capita is 19 per cent higher than in rural areas.

To evaluate the uniformity of the gross regional product (GRP), household incomes and expenditures, and unemployment in the 2000s, Gini coefficients were calculated (Figure 14.1). Regional economic disparities in Ukraine were not significant (Gini coefficients range from 0.08 to 0.26). However, a dynamic analysis reveals the following trends:

- The GRP and incomes Gini coefficient variation shows a steady increase in interregional economic inequality before 2009 (compared with the mid-1990s, the GRP Gini coefficient doubled), and a stabilization in following years.
- The household expenditures Gini coefficient variation confirms the growing interregional economic polarization before the global financial crisis and a slow decrease in the following years.
- The unemployment Gini coefficient variation has no clear trend, and indicates a decrease in interregional economic inequality in 2002–05 and in the years following the 2008 financial crisis.

## **5. Demographic changes in Ukraine: Demographic transition, depopulation, ageing**

This section shows the features of demographic trends in Ukraine and their impact on uneven regional development, and identifies the main demographic challenges, such as urban and rural depopulation and ageing.



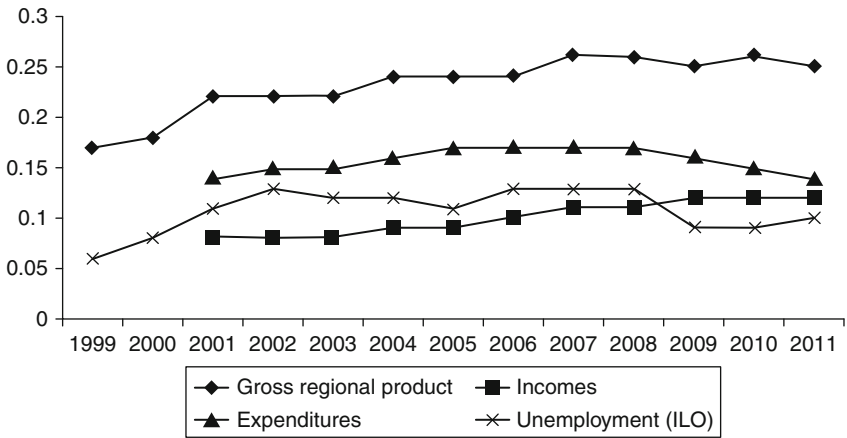


Figure 14.1 Gini coefficients – Interregional economic disparities in Ukraine  
 Source: State Statistical Service of Ukraine, author's own calculations.

Depopulation in Ukraine became visible from the end of the 1970s, yet typically only in rural areas, where the rate of natural increase was negative. It was caused by the peculiarities of the rural population's age structure (primarily ageing), by artificially stimulated urbanization (especially around Kyiv and Kharkiv) and by the emergence of so-called 'hopeless' villages. As a result, youth out-migration from rural areas to cities increased. Negative trends of population replacement deepened as a result of the economic crisis of the 1990s. There are significant differences in population decline at a regional scale that reflect some factors of economic development (Skryzhevskya 2008). However, we cannot consider the economic downturn directly as the main factor of demographic crisis; there has only been some overlap of economic hardship with social and, thus, demographic problems, deepening already existing negative processes (Dnistryansky 2012).

In the 1990s, the crude birth rate (CBR) decreased in Ukraine from 12.6 per thousand in 1990 to 7.7 per thousand in 2001. But since 2002 CBR has tended to grow slowly. It has now stabilized at 11 per thousand (2011), but shows significant differences by region (10.5 per thousand in urban areas, and 12.1 per thousand in rural areas). The lowest CBR is regularly observed in the Sumy, Chernihiv, Kharkiv, Poltava, Cherkasy, Luhansk and Donetsk regions (9.1–9.6 per thousand), and the highest in the Volyn, Transcarpathian and Rivne regions (14.1–15.3 per thousand).

An important indicator of population reproduction trends is the total fertility rate (TFR), which fell from 1.7 in 1991 to 1.5 in 2011. The TFR level in rural areas, corresponding to the replacement level in early post-Soviet period, is now only 1.8. While in 1991 a TFR of over 2.1 was seen in 6 of 25 regions (in 17 of 25 in rural areas), in 2011 this was the case only in three

regions in rural areas and lower in all regions as a whole. The most positive situation is in the north-western regions, the worst in the east and north-east. The gap between the best and worst values in regions changed slightly, rising only in rural areas.

The lowest crude death rate (CDR) was in 1960 (6.9 per thousand), and has since increased. In the late 1980s there was a slight reduction in mortality, and in the early 1990s a rapid growth. In 2011, the CDR was 14.5 per thousand, differing significantly between urban (13.1 per thousand) and rural areas (17.7 per thousand). The highest mortality is regularly seen in the Chernihiv region (18.5 per thousand; in 2005–08 it crossed the so-called ‘critical line’ of 21 per thousand) and the Sumy, Poltava, Kirovohrad, Luhansk, Donetsk, Cherkasy and Zhytomyr regions (more than 16 per thousand). The regions with the lowest CDR are the city of Kyiv and western regions. Compared with 1960, today’s lagging and leading regions are antipodal (Mezentseva et al. 2011). In 1960, the highest CDR was in the western Ivano-Frankivsk and Ternopil regions, and the lowest in eastern Donetsk, Dnipropetrovsk and Luhansk; today, this is reversed. In 1960, the gap between the highest and lowest CDRs was more than 2 per thousand; in 2011, almost 9 per thousand.

In 1991, a natural population decrease in Ukraine was first recorded (rate of natural increase (RNI) was  $-0.08$  per cent). Since 1994, the country’s population has annually decreased by 300,000–350,000 as a result of depopulation and negative net migration. Since 2007, the natural decrease tended to reduce (from  $-0.72$  per cent in 2007 to  $-0.35$  per cent in 2011), due to positive external net migration and an improvement of demographic indicators.

### **a. Challenges of the demographic changes**

*Urban and rural depopulation challenges.* In 1989–2011, with a 1.8 per cent increase in the proportion of urban population, the population itself decreased by 3.1 million people (9.1 per cent). A significant decrease has taken place in nine regions (over 10 per cent in each of them). The largest decrease is in the urban regions of Luhansk, Donetsk, Dnipropetrovsk and Kirovohrad. However, the urban population is growing in some regions: the city of Kyiv (7.5 per cent) and the Rivne, Volyn, Kyiv, Khmelnytskyi and Ivano-Frankivsk regions. Although the number of cities has increased by 25, the population of some of them has decreased: Donetsk is no longer a city of a million people, while 14 medium-sized (mostly specialized) cities have become small.

The total rural population in Ukraine has been steadily decreasing since the early 1980s. “The situation had worsened by the beginning of the 1990s, when rural populations suffered from unemployment, critical ageing, worsening health conditions, and a deteriorated social infrastructure brought on by the economic crisis associated with the transition to a market economy”

(Skryzhevska and Karacsonyi 2012: 51). In 1989–2011, the rural population decreased by 16.2 per cent. We see the most rapid decrease in Chernihiv, Sumy, Zhytomyr and Poltava regions (over 20 per cent). The rural population is decreasing much more slowly in the western regions. As a result of rural depopulation in 1991–2012, 641 rural settlements disappeared, including 528 due to ultimate depopulation. Most villages disappeared in the northern and north-eastern regions (Kyiv, Poltava, Zhytomyr, Sumy and Chernihiv – more than 40 villages in each), with the lowest number of disappearing villages to be found in the Volyn and Transcarpathian regions (one in each). At the same time, the rural population is redistributed within the regions due to different rates of population decrease, indicating a growing polarization of rural population and an increase in its concentration around large cities. From 1991 to 2011, the rural population increased in almost half of suburban districts of regional centres.

*Ageing challenges.* There is a continuous decrease in the workforce, leading to an increased dependency ratio (Mel'nyk 2011). The proportion of the 65+ group exceeds the younger group (aged 0–15) in 14 of 25 regions. Such an excess is observed in both urban and rural areas in seven regions of east and north-east Ukraine. In eight regions, the excess is observed only in rural areas, and only in Crimea in urban areas. We observe the lowest proportion of the younger group in Luhansk region (13 per cent), 1.6 times lower than in the region with the highest share (Rivne region). In the 2000s, the proportion of the 65+ group has grown: by 14.5 per cent in 2001, and by 15.9 per cent in 2009. In recent years, this indicator has declined slightly (15.3 per cent in 2011). In 1991–2009, the number of people aged 65+ increased by almost one million. The proportion of the older age groups in 2011 varied from 11 per cent in the Transcarpathian region to 19 per cent in the Chernihiv region (Figure 14.2). It is also high in the central regions – Cherkasy, Vinnitsia, Poltava Kirovohrad (over 17 per cent). Another extreme (alongside the Transcarpathian region) is the city of Kyiv (11.9 per cent). The difference in values between urban and rural areas is more than 9 per cent. In 2011, the median age of Ukraine's population was 40.3 years, in urban settlements 40.1 years (39.9 for large cities), and in rural areas 40.8 years.

In general, the poles of the most favourable demographic situation appear in the city of Kyiv and the Transcarpathian region. Kyiv features both natural and migration growth, while Transcarpathia features a favourable age structure with the lowest proportion of older age groups. A favourable situation is also to be found in west Ukraine (Rivne, Ivano-Frankivsk, Lviv and Chernivtsi regions). There is a relatively favourable situation in the southern regions (Crimea, Odessa, Mykolaiv and Kherson). The 'demographic' periphery contains the regions with catastrophic (Chernihiv region) and unfavourable demographic situations (Cherkasy, Vinnytsia, Khmelnytskyi, Kirovohrad, Kyiv, Poltava, Zaporizhia, Dnipropetrovsk, Donetsk and Luhansk regions).



Figure 14.2 The age structure of the population of Ukraine in 2010

Source: State Statistical Service of Ukraine.

## 6. Socio-spatial polarization

This section of the chapter highlights how economic transformations and demographic changes have exacerbated problems of social exclusion and poverty, which have a distinct spatial dimension.

*Spatial aspects of social exclusion.* In Ukraine, the most significant threats of social exclusion are gaps in access to healthcare, education, mass culture, IT and media. The largest access gap in social services is between the capital city and large cities (especially regional centres) on the one hand, and peripheral areas (rural, small towns) on the other. Exclusion from healthcare is caused by economic (low incomes) and physical inaccessibility of healthcare (the lack of medical facilities, qualified personnel, modern equipment and ambulances in some rural areas). In 2001–11, the number of hospitals decreased by 1.3 times, and hospital capacity by 1.1 times. In 2011, there were 49.3 physicians per 10,000 people. In Kyiv the number is above 80, and in some regions lower than 40 (Kherson, Kirovohrad, Mykolaiv and Chernihiv regions). There are no medical facilities in about 9,000 of Ukraine's villages. In rural areas, the number of healthcare personnel is more than 20 per cent below what is required (Ukrayina na shlyakhu 2011).

The most essential threat of social exclusion from education is the physical inaccessibility of preschool education, and partly of school education, in rural areas, where the unfavourable demographic changes of the 1990s led to a significant reduction in the school network. In the 1990s, 40 per cent

of public kindergartens were closed, mostly in rural areas. In 2010, 71 per cent of rural settlements had no preschool education facilities. There are 123 children per 100 seats in kindergartens in urban settlements (in 1990: 113 per 100 seats), while in some rural areas kindergartens are half empty. Fifty per cent of Ukraine's villages have no school for 7–17-year-old children (Ukrayina na shlyakhu 2011). Compared with 1991, the number of students at professional schools has decreased significantly, but the number of students at universities has increased. Almost 20 per cent of Ukraine's universities are in the city of Kyiv.

In the post-Soviet period, the number of public facilities (such as libraries) decreased significantly. In 2009, residents of large cities spent 3.8 times more on recreation than in rural areas (Ukrayina na shlyakhu 2011). Social exclusion from IT and media is related to both physical and economic inaccessibility. In the early 2010s, there were no paved roads to 113 of Ukraine's settlements. In 2009, more than 9 per cent of households suffered from unavailable public transport (82 per cent in rural areas). Only 30 per cent of Ukraine's adult population (18+), or 11.4 million people, have internet access (Ukrayina na shlyakhu 2011). The range of services differs significantly between urban and rural areas (Cheren'ko 2012).

*Spatial aspects of poverty and middle-class formation.* In 1991–2011, the volume of paid services featured significant regional differences, and a negative trend towards an increasing gap between maximum and minimum values in the regions (in 1991, 2.6 times difference; in 2001, 9.9 times; in 2011, 18.9 times). The city of Kyiv clearly leads in terms of sales and services per capita, with the Odesa and Kharkiv regions not far behind.

Poverty is indicated by consumption of three categories of food below national norms: meat (the gap in per capita consumption between the Kyiv region and the Ivano-Frankivsk region is 1.7 times), milk and dairy products (between Ivano-Frankivsk and Luhansk regions 1.5 times) and fruit and berries (between Kyiv and Ternopil regions 2.1 times). In urban areas, consumption of fish and other seafood, meat, fruit and berries is higher per capita than in rural areas. In rural areas, the consumption of bakery products, potatoes, milk and dairy products is higher per capita than in cities due to domestic production. Overall, foodstuff consumption is worse in rural areas (Mezentseva 2008).

The poverty rate is affected by the income received by retired people. In 2011, the highest pension was received in the city of Kyiv, exceeding the lowest, in the Transcarpathian region, by 1.5 times. In 2011, the highest proportion of those who received a pension lower than the minimum wage was in the Volyn and Rivne regions, and the lowest was in the capital city of Kyiv. At the same time, the highest proportion of retirees receiving a pension more than UAH 1500 (ca. 140 Euros) lived in the city of Kyiv (36.6 per cent) and the Donetsk, Luhansk and Dnipropetrovsk regions. The lowest proportion lived in the Ternopil, Transcarpathian and Chernivtsi regions.



Figure 14.3 Proportion of people with average monthly per capita incomes lower than the subsistence minimum in 2011

Source: State Statistical Service of Ukraine.

In 2011, the lowest proportion of people with average monthly per capita incomes below the subsistence minimum (less than 5 per cent) was in the regions of Zaporizhia, Kyiv, Kharkiv and the city of Kyiv, and the highest proportion in western and southern regions: Khmelnytskyi (over 15 per cent), Crimea, Volyn, Transcarpathian, Zhytomyr, Lviv, Odesa, Rivne and Ternopil regions (over 10 per cent) (Figure 14.3).

Cluster analysis of poverty and middle-class indicators allows five groups of regions to be identified:

- Cluster 1: region with the lowest level of poverty and most favourable preconditions for middle-class formation (city of Kyiv);
- Cluster 2: regions with a relatively low level of poverty, significant intraregional polarization, favourable economic preconditions for middle-class formation, socio-demographic threats, and some urban issues relating to a single industry of specialization (Kharkiv, Donetsk, Dnipropetrovsk, Zaporizhia, Kyiv regions);
- Cluster 3: regions with a relatively high level of poverty (especially in rural areas), but relatively favourable preconditions for middle-class formation (Odesa, Mykolaiv, Kherson, Luhansk, Crimea regions);
- Cluster 4: regions with a high level of poverty, unfavourable preconditions for middle-class formation in large cities, significant demographic threats (Khmelnytskyi, Vinnitsia, Zhitomyr, Poltava, Chernihiv, Sumy, Cherkasy, Kirovohrad regions);

- Cluster 5: regions with the highest level of poverty, yet relatively favourable preconditions for middle-class formation due to brisk entrepreneurship (especially in large cities) (Volyn, Rivne, Lviv, Ternopil, Ivano-Frankivsk, Chernivtsi, Transcarpathian region).

## 7. Conclusions

Economic and demographic challenges and strong socio-spatial inequality have been observed in Ukraine since the 1970s. They should, therefore, be viewed in terms of a deeper retrospective analysis. They have been significantly aggravated by post-Soviet transformations. Socio-spatial polarization was driven by both economic transformations and demographic changes simultaneously. In post-Soviet Ukraine, the main challenges to economic transformations and demographic changes are spatial disparities in unemployment rates and household incomes and in the intensity of labour migration, ageing, and urban and rural depopulation.

Socio-spatial polarization is multi-layered and clearly manifested in the following dimensions: between urban and rural areas, between the capital city and the rest of the regions, and among regions, cities, towns and rural settlements. An analysis of indicator gaps testifies that the lowest level of threats is in the capital city of Kyiv and the developed industrial regions of Dnipropetrovsk, Donetsk, Zaporizhia and Kharkiv. The highest level is in the underdeveloped industrial regions of Volyn, Transcarpathian, Ivano-Frankivsk, Rivne, Ternopil, Khmelnytskyi and Chernivtsi. The lowest level of demographic threats is in the city of Kyiv and the Volyn, Transcarpathian, Ivano-Frankivsk and Rivne regions. The highest level is in the Kirovohrad, Poltava, Sumy, Cherkasy, Chernihiv, Donetsk and Luhansk regions. In other words, only the capital city of Kyiv constitutes the positive pole for both economic and demographic changes. At the same time, regions with the most significant challenges to economic transformation have minimal threats of demographic challenges.

