R&R Colloque international
RECHERCHE&RÉGULATION 2015
"La théorie de la régulation à l'épreuve des crises"
PARIS
10–12 JUIN 2015

Changing Development Models: Dependency School Meets Regulation Theory[1]

(Preliminary Draft Version)
April 2015

Joachim BECKER, joachim.becker@wu.ac.at

Rudy WEISSENBACHER, rweissen@wu.ac.at

Institute for International Economics and Development
Department of Economics
Vienna University of Economics and Business
Welthandelsplatz 1, Building D4, 2nd floor
1020 Vienna
Austria

RÉSUMÉ.
Cet article traite du changement des modèles de développement du point de vue des economies periphériques. Il discute du potentiel de la théorie de la régulation et de la théorie de la dépendance à analyser des modèles de développement et à analyser les changements potentiels dans les trajectoires de développement à la jonction des grandes crises. Bien que les deux approches aient des caractéristiques communes, elles ont été développées dans des contextes socio-économiques différents et elles se focalisent sur différents aspects du développement. Nous allons examiner dans quelle mesure une combinaison des approches régulationniste et dépendantiste peut contribuer à mieux comprendre l'impasse dans laquelle se trouvent les modèles de développement européens, particulièrement dans la périphérie européenne, et peut aider à penser des alternatives.

ABSTRACT.
The paper discusses a change of current development models from the perspective of peripheral economies. It enquires into the potential of the theory of régulation and of the dependency approach to analyse development models and their transformation at the juncture of big crises. While the two approaches have many characteristics in common, they have been developed in different socio-economic contexts and focus on different aspects of development. We will explore whether a combination of the régulationist and dependency approach provide insights into the cul-de-sacs of European development models, particularly in the periphery, and might help in charting possible alternatives.

[1] We gratefully acknowledge that research to this article was supported by funds of the Oesterreichische Nationalbank (Oesterreichische Nationalbank, Anniversary Fund, project number: 15471)

1. INTRODUCTION

The global economic crisis of the 1970s also brought a change in mainstream economic thinking. While the US sponsored coup d'etat in Chile made possible an early experiment of neo-liberal economic policy – that should succeed Keynesianism as hegemonic doctrine – there were also two European alternatives challenging Keynesian and neo-classical economics: the well-known French regulation theory and a forgotten application of the Latin American dependency school to the European situation of uneven development and integration. As far as the latter is concerned, we refer to an ongoing research at the Vienna University of Economics and Business (Weissenbacher 2015) that dubs a variety of research networks 'European dependency school'.
The two approaches share some key features: Both of them emerged at least partially out of Marxist debates, both operate with an intermediate level of abstraction and both are explicitly historical and geographical. While their temporal origins are only by about a decade apart, their geographical origin and their empirical reference are clearly distinct. The regulation theory stems from the global North, particularly France. Already in early regulationist writing, however, one can find analyses of global and European peripheries: Lipietz (1987:13) drew on 'Cardoso and Faletto the Fathers of dependency theory'. Holman (2002:407) even called Lipietz' analysis 'a version of dependency theory for Southern Europe'. The dependency school originated in the global South, particularly Latin America, European political economists referring to it belonged to a moderate branch that applied experiences from the global South to the European periphery. In our paper we relate to this European context.

The regulation and dependency perspectives on changing development models depart from different realities and, thus, put at least partially different key issues for socio-economic change into the focus. Having said that, both models offer a comprehensive critical reading of the postwar Fordist accumulation model, in terms of European dependency scholars a 'development from above'. But, again, Latin American dependency 'Fathers' Cardoso and Faletto appear to have left their marks in Lipietz' writing with their 'methodology for the analysis of concrete situations of dependency' (Palma 1981:59ff.). Cardoso and Faletto (1976:215ff. and 224ff.) talked of different 'situations of dependency', varying characteristics of peripheral development within the parameters of global capitalism. Internal and external class relations at the state level do coin each national sytem (Cardoso/Faletto 1979:210) but with a weak local bourgeoisie (vis a vis an internationalized bourgeoisie) unable to repeat the role it had played in core countries. (Cardoso 1977:19) Drawing on Cardoso and Faletto, Lipietz (1987:19) writes:

'The development of capitalism in any given country is first and foremost the outcome of internal class struggles which result in embryonic regimes of accumulation being consolidated by forms of regulation that are backed up by the local state. Within these national social formations, it may be the case that relations with the outside world established long ago by certain agents (trading companies, military expeditions, etc.) proved not only acceptable but even useful to certain dominant groups, and that they became decisively important to the regime of accumulation insofar as the national social formation can no longer function without them because they resolve one ore more of the contradictions inherent in its mode of production.'