Socio-spatial polarization leads to formation of poles (leaders) and periphery (laggards). The city of Kyiv is the leading pole, with a minimum level of social exclusion, minimum poverty, the most favourable preconditions for middle-class formation, and the highest quality of life. The Dnipropetrovsk, Zaporizhia, Kyiv, Odesa, Kharkiv and Lviv regions have most of the traits of the leading pole. The rest of the regions should be considered as periphery, with different levels of lagging. At the same time, some challenges are maximal in Kyiv and minimal in the backward periphery, which is also a sign of socio-spatial polarization.

In the 1990s, an emerging disparity of household incomes caused a flow of highly qualified workers to some regions, which additionally contributed to further development of the creative class in these regions and the deterioration of the outflow regions. The socio-spatial polarization in Ukraine leads to an outflow from the periphery to the poles, and from Ukraine to

abroad (including foreign peripheries), primarily of highly skilled workers and youth.

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# 15

## Uneven Urban Resilience: The Economic Adjustment and Polarization of Russia's Cities

*Oleg Golubchikov, Alla Makhrova, Anna Badyina and Isolde Brade*

### 1. Introduction

The multi-dimensional processes of transition to a market economy have produced a radical rupture to the previous development of Russian cities. Many factors driving urban change under the Soviet system, both ideological and material in nature, have lost their legitimacy or significance under the capitalist regime of accumulation and regulation. Thus, no longer perceived as a purpose-built machine for a meaningful evolution to a fair and egalitarian communist society as before, each city has been exposed to the ideology of the free market and pushed to acquire a new niche in the nexus of global and local capitalist flows. Not all cities have been equally successful in this endeavour. Indeed, under the conditions of general economic disorganization and harsh economic downturn introduced by the poorly performed neoliberal reforms of the early 1990s, different urban regions already began to demonstrate divergent trajectories of economic performance, including severe marginalization and peripheralization by some and more successful adaptation by others. These processes of initial spatial differentiation have become self-perpetuating even under the conditions of 'restorative' growth experienced in Russia between 1998 and 2008, as well as the ensuing period of more bumpy economic growth.

In this chapter, we review these processes of inter-urban differentiation from the perspective of uneven urban economic resilience. The term 'resilience', which originated in ecological studies (Holling 1996), has become widely used in urban and regional studies, where it denotes socio-spatial processes of various nature and context, including their interplay with regional and urban economic change (for example Hudson 2010, Pendall et al. 2010, Bristow and Healy 2013). Despite some important criticism of the term due to its naturalistic origin and a certain ambiguity, its value lies in the lack of dogmatism in its application in social sciences and its openness to analytical specifications within the larger interpretive quest to

understand the ability of systems to respond to uncertain, volatile and rapid change (for example Simmie and Martin 2010). Here, we employ the term ‘urban resilience’ not as an absolute quality of urban systems but, rather, as *relative* coping dynamics – our key question is what factors and processes determine relative urban adaptability in the face of the radical systemic changes associated with post-socialist transition. Following Pike et al. (2010), we operationalize the idea of uneven urban resilience to explicate the structurally uneven processes of spatial economic adjustment. Here, as well as understanding the varied adaptive capacities of urban systems, we also need to expose the interplay of local conditions with the very politico-economic system that both begets the shocks of transition and determines urban capacities to adjust to those shocks (MacKinnon et al. 2009, MacKinnon and Derickson 2012).

While trying to understand the local factors of uneven urban resilience and spatial polarization, we also need to decipher the wider political-economic basis for uneven development and the interplay of the endogenous and exogenous factors (Golubchikov et al. 2014). Generally speaking, cities have demonstrated very uneven internal capacities to withstand the shocks of market reforms and to accommodate capitalist relations. Not quite as paradoxically as it may sound, we find that the material structures inherited from the Soviet era have proven to constitute a single major dimension of (uneven) urban adaptability and resilience. Due to weak national redistributive regulation for urban economic development, it is the inherited patterns that, being reinterpreted through a capitalist-oriented economic model, have controlled the levels of growth. However, our main argument here is that, while there are different endogenous factors differentiating cities’ relative performance, they are quintessentially mediated by new institutional practices (Golubchikov et al. 2014).

## 2. Urban development under state socialism

During seven decades under Soviet rule, Russia experienced a rapid urban explosion. As an important material legacy for the post-Soviet experience, at least two-thirds of all Russian towns and cities were established in the Soviet period. From a backward agricultural country with a predominantly rural population, the country transformed itself into an urban and industrialized one. Although the proportion of urban population (within Russia’s current borders) was only 17 per cent at the time of the Socialist Revolution of 1917, this proportion had reached 74 per cent by the end of the Soviet era. Industrialization was the key element of the socialist developmental model, while urbanization was considered a necessary vehicle for rapid industrialization (French 1995, Shaw 1999).

The Soviet state, in its late stage of development, was characterized by a hierarchically ordered economic space based on national economic planning

and rigidly controlled and redistributive accumulation (Musil 1993). The urban system of the Soviet Union represented central-place systems, with the centre of each administrative level (republic, province, district etc.) providing necessary goods and services to the lower-order administrative levels, while itself remaining dependent on the allocation of resources 'from above'. The concept of a so-called 'group settlement system' (a normative version of Christaller's central place theory) was elaborated at the beginning of the 1960s to call for planned growth in administratively selected centres, with the goal of eliminating existing socio-economic disparities between territorial units (Lappo 1997). Despite its very purpose, the system itself produced socio-economic variations between the centre and the periphery based on the position of places within this administrative hierarchy, coupled with a political hierarchy of economic priorities.

As a result, the Soviet republics' capitals, major regional centres of administrative functions, and strategically important areas (seaports, traffic hubs, military sites, science towns) were somewhat more privileged. They registered a continuous increase in volumes of production and investment. Subsequently, they received large public transfers with respect to all areas of social life, including funding of social and technical infrastructure, and provision of goods and services – and, thus, were also privileged sites for consumption. As a consequence, they were attractive for living and showed rapid population growth, often in contradiction to government policies to constrain the population concentration of larger cities. Meanwhile, the establishment of new towns was also heavily funded, corresponding to major regional industrial programmes – frequently in areas of energy generation and nature resource extraction, or as highly specialized towns (so-called mono-functional towns).

Relative to these urban groups, small non-industrial and historic towns, medium-sized towns with no administrative or 'strategic' functions, and smaller settlements in proximity to larger cities were less privileged in terms of public investment and supply of consumer goods (Brade 2002). There was a somewhat lower standard of living in places where, according to Western common-sense, one would often expect to find more affluent groups, including in low-density suburbs and historic towns. For example, the existing stock of individually owned houses, still widespread in smaller towns and suburban settlements, was generally under-maintained and often lacked centralized water supply or sewage systems. Soviet expectations of a better life were associated, rather, with larger industrial cities or well-supplied specialized towns.

### **3. Demographic shifts and disparities**

As an important proxy for understanding urban economic resilience since the collapse of the system of socialism, relative population change demands

Table 15.1 Increasing population concentration in regional capital cities, 2002–2010

Federal Districts (FD)	Total population 2002 (millions)	Total population 2010 (millions)	Population change (%)		Share of regional capitals in total population (%)	
			Total	Capitals	2002	2010
Central FD	38.0	38.4	1.2	6.1	45.9	48.2
Central FD excluding Moscow and Moscow Oblast			-5.6	-0.9	33.6	35.3
North-western FD	14.0	13.6	-2.8	2.2	50.5	53.1
North-western FD excluding St Petersburg and Leningrad Oblast			-8.1	-1.4	31.3	33.6
Southern FD	14.0	13.9	-0.8	1.3	26.4	27.0
North Caucasian FD	8.9	9.4	6.3	13.0	20.8	22.1
Volga FD	31.1	29.9	-4.0	-1.1	33.6	34.7
Ural FD	12.4	12.1	-2.4	3.7	27.8	29.6
Siberian FD	20.1	19.3	-4.0	3.1	33.9	36.4
Far Eastern FD	6.7	6.3	-6.0	1.0	33.6	36.1
<i>Russian Federation</i>	<i>145.2</i>	<i>142.9</i>	<i>-1.6</i>	<i>3.3</i>	<i>36.5</i>	<i>38.3</i>

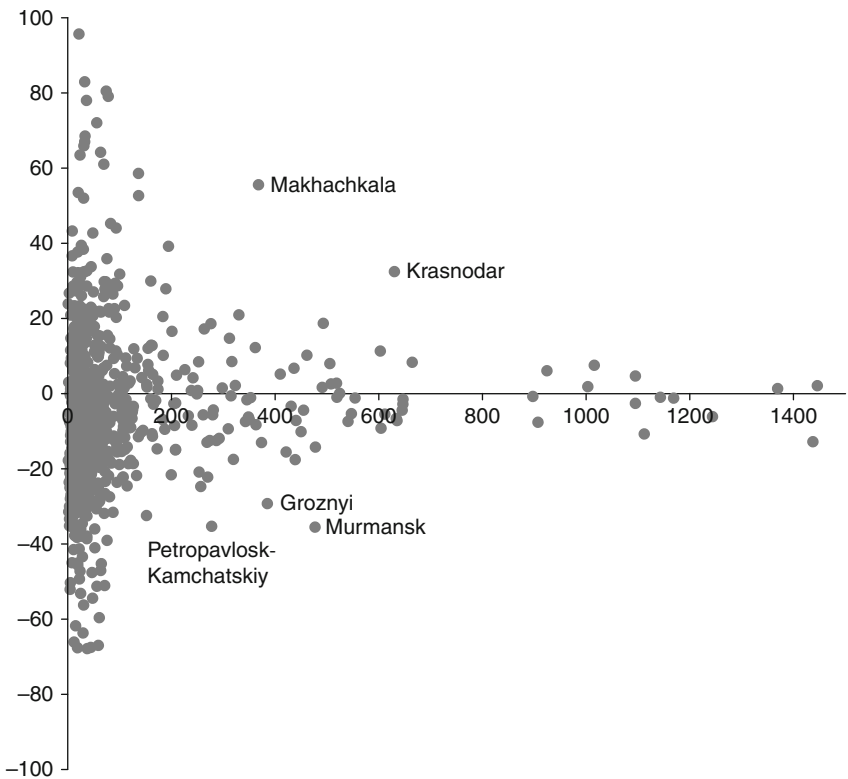
Source: Rosstat ([www.gks.ru](http://www.gks.ru)), authors' calculations.

some attention. The rate of (normative) urbanization has stabilized in Russia at 73–74 per cent since the collapse of state socialism in 1991, while the urban population in absolute terms began to decline in parallel with the emerging demographic crisis in Russia. However, these national trends hide the crucial processes of reconcentration within the national geography (Nefedova and Treivish 2001, Eberstadt 2010). Soviet policy favoured the development of northern and eastern regions that were rich in natural resources. In the post-Soviet period, this process has seen a reversal, and out-migration from north-eastern regions to the south-west has prevailed (Vishnevskiy 2009, also see maps in Brade 2002). However, the remaining population in the north and east is spatially concentrated in regional capitals, which provide more opportunity to access economic, social and cultural facilities (Table 15.1).

Generally speaking, the population dynamic during the recent two decades indicates a continuing trend towards the concentration of the population in larger cities. Cities over 500,000 people have been most attractive. The ten most attractive territories combined have received 84 per cent of the total migration surplus, particularly focused on Moscow/Moscow Region

(43 per cent) and the St Petersburg agglomeration (15 per cent). Moscow has grown by 30 per cent between 1991 and 2011 (from 8.9 to 11.5 million). Smaller cities and towns demonstrate a more diverse spectrum in their population change trajectories, and although many are growing, many more are shrinking (Figure 15.1).

The spatial concentration of the population is continuing. Now, 48 per cent of all Russian citizens live in two FDs – Central and Volga FDs – which constitute less than 10 per cent of Russia's territory. In this respect, migration to major cities and to economically prosperous regions is characteristic: the regions with the highest population growth are also the regions with the lowest unemployment rate (Brade et al. 2012).



*Figure 15.1* Growing and shrinking cities: Population change in 1991–2011 (%) vs. town size (thousands)

*Note:* The graph excludes Moscow, St Petersburg and cities with reported growth above 100%. Based on reported statistics for cities; the growth in population is often due to administrative changes in cities' incorporated territories.

*Source:* Multistat database of the Rosstat, authors' calculations.

Apart from Moscow and St Petersburg, as was indicated by Polyak et al. (2005) and reconfirmed by the 2010 census in Russia, the following groups of cities have been attractive for in-migration (also Brade et al. 2012, Zubarevich 2012):

- Centres of oil and gas exploration with large net migration surpluses;
- 'Gateway' cities in border regions (for example Belgorod with its new function of a border gateway to Ukraine; Novorossiysk as a new Russian port on the Black Sea; Vladivostok on the Pacific coast; Kaliningrad as the capital city of the westernmost Russian enclave);
- Industrial centres with export-oriented production, particularly steel production and metalworking, that renewed their growth more recently;
- Cities in the North Caucasus, which are growing due to natural increase;
- Cities in the ethnic republics of the Volga FD, which are similarly growing due to natural population increase and in-migration.

The population trends already reveal spatially differential abilities to withstand transitional shocks and attract growth – at least in terms of population. However, a relative population growth is not always a good proxy for understanding the relative economic performance of cities beyond the scale of particular regions. Economically poorly performing cities may attract migrants because they still offer better opportunities at the regional scale. Furthermore, there is a relative population growth corresponding to the ethnic concentration of non-Russian peoples, as well as geopolitical proximity (for example refugees and migrants from Central Asia and the North Caucasus settling in the Southern FD).

#### **4. Uneven patterns of urban economic adaptation**

What patterns and factors could, then, characterize the economic resilience of cities and their resultant economic performance?

Brade (2002) attempted to develop a typology of Russian cities and towns 'according to their development pattern in the course of transformation'. Only one type in this classification – 'small towns with a favourable investment climate' – implied a policy dimension, whereas the others represented inherited elements – such as city-size rank, local economic structure or relative location, which had already been shaped in the Soviet period (if not earlier). Similar observations were made by other authors (for example Golubchikov 2006, 2007, Zubarevich 2009, Golubchikov and Makhrova 2013), who highlight that the key endogenous factors conditioning the economic resilience of post-Soviet cities are their size, administrative status, location and functional specialization. In particular, human capital and the functions of a city have contributed most to post-Soviet disparities.

According to Zubarevich (2009), there have been four types of centres of modernization and economic growth over the past decades:

- Moscow and St Petersburg city-regions;
- 11 'Millioniki' (cities of just under or above 1 million inhabitants);
- Other cities of more than 200,000 – especially regional capitals;
- Highly specialized cities of certain export-focused economies.

These groups have been proven to be more 'resilient' to economic shocks and changes of transition. However, the processes of modernization within the cities of these groups are different. Not every city is equally capable of maintaining its human capital or being successful in the competition for human resources; it is, rather, an interplay of various factors that has determined the outcome (Brade 2002).

The first three types, with diversified and agglomerative economies, were able to accommodate changes and withstand economic shocks most successfully (Ioffe et al. 2001). As the majority of economic institutions, communication infrastructure, and human capital were concentrated in larger regional administrative centres, it is these cities that have been most successful in attracting capital (of businesses and households). The introduction of direct channels of global-urban interplay has contributed to integrating these cities into transnational networks and, moreover, 'liberated' them from the obligation to assist their 'backyard' (that is, peripheries administratively subordinated to them). They mainly compete with each other for public and private investments and attracting business activity. Yet, among regional capitals, only the largest metropolitan centres now concentrate headquarters, branches of national and foreign firms, and financial services, and have become key hubs for trade, entrepreneurship and innovation. As a result, they have harvested a great deal of wealth in their respective regions and further afield. Large cities have also become major markets themselves, proximity to which has become decisive for smaller cities or towns (Golubchikov 2006).

Moscow, and to some extent St Petersburg, are certainly economically dominant cities in the country (even if oil and gas-rich administrative regions might nominally outperform them in terms of Gross Regional Product (GRP)). A super-concentration of economic resources gives Moscow a considerable advantage. With 8 per cent of Russia's population, Moscow produces 23 per cent of Russia's accumulated GRP, of which approximately 80 per cent is attributed to the service sector. St Petersburg yields 4 per cent of Russia's GRP and remains behind Moscow in all aspects. The enormous concentration of investments and finances in Moscow further attracts highly qualified human resources from every part of the country, along with less qualified migrants from the successor states of the Soviet Union.



The other cities of more than 1 million inhabitants, although they may be considered relatively successful, are well behind Moscow and St Petersburg. Their share of the total volumes of retail sales grew from 11 to 15 per cent in 1998–2008, but Moscow's share in 2008 alone was 25 per cent. The smaller population and often higher bureaucratic barriers compared with Moscow and St Petersburg limit the interest of potential investors. Having said that, central business districts have been growing there recently, with modern offices, trade and multi-functional locations, mostly fuelled by Russian internal investment. Nevertheless, local governments still perceive industrial enterprises as the most important resource for cities' economic development (Golubchikov 2007, Makhrova 2013).