Peripheral countries faced a staunch reality that had nothing in common with modernization theories' promises. Although some global 'semi-peripheral' or 'newly industrialized' countries showed remarkable capitalist industrialization, development perspectives in a broader political-economic sense remained dim. European peripheral countries had not been able to digest dependent integration into the international division of labor and the challenge of accession to the European Union when the current crisis displayed the weaknesses of the dependent accumulation models relentlessly.

In the remainder of this article we intend to offer an analysis of the changes occurring in the peripheral European accumulation models by financialization which had only started in the 1970s, following the dependency tradition we dubbed this 'new' dependency 'dependent financialization' (Becker/Weissenbacher/Jäger 2013). We shall discuss the constraints and policy spaces in the partially industrialised European countries and then argue that despite the important changes in the age of financialization findings of regulation theory and European dependency school offer starting points for a plan B in the current development cul-de-sac.

2. ACCUMULATION MODELS

For Lipietz (1987: 15), a regime of accumulation is a long term stable model of reproduction defined by the relationship between the capitalist and non-capitalist sector within a social formation, its relation to the outside world, and the relationship between accumulation (i.e. investment to secure the reproductive schema) and consumption. In emphasizing the relationship between accumulation and consumption, he refers to the reproduction schemes of Marx's second volume of 'Das Kapital'. The enlarged reproduction of capital is, however, not possible with other processes of social reproduction, often called informal, e.g. forms of care labour. To some extent, these reproduction processes might be commodified as well (e.g. commodified education, health services, old age care) and, thus, might be subject to capital accumulation. We have witnessed such phenomena as a reaction to crisis of financialised capitalism when sectors of society that had long been taboo for private accumulation were drawn into commodification. (cf. Harvey 2004) Nevertheless, reproduction labour takes place in families, disproportionally through female labour, and in a non- or de-commodified public sector as well (cf. Elson 2013: 39 f.).
These social reproduction processes which are beyond the sphere of accumulation, but are at the same indispensable for accumulation have largely been outside the focus of both dependency approach and regulation theory. They have been mainly discussed by feminist theories which, thus, have made an indispensable contribution to our understanding of social reproduction processes.

Initial regulationist analyses, which had a basis in Marxism focused on productive accumulation, and distinguished particularly between capital goods and consumer goods production departments. This distinction was essential for Aglietta's definition of predominantly extensive and predominantly intensive accumulation. In the former, wage labour is not yet generalised and some of the consumer goods do originate from petty commodity production or are even own production in gardens or small fields. Production and consumer goods industries are not strongly inter-linked and there are tendencies towards the overshooting of the capital goods industries. With generalised wage labour, the two production departments become more strongly inter-linked. It is only in the second constellation, i.e. predominantly intensive accumulation, that the increase of relative surplus value can fully bear its fruits (cf. Aglietta 1982: 60 f.). Aglietta's conceptualisation was informed by the development trajectory of the core economies, particularly the US economy. In particular, his debate on the links between capital goods and consumer goods industries refers implicitly to rather invert-looking economies. Several regulationist writers have extended the theory, however, to peripheral economies. They have made adaptions to the early regulationist conceptualisations of accumulation regimes and more generally development trajectories(e.g. Ominami 1986, Faria 1996, Faria 2004, Marques-Pereira/Théret 2004) and have made important original contributions on the monetary constraint with particular references to the situation in the periphery, particularly in Latin America (e.g. Faria 1990, Marques-Pereira 1998).The industrial structures of peripheral economies have been interpreted to be incomplete. Their capital goods sector is usually lacking or relatively weak. Productivity increases rely heavily on imported machinery (Ominami 1986: 119 ff., Mello 1998: 102 ff.). Technology is largely externally determined and the availability of foreign exchange exercises a structural constraint for investment and accumulation. In addition, consumption patterns have tended to be more stratified in the socio-structurally more heterogeneous peripheral economies. Latin American structuralist analysis in the tradition of the UN Economic Commission for Latin America (ECLA/CEPAL) had come to such observations before regulation theory. They considered core countries' accumulation homogeneous and diversified, and peripheral accumulation heterogeneous and specialized. Most dependency analysis used on the European situation belonged to the branch that developed further the ECLA tradition (in a more pessimistic way). (Palma 1981:50ff., Weissenbacher 2015)