A fundamental factor for economic resilience is the level of education and the accessibility of educational opportunities. Interestingly, the population in those administrative regions of Russia that have cities of more than 1 million is not necessarily distinguished by a particularly large proportion of highly qualified labour (with university degrees). That proportion is less than 25 per cent in all areas, but is especially low in the Volga and Ural FDs. This is due to the over-industrialization in these regions during the Soviet era, when mostly skilled labour was needed. To this day, the employment structure is characterized by a high proportion of skilled labour. Only Moscow and St Petersburg have a proportion of highly qualified workers of 42–43 per cent (Zubarevich 2009). The two Siberian academic centres Tomsk and Novosibirsk are also above average, with, respectively, 36 per cent and 32 per cent of their employees having a university degree.

While cities' administrative functions already played a significant role in socio-economic development during the Soviet period, the political decentralization during the 1990s has further enhanced the significance of this factor. This has caused a growing gap between the levels of wages in the regional capitals and the rest of the region (Table 15.2).

However, beyond the larger and administrative centres, the situation is not straightforward, as can be illustrated by a quantitative analysis of the relative performance of Russian cities measured by the Comparative Economic Performance Index (CEPI) (as reported by Golubchikov et al. 2014). Although it only compared cities larger than 100,000, which are already 'large enough' and many of which serve as regional administrative capitals, the analysis revealed some interesting correlations. For example, Figure 15.2 demonstrates that, while there is no robust linear correlation between CEPI and city size, all the cities above 700,000 performed at least on the average level or better. However, the opposite conclusion – that cities below this size would perform worse – does not hold; smaller cities may still perform well economically.

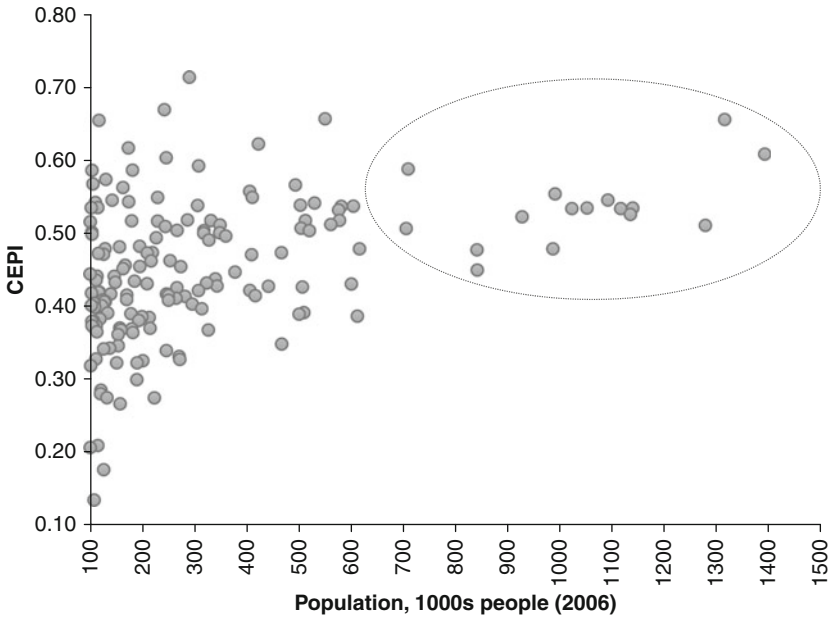
For example, capital investment – a fundamental indicator of the economic attractiveness of cities – does not correlate with the size of the cities. In 2011, per capita investment exceeded the national average only in 40 out

*Table 15.2* Wage levels in the regional administrative capitals relative to their regions (%)

<b>Regional capitals with population:</b>	<b>1990</b>	<b>1998</b>	<b>2012</b>
> 1 Million	102	117	125
500,000–1 Million	101	118	127
250,000–500,000	103	120	121
100,000–250,000	102	116	123
< 100,000	112	132	131
All	103	119	124

*Note:* The subjects of Tyumen, Moscow and St Petersburg are excluded.

*Source:* Modified from Zubarevich (2012).



*Figure 15.2* The CEPI of cities of different size

*Note:* Moscow and St Petersburg are excluded from the graph.

*Source:* Golubchikov et al. (2014).

of 167 cities of 100,000 or more. The highest levels were registered in cities located in the northern regions that exploit mineral resources, which are often relatively small in size. Otherwise, investments are increasingly concentrated in a few centres. Beside the urban agglomerations of Moscow and

St Petersburg, this group includes cities hosting major events, such as Sochi and Vladivostok, as well as highly specialized cities with large industrial companies, such as Nizhnekamsk (which is building yet another petrochemical plant) or Lipezk (with new establishment and modernization of steel companies), that attract large volumes of investment.

As also affirmed in regional economic literature (Van Selm 1998, Hanson 2000, Hanson and Bradshaw 2000, Popov 2001, Ahrend 2005), it is ultimately the inherited functional specialization of the regions and cities that matters most for their economic resilience. The industrial legacy in particular has substantially contributed to the differentiation of cities' economic resilience during the transition, despite the changing nature of the economic relations between economic actors and a general shift to service employment, away from manufacturing. As the Soviet city relied heavily on industrial enterprises, the structural crisis of the 1990s resulted in the disruption of particularly those urban economies that lacked – usually export-oriented – 'breadwinning industries'. Thus, areas that were 'fortunate' enough to inherit industries that were competitive in the market demonstrated greater resilience to economic turbulence. However, cities that were unfortunate enough to inherit uncompetitive industries and an undiversified profile (for example the textile region Ivanovo) have been hindered by severe economic and social problems and increasing peripheralization. The crisis after the collapse of the socialist economic system was especially acute in places with mono-structural and inflexible economies that could not compete in the national or the international market (Lipsitz 2000, Shvetsov 2002).

## **5. The divergent pathways of mono-functional towns**

Mono-functional cities are those in which more than 25 per cent of employees work in one large company or in a group of enterprises in the same industry. It is officially acknowledged that 335 cities and towns in Russia (out of 1090 in total) meet this criterion (with approximately 25 per cent of the urban population and 40 per cent of the aggregate GRP). More than a third of them were developed in the Soviet era as settlements around new industrial establishments. Most of them are located in old industrial areas along the Volga, in the Urals and in the far north. They were once the most flourishing cities of the Soviet state, which offered relatively good salaries and supply of consumer goods, as well as local social infrastructure, and attracted human resources. The existence of highly specialized mono-towns is extremely vulnerable in today's economy, exposed to the fluctuations in world market prices. Particularly cities dependent on large-scale enterprises in machine engineering and the textile industry have experienced dramatic economic and societal collapses when the state retreated as the organizing agent of the sales market. In the 1990s, the new owners of the corporations that had production capacities in such cities began to 'optimize' their

costs, leading to widespread redundancies. The working-age population of these towns has heavily migrated, while the remaining ageing population survives on a subsistence economy. This situation contributed to the process of 'ruralization' of such towns (Lubovnyy et al. 2004, Turgel 2010).

Out of the 335 mono-towns, approximately 150 are considered relatively successful, combining 12 million inhabitants (9 per cent of the national population); they are associated with various large enterprises (Ustinov 2012).

The transformation to private responsibility was less dramatic in cities whose industries could compete in the world markets, such as the cities that extract mineral resources or those that produce aluminium, cellulose and fertilizer. Their success was based on relatively cheap production conditions and often limited expenses for environmental protection. However, the development of their human capital and social milieu largely depends on the major enterprise's strategy.

One specific group of mono-towns includes formerly secret military industrial towns (ZATO) and scientific towns (*naukograd*), about 70 settlements in total (Makhrova 2013). The political transformation, demilitarization and the restructuring of the economy limited state financial support and induced a deep crisis in these settlements. Some were able to specialize in 'marketable' sectors, such as nuclear power, space research or recycling radioactive waste. For these, the opportunity to preserve and develop scientific capital is more plausible, especially for those situated far enough from Moscow to be drained of human capital. These towns are typically transforming their scientific functions into a 'technopolitan' structure based on a combination of their R&D capacities and related small and medium-sized firms.

## 6. The primacy of the political economy

It is clear from the preceding discussion that the relative performance and economic resilience of Russia's cities over the transition period has been very much conditioned by their economic structures at the beginning of the post-Soviet transformation, paired with certain features of the geographical environment. The market regime does not supersede these endogenous circumstances but, on the contrary, strongly interacts with them, modifying their influence on development in accordance with broader exogenous shifts (Golubchikov 2006).

However, a question of a more deep-seated nature emerges as well: why is it, in the first place, that spatial inequalities have been on the rise since the collapse of socialism, and why have they been sustained at a high level? The key to spatial disparities needs to be sought in the emergence of a neoliberal geo-politico-economic regime of regulation and accumulation and its essential difference from spatio-economic practices of the socialist regulation system (see Golubchikov et al. 2014).

Although the focus of the socialist development was on the real sector of production, the city of socialism, at least where socialism took its most advanced forms, such as in Russia, played a very important role as a social contract, providing a decent quality of life to working people in exchange for their labour and added-value in the production process. This philosophy has been antagonistic to the capitalist logic of profit-making. Regarding the question of whether cities of socialism and cities of capitalism were different, and in what way, they were bound to these very different ideologies and logics. The current change is part of a shifting relationship between state and capital, politics and economy. Urban development cannot be looked at independently of the political-economic situation, which is characterized by a globally connected, neoliberal variation of capitalist development (for example Pickles and Smith 1998). Both political impulses radiating from the administrative centres of sub-national, national and even supranational levels, and socio-economic processes accrued at the scale of these levels, have formative impacts on how the internal socio-economic composition of post-socialist cities is being (re)shaped and how cities have resituated themselves externally in the new space-economy. All cities in Russia, irrespective of their initial socio-economic conditions or internal aspirations, have had to adjust to the political and economic challenges associated with transition.

The Soviet economy was based on the nation-wide vertical coordination of flows of capital, knowledge, technology and resources, which redistributed these in a relatively equal fashion. The disruption of that complex system, coupled with the breakdown of production relationships, necessitated the establishment of new linkages. The imperative of competition was introduced, making the former nation-wide cooperative and supplementary economic mechanisms suddenly irrelevant. However, under new orders, each city capitalized on its own spatio-economic inheritance. It is precisely because of the replacement of the principle of egalitarian redistribution by the neoliberal principle of self-reliance that local conditions began playing such an important differentiating role with regard to inequalities. This shrinkage of Russian cities to the internal spaces of self-reliance was also aggravated by trade liberalization and other processes associated with the neoliberal imperative of 'globalization'. These processes further partitioned the economic space along discriminating lines of 'international competition' and 'accessibility to world markets'. Clearly, export-oriented industries and industries based on shorter production chains, as well as merchandising services, became immediately privileged, so that cities with a particular specialization and those controlling financial flows have been most advantaged.

## **7. Conclusions**

With a level of urbanization in Russia of 74 per cent, urban places concentrate much of the country's economic potential. The polarization of cities,

including new patterns of centrality and peripherality, reflects the economic development of Russia as a whole. A growing concentration of investments is a condition that has been significantly exacerbated since the start of market transition. After the dissolution of the command-administrative system, cities became atomized in their struggle to cope and were forced to compete rather than to complement each other within the national economic planning system. The state of unevenness has been accelerated by the articulation of the neoliberal geo-politico-economic regime of accumulation and regulation. The canons of state regional policy have also been transformed, with the state now being engaged in new formats of territorial development, which actively or passively privilege some places and penalize others (Golubchikov 2010, Golubchikov and Slepukhina 2014).

For most of the cities, it has taken a long time to adjust to this new regime and, although some cities have been retrospectively more 'resilient' to the challenges of transition, many remain, or have become, marginalized. Although disproportions in living standards surely existed in the Soviet period, during the recession of the 1990s they were exacerbated and assumed a clearly more monetary dimension. Those cities that have integrated into globalization processes have been most successful, such as large urban agglomerations, export-oriented centres (which have become the global economy's raw-material periphery) and transport hubs. On the contrary, the centres of the least developed administrative republics, many remote northern cities, as well as import-substituting manufacturing centres of the European part of the country, remain more 'closed' with respect to globalization, illustrating new patterns of asymmetric access to economic wealth and growth in a neoliberalized world.

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## **Part IV**

# **Different Modalities and Relations between Cores and Peripheries**

# 16

## Territorial Governance and Core–Periphery Relations: The Implications of European Policy Concepts for Central and Eastern Europe

*Garri Raagmaa*

### 1. Introduction

The aim of this chapter is to discuss the impact of territorial governance on peripheralization. Spatial differences in Central and Eastern European (CEE) countries have sharpened over the past 20 years, despite earlier EU pre-accession measures and extensive cohesion and common agricultural policy transfers since 2004, which form the lion's share of CEE public investments now. Intensified internal polarization has caused the peripheralization of most remote areas and regions in CEE, leading to the desertification of large territories (Dubois et al. 2007, Finka 2007, Bohle 2010, Kaczmarek 2009), particularly along the eastern border of the EU. This raises serious security concerns in the recently changed geopolitical situation. Since the desirable outcome of EU policies aimed at both European and national cohesion, an examination of the relationship between core (administrative centres: Brussels, national capitals) and periphery would be appropriate.

So far, the social construction of core–periphery relationships has been reviewed only to a small degree, especially in the CEE context (Ehrlich et al. 2012). Although, with the Territorial Agenda 2020, the EU has been following the concept of territorial cohesion since 2010, there has been very little research into policy responses to solve regional polarization; the interdependencies within the regions and institutional contexts outside have received little attention (Lang 2012). Hence, it is important to analyse the emergence, institutionalization and implementation of regional policies and various forms of public intervention, applying concepts of governance and leadership (Stoker 1998) on the micro level. We have reason to suspect that

Europeanization, new forms of governance introduced in the CEE countries on the basis of Western models, is functioning differently from the initial plans (Raagmaa and Stead 2014). So, to what extent and how are new forms of governance influencing core–periphery relations and impacting territorial cohesion?

The formation of new peripheries can be avoided only if we adequately study and conceptualize the peripheralization phenomenon. Studying core–periphery relations aims to understand how peripheries emerge and how they are reproduced. Logically, the set-up of territorial governance has an impact on the course of peripheralization. During the last few years, more papers have been published on peripheralization (Kühn and Weck 2013, Weck and Beißwenger 2014, Kühn 2015) and on shrinking cities (Hollander et al. 2009, Pallagst et al. 2013, Leetma et al. 2015), also touching on topics of governance and planning issues.

The following chapter starts with basic key words in human geography, such as space, regional identity and territory. It approaches the peripheralization phenomenon from the viewpoint of people and local communities. The paper also attempts to elaborate on the conceptual ties between geography and political science, and tries to explain why the recently widely applied concepts of multi-level governance and new public management have largely failed in Eastern Europe, and what processes have impacted peripheralization.

## **2. Peripheralization – how people and governance can tackle it**

The notion of ‘periphery’ is based on the asymmetry of the core, specified not just by the nature of the core–periphery relationship and their constitution but also by the relevant processes and evolutions (Copus 2001, Herrschel 2011). The core–periphery concept originates from the colonial world systems theory, which divided the world into core, semi-periphery and periphery countries, the last ones being dependent on the core (Wallerstein 1992, Moore 2003). The term ‘peripheral’ has the connotation of ‘deep rural’ or remote: distant from the national core areas. Peripheries are distant from population and economic centres; they are described by geographical but also demographic and socio-economic characteristics (Suorsa 2007).

Traditionally, people left these places because of a lack of jobs and/or low incomes. According to the classical trichotomy of space by Lefebvre (1991), if the perceived concrete space is not satisfactory for people living their everyday lives, then people – representing the place – will raise their voice against the current situation (voting with *feet* is one option, too). Ideally, in the case of well-functioning governance, this will call for changes in public policy on the local, regional or national level. Relevant administrative structures will design appropriate spatial development policies, resulting in the creation of new jobs and better performance of a region.

The intervention can be locally triggered, which means that local activists either win local elections or succeed in attracting outside finance and starting new developments. However, shrinking cities or declining rural regions seldom have indigenous resources sufficient for economic restructuring or a significant improvement of the environmental situation or services. It is most likely that local activists will attempt to mobilize potential supporters from outside and, thus, arrange new investments or policy measures. The changes can also be initiated from above – by the central government or EU agencies.

There are a whole array of individual actors and social networks and lobby groups linking businesses and citizens to the formal arenas of government, intertwining in complex ways the worlds of the state, the economy and civil society. These linkages looking ‘from outside in’ to formal government are complemented by the linkages ‘from inside out’, ranging from formal initiatives in building partnerships or ‘empowering’ particular groups to participate in ‘their’ governance, to the informal networks which connect politicians and officials with firms and lobby groups, and in which they participate as citizens themselves.

(Healey 2006: 303)

This would happen in an ideal scenario. The reality is somewhat different, and the empirical fact is that many peripheral areas are continuously losing people and are, step by step, becoming disconnected from the functional spatial structure. Even if some regional economies manage to renew themselves, others remain locked in decline (Martin and Sunley 2006, Reinert and Kattel 2007, Tiits et al. 2008) despite significant transfers from the EU and national budgets. Regional differences, especially in the CEE countries, are becoming greater (Petrakos et al. 2005, Wostner 2005, Paas and Schlitte 2006, Heidenreich and Wunder 2008, Hoffmeister 2009, Stryjakiewicz 2009, Gorzelak and Goh 2010), and such trends can be observed since the very beginning of the transition (Rykiel 1995, Buček 1999, Manrai et al. 2001, Blazyca et al. 2002, Weltrowska 2002). Why do the numerous EU structural policy measures, as well as national regional policy schemes, not bring about change here? We have reason to suppose that the above-described democratic bottom-up actions and top-down policies do not function properly, and the necessary interventions do not take place.