3. LAND RENT, DIFFERENTIAL RENT AND ACCUMULATION

In addition, the early regulationist conceptualisations were strongly focused on manufacturing. In peripheral social formations, however, sectors beyond manufacturing usually have been of crucial importance. This pertains particularly to sectors that can rely on differential land rent and, thus, enjoy a form of indirect protection. Classical and Marxist land rent theories were originally developed with regard to agricultural production. Private property of land allows land owners to appropriate part of the produced surplus in the form of rent. In the case of better agro-ecological conditions, land owners can appropriate a differential rent that depends on the higher yields of their fertile land (cf. Jäger 2003: 235 f.). In mining a similar type of differential rent depending on extraction conditions (open pit mining or shaft mining, on-shore of off-shore oil production etc.) exists. This type of rent is of particular importance to peripheral countries because this location specific chance to appropriate an extra share of surplus enables, at least to some extent, to compensate a lower labour productivity than in the core economies. Regulationist analyses of the periphery highlighted already early on extractive sectors – agriculture and mining – which are characterised by (differential) rent (e.g. Ominami 1986: 121, Tab. IV.1).

Extractive activities have played a particularly key role in the economies of Latin America, Sub-Saharan Africa (cf. Hugon 1999) and in the oil producing countries (e.g. in the Middle East). As Bértola and Ocampo (2013: 78, 313) point out in their recent economic history of Latin American, a key role of the raw material sector has been a persistent phenomenon through the changing capitalist economic models of the sub-continent.

Though the Latin American left, e.g. the dependency theorists, had criticised the raw material orientation of the Latin American economies in the past, many of the present progressive governments of the region have continued the extractive specialisation while appropriating a higher share of the surplus as taxes and adopting significantly more redistributive policies (Gudynas 2009). This recent episode shows how strongly the protective device of differential rent locks social formations in a specialisation which displays many disadvantages like instability of foreign exchange and tax revenues or few links with other economic sectors.

There are, however, other economic sectors that enjoy protection by (differential) rent (cf. Jäger 2003). Tourism has long been a distinctive sector of peripheral countries, for the polarisation theorist Palloix (1996: 150 f.), and also for scholars using dependence concepts for the European situation (i.e. Seers 1979:9ff.) Other rentier sectors have only more recently, in the context of financialisation, received attention: real estate and construction. These activities are strongly location-specific. It can be observed that they have tended to be revalorised and have been targets of sectorally refocusing investment in the context of liberalising trade in peripheral economies, e.g. in the Mediterranean (cf. López/Rodriguez 2010, Sönmez 2015: 104 ff.). This tendency should not be surprising given the informal protection provided to these sectors by the differential land rent in the context of formal trade liberalisation. However, this nexus between peripheral integration into the international division of labour, trade liberalisation and the (re-)specialisation towards real estate, construction and tourism has hardly been debated.

Since agriculture, mining, tourism, real estate and construction are strongly related to land, social and legal norms pertaining to land uses (including resource extraction) are of particular importance. This aspect of régulation played no role in the early regulationist works. Becker and Raza (2000) propose to include these aspects into the more encompassing structural form of the ecological constraint. It is not only land uses, but also the size and distribution of land rent that is decided in the struggles over the ecological constraint. For the dependency school such considerations seem to have been of long-standing importance. Equitable access to land was important for the regional development and European dependency scholar Walter Stöhr (1981:64ff.) in formulating an alternative development paradigm 'from below'. Drawing on the Latin American Celso Furtado, he furthermore considers important the use of 'regionally adequate technology' to 'contribute to the recuperation of renewable, and the preservation of non-renewable, natural resources in the region […], a starting-point in the struggle against dependence' (Stöhr 1981:65).