### **3. Place, territorial identity and governance**

People tend to emigrate when they do not like a place: when they have no job or one that is poorly paid, when the community or the living environment is not acceptable, when a neighbourhood has a bad reputation. The quality of a place depends on the human context, shaped by memories

and expectations, by stories of real and imagined events and by historical experiences located there (Walter 1981: 141). A place is characterized by the physical setting, people's activities and meanings (Relph 1976: 47); it is not only perceived 'through the eyes and mind' but also through 'more passive and direct modes of experience' (Tuan 1975: 152). People feel comfortable in a place they are used to and they like. Thus, it is not possible to identify peripheries only on the basis of statistical economic and social indicators.

The identity (how people like it) of a place or a region develops in parallel with its economic, cultural and social life, and presupposes people's direct participation in local action (Raagmaa 2002). Everyday life forms the important social structures: formal institutions, informal networks and relations. The formation of social identity and the process of social reproduction are one and the same (Paasi 1996), comprising imagination and consciousness of the collective 'we' and social action driven by reducing and/or increasing differentiation. Local or regional pride – that is, a strong feeling of territorial 'we' – is based first of all on personal networks (Paasi 1986). According to Anderson (1983) and Johannisson and Nilsson (1989), information exchange via contact networks has always been crucial to economic and social lives. People classify and express their feelings about the region according to common thinking and structures of expectations. They may be ashamed if they live in an area with a bad image; they may even lie to show themselves in a better light. Important factors in image creation are education, media, tourism and the economic performance of the region.

Paasi (1986) divides regional identity into 'objective' and 'subjective' parts, where the first refers to outsiders' views and stereotypes about the region and the second to the subjective and emotional feelings and images held by the inhabitants (Figure 16.1). The identity of a region is a combination of these 'objective' and 'subjective' views. The distinction between these two is fundamental. The building of inner and outer images is different. The inner image of a region comprises the idea of the demarcation of the inhabitants and other features of the region from others. It involves the feeling of 'own' and 'our' region (Paasi 1986). This 'we' feeling has been reproduced via social networks, schools and local media. Here, the history, culture and physical environment of a region are the anchors that preserve the status quo and fix the roots of the people in the region. However, in the course of time, people themselves may construct peripherality and marginalization in some places. With separation, a very specific identity may develop (such as the Amish people in Pennsylvania), so that newcomers, people from outside, may feel uncomfortable or even ashamed that they live in such a 'weird' place.

On the other hand, such a peculiarity might also be used as a resource in marketing the place. Lefebvre (1996: 36) wrote: 'In the conditions of the modern world, only the man apart, the marginal, the peripheral the anomic, those excluded from the horde has a creative capacity.' Here, local governance and leadership play a decisive role in opening, intermediating

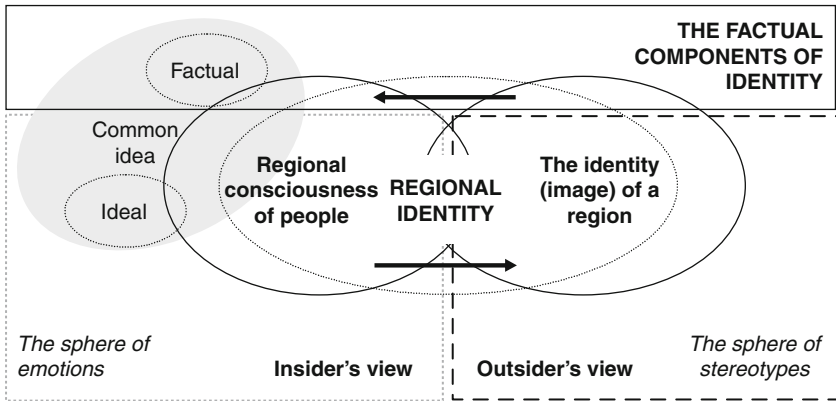


Figure 16.1 Meanings of the concept of regional identity

Source: Adapted from Paasi (1986). Designed by author.

and interpreting the community to the outer world (Raagmaa et al. 2012), designing and modernizing carefully place-based identities. Local pride impacts on willingness to participate in community life and vote, choosing the representatives to the local government.

Blowers and Leroy (1994) consider 'powerlessness' a central feature of periphery, since it 'predisposes the community to inaction'. This means that, since people are not able (or willing) to understand the logic of the changing globalized capitalist development, they tend to encapsulate themselves in their locality even more (Woods 2007). The formation of a periphery is the result of the process of peripheralization itself, not determined primarily by the structural conditions of economic development in a given locality (Beetz et al. 2008). In many localities, the unwillingness or inability to restructure the community can be seen as the actual reason for economic decline (Barca 2009).

Governance is the act, process, or power of governing. 'The general meaning of 'governance' is used to encompass all forms of collective action focused on the public realm (sphere) in one way or another, from those orchestrated by formal government agencies, to lobby groups, self-regulating groups and social campaigns and movements targeted at resistance or challenge to dominant governance relations. (Healey 2006: 302)

The term *governance* should be distinguished from *government*: 'governance' is what a 'governing body' does. It might be a geopolitical entity (nation-state), a corporate entity (business entity), a socio-political entity (tribe, family), or one of any number of different kinds of governing bodies, but governance is the way rules are set and implemented.

Governance can refer to a range of different settings or contexts – political, economic, international, corporate, ethical or technical – and can be

employed descriptively, theoretically and normatively as an analytical concept (Stead 2014). The concept of governance is increasingly important in social sciences, partly because of the shift from government to governance – the emergence of overlapping and complex relationships, involving ‘new actors’ external to the political arena (Painter and Goodwin 1995) known from the hierarchical public policy in the past.

Davoudi et al. (2008: 50) argue that ‘territorial governance is different from governance because its object is the territory, a complex object per se, and its aim is to regulate, to govern, to manage territorial dynamics. [...] the meaning, approaches and effects of territorial governance are different at different territorial levels’. The idea of territorial governance is primarily concerned with the management of territorial dynamics. The recent TANGO report on the territorial governance (ESPON 2013: 9) formulated five dimensions for implementing public policies, programmes and projects:

- (1) coordinating actions of actors and institutions;
- (2) integrating policy sectors;
- (3) mobilizing stakeholder participation;
- (4) being adaptive to changing contexts;
- (5) realizing place-based/territorial specificities and impacts.

The analysis distinguishes between administrative and development sides of territorial governance (Figure 16.2). There is a strong interplay between institutionalized dimensions and the adaptability–development action-oriented dimensions with ‘knowledge as the overarching mechanism’. The mobilization dimension, which actually binds together different interest groups in a locality/region as well as administrative and development dimensions, appeared to be less interconnected. The authors are quite concerned about the ‘lack of territorial sensitivity or “grounding”’, where the low interest of bureaucratic structures in ‘mobilizing stakeholders’ is an obstacle to a place-based approach. They also compare the ‘territorial governance’ with the ‘multi-level governance’ concept, and conclude that, when the operative field of multi-level governance includes the first three dimensions, the fourth and fifth dimensions should still be added (ESPON 2013: 38).

To put it differently and more frankly, EU-driven (multi-level governance-based) policies should consider stakeholder participation more, but the crucial point is to understand that space is a social construct (Paasi 2010), producing different structures in every place/region (since development is place based), which means that implementing successful development policies against peripheralization requires both a good knowledge of local/regional conditions and local/regional capacity to implement relevant strategies. There has been an increasingly active emergence of grass-roots territorial organizations supported by LEADER and other EU grant schemes and

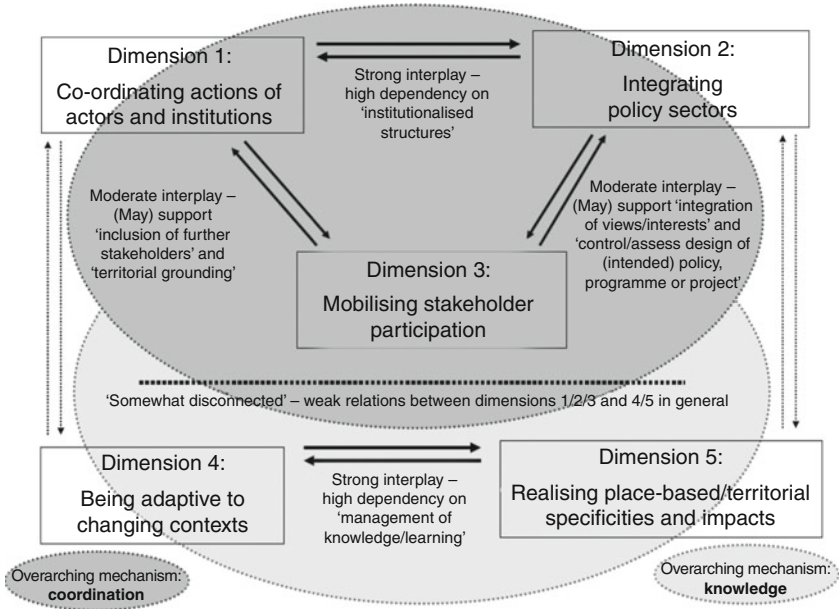


Figure 16.2 Interrelations between the five dimensions of territorial governance  
Source: ESPON (2013).

creating lively, growing communities, sometimes next to the declining former industrial settlements. This indicates that, on the local level, multi-level governance works well. However, when there are not enough jobs in a reasonable commuting distance, then such ‘pockets of wealth’ will not last long.

Thus, places/regions are not things, but living organisms formed by people living and participating in local development there. Davoudi and Strange (2009) claim that places are economically, socially and culturally produced. Space is not a nested container, but depends on the processes and substances that make it up. ‘The process of place formation becomes a process of carving out “permanences” from the flow of processes [that are] creating spaces’ (38). Places and regions are conditioned by politics, culture, economics, governance and power relations. ‘Region building brings together various forms of power, varying from coercive to immanent, from power that bounds spaces to power that opens them up. While some practices both open and close spaces, the action of activists’ – individuals and social movements – often leans on territorial distinctions, regionalism, and ‘identities’.

(Paasi 2010: 2300)



This view differs from that of relationists, who see places/regions as material, discursive and historical constructs, products of a particular combination and articulation of social relations stretched over space (Allen et al. 1998: 14). The representation of places/regions as static and fixed has been the subject of extensive criticism; regions are taken as dynamic, fluid and evolving social constructs (Harrison 2013). Paasi (2010: 2298) also notes the role of academic scholars in creating a conceptual and empirical shape to such a process that might be rather important. They construct a region as part of their research, and later such quasi-regions are performed by politicians and media. What if these constructs applied by policy-makers appear inadequate or unrealistic? Will this have a real impact on the quality of people's lives, regional development and peripheralization? The answer is probably yes.

#### **4. The fuzziness of multi-level territorial governance and Europeanization in CEE**

The Central and Eastern Europe, EU cohesion and structural programmes and the introduction of new forms of national and regional governance did not result in a more balanced spatial development (Kaczmarek 2009), but, on the contrary, have actually furthered the processes of socio-spatial polarization (Bohle 2010, Finka 2007). The out-migration from peripheries intensified during the last crisis. In the situation of limited budgets, there has been extra pressure to reduce local budgets and national regional policy funds, and simultaneously to cover several nation-wide policy schemes with European cohesion measures. Focusing mainly on 'absorption' means spending the money rather than focusing on what the programmes are actually designed to achieve (EU 2010: 256). Both local and national elites were interested in reducing the power of the regional level and grabbing as much of the EU funds as possible for their own good (Raagmaa et al. 2014).

Barca's (2009, vii) report called for a comprehensive reform of EU cohesion policy, paying special attention to 'place-based policy'. It is quite obvious that there is some dissonance in the multi-level governance system between applied policy measures and the capabilities of certain governance levels. 'The process in which policies and politics that formerly took place at one scale are shifted to others in ways that reshape the practices themselves, redefine the scales to and from which they are shifted, and reorganize interactions between scales' (McCann 2003: 162).

The concept of multi-level governance was defined as a system of continuous negotiation among nested governments at several territorial tiers (Marks 1993), and has taken on a special meaning during European integration (Hooghe and Marks 2001). From the late 1990s, the European Commission began to refer to its own mission of achieving multi-level governance, especially in cohesion policy (Leonardi 2005). In 2001, the Commission set up

a committee on multi-level governance to contribute to its White Paper on governance.

The Union needs clear principles identifying how competence is shared between the Union and its Member States. In the first place this is to respond to the public's frequent question 'who does what in Europe?' A common vision is needed to answer this question. The White Paper has highlighted a tangible Europe that is in full development; a Union based on multi-level governance in which each actor contributes in line with his or her capabilities or knowledge to the success of the overall exercise. In a multi-level system the real challenge is establishing clear rules for how competence is shared – not separated.

(EC 2001, 34–5)

Multi-level governance promoting Europeanization highlights shifts both in horizontal relations between state and society and in vertical links between actors at different territorial levels (Bache 2008). Most studies on Europeanization have argued that the process is happening in different ways in different places (Tewdwr-Jones and Williams 2001, Böhme 2002, Dabinett and Richardson 2005, Böhme and Waterhout 2008, Sykes 2008, Waterhout 2011). Börzel (2002) and Héritier and Knill (2001) claim that Europeanization leads to differentiated outcomes depending on the context. In the CEE countries, the process of Europeanization has arguably been faster and more extensive (Batt and Wolczuk 1999, Grabbe 2001, O'Dwyer 2006). This has been explained by the openness of national elites to EU influence, a different level of institutional development (Batt and Wolczuk 1999) and less institutional resistance compared with 'EU 15' (Grabbe 2001, Goetz 2006).

The Europeanization of local and regional governments in the CEE countries has been ambivalent. On the one hand, the EU has played an important role in shaping regional-level institution building (Kungla 2002), improving strategic planning practices and so on. In most CEE countries, however, a comprehensive reform of regional governance was postponed because, during the communist regime, regional institutions were very important outposts of the Communist Party (Baldersheim and Illner 1996, Coulson 1996, Illner 2002) and because these are not vote-winning policies (Randma-Liiv 2008). Consistency in reform policies has been problematic in all CEE countries (Verheijen 2003). On the other hand, in designing a framework for the implementation of EU structural funds, the EU has not made a strong case for having decentralized structures. Instead, the Commission gave preference to settling most of the pre-accession aid, and later structural funds, at the central government level because of concerns about lack of 'administrative capacity' at the sub-national level (Kungla 2007: 23). Thus, the EU cohesion policy, if it did not ignite it, at least supported centralization – and peripheralization – in the CEE.

Furthermore, the EU is shaping multi-level governance per se: it has constructed the so-called Euro-regions, and invested considerable resources in building up these new structures. In this context, Allmendinger and Haughton (2009a) call for the reconceptualization of current spatial structures, describing the so-called soft spaces based on new borderless spatial visions and strategies:

There is also an emergent resort to new multi-area subregions for strategy making and policy delivery, evident at various scales of regeneration, planning, and other domains, breaking away from the rigidities associated with the formal scales of statutory plan-making. The emergence of these 'soft spaces' is an important trend, which alongside the tactical use of 'fuzzy boundaries' is related to a policy impetus to break away from the shackles of pre-existing working patterns which might be variously held to be slow, bureaucratic, or not reflecting the real geographies of problems and opportunities.

(Allmendinger and Haughton 2009a: 619)

Several EU measures are supporting such fuzziness, creating new territorial entities that never existed, the so-called Euro or Leader regions. These spatial constructs are designed by 'relationists', criticized above by Paasi (2010). New (temporary) well-staffed administrations, which tend to extend their limits of power and make them permanent, have been set up. As these 'constructs' so far have very little in common with people living in the regions, they are producing maps with new boundaries and launching media campaigns in order to become more visible and to create their own identity in the territorial system. The point of multi-level governance was not to replace governments but, rather, to supplement governmental processes (Faludi 2013: 1604). In Eastern Europe, in fact, this has happened. How sustainable are such constructs, and what will happen when these structures lose their funding?

Recent studies conclude that CEE administrative systems dealing with EU measures have been effective with the procedural regulatory and financial obligations, but have had difficulties with programming, project appraisal and selection, and integration of evaluation, which require public administration to be organized at different spatial levels. Under pressure, the EU8 built a relatively advanced administrative capacity at the national level for implementing the cohesion policy (Bachtler et al. 2014), but paid much less attention to lower administrative levels. Thus, the latter gradually lost their development capacity due to centralization (OECD 2011: 55–8) and politicization (Raagmaa et al. 2014: 13). In some respects, the activity of the Commission seems like double-dealing. The Commission abandoned the Council Decision about the strategic guidelines:

Taking on board the territorial dimension will help to develop sustainable communities and to prevent uneven regional development from reducing overall growth potential. [...] The development of high-quality partnerships is also essential, bringing aboard actors at all levels, national, regional, urban, rural and local. [...] Good governance is essential at all levels for the successful implementation of cohesion policy.