4. PERIPHERIES AND FINANCIALIZED ACCUMULATION

Some of the land-rent related activities are usually strongly linked to credit-financing, and, thus, often have received a strong push in phases of strong financialisation. While the European dependency school faded in the 1980s, numerous regulationist analyses on financialised accumulation – i.e. accumulation which is characterised by the proliferation of financial investment and/or a strong expansion of credit – have been published since the 1990s (e.g. Boyer 1999 & 2000, Chesnais 1996, Orléan 1999). The distinction between predominantly productive and predominantly financialised accumulation is the most important typological axis of accumulation (Becker 2009: 97). The fundamental shift from predominantly productive to financialised accumulation has usually its roots in the exhaustion of a particular type of productive accumulation (Arrighi 1994). In such a situation, investors look for highly flexible and liquid forms investment in order to deal with a context of increasing uncertainty. Financial investment seems to provide these characteristics. Investors do not only look for more flexible forms of investment, but also for new geographical outlets. The periphery where usually a higher interest rate prevails turns into an attractive destination of financialised investment. Financialisation in the periphery usually is strongly induced from the core countries and relies on capital inflows. Therefore, it can be characterised as a dependent financialisation (Becker 2014a). It depends on the power blocs of the peripheral states as how far dependent financialisation is allowed to take its course. Thus, the respective domestic economic and political constellation plays a role in the economic and political response to financialisation impulses from the core countries.

Two key forms of financialisation can be distinguished: one is based on 'ficticious capital' (Marx 1979: 482 ff., 510), i.e. on securities, the other on interest-bearing capital (Becker et al. 2010: 228 ff.). Most of the regulationist and more generally critical literature on financialisation focuses on the first form. Ficticious capital encompasses securities, shares etc. which entitle the owner to a share in the surplus value (interests, dividends etc.) produced in the productive circuit. Thus, the circuit of ficticious capital is linked to the circuit of productive capital. Nevertheless, it enjoys a certain degree of autonomy towards productive accumulation. Prices in the second circuit might rise more rapidly or fall more steeply than the prices in the first circuit. The holders of financial assets actually aspire to rapidly increasing asset prices. A strong inflation of asset prices is a common feature of booming financialisation (Lordon 2008: 97). During financialisation processes, real estate might be treated from a similar perspective as purely financial investment. High price increases tend to attract additional financial investments which often are fuelled as well through changes in régulation like the financial market liberalisation or the privatisation of pension schemes. Similar to the pseudo-valorisation of capital through inflation in the productive circuit, a pseudo-valorisation of ficticious capital through financial asset inflation emerges. When the increasing gap between asset prices and underlying profits are finally perceived and the illusion of eternally rising asset prices is dispelled, strong down-price corrections occur and a crisis commences (Aglietta 2008). This type of financialisation is, thus, inherently instable.

In the periphery, the second form of financialisation which is based on interest-bearing capital tends to prevail (cf. Becker et al. 2010: 229 f., Güngen 2010). This form of financialisation is characterised by high interest rates and/or the very rapid expansion of credits. Due to higher perceived risks, interest rates are usually higher in peripheral economies than in the core economies. Local central banks fix high interest rates in order to stem capital flight and – in the case of current account deficits – in order to attract capital inflows. In the case of dependent financialisation, internal domestic credit expansion is fuelled by capital inflows. If the interest rates are extremely high, the state is usually the main debtor since private debtors are hardly able to borrow at such rates. Extremely high interest rates put a break on productive accumulation since financing investments through credits is prohibitively expensive (Faria 2007: 98). A key feature of credit-based financialisation of the last three decades has been massively expanded lending to private households mainly for financing consumption in the face of weak wage development (or even shrinking wages) and for acquiring flats (cf. dos Santos 2009). Credit expansion often provides a key stimulus to real estate and construction – key sectors for many peripheral economies.

In the periphery, banks often prefer to lend in foreign currency since their credit expansion is re-financed by external credits. They entice companies or middle class debtors to accept foreign exchange credits by offering lower interest rates than for credits denominated in the domestic currency. The exchange rate risk is shifted to the debtors. Such processes of informal dollarization or euroization often have roots in the low trust in the national currencies, e.g. due to prior crisis experience (cf. Salama 1989: 14 ff.). They turn the exchange rate into a key economic variable. Any currency devaluation puts the foreign exchange debtors and the banks at high risk. The indebted middle class is effectively tied to the prevailing exchange rate and any policy that promises to sustain it. Policies of maintaining the exchange rate through attracting capital inflows usually have massively negative impact on the current account. A negative spiral of increasing current account deficits and ever more desperate attempts to attract foreign capital is set into motion. It usually ends in a particularly severe crisis (Becker 2007, Becker 2014b). The reversal of capital flows tends to be the trigger of financial crises in the periphery.

The question of the inward-looking, export-oriented or import-dependent character of accumulation processes is another important typological axis (Becker 2002: 70 ff., Becker 2006: 14 f.). The rather introverted fordist model of the US and most larger EU economic was the central reference for early regulationist theorising. In the case of an introverted model, the domestic market is central and domestic investment predominates. Thus, the space of accumulation and the key territorial level of régulation coincide. Historically and spatially, this constellation is rather an exception. In extended development phases, e.g. pre-1914, 1920s, post-1070s, the accumulation models of the core economies have been characterised by active extraversion, i.e. export of commodities and capital. It is useful to distinguish between the export of capital in its various forms, productive capital, money capital etc. Significant capital export, particularly in the form of foreign direct investment that shapes the productive patterns in the destination countries, is a key characteristic of dominant economies (Beaud 1987: 76 ff.). Dominated economies (Beaud 1987: 100 ff.) are usually characterised by dependence on imports of (key) goods and capital. This type of international insertion can be called passive extraversion. The availability of foreign exchange tends to be a recurrent constraint for their capital accumulation. The recent international constellation, however, displays a paradox. The US economy as the leading core economy displays some key features which usually ascribed to peripheral economies – a reliance on goods and capital imports – whereas China as the major rising peripheral economy is characterised by a structural export surplus both in the case of goods and money capital – i.e. usual features of a core economy (Boratav 2009: 10). This paradox probably indicates the relative decline of the US and the rise of the Chinese economy.

An accumulation model cannot be characterised by one feature, i.e. financialisation, alone. Four typological axes – productive/financialised accumulation, predominantly extensive/intensive accumulation and the internationally exposed/land rent-protected key sectors in the productive sphere and intra-/extraversion – are useful for a complex characterisation. Dependence on key imports and a high profile for land rent-based sectors are key features of peripheral, dependent economies. The emergence and reproduction of uneven development patterns and asymmetrical economic and political relations and the resulting structural dependence of peripheral economies has been in the focus of dependency theory.

Uneven development has its origins in the uneven and temporally asynchronic emergence of capitalism and in colonialism. Asymmetrical international power relations and their institutional settings have tended to cement uneven development patterns. Foreign capital and local groups linked to foreign capital often occupy key positions in the accumulation process, are well represented in interest groups and enjoy excellent contacts to key institutions of national governments in the periphery. External interests often are 'internalised' in the structures of peripheral states (Cardoso/Faletto 1976: 218). The peripheral states are often highly dependent on revenue accruing from extraverted economic activities (Becker 2008: 14 f.). In the case of a severe crisis of the core economies, like in the 1930s, the external nexus might be weakened and, thus, spaces for more autonomous state strategies in the periphery might emerge. The degree of autonomy depends crucially on the régulation of the external competition (regulation of external flows of goods, capital and labour force) and of the external dimension of the monetary constraint (exchange rate regime etc.). It has been a key contribution of the Grenoble school of régulation to underline the importance of the adoption of monetary norms of the core by peripheral states for cementing uneven development patterns (Byé/de Bernis 1987: 870 ff.). Recourse to an anchor currency, (partial) currency substitution in the form of dollarization or euroization and the complete adoption of a core currency as a legal tender are forms that the link to the monetary norms of the core can take. This dimension of dependence has been highlighted in the critical Latin American debates of the last years (Fiori 1999). Great crises – like the present one – have moments where the transformation of dependent development patterns and changes in the international division of labour haven been possible. Both régulation and dependencia theorists underline that great crises are critical junctures for the development trajectories.