(CEU 2006: 29)

The absorption capacity for structural funds in most local governments is low because of a lack of competent staff for preparing projects, the absence of the required co-financing, and an overly expensive process for preparing applications (Tatar 2010: 221). The institutional frameworks elaborated and functioning in Western Europe are less applicable to CEE because of:

- (1) a different socio-economic situation and lack of finances;
- (2) little experience of democracy and participatory culture, and a still weak non-governmental sector;
- (3) traditional dependence on the (central) state and weak local/regional administrative structures; and
- (4) path-dependency on using know-how from the socialist period in policy-making.

The development of public administration and governance in CEE has offered a textbook example of conceptual misunderstandings and a mixture of unsuitable administrative solutions and tools (Randma-Liiv 2008: 12); the concepts, and especially the underlying ideologies, of administrative reforms have not been fully understood in CEE (Drechsler 2004: 389), causing 'the failure to understand the logical basis of reforms and to make them compatible' (Peters 2001: 64).

Thus, after administrative modifications by the Commission, the theoretically fascinating multi-level governance concept turned in practice into something else. In Western Europe, where local and regional authorities have very little to gain from EU cohesion programmes, the structures are still predominantly 'slow, bureaucratic, or not reflecting the real geographies' and 'borders may still effectively disturb and limit both visionary thinking and planning practice' (Paasi 2013: 1216). In Eastern Europe, because of the massive institutional restructuring during the transition period of the 1990s and the application of European rules and practices before and during the accession period, these new concepts ('multi-level governance', 'soft spaces and fuzzy boundaries') created additional confusion, established parallel structures and somewhat weakened existing administrative capacity on the regional scale. As the terms became continuously less clear (Allmendinger

and Haughton 2009b: 2547) and existing administrative structures lost part of their legitimacy and power, this growing fuzziness obviously did not support institutionalization in CEE.

### **5. Neoliberalism, new public management, socialist legacies and peripheralization**

Multi-level governance was not the only concept that was applied by CEE governments. The application of *acquis communautaire* and related regulations was a precondition for the accession and was adopted with some reluctance, but some other concepts were put into practice rather eagerly by Easterners. One example is neoliberal thinking, also called the Washington Consensus (Kuczynski and Williamson 2003). Major deregulation occurred in all the major developed economies (Dicken 2011: 378); earlier state-controlled spheres (financial, telecom, media) were taken over by international companies. The application of market principles spread into the public sector under the label of the so-called new public management (NPM) (Hood 1991). NPM is the transfer of business and market principles and management techniques from the private into the public sector, symbiotic with and based on a neoliberal understanding of the state. The goal is a slim, minimal state in which any public activity is decreased and exercised according to business principles of efficiency (Drechsler 2005).

The neoliberal turn links directly to globalization and transnational corporations (TNC), which dominate in many fields of the global economy. TNCs are peripheralizing local economies because, unlike local or national businesses, they do not have a long-term commitment to any of the places where they operate (Subramani 1998). TNCs do not enter counties or regions which are hard to access, have limited resources or are politically unstable (Dicken 2011). Some TNCs act as nomads: when natural resources are exhausted or wage levels rise above a certain level, they move to a new location. The important question is how regional, national or supranational authorities treat TNCs and set conditions for trade and subcontracting.

Following the neoliberal approach, several CEE countries have applied extremely liberal industrial policies, or, to be more exact, have had none in particular. Neither enterprises nor authorities were ready to compete in the new circumstances when new, sophisticated markets opened. Despite a high human development level (UNDP 2013), the differences in the international division of work have remained. CEE was transformed from the socialist bloc elite industrial region to a semi-periphery, specializing in labour-intensive subcontracting for Western companies. Factories located in peripheries were closed down and nearby settlements lost a major share of their jobs.

NPM has led to disaggregation, competition and incentivization (Dunleavy et al. 2006). NPM affected public policies with the extensive application of grant schemes based on open competition, which, on the one

hand, has created an oversimplified, short-term-oriented, regionally non-integrated project thinking and, on the other hand, has made public policies even more complex. This has led to the emergence of semi-capitalist structures (the so-called project class instead of the creative class (Florida 2002)) in the public sector, where every grant scheme requires specific sophisticated knowledge and networks from successful applicants. Because of a variety of implementation difficulties and conceptual contradictions, management by targets and indicators has not ensured better performance (Nõmm and Randma-Liiv 2012: 18). This seems very negative for peripheries, where administrative capacity and resources to involve extra knowledge are usually limited, and where comprehensive solutions work much better due to the lack of scale economies.

Setting up democratic structures and carrying out administrative reforms according to NPM had quite a different and controversial impact on governance. In the first stage, power was predominantly decentralized to the lower tier of administration. CEE elites believed in the 'lean' state (Nõmm and Randma-Liiv 2012: 6) and, at first, supported the development of a decentralized administrative system. Several CEE counties applied territorial administrative reforms, re-establishing pre-war structures (Czech Republic, Slovakia, Estonia, Latvia and Hungary) or attempted to establish new and effective governance models (Poland, Lithuania). In former socialist countries, where governance had been extremely centralized, decentralization had particular resonance as a method of quickly improving public sector performance (Polishchuk 2004: 308).

However, the 'small is beautiful' dream did not last long. By the mid-1990s, many CEE governments were already beginning to centralize functions. The list of European countries which have recently significantly reduced the number of their local governments includes Denmark, Finland, some of the German *Länder*, Greece, Georgia, Latvia and Macedonia (Swianiewicz 2010). Because of the need to improve administrative capacity and consolidate recourses, another round of centralization took place in CEE during the EU pre-accession period.

NPM reforms have created extra problems for small societies by creating private monopolies instead of public monopolies. Privatisation and contracting out public services has had questionable outcomes due to the lack of competition (Kattel et al. 2011), which has led to the closing down of small service units and increased the prices of communal services. Public-private partnerships have been difficult to develop because of the interrelatedness within small societies, giving grounds for corruption and nepotism (Lowenthal 1987). Consequently, the rise of the NPM was disadvantageous for peripheries.

Because of market failure – a non-competitive or declining market situation – the NPM principles cannot work there, and 'winner takes all' logic has caused the formation of areas that have lost their best people,

competitiveness and future perspective. CEE peripheral regions, characterized by weaker economic and social performance, have in many cases lost their true leaders: business and institutional entrepreneurs (Sotarauta 2010), capable spokesmen and development agents moved to capital cities. Loss of human resources, lack of knowledge and weak leadership amplify peripheralization. When nobody wants to take the responsibility for carrying out changes, the feeling that the situation will never get better will spread and become entrenched. In an area dominated by hopelessness, parents tend to tell their children to leave the place. 'I told the children to get educated and go away from here; there life is no rosy here' (Annist 2011: 53) (interview excerpt). If people no longer believe in the future and leaving seems the only solution, this indicates the failure of governance; neither local, regional, national nor EU policies can give any hope, or they may have simply failed to approach their target groups. The hopelessness of peripheries has been reproduced by national media, researchers and firms producing rankings of schools or places, and even some politicians. In 2008 the song *Depressive Estonian small towns* was produced, a prime example of derogatory communication (see Reporter 2008), singing: 'there's a favourite sports of desperation' (Uusma 2014).

## 6. Conclusion

This chapter analysed the possible impact of territorial governance on peripheralization. The theme setting is relevant because of dramatic spatial changes – large territories losing their population – in CEE countries. As peripheralization processes have amplified during the last 10–15 years despite numerous EU policy measures, we can ask whether governance – which has been reformed, at least to some degree, in all CEE counties – may have an impact on peripheralization.

The development of human-made space is often cyclical and, from time to time, there is a need for an intervention that will upgrade an infrastructure or a dominant production line. If a place/region is not willing or able to restructure, it will shrink, as happened in Detroit, a formerly rich city in the US, which lost the majority of its population and finally went bankrupt in 2013. Unwillingness or inability to restructure a community, characterized by a weak territorial identity and the low motivation of main stakeholders, can be seen as the actual reason for economic decline (Barca 2009). Regions facing serious decline for a long time are often not able to manage on the basis of internal resources because of a critical loss of human resources and hope for the future. To avoid entering a vicious downward spiral, upper-level governments should act.

The first key issue is whether policy-makers understand spatial development processes and consider the particularities of different regions. Second,

it is crucial that there are motivated and capable partners in the lower tiers of governance who actually implement relevant measures. Otherwise, it is impossible to improve administrative capacity. 'Region building brings together various forms of power, varying from coercive to immanent, from power that bounds spaces to power that opens them up' (Paasi 2010).

Several issues arise from the dichotomy of Western and Eastern Europe. When policy concepts, such as multi-level governance and NPM, were transplanted to Eastern Europe, they just did not work. Even if some CEE institutions were eagerly learning from the West and truly Europeanizing, other structures, where people had far too much to lose, proceeded to reproduce former practices. The Commission was short of time, and made a crucial mistake: it focused on capacity building on the national level with the cohesion policy, thus increasing the dissonance between CEE national and regional/local governance. As a result, in a way, the Commission is now playing Chinese Whispers with CEE lower-tier governance, whereby generally reasonable policy concepts take on quite different meanings. Because of the weak and fragmented territorial administrative structures in CEE, the spatial development knowledge arena is associated primarily with upper-level epistemic communities, which, in turn, restricts sub-national contributions from local knowledge communities (Adams et al. 2014), and which then limits CEE national contributions to the EU policies. Most CEE governments believe in the 'lean' state, and applied NPM principles that were unsuitable for sparsely populated regions in permanent market failure. Then, national political elites reduced the capacity of regional and local administrations due to the consolidation of state-owned companies and administrative structures. Focusing on the 'absorption' of cohesion policy measures caused another wave of centralization at the beginning of the 2000s.

To sum up, administrative practices in Europe do not converge or harmonize but are translated into various processes and formats 'as a consequence of deeply embedded differences between European nations in terms of political, professional and administrative cultures and structures' (Stead and Cotella 2011: 13). Several originally scientific policy concepts and spatial constructs launched and supported by the Commission definitely have their merits, but one should keep in mind the differences between Western and Eastern European governance practices. CEE local and regional authorities lack the knowledge necessary to understand these concepts and the future-oriented leadership capable of carrying out the necessary institutional and structural changes. Thus, instead of constructing 'multi-area sub-regions' with 'fuzzy geographical boundaries' at the offices of national capitals and Brussels, further policy measures should attempt to interconnect marginalized peripheral municipalities by strengthening the capacity of intermediate governance levels.



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# 17

## Concept of Polycentric Governance for Fuzzy Soft Spaces as a Challenge for Central European Peripheral Spaces

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### 1. Introduction

Political developments in Central Europe at the end of the 20th century and the start of the 21st century, connected with the enlargement of the European Union, an ongoing European integration, and overall deep-reaching transformation processes, combined to broaden the discussion on the new spatial quality and spatial organization of societal activities in regions along borders of national states within and at the periphery of the EU. The enlargement of the Schengen zone in particular brought a crucial lowering of barrier effects, increased the permeability of national borders and opened territories to new functional and spatial structures. This permeability, in combination with a rapid increase in the complexity of territorially defined socio-ecosystems of regions and their forthcoming integration, introduced new opportunities for societal development. Yet it also increased the vulnerability of their social and biophysical systems to disturbances – economic crises, crime, floods, fires and epidemics. This fact has also been reflected in the Territorial Agenda 2020 of the European Union (Commission of the European Communities 2011), referring to growing vulnerability and disturbances experienced by local and regional communities, in some cases threatening the prosperity, sustainability and stability of cities and regions.

These processes do not only concern regions along national borders, although areas affected by the changing character of borders between EU member states especially clearly demonstrate this development. The spatial extent of individual human activities in everyday life, an increased mobility in combination with a free choice of services, workplace, dwelling and leisure time activities, leads to an overlapping of individual existential



spaces with an increasingly weak reflection of the administrative borders of municipalities, regions and national states. This creates various open, mutually inconsistent functional spaces. These spaces represent very specific complex social–biophysical systems, the development of which is determined by a whole range of stochastic external and internal factors. Moreover, the level of uncertainty about their development is determined by many individual actors' decisions. The various life processes and activities of these actors are related to different, only partially overlapping spaces.

It is no longer possible to exactly define the borders of functional space of a certain city or region. Administrative borders, including national state borders, lose their importance for the spatial organization of citizens' activities and economic activities, the creation of collaboration networks, or as attraction spaces based on mutually competing territorial centres. Many people do not spend the majority of their daily life in their home city; they commute across borders for work, for leisure time activities, for services from city to city, from region to region, from one national state to another national state. We can speak of the dominant role of soft functional spaces in spatial organization, independent of the administration of the territory and the fuzzy borders between them, also bringing new interpretations of peripherality.

Fuzziness as a spatial quality used to be connected with the quality of 'softness' in spatial development, in terms of soft and fuzzy spaces (Finka et al. 2013). Fuzziness and softness are very close, but not identical qualities. Uncertainty in the definition of functional spaces related to different functions, and different subjects linked to the respective functions, today represents an important, but not the only, dimension of territorial fuzziness. Fuzziness of space also relates to the definition of human belonging and its inherent (un)certainty. Using this fuzziness, the features of physical as well as social spaces can be defined. Although in many cases used misleadingly as a term linked to spaces equipped by 'intelligent' infrastructure, softness of spaces is primarily a feature of social spaces, related to the perceived quality of a spatial framework for human activities and processes, developmental flexibility, and openness to self-definition and self-organization processes.

Based on empirical research realized within the framework of the EU projects, *Settlement Infrastructure Development of Knowledge-Based Society* (Finka et al. 2011) and *Spatial Patterns of Knowledge Based Society* (Finka 2006) outlined the contexts and conceptual approaches to handling the new reality of soft and fuzzy spatial organization in Central Europe, while seeking an appropriate reaction to ongoing problems in European spatial development policy. The projects aimed to show the challenges resulting from the creation of a new quality of fuzziness and softness in the spatial organization of societal activities, possible reactions to these challenges in the field of governance, the institutional dimension, and the complementarity of potentially applied polycentric concepts.

## 2. Peripherality and spatial fuzziness in Central Europe

Recent debates on 'soft spaces with fuzzy spaces' have attracted many academics, but the essence behind such debates is nothing new in spatial planning theory and practice in Central European countries. As early as 1985, Steis wrote: 'Settlement structures lost their hard borders' (1985: 65) and stressed the necessity 'to reflect their spacio-temporal, dynamic and multilevel character' in the development of new planning philosophy and instruments. Although centralized state-controlled planning was deformed by official ideology in Central Europe, not allowing broader development of concepts of flexible governance systems, the problems of soft spaces and the modes of their governance have been constantly studied and applied in a fragmentary way in spatial planning practice. Examples of such attempts include the amendment of the Project of Urbanization of the Slovak Socialist Republic with the fuzzy definition of 'core settlement spaces' (URBION 1988), and the elaboration of planning documents for such spaces across governmental territorial units.

The new situation brought changes after 1989. Negative experience from the period of centralized planned economy in Central European socialist bloc states led to a sceptical perception of any structuralized planning, and to a general turn towards neoliberal policies. Land-use planning was the only planning system to survive continuously after 1989 in the majority of transition countries. In an attempt to safeguard its authority and respond to its responsibilities, land-use planning extended its scope into strategic planning. In this way, it prepared for the rehabilitation and new institutionalization of the strategic socio-economic planning of territorial subjects (municipalities, regions) at the turn of the century, following international obligations, structural interests of the global economy, and subsequently also EU rules. The traditional intensive collaboration of land-use planners with landscape ecologists led to the creation of landscape planning instruments within land-use planning, and their gradual development into more or less independent planning subsystems (Finka 2013). In this way, land-use planning developed into a complex of spatial planning, developing step by step towards an interlinked but relatively open fuzzy system of three integrative, approximately institutionalized pillars – territorial planning, strategic socio-economic planning of territorial subjects, and landscape planning – completed by sectoral planning activities.

The fuzzy character of this system was strengthened by the fact that in the 1990s, leading forces behind the 1989 political change – civic environmental activists, informal civic organizations and movements – entered politics. Governments were then influenced by their liberal backgrounds and lack of experience in political decision-making. This created a very positive environment for the development of new governance modes across reformed states in Central Europe. This concerned the introduction of participatory planning methods as informal planning instruments in planning practice,

mostly driven by a bottom-up process and the implementation of a whole set of participatory elements. Such elements favoured the appearance of initially informal and subsequently formalized modes of soft governance across the borders of traditional territorial administrative units, including national state borders.

The development of new governance modes for fuzzy spaces mirrors not only current, but also the historical development of spatial structures in Central Europe. The dynamics of appearance and disappearance of small national and large multinational states, changes of borders, and ethnic and religious diversity have been significant for Central European history: from Ancient Rome to Czechoslovakia dividing into the Czech Republic and the Slovak Republic in 1993, followed by their 're-unionization' in the EU Schengen zone a decade later. This development has determined not only the location and character of borders, but also changes in the peripherality of respective territories. A very significant example of such development is the Vienna–Bratislava–Brno triangle, in which the development of a metropolitan region was interrupted by the Iron Curtain for 50 years.

The first cross-border regions in Central Europe appeared immediately after 1989. Their further development, independent of existing border regions or lacking state support, was continually driven by forthcoming European integration. This was institutionalized by EU membership, and subsequently by the enlargement of the Schengen zone. This development has reflected interests in coordinated management in natural cross-border regions (mountains, catchment areas, agglomerations), as well as historical regions divided by national borders.