5. STRUCTURAL IMBALANCES AND 'EUROPEAN DEPENDENCY SCHOOL'

Often, the roots of the imbalances in the European productive system are seen in neoliberal policies and financialization. For an analysis of structural imbalances, however, it seems to make sense to go beyond such explanations. In the 1970s and early1980s, Latin American dependency theory inspired debates in regional development studies inquired into the causes and consequences of the crisis of the 1970s. From a variety of research networks and authors that had worked on the development of peripheral Europe in the 1970s and 1980s, we will concentrate on the findings of two approaches that were more explicit on alternative models of regional development, by Walter Stöhr and Dieter Nohlen. Furthermore, we will, for the sake of brevity, synthesize these two approaches.

The mainstream narrative in political economy treats neo-liberalism as logical answer to the failure of the Keynesian welfare state. But while the economic mainstream turned to radical liberal solutions that argued pure market forces as alternative to ineffective state interventionism, a European theory building in development studies and regional science went another way. It did not emphasize an antagonism between state and market but challenged the overall development models and liberal economic approaches, of a Keynesian or neoclassical nature. This theory development followed implicitly or explicitly Latin American theories of dependency. With the crisis of 'Keynesian' capitalism in the 1970s, alternative conceptions of de-centralization and decoupling, 'self-reliance' and 'development from below' were formulated, which were based on political economic (non-economistic) notions of development (of societies).

5.1. ELEMENTS OF THE OLD PARADIGM

The development paradigm that was critically assessed was called 'development from above', 'from outside', and 'center-down'. It depended on outside demand and on effects of outside innovation centers that are being diffused to the periphery in hierarchical processes by means of private capital transfer and public funds. Such a regional development model followed considerations of modernization theory by reaching a high degree of 'industrialization and urbanization resembling the structures of the most developed countries […]' (Stöhr 1981:61) Scarce factors of production would be allocated through market mechanisms ('spill-over', 'trickle-down') and public funds. (Stöhr 1983c:284ff.)

Keynesian and neo-classic concepts of regional development were considered to differ in their instruments but not in their strategies. Both concepts assumed endogenous causes of disparities that would lead to 'modernization deficits'. Both concepts expected exogenous impulses to overcome market imbalances. Economic imbalances were meant to be overcome by functional and spatial integration, structural differentiation and specialization through division of labor. Both concepts focused on economic growth of the overall state and embedded the regional policies in such a process.

Modeling regional development focused on a 'functional region' without history and geography, technical solutions were to be applied in a 'one-size fits all' sort of way. Two basic strategies for regional development derived from neoclassical economic theory, both relying on outside demand in order to stimulate growth within the region and to reduce imbalances. The export base model assumed that setup and stimulation of export production will increase overall demand because income for the region would also raise demand for goods and services from the region itself. This was supposed to have an expansive multiplier effect. Diversifying export production and increasing real income would create endogenous growth. The concept of growth-poles assumed a pilot effect of modern industries being outsourced into peripheral regions. It was based on the perception that specialization and division of labor from sectoral process optimization would also work in a regional context and hence stimulate growth. Both models accepted polarization effects that were considered temporal. Political measures and market forces would spike trickle-down effects that lead to equilibrium.