A very important factor, which determined the broader appearance of the specific quality of fuzziness in spatial patterns of human activities around national borders, has been the character of Central European states – mostly smaller, multi-national countries. For example, in Slovakia there is absolute dominance (90 per cent) of regions in the position of border regions (all regions at the level III of the Nomenclature of Territorial Units for Statistics – NUTS III are border regions); in Austria 66 per cent, in Hungary 70 per cent and in the Czech Republic 86 per cent of regions at the level of NUTS III are border regions in direct contact with a national state border, often geographically as well as in terms of ethnicity beyond state borders. Practically the whole relevant border space is currently covered by soft spatial structures across borders, with diverse sizes and structures, some in very informal functional or collaborative structures such as tourism clusters and production cluster networks of schools; others are already in the form of institutionalized territorial units, for example Euroregions, starting with smaller bilateral units such as Euroregion Koscice-Miskolc, through Euroregions that cross the borders of three, four (CENTROPE Euroregion) or even five national states (the Carpathian Euroregion is nearly three times

larger than Slovakia). In many cases, the development of these cross-border formations largely changed a region's peripheral character. This can be shown in the example of peripheral regions in eastern Austria, identified by Empirica (EMPIRICA 1993) five years after the Velvet Revolution in 1989 as a part of the metropolitan agglomeration Vienna–Bratislava, and later as the core area of the Central European Metropolitan Region CENTROPE.

The development and management of cross-border regions in Central Europe were affected by variety of uncertainties and dynamics. Established as open network type associations with changing borders and voluntary membership, they are struggling with inconsistencies of legal and institutional arrangements of national administrative units. Some form territorial subjects on a different level and equipped with different competences (for example, on the macro-regional level the Central European Metropolitan Region CENTROPE without joint legal status, on the regional level the Euroregion Tatra as European Grouping of Territorial Cooperation).

The soft character of these structures used to be followed by network type governance structures, mostly focused on the management of respective jointly developed projects (often co-financed by the EU), and only seldom realizing more conceptual development planning (for example Polish-Slovakian Euroregion Tatra). Independent of formal governance structures, the fuzziness of cross-border structures gives scope for the functioning of natural self-organizational processes, for example based on free competition between service providers, the use of complementary sources, elements of attractiveness, service and so on.

An important process in this context is the softening of the territorial belonging of inhabitants, in combination with softening borders of territorial responsibility of public service providers, such as rescue, healthcare and social care, among others. The first successful initiative focused on the flexibility and coordination of the mountain rescue system in the High Tatra, which has already saved many lives.

Recent developments can be characterized by two seemingly polar trends: the rising involvement of the private sector, on the one hand, and, on the other hand, of state governmental structures in cross-border activities that are intensively supported by EU initiatives and programmes. The fuzziness of border regions became an important phenomenon of territorial capital, mirroring the uniqueness of overlapping economic, geographic, cultural and linguistic spaces, especially as an optimal environment for a creative, innovation-based economy. Many international companies, as well as small, flexible, innovation-oriented firms, seek locations in border regions where this specific quality is available (for example Ostrava-Katowice, Bratislava-Vienna, Southern Moravia-Western Slovakia-Weinviertel).

Overall transition processes in Central Europe, in combination with transformation towards a knowledge-based economy and society at the turn of

the century, increased the dynamics of economic and spatial development. The borders of development areas, as well as the borders of areas affected by certain decisions, often became inconsistent with current self-governmental and governmental territorial organization. Administrative units, in many cases following a historical territorial structure or defined politically without respect for functional and geospatial consistence, no longer represent the optimal framework for an efficient management of many aspects of territorial development, the elaboration of integrative development strategies, or finding a common denominator interlinking the broad spectrum of relevant stakeholders. In many cases, the elaboration of strategic spatial development plans for territorial administrative units inside defined borders (municipal, regional, state) became less efficient, as crucial solutions to problems lie outside the territories covered by the territorial responsibilities of the respective municipalities or regions, or different problems may be of different territorial relevance.

The tasks of any integrative planning in such a situation, even everyday planning routine, have been directly linked with the question of governance in fuzzy spaces. But the land-use planning systems that are part of Central European planning culture are still equipped with only a limited scale of appropriate instruments to cope with the challenge of solving the problems determined by the contradiction between fuzzy character of functional spaces and existential spaces of the people and existing territorially organized systems of government and governance. The uniqueness of this situation makes the possible transfer of adequate know-how difficult. At local level, municipalities try to increase planning flexibility by using soft planning instruments as the basis for decision-making.<sup>1</sup>

Municipalities have begun a successful search for new solutions, creating mainly mono-functional goal-oriented micro-regional and regional units, many of which cross state borders, and focusing on a joint collaborative approach in certain fields of development (tourism, technical and transport infrastructure). For example, by 2004 more than 2500 Slovak municipalities had created 245 micro-regions, and some municipalities had entered even more micro-regional units. So we can say that about 1889 (65 per cent) Slovak municipalities have been involved with at least one form of micro-regions as soft spatial units registered as civic associations or unions of municipalities, in accordance with the Law on Municipal System (Law Nr. 369/1990 Zb. §20b-f 1990) or the interest-oriented association of legal entities.

### **a. Peripherality versus centrality and fuzzy concept in the core of Central Europe**

Among cross-border spatial structures, a special position is held by the Central European Metropolitan Region CENTROPE at the Hungaro-Austro-Czecho-Slovak borders, with the core of the agglomeration developed at the

axes between the two capitals of national states – Vienna and Bratislava. A critical analysis of the development processes in this region has been the subject of several research projects. This cross-border structure is a typical example of a joint development driven by the economy and individual stakeholders (among them universities, cultural and educational institutions, individuals, professionals), with politics lagging behind, and a typical fuzzy spatial structure and fuzzy set of stakeholders. Its fuzziness is, in addition to the above-mentioned characteristics of other Euroregions, strengthened by the penetration of neighbouring Slovakian, Austrian and Hungarian regions through strong suburbanization flows from Bratislava, and gravitational effects towards Bratislava as the dominant centre of services and business for the former peripheral spaces of eastern Austria and north-western Hungary.

A new dimension to the fuzziness of the CENTROPE region was brought about by the development of three strong production clusters – one, the automotive cluster *Centrope* – even in an institutionalized form. The vertical, multi-layered structure of interactions between cluster subjects, typical of knowledge-based clusters, is by its very nature fuzzy, and introduces its fuzziness into spatial organizational structures in the region as whole. The development of automotive and electronic clusters in the Central European metropolitan region, representing higher quality than classic collaborative networks, has been a challenge for spatial planning research, especially focused on their catalysing effects in the development of new patterns of spatial structures. These effects were mainly connected with direct links between their requirements for development and accessibility of specific research and development structures, logistic structures and human capital. Conversely, the infrastructure that is necessary for the development of clusters as a specific form of informal collaborative structures presupposes specific spatial qualities, including spatial organization and management. A new dimension of these spatial structures is their fuzzy spatio-temporal character, requiring high structural flexibility. This was recently seen in the context of the global financial crisis, in which flexibility, on the one hand, and regional interlinks, on the other, were decision-making factors in structural stability. The development of these structures, so far not within the direct interests of state government in Slovakia, is driven by the economic sector in close collaboration with R&D institutions.

The location of Bratislava city directly on the border of Slovakia-Hungary-Austria brings an additional local dimension to fuzziness in this region, with more and more settlement activities ‘ignoring’ not only the city but also state borders, bringing dynamic development to former peripheral areas unprepared for this boom. This very natural development, arising due to the increased permeability of borders, is still not mirrored by appropriate management structures able to solve the associated problems and safeguard a balanced, sustainable development.

The situation, especially in the Vienna–Bratislava agglomeration, with uneven levels of governmental structures (Vienna at the level of federation state, Bratislava as a municipality) and overlapping responsibilities at the local and regional levels in Bratislava, raises the question of appropriate collaborative structures across various hierarchical levels and borders. The development of closer collaboration in this region has for years been negatively influenced by the problems of unequal responsibilities and unequal partnerships. One of the ambitions behind the CENTROPE initiative was the creation of proper structures to address this problem, but the formal character of Centrope at the political level has not yet contributed to the expected practical solutions.

### 3. Conceptual development

As the overview of recent spatial development processes in Central Europe has shown, the problem of peripherality is closely connected with the problem of spatial fuzziness and the multivalent topic of fuzzy spaces, and fuzzy governance is an important topic for spatial development practice and theory. These are the subjects of academic discussions and research in different contexts and facets, although management practice is the main driving force in the adaptation processes that reflect new fuzzy reality in peripheral areas. Spatial planning theory has responded with a set of studies focused, first, on fast reactions to pressing problems in planning practice, in the form of analytical work and proposals for managerial interventions in spatial developments and adaptation changes of spatial planning systems, and, second, on systematic research at both the substantive and the processual level.

The main topics, including the substantive dimension of fuzzy space issues, spatial planning research and methodology, can be divided into two levels, as follows:

(1) The *horizontal level* focuses on development processes of fuzzy territorial systems across administrative borders, and the development of fuzzy spatio-temporal structures determined by the production of knowledge-based sectors, with a special focus on cluster development. The concept of fuzziness has recently also been discussed in the context of a new interpretation of peripherality.

This level includes not only identification, description and assessment methods of fuzzy territorial structures, but also the development of new conceptual models of spatial organization. The concept of neuro-fuzzy systems as a basis for new structures in knowledge-based fuzzy territorial systems with high innovation potential, a creative environment and self-learning abilities has been developed (Finka et al. 2013). In this respect neuro-fuzzy systems are seen as systematic adaptable models for soft spatial systems with efficient self-learning, self-organizing and self-tuning. We also argue that

such adaptability is essential to contribute to conflict resolution and effective governance under the increasing number of actors in decision making operating across the governance scale. The multivalence of inputs and options for the decision-making process characteristic of fuzzy systems requires a learning process of a multiple, and sometimes contextually unique, understanding and interpretation of simple facts. The new character of spatial systems also calls for a new set of up-to-date and precise basic and aggregate statistic data and ranking tools for the identification, assessment and classification of fuzzy territorial systems. A simple use of statistical data collected on the scale and within the borders of existing statistical units (NUTS) is inappropriate, bearing in mind the fuzzy character of such systems. Therefore, a new method was developed and implemented into information systems regarding territorial units integrating a fuzzy system for ranking territorial units by using available information. This approach enables the creation of a model, importing input data, processing of rules, and presentation of the solution in a usable and understandable form, including thematic maps. The model is based on the fuzzification, aggregation and defuzzification of spatial systems based on data included in the statistics officially used by statistical offices (Hudec and Vujošević 2010).

The development and planning of spatial systems increasingly involve uncertainties, not only concerning border definition, but also qualities that cannot be precisely defined or depend on the individual interpretations of different stakeholders. Sustainability itself, as the main principle of the required development, is considered one of the most significant fuzzy notions of our time (De Roo and Porter 2007). The consistency of fuzzy systems is based on interpretable rules describing the 'belonging' preconditions, but the precondition for their ability to derive innovation is their character as networks that are able to learn. This ability is the precondition for the efficiency of governance modes in fuzzy spatial systems typical of peripheral territories.

(2) The *vertical level* concentrates on the development of collaborative structures across the different hierarchical levels (municipalities/regions/state) in new fuzzy 'inter' scales, and the modes of organizational and institutional arrangements framing efficient vertical and horizontal collaboration among the different levels of fuzzy territorial units and their centres. The core concept is based on the combination of functional, structural and governmental polycentricity. The first two types of polycentricity are prevalent in strategic documents, as well as in academic debates on spatial development (Kloosterman and Musterd 2001, Turok and Bailey 2001, Davoudi 2003, Burger and Meijers 2012). The third dimension – polycentric governance has the potential to address the complexity of decision-making and fuzziness in the spatial development for new quality of spatial organization in a knowledge-based society (Finka and Kluvankova 2015). This provides growing evidence of the necessity to introduce a new concept



of the combination of shared responsibilities and the multi-level governance approach in cross border spatial systems of Bratislava-Vienna region. This relates to the second, processual dimension of fuzziness in spatial development research.

The processual dimension includes research, conceptual and methodological work focused on processes in spatial development management. The core concept is based on multi-level governance and the shift from governing to governance, developing the instruments for fuzzy planning, and planning in multi-layered scales up to fluid scales (see Almendinger and Haughton 2007) of governance arrangements.

Multilevel governance as new mode of governance in EU has emerged in relation to Southern Europe enlargement in the late 1980s, in particular with the respect to the implementation of regional and structural policy reforms (Hoodge, Marks 1993 Jordan 2008; Rosenau 1997; Bache and Flinders 2004 and others). The initial objective of the EU policy makers was to adapt governance systems under the existing treaties addressing new policy challenges for the future of the enlarged European Union. The ongoing processes of European integration in Central and Eastern Europe (CEE) have shifted authority from national states up to the European level and down to sub-national levels, with an increasing role for non-state actors (Klůvanková et al., 2013). This poses the challenging question of how traditional institutional systems can adapt to new roles where direct control over decision making is reducing but demand for coordination is expanding. Key issues are the shifting of power and responsibilities as well as addressing new types of legitimacy for democratic decision making. New division of power, legitimacy results in the development of new types of spatial structures across the borders of traditional administrative spatial units. In particular multilevel governance is lowering the traditional peripherality of a location at administrative borders, and representing new qualities such as self-organization and institutional maturity (Finka, Klůvanková 2015). Polycentrism in governance arrangements has been introduced over the last half-century by Vincent and Elinor Ostrom, and colleagues associated with the Workshop in Political Theory and Policy Analysis at Indiana University. The key objective was to develop the concept of polycentric systems for the analysis of collective-action problems involved in the provision of diverse public goods and services (Ostrom, 2010). In particular original from early 60' concerned the positive effect of polycentric governance arrangements in multiple cities for policing in a series of case comparisons of police departments serving similar neighborhoods within a metropolitan area of Los Angeles. Ongoing processes in Europe, and especially Central and Eastern European countries in the context of their overall societal transformation, have seen not only a shift in authority away from national states up to the European level and down to sub-national levels, but also, at the same time, a fuzzification of decision-making levels and subjects with the increasing role of

non-state actors. With this, the European Union is experiencing a shift from the traditional model of hierarchical territorial government to governance. Power is shared and split between a range of more or less territorially bound stakeholders, which increases the fuzziness of territorial units, and creates overlapping vertical and horizontal cooperation patterns between different actors across various levels of decision-making. This results in the development of new types of spatial structures across the borders of traditional administrative spatial units, lowering the traditional peripherality of a location at administrative borders, and representing new qualities such as self-organization and institutional maturity. This poses a challenging question as to how traditional institutional systems concentrated around central governmental structures can adapt to new roles where direct control over decision making is reducing but demand for coordination is expanding. Key issues are the shifting of power and responsibilities as well as addressing new types of legitimacy for democratic decision making. New division of power, legitimacy results in the development of new types of spatial structures across the borders of traditional administrative spatial units. In particular multilevel governance is lowering the traditional peripherality of a location at administrative borders, and representing new qualities such as self-organization and institutional maturity (Finka, Klůvanková 2015).

The term 'governance' does not exist in a number of Central and Eastern European languages, as governing processes under socialism were predominantly regulated by centralized governments. The evolution of governance in the field of spatial development was understood in its cultural, historical and political aspects and, in particular, the common consequences of institutional changes affected by post-socialist relations and transition. In particular, there is interest in how the recombination of institutions 'with the ruins of socialism' affects the restructuring of command-and-control systems, and how it affects the Europeanization of governance in this field (Klůvanková-Oravská 2010).

Recent developments in the processual dimension can be characterized as the very difficult process of evolutionary change. Qualitative changes from government to governance require changes in how people think, the long-term learning of how democracy functions, and increased awareness of one's own responsibilities, rights and obligations. As mentioned above, the first decade after the Velvet Revolution determined the authority of informal and civic structures and movements, and pushed forward an optimistic perspective to achieve economic and democratic standards. Disappointment with slow developments and failures of democratic governance and politics serve to support neoliberal modes and post-political modes of governance, predominantly at the local and regional level, where disappointment has been combined with inappropriate territorial governance structure. Spatial planning is overloaded by tasks connected with the efficient control of dynamic development, and prevention of pathological phenomena. The

development of governance modes is the subject of collaboration with other disciplines and fields, including the challenging and inspiring collaboration with political economists and institutional ecological economists, studying the social dilemma of collective activities for environmental governance concentrated within the school of thought of 2009 Nobel Prize winner Elinor Ostrom.

The concept of polycentricity in governance literature represents a promising innovation for neuro-fuzzy territorial (spatial) systems, integrating the concept of fuzziness in spatial systems with the concept of softness, filled by learning territorial networks as a new quality of spatial organization in knowledge-based society. Driven by numerous empirical studies and meta-analyses on complex urban systems (McGinnis 1999, Ostrom et al. 1993 et passim, Andersson and Ostrom 2006), poly-centres are understood as networks of decision-making centres, interconnected by functional or territorial relations, creating competitive and/or cooperative relations operating at multiple levels of decision-making (Ostrom 2010). Such governance structures are characterized by non-hierarchical relations, overlapping jurisdiction leading to cooperative behaviour, and creating adaptable and self-learning units. The institutional aspect of polycentrism thus relates to the preparedness of territorial units to collaborate in territorial governance, joint strategic planning, decision-making and policy implementation (Finka, Klůvanková, 2015). In terms of fuzziness, polycentricity may provide a policy tool to manage the increased mobility of citizens but also belonging. Numerous success stories of polycentric governance in European context such as transnational municipal climate change networks (Reckien et al., 2014, Kern and Bulkeley, 2009 or industrial networks (Paavola, 2011) have demonstrated potential for application of the concept to European spatial planning. Positive experience from EU funded Alps-Carpathian Bio-corridor (AKK) project, realized in the framework of the Austrian-Slovak cross-border collaboration scheme has been also suggested (Finka, Klůvanková, 2015) as promising platform for synchronisation and development of *Central European Peripheral* region.

#### 4. Summary

As shown by the overview of recent processes in spatial systems along administrative borders, with a special emphasis on international cross-border systems in Central Europe, the multivalent topic of fuzzy open spaces and multilevel governance is an important subject for academic debate on peripherality problems in Central Europe, which has an overall European relevance.

Fuzzy open spaces and multilevel governance should be the object of serious academic discussion and research in various contexts and facets. Territorial management practice – the main driving force in adaptation

processes reflecting peripheralization problems – needs a broader conceptual background. This should be based on the premise that governing is no longer a central monopoly (Klúvánkóvá-Oravská 2010), and there is demand for other governmental forms and structures.

Multi-level polycentric governance can be taken as one of the key concepts that reflect the problems of peripherality and fuzziness, representing the shift from traditional form of territorial government based on clear borders of territorial responsibilities and belonging. This means a vertical shift to a multi-level system of decision-making centres based on subsidiarity, and horizontally to open and flexible problem-oriented structures involving multiple actors.

## Note

1. For example, with the EU initiative INTERREG, spatial planning studies defined cross-border spaces instead of administrative border-related land use, or spatial development plans as in the BAUM project (City of Bratislava, 2013).

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# 18

## Rural Regions, Globalization and Regional Responses: The Case of Oberlausitz Region

*Joachim Burdack, Robert Nadler and Michael Woods*

### 1. Introduction

Rural regions are often described as being helplessly exposed to globalization and its local impacts. Across the globe, these regions are commonly represented as developing more slowly than urban agglomerations, and as being held back by competitive disadvantages. While the relatively weaker economic performance of rural regions is generally borne out by socio-economic data, the greater problem is that these perceptions translate into a discourse about rural regions that positions them as powerless in the face of external forces.

In this chapter, we question this widely held assumption by drawing on empirical results from the European research project 'DERREG – Developing Europe's Rural Regions in an Era of Globalization'. We first discuss the literature on globalization and its links to rural regions. Second, we introduce the Oberlausitz Region as an exemplary case study area from the DERREG project, and we present empirical findings on the regional responses of local actors in the Oberlausitz Region to two fields of global impacts – international migration and changes in the energy sector. Finally, we discuss these findings in the light of the debates around peripheralization and polarization.

### 2. The global countryside

Conventional perspectives on the prospects of rural areas in globalization have tended to adopt one of three, equally erroneous, assumptions (Woods 2013a): first, that globalization is a primarily urban experience from which rural areas are somehow divorced, or at least less exposed; second, that globalization is characterized by the compression of time and space as new technologies erase traditional borders and obstacles, enabling rural areas

to compete on an equal footing with cities for the first time; or, third, that globalization represents the further subordination of rural areas by the metropolis, as rural markets are flooded with imports, rural businesses taken over or out-competed by transnational corporations, and rural traditions trampled by cultural homogenization. In these narratives, rural areas are at best passive participants in globalization, and at worst its victims.

The durability of these popular perceptions was reinforced by the predominance in studies of globalization of the 'command centre' model of the 'global city' (Sassen 1991, Massey 2007), which over-emphasized the significance of a small number of cities in driving globalization, and implicitly marginalized rural areas as irrelevant to the analysis of globalization. Research that did involve a rural dimension tended to focus on structural processes and patterns, notably the stretching and multiplication of global commodity chains in agriculture, which similarly reproduced the notion that globalization is imposed on rural areas from above and is overwhelmingly detrimental (Broadway 2007, Springer and Le Heron 2008, Van der Ploeg 2008, Challies and Murray 2011).

More recent research has started to critique these assumptions and to assert both the importance of rural areas to globalization, and the capacity of rural actors to engage pro-actively with globalization processes. Aguayo (2008), for example, contrasts 'globalized villages', which have 'lost control over their own process of global hybridization' (542), with 'global villages', which are 'exceptional places that have managed to obtain some kind of leverage vis-à-vis global processes, actually advancing themselves as spaces of material, cultural and ideological production for the world' (543). Woods (2007) designates such sites as an emergent 'global countryside' (which he considers to be more extensive than Aguayo allows), characterized by flux, dynamism and contestation.

Drawing on relational perspectives in human geography, Woods (2007) argues that rural places are not bounded, discrete entities that can be positioned against a global 'other', but, rather, hybrid entanglements of diverse social, economic, cultural and political relations that intrinsically connect place to the wider world (see also Murdoch 2003, Rudy 2005, Heley and Jones 2012). As such, from a relational perspective, globalization is not a monolithic force rolling over rural areas, but, rather, a multi-faceted phenomenon, comprised of diverse and sometimes contradictory processes and tendencies, that proceeds by stretching, multiplying, diverting, substituting and severing the relations that constitute place (Amin 2004, Massey 2005). Thus, in other words, globalization is reproduced through places, including rural places:

The reconstitution of rural spaces under globalization results from the permeability of rural localities as hybrid assemblages of human and non-human entities, knitted-together intersections of networks and flows that

are never wholly fixed or contained at the local scale and whose constant shape-shifting eludes a singular representation of place. Globalization processes introduce into rural localities new networks of global interconnectivity, which become threaded through and entangled with existing local assemblages, sometimes acting in concert and sometimes pulling local actants in conflicting directions. Through these entanglements, intersections and entrapments, the experience of globalization changes rural places, but it never eradicates the local. Rather, the networks, flows and actors introduced by globalization processes fuse and combine with extant local entities to produce new hybrid formations. In this way, places in the emergent global countryside retain their local distinctiveness, but they are also different to how they were before.

(Woods 2007: 499–500)

An important assertion of this perspective is that rural actors are consequently not passive or helpless recipients of globalization, but are actively engaged in processes of globalization and able to influence local outcomes. As Massey (2005) puts it, ‘local places are not simply always the victims of the global, nor are they always politically defensible redoubts against the global’ (101). This, in turn, has significant implications for rural development policy and practice, contending, on the one hand, that rural development interventions can make a difference in determining how a rural locality engages with the global economy and to what end, but, on the other hand, also emphasizing that outcomes will vary between localities. Rural communities cannot just sit back and expect to benefit from globalization.

In the EU-FP7 project ‘DERREG – Developing Europe’s Rural Regions in the Era of Globalization’,<sup>1</sup> we studied several rural regions across Europe in order to analyse the variety of strategies in dealing with and responding to globalization impacts. In this chapter, we limit the presentation of empirical results to the exemplary German case study Oberlausitz Region. The following section will describe the regional context and major breaks in the region’s development path.

### 3. The Oberlausitz Region

#### a. Spatial structures and developments

The Oberlausitz Region (Upper Lusatia Region) forms the eastern part of the federal state of Saxony in Germany and is located in a border triangle with the Czech Republic to the south and Poland in the east. Since 1991, this tri-state area has been institutionalized in the framework of the Euroregion Neisse-Nysa-Nisa. The Oberlausitz consists of the two counties (*Landkreise*) Bautzen and Görlitz, and covers an area of about 4500 km<sup>2</sup>. The region is home to 592,000 inhabitants (as of December 2011, StaLa 2012a). Sixty



per cent of the population live in peripheral rural areas, and a further 35 per cent in rural areas of higher population density. Only 5 per cent of the population live in the suburban fringe of the Dresden urban agglomeration. There is no dominant urban centre in the Oberlausitz, but there are three smaller cities of equal importance: Görlitz (55,400 inhabitants), Bautzen (40,500 inhabitants) and Hoyerswerda (36,700 inhabitants) (as of December 2011, StaLa 2012b).

The Oberlausitz Region experienced significant population losses in recent decades, which were mainly caused by the economic crisis in the post-reunification period. The population decreased from 761,700 to 592,000, or by -22.3 per cent, between 1990 and 2011. Population projections estimate a further decline to 505,600 (-14.6 per cent) by 2025 (Scheibe 2011). All major cities have suffered population losses in the last 20 years. The city of Hoyerswerda, as a centre of mining activities, was especially affected, and lost almost half of its population. Population shrinkage affected all sub-regions of the Oberlausitz except for the suburban area of Dresden. The age selectivity of out-migration poses particular problems: younger and well-educated people leave the region, and in particular younger women. A consequence of this development is an ageing and shrinking population. There are hopes that out-migration will decrease in the future, since the regional labour market and the job situation have improved considerably in recent years.

### **b. The Oberlausitz Region during the GDR period**

In 1945, the River Neisse became the eastern border of Germany and the Oberlausitz found itself in a geographically peripheral location in a border triangle with Poland and Czechoslovakia (now the Czech Republic). The peripherality of the region was accentuated by the fact that the German population was expelled from the Polish part of Silesia, east of the Neisse River. They were replaced by Polish refugees from former eastern Poland. The ethnic German population that had lived on the Czech side (*Sudetendeutsche*) were also forced to leave their homeland. This meant that the Oberlausitz had, in effect, new neighbours to the east and south, and the social ties to the bordering regions were severely disrupted.

The founding of the German Democratic Republic (GDR) in 1949 and the GDR's membership of the Council for Mutual Economic Assistance (Comecon) in 1950 denoted a new phase of economic development in the Oberlausitz Region, especially in the form of intensified lignite mining and processing in the region. Though the centre of the mining activities and the associated energy production was located in the Niederlausitz (Lower Lusatia), north of the Oberlausitz Region, the industry has left its mark on eastern Saxony. The GDR lignite industries required a large number of qualified workers, who were drawn to the region from all over the GDR because of good employment opportunities (Friedrich 2003: 17). Towns like Weißwasser

or Hoyerswerda grew enormously in size. The mining industry and related branches such as machinery, maintenance and transport employed a large share of the workforce and dominated the regional economy, along with the textile industry in the south. To sum up, the Oberlausitz Region developed into a regional economic pole within the GDR, even though the traditional cross-border linkages were cut off and the closure of borders with Czechoslovakia and Poland meant that it was in a geographically peripheral location.

### c. The Oberlausitz Region after the reunification of Germany

At the end of the 1980s, it was obvious that the machinery, the industrial premises and the technical and transportation infrastructure of the region were dated and lagged behind the standards of Western industrial countries (Friedrich 2003: 16f.). The Economic and Monetary Union and the introduction of a market economy that accompanied the reunification of Germany in 1990 consequently led to drastic changes in the economic structure of the region. Many enterprises were not competitive under market conditions and had to cease their operations. Job losses were especially high in the first years after transformation in the early 1990s. Employment in the textile industry, energy production and other branches of mass production decreased drastically. A direct consequence of the closing down of many factories was a sharp rise in unemployment. Many workers left the region again during that period. The sharp drop in manufacturing employment was only partially compensated for by a growth of jobs in the service sector (Postlep 2004: 129). New industries that settled in the region often had high productivity and employed only a fraction of the workers that the old industrial activities had recruited (Friedrich 2003: 21). Unemployment reached a high of 72,700 persons in April 2003. The job market has improved since then. In 2011, only 35,400 persons were unemployed in the Oberlausitz Region. The unemployment rate of 12.4 per cent in April 2011 was the lowest in the region since the early 1990s (Agentur für Arbeit Bautzen 2011).

Although the majority of the open pit mines in Saxony have terminated their operation, the landscape and the economic structure of the north and north-east of the region are still influenced by the legacy of lignite mining. In contrast, the economy of the south and south-west of the region is dominated by a mix of small and medium-sized enterprises (SMEs). Highly specialized firms can be found especially in the textile industry, machinery and engineering. Friedrich (2003: 20) sees it as a positive sign that industrial cores were renewed and stabilized in the region in spite of the economic turbulence.

Today, about one-third of the workforce are employed in the manufacturing industry (*Landkreis* Görlitz: 33.5 per cent; *Landkreis* Bautzen: 35.8 per cent) (as of January 2012, StaLa 2012c). Key industrial sectors in the Oberlausitz are rail technology, mechanical engineering and metal

processing, textile industry, plastic technology, food and beverages, as well as energy production (MGO 2008). Each of the key sectors employs several thousand workers in the region. Rail technology is concentrated in a number of larger firms in the urban centres, including the largest employer, the Canadian group Bombardier Transportation, with manufacturing sites in Bautzen and Görlitz. Energy production is another key sector that is dominated by one company – namely the Swedish group Vattenfall. Other key sectors are characterized by a large number of SMEs (MGO 2008).

The Oberlausitz still has many traits of a lagging region. Indicators of a structural weakness of the regional economy are, for instance, the low rate of research and development activities, the dependency of many firms on external decision-making (branch plants), the low export rate, and the low rate of new business start-ups (ifo Institut für Wirtschaftsforschung Niederlassung Dresden 2005: 8, based on Danielzyk and Zettwitz 2001). As a result of the early years of transition, the Oberlausitz Region was transformed from an economic pole into an economic periphery, while it remained geographically peripheral in both the reunified Germany and the EU until the Eastern Enlargement in 2004.

#### **d. Towards a tri-state trans-border region**

The international political changes in 1989/90 were the initial stage for a series of events which helped the Oberlausitz out of its geographical isolation and led to an increasing permeability of the borders. Milestones of this process were as follows:

- the institutionalization of the tri-state Euroregion Neisse-Nysa-Nisa in 1991;
- the membership of Poland and the Czech Republic in the European Union in 2004;
- the accession of Poland and the Czech Republic to the Schengen Accord in 2007 (end of border controls);
- the free access of Polish and Czech workers to the German labour market in 2011.

The population on the Czech and Polish side is much younger than that on the German side. About 31.6 per cent of the population on the German side are 60 years or older (in 2010), as compared with only 22.3 per cent in the Czech border region and 19.7 per cent in the Polish border region (StaLa 2012b). The Czech border region also has a positive natural population balance, while the Oberlausitz shows a significant birth deficit. Furthermore, the Czech border region has relatively low unemployment, with county figures of 10–12 per cent in 2010 (StaLa 2012b: 45). The unemployment on the German side is decreasing but still significant (11–14 per cent), while the Polish border region still suffers from high unemployment (11–26 per cent).

Energy production is the most important economic activity in the Polish part of the Euroregion. The power plant at Turow is supplied by a large open pit mine in the border triangle. The only urban centre of economic importance on the Polish side is Jelenia Góra (with 84,000 inhabitants), where glass production, textile industry and machinery can be found. Aside from the Jelenia Góra area, the Polish part of the Euroregion can be characterized as a peripheral rural region with high unemployment.

The dominant centre in the Czech border region is Liberec, with 102,000 inhabitants. Liberec is a dynamic urban centre, and the only major city that is growing in the Euroregion. The city has a booming car industry, which is centred on the Skoda truck plant. Firms in the Oberlausitz are not yet profiting much from this development. The difference in wage levels is still too significant: the wage level (gross wage) on the German side is still more than twice as high as on the Czech or Polish side (StaLa 2012b: 31).

Tourism is an important economic activity in all three parts of the Euroregion, but of special importance in the form of mass tourism on the Czech side. However, the number of tourists in the Czech region has drastically decreased in the last ten years, due to a changing structure of demand. The main tourist destinations of international reputation are the Iżera Mountains (*Góry Iżerskie*) and Giant Mountains (*Karkonosze*) that stretch along the Polish-Czech border, and to a smaller extent also the Zittau Mountains (*Zittauer Gebirge*) in the Oberlausitz. While German tourists play an important role in the Polish and Czech parts of the region, there are few Polish or Czech tourists on the German side (StaLa 2012b: 37). There is some international cooperation to market tourism, for instance in the form of the Via Sacra tourist route or the Oder-Neisse bike trail.

Trans-border cooperation started in 1991 with the founding of the tri-state Euroregion Neisse-Nysa-Nisa. The initiative was successful in removing the main barriers to interaction: lack of border crossings, trans-border road connections, public transportation and interaction of local administrations. Environmental conditions improved and mutual resentments of the population were reduced. Many of the activities of the Euroregion were financed by EU funds (for example INTERREG programmes). The EU-sponsored organization EURES-TriRegio works to facilitate cross-border commuting of workers in the region. Although there are no reliable 'hard data' available, it can be said that cross-border commuting is not yet very significant in terms of numbers. Free access to the German labour market in 2011 does not seem to have had much impact on cross-border commuting in the Oberlausitz.

To sum up, the increasing permeability of borders towards Poland and the Czech Republic since post-socialist transition and the Eastern Enlargement of the EU worked as a catalyst to re-establish links with Polish and Czech neighbouring regions. While infrastructures have been reinstalled, exchange between the Czech, Polish and German populations still remains low. Yet, the possibility of crossing the borders again after 40 years of closure could

provide an opportunity for turning the peripheral location of the Oberlausitz Region within Germany into a more central location within the enlarged European Union.

#### **4. Regional responses and grassroots initiatives in the Oberlausitz Region**

Given the above-mentioned regional context and breaks in the development path, the question is how regional actors respond to and deal with these external impacts in the Oberlausitz Region. During the DERREG fieldwork in the Oberlausitz Region, we studied 31 grassroots initiatives through internet and desk research, expert and focus group interviews, as well as participatory observation of their activities. These initiatives dealt with different thematic fields. First, initiatives were studied which dealt with international migration and intercultural exchange as a response to open borders and the EU free movement of labour. Second, initiatives were analysed which focused on the topic of environmental capital and energy production, given the increasing global competition for resources and the increasing globalization of agricultural production. The focus of the analyses was on the aims of grassroots initiatives, their regional context, the organizational set-up, the financial aspects and problems in their daily work.

##### **a. Responses to the global impact of international migration**

As mentioned in Section 3, the Oberlausitz Region was largely isolated from international migration flows during the GDR times. During socialism, a few guest workers from other socialist countries (for example Vietnam, Mozambique) were hired to GDR industries, but they were sent back to their home countries after having finished stages of vocational training. Furthermore, these foreigners were strictly separated from the local population. After reunification, the Oberlausitz Region was suddenly accessible again for international migration. During the 1990s, international immigration to the Oberlausitz was largely composed of incoming asylum seekers and Russian-German repatriates, who were distributed to the Oberlausitz Region according to a national apportionment formula. For the following period of 2000 to 2009, foreigners contributed more strongly than Germans to the reintegration of the Oberlausitz Region into global migration flows. While the emigration of Germans from Oberlausitz to other countries amounted to 4700 migrants, the equivalent number for foreigners was 13,100. Referring to immigration data, the situation is even more interesting. About 3000 Germans moved to the Oberlausitz Region from abroad. At the same time, 17,000 foreigners arrived in the region. The emigration of Germans increased throughout the 2000s, exceeding immigration. By contrast, the migration balance of foreigners was continuously positive (Statistische Ämter des Bundes und der Länder 2011). These trends highlight the fact that the

Oberlausitz Region is characterized by an increasing diversification of a formerly very homogeneous population. Although there was a significant gain in foreigners through immigration from abroad, many of them left the Oberlausitz for other German regions after a while, because of better job opportunities elsewhere. Consequently, the proportion of foreigners in the total population remained comparably small (Nadler 2012).

Even though the share of foreigners has not significantly increased in the last ten years, the growing turnover in foreign population in the region caused an increasing awareness among the local population of the topic of international migration and the changing composition of local communities. This brings the potential for social conflict between those conservative groups who consider international migration as a threat to their home region and other groups who consider the reintegration into international migration flows as a chance to diversify the regional culture within a (still) comparatively homogeneous population.

During our empirical fieldwork, we found several grassroots initiatives aiming to support the region's capitalization on this revived international migration and the new permeability of borders to the neighbouring Czech and Polish regions. One such example is the *Internationales Begegnungszentrum St. Marienthal* (IBZ),<sup>2</sup> which was founded in 1992 by the local Cistercian convent. Today, the organization exists in form of a foundation under civil law (*Stiftung bürgerlichen Rechts*). It is located directly on the Neisse River, which forms the border between Germany and Poland. The main goal of the IBZ is to promote encounters between people irrespective of their national origin, gender, age or religion. Every year about 200 events take place in the IBZ facilities, dealing with different societal topics. Visitors from all over Germany and Europe (in particular Poland and the Czech Republic) annually total about 19,000 overnight stays in the IBZ facilities.

Different projects at IBZ aim at bringing together young people from Germany, Poland and the Czech Republic. Since 2005, young people from the border region have been gathering in a *Trinationales Jugendparlament* (tri-national youth parliament) in the IBZ. Twice a year they learn about topics such as communal politics, EU politics, media competencies, public fundraising or environmental protection. In 1994, a European School Network was initiated, which brings together 16 schools from ten European countries. The students of these schools jointly discuss Europe as a common home and make Europe an explicit issue for their school classes. Youth work outside the school is also an important field of activity at the IBZ. Young people learn how to avoid racism and violence in integration seminars for ethnic German repatriates or workshops on conflict resolution. International youth encounters are organized by the IBZ in order to bring together young people with their foreign peers and to discuss current social issues from different national perspectives. These encounters help to promote mutual understanding and tolerance. Also, young people from Saxony

and the neighbouring Czech regions can participate in joint education programmes which qualify them for a professional future on both sides of the border. Further projects focus on the general cross-border dialogue between all generations in the Euroregion Neisse-Nisa-Nysa. *Pontes* (Latin for bridges) is a specific project located in the facilities of the IBZ which has existed since April 2002. This tri-national education network is directed towards the development of the Euroregion into a modern cross-border educational site. Its goal is to provide a vision of a prosperous future for the region's population through the use of cultural and professional education and 'tri-national skills' (cross-border cultural competency) as a key instrument. *Pontes* focuses on (a) the development of Euroregional intercultural competency; (b) overcoming the demographic change by providing professional perspectives for young people; and (c) Euroregional education marketing across the German-Polish-Czech borders.<sup>3</sup>

Another example of a grassroots initiative with regional responses is the regional association *Augen auf e.V.*, which set up a large cross-border network of volunteers in the Oberlausitz and neighbouring Czech and Polish regions. This network organizes cultural exchanges across the borders, with the aim of counteracting xenophobia and enhancing mutual understanding between Czech, German and Polish people. To support these aims, the organization developed innovative fundraising strategies. For example, the English fashion label Lonsdale is widely suspected in Germany to be a flagship label for right-wing extremists and neo-Nazi groups. *Augen auf* approached the Lonsdale office in Germany and asked for their cooperation. Today, Lonsdale provides financial support to the association to display their opposition to xenophobia and intolerance. *Augen auf* uses this money to organize intercultural festivals and workshops. Furthermore, *Augen auf* set up structures for mutual assistance between rural regions in Poland, German Oberlausitz and the Czech Republic. During the severe flooding along regional rivers in 2010, groups of volunteer workers were coordinated by *Augen auf* to help rural communities in all three parts of the border triangle. These activities were financed by charity events, which were also organized by *Augen auf*.

Generally, it can be observed that many initiatives in the Oberlausitz Region focus on preventive measures against right-wing extremism, and less on integration measures with migrants, because the proportions of the regional population with a migrant background are still low. Thus, the central societal task in the region is seen as the development of a welcoming atmosphere of open-mindedness and tolerance, with respect for democratic values and otherness. This means that the grassroots initiatives work only partially in the field of integration, and they spend a large share of their resources on working with the native population in order to counteract xenophobia and right-wing extremism.

A second important thematic pillar of integrative initiatives in the Oberlausitz Region is the intercultural and cross-border exchange with Polish

and Czech neighbouring regions. In the border region, initiatives are actively bringing people together. The topic of cross-border relations might be one of the future opportunities for the case study region. The interviewees mention that cross-border relations have to be strengthened and Germans have to be motivated to learn the Czech and Polish languages. In the border city of Görlitz-Zgorzelec, Polish inhabitants have settled in the German part of the city, as real estate is in better physical condition and cheaper than in the Polish part. Also, from the Czech border region, it was reported that Czechs appreciate the German gastronomy and shopping facilities. It is a fashion among Czechs to go out for dinner and shopping in the German border regions. These two examples show that the Polish and Czech neighbours have already developed sensitivity towards the opportunities of living in the border region. In this vein, the Oberlausitz Region might profit from its border location and develop into a hub between Germany, the Czech Republic and Poland (cf. Habermann 2007). Local grassroots initiatives make use of the opportunities that the reunification and the EU accession of the Eastern European member states have brought.

#### **b. Responses to the global impact of a changing energy sector and the conflict between exploitation and conservation of environmental capital**

A second major challenge arises from the emergence of global players on the battlefield for using regional environmental capital. After years of state-driven destruction of the environmental capital through lignite mining during GDR state socialism, the subsequent breakdown of the socialist energy sector and a process of restructuring and privatization set in. Even today there remain large deposits of lignite, securing electricity generation for the next decades. For that reason, lignite deposits in the Oberlausitz are of great importance to ensure the regional, and especially the national, energy supply. The Swedish multi-national corporation Vattenfall entered the Oberlausitz Region to continue the exploitation of the lignite fields. This global player is in a constant struggle with environmentalists as well as regional land users who are negatively affected by the mining activities. Although brown coal mining has been subject to restructuring and modernization since German reunification (especially with regard to environmental compatibility and considerate recultivation of land after the active phase of mining), it is still linked to a number of environmental and social problems. Even today, landscape destruction and interference with water and soil balances cause excessive environmental damage and provoke conflict. Furthermore, settlements are still affected by mining activities, and local inhabitants have to be resettled. Homeowners and municipalities receive compensation from Vattenfall. However, this cannot compensate for the loss of personal attachments to homes and neighbourhoods. Yet, local resistance against mining activities has not increased noticeably during the last decade,



and there is no broad protest movement in the region. This can be explained by several factors:

- People in the Oberlausitz have grown up with mining activities, and they feel traditionally attached to this industrial sector.
- During recent years, Vattenfall developed effective instruments for civic participation (for example the establishment of open councils). Affected inhabitants are informed and involved at an early stage of planning.
- The mining sector is still the most important employer in the northern part of the Oberlausitz. It is assessed as indispensable from the perspective of the regional economy.

Simultaneously, new forms of land use can be observed. Post-mining landscapes are being reclaimed for recreation and nature conservation as well as the growing renewable energy sector. These new ways of using the regional environmental capital offer development potential, but they also cause new conflicts. For example, the renewable energy sector was first introduced to the Oberlausitz Region by external national and multi-national companies that installed massive facilities in the fields of solar and wind energy. The problem is that these large-scale installations do not offer jobs to the regional population, and the profits from these plants leave the region. An example is the solar park at the former airfield in Rothenburg/O.L., which was constructed and is operated by the Munich-based company Gehrlicher Solar AG. In response, grassroots initiatives have been developed, such as citizens' power plants and energy cooperatives, which offer the possibility for local citizens to actively take part in these projects and to profit from cheaper heat supply or even financial gains.

The project *Bioenergiegemeinde Radibor* (bioenergy municipality Radibor) was initiated within the LEADER+ programme (2000–2006)<sup>4</sup> with the aim of establishing an autonomous energy supply for the municipality of Radibor. This bioenergy project laid the ground for the installation of a network of energy production facilities, transport pipelines and energy consumption units. The currently existing installations have already achieved a 60 per cent reduction of CO<sub>2</sub> emissions for the respective heat consumption of the village of Radibor. Meanwhile, more than 60 properties are connected to the heating grid, and more than 40 are already supplied with heat from biomass provided by a local dairy farm. Currently, the project consortium is developing plans for the next step: a solar energy plant in order to make the electricity supply autonomous, too.

Another example of grassroots initiatives in the field of renewable energy is the regional cooperative *Bürger-Energie Zittau-Görlitz e.G.* (citizens' cooperative Zittau-Görlitz), which operates photovoltaic panels on public and private buildings in the County of Görlitz. The registered cooperative (e.G.) was founded in September 2009. In June 2010, it already consisted of 48

members owning more than 300 cooperative shares. For the local population, this citizens' cooperative represents a new way to become engaged in and to profit from renewable energies.

Connected with the recultivation of post-mining landscapes, and initiated by regional actors such as the *Tourismusverband Lausitzer Seenland e.V.* (Association for the Promotion of Tourism in the Lusatian Lakeland), a new holiday region called *Lausitzer Seenland* (Lusatian Lakeland) is currently being developed in the north-east of Saxony (Oberlausitz) and the south of Brandenburg (Niederlausitz). By flooding former lignite mines, 21 artificial lakes will be created, with a total water surface of about 350 km<sup>2</sup>. This new holiday region will be the largest artificial lake district in Europe, and the whole area around the *Lausitzer Seenland* is expected to become an attractive tourist region and holiday destination for national and international visitors.<sup>5</sup>

The Oberlausitz displays the local expression of global conflict over energy and resources, creating new opportunities, but also presenting challenges for a region with a traditional economic base in mining activities. After the modernization and privatization of the mining sector in the Oberlausitz, the exploitation of lignite has continued due to its importance for the national energy supply in a time of growing resource scarcity. However, the grassroots initiatives in the Oberlausitz developed a strategy for a post-lignite era. The establishment of a rural eco-economy – comprising sustainable tourism and the use of renewable energies – can be an innovative way to sustain the regional environmental capital and to create a new economic base.

In summary, it can be stated that the Oberlausitz has been affected by several contemporaneous processes which overlap in complex ways. The region is trying to tackle the resulting challenges in a pro-active way. Currently, the Oberlausitz is reinventing itself and trying to find anchor points for a successful and resource-conserving development. Here, the processes of networking among local actors in the region and across the recently opened borders to the Czech Republic and Poland have allowed an improvement of mutual learning, and actors in the Oberlausitz Region can better respond to global influences and define their own position (see also Burdack et al. 2013).

## 5. Conclusions

The Oberlausitz Region is characterized by a shrinking and ageing population as well as a brain-drain of young, well-educated people, and persistent high unemployment rates. It is not supported by a strong dynamic of the private sector, and heavily depends on shrinking public subsidies. Even though efficient networks and links between grassroots initiatives, the public administration and knowledge institutions exist today, they are endangered by

social perforation, as many potential stakeholders leave the region. The limited pool of social activists has positive and negative effects. Work relations between certain actors are based on mutual trust and informal work routines. Yet, these positive effects only provide advantages for those involved. The grassroots initiatives interviewed complained that the same people are always involved, because no others are present in the region, or they do not participate in initiatives.

Nonetheless, the region is too large for individual actors to know all other potential partners for development issues. The activity range of individual grassroots initiatives is still smaller than the Oberlausitz Region's territory in total. Thus, there is still potential for new links and new development partnerships. Yet, building new partnerships is impeded by the fact that regional development initiatives are competing for limited public funds. Thus, their own development projects and ideas are kept secret within the already established partnerships. There is a latent fear that actors outside the established networks might copy their idea and receive public funding for it. Furthermore, there is no mutual solidarity between various networks in the different parts of the Oberlausitz. This might also be related to the fact that the Oberlausitz is divided into two counties that have a strong influence on regional development funding within their respective territories.

Nonetheless, from an external perspective, the Oberlausitz appears as a single region. In the perception of Saxons and Germans from outside the Oberlausitz, this region is referred to as the 'rural part in the East of Dresden', reaching to the Polish and Czech borders. Thus, the internal conflicts between grassroots initiatives (such as the competition for public resources and the lack of cooperation across county borders) might hinder the future development of the Oberlausitz Region. A basic condition for success is the establishment of an internally shared identity and development strategy, as well as a shared goal. The first attempts might be seen in the joint regional planning by the two involved county administrations, or in the shared Cultural Area according to the Saxon Cultural Area Act.<sup>6</sup>

The results show that local actors in rural regions pro-actively engage with the impacts of globalization in their environments. Alongside the examples presented in this paper, the DERREG research found a broad range of grassroots initiatives across different parts of Europe, all trying to capitalize on global processes and to turn globalization impacts into drivers for regional development (Woods 2013b). We also highlighted that successful capitalization is no self-fulfilling prophecy. Networks need to be built, trust has to be established, and common goals and agendas have to be elaborated in processes of regional learning (Burdack et al. 2013). Furthermore, actors in rural regions might have quite divergent perspectives on global processes. This might result in conflicting interests and contradictory activities on the regional scale. Yet there is a lot of potential in rural regions to make use of these global processes.

Looking at the debates on peripheralization and polarization, we argue for a reconsideration of the position of rural regions. The common argument in peripheralization research is that rural regions are becoming increasingly 'peripheralized' by globalization, by demographic change, and also by the recent financial and economic crisis, while at the same time urban agglomerations develop into global cities, or at least national economic centres. Based on our findings, we think that rural regions cannot merely be understood as the passive and peripheralized victims that incorporate all the problems and negative outcomes of globalization. The grassroots initiatives in rural regions across Europe and their regional responses to globalization represent a form of countermovement to peripheralization. Rural actors examine their objective structural, as well as discursive, position in the wider world, and most of their initiatives aim at improving this position. As such, the regional responses studied during the DERREG project could be considered as examples of 'de-peripheralization' – each in its own facet and on its own level. Hence, these regions can be understood as important framers of the 'New Geographies of Europe'.

## Notes

1. For access to final reports and good practice database, see <http://www.derreg.eu> (accessed 20 May 2015).
2. For more information, see <http://ibz-marienthal.de> (accessed 20 May 2015).
3. For more information, see <http://www.pontes-pontes.eu> (accessed 20 May 2015).
4. For more information, see [http://ec.europa.eu/agriculture/rur/leaderplus/index\\_en.htm](http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm) (accessed 20 May 2015).
5. For more information, see <http://www.lausitzerseenland.de> (accessed 20 May 2015).
6. The Cultural Area Act (*Kulturräumgesetz*) in Saxony came into force in 1994. It regulates the financing of cultural associations and institutions on the Saxon territory. The act forces rural communities to collaborate across county borders within a defined 'cultural area', in which beneficiaries of state funds commit to securing the cultural heritage of their region and to distributing the funds within their own area on the basis of joint decision-making in a cultural council composed of members from involved rural communities in the respective area.

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