5.2. THE CRISIS OF THE 1970S

The crisis of the 1970s was more than the first global economic recession after World War II. It was a visible sign that the prevailing system was unable to overcome inequality and uneven development, and by the same time the inability to diligently treat nature and its resources. As far as regional development is concerned, world market integration after 1945 had led to an increase of spatial specialization. 'Spread-effects' were seen smaller than 'backwash-effects' with limited results regarding regional convergence which was, if it occurred, accompanied by growing disparities between individuals or regions. Regional disparities had not been eliminated during the boom period, now they became the base of a new spatial division of labor. (Massey 1979) Core countries ran into a period of structural change, dashing remaining hopes for trickle-down or spill-over effects. Regional policies were discredited. They had stimulated the functional disintegration of regions by 'integration into large-scale interaction systems' (Stöhr 1983a:10). Processes of spatial specialization and structural transformation brought decreasing sectoral and functional diversification and structural dependence on decisions, technology and capital made outside the region. Key functions of the new spatial division of labor were concentrated in core areas. Even where short time growth successes materialized, middle and long term development brought a 'functional disintegration' of peripheral regions.

'This interrupted regional economic circuits of production and consumption as well as of social and political interaction patterns (caused, for example, by out-migration or long-range commuting), in the idleness of regional resources, and in the decline of facilities catering to the daily needs of the population […] - access to employment, consumer goods, services, etc.' (Stöhr 1983a:9) 'The increased opening up of regional structures to external influence, particularly in peripheral areas, led to an increased exposure to external shocks and a reduced resilience.' (Stöhr 1983a:11)

5.3. TOWARDS A NEW PARADIGM

All in all peripheral regions needed to consider a more endogenous regional development. The old paradigms had brought 'growth without development' in the best case but mostly aggravated existing structural imbalances. (Nohlen/Schultze 1985:19) Dependency analysis considers differences in development levels as exogenously caused and based on structural imbalances, as a result of industrial-capitalist production and division of labor. A complete new start, a new paradigm, and processes of change were perceived as inescapable. (Nohlen/Schultze 1985:20cc&42f.) Nohlen (1985:12) called his concept 'region-centered development' and 'periphery up and inward development' strategy, Walter Stöhr his model 'selective self-reliance from below'. The important issue was the break with the old development paradigm from above in a very broad and fundamental way. The new paradigm was to focus on the needs of the regional population, and to take into account the region's history and geography. Regional development policies should focus on employment, equality, justice, participation, political and economic autonomy. (Nohlen/Schultze 1985:48.) Participation was seen essential as to help people in the regions to regain self-confidence which was lost under the prevailing development model. (Stöhr 1983b:124)

An alternative development strategy had to gradually reduce polarizing backwash effects and selectively control positive spread effects. Production and distribution should focus on regional needs and be based as much as possible on regional resources. Approaches were to be gradual but should include a 'selective territorial closure'. However, in a global system of interactive nature, such self-reliance or territorial closure was deemed possible only as 'selective'. There are no recipes for a development 'from below' but Stöhr (1985:233ff., 1983a:11ff., 1983b:125ff., 1981:64f.) formulates a set of principles for a policy of 'selective self-reliance':

- Empowerment of decentralized and endogenous power structures with egalitarian decision making between social groups/classes and regional units (in order to prevent concentration of surplus, wealth, and power); broad access to scarce resources (land, natural resources), internalization of development costs;
- Priority for mobilization of endogenous resources;
- Priority for sectoral and functional diversification with a higher level of resilience to external shocks and emphasis on inter-sectoral development;
- Priority for regional need satisfaction (food, housing, basic needs) and facilitation for self-sufficiency in times of crisis;

- Promotion of multi-level technology development (including capital intensive production in addition to labor intensive production);
- Promotion of territorial self-regulation and mechanisms of adjustment; increasing the autonomous regional innovation potential;
- Setup of exchange and accumulation conditions similar to those of core regions (for example regional development banks that finance regional production);
- Shift away from big export projects in favor of regional companies and set-up of a regional service sector;
- Evaluation of projects and investments according to their regional (mulitiplier) effects and value added;
- Restructuring and development of public transportation systems within the regions (regional accessibility instead of external connections);
- Mobilizing of regional energy resources;
- Improvement of regional environmental quality (responsibility towards future generations)
- Strengthening education and training;
- Limitation of external aid and assistance to projects that facilitate selective self-reliance (and last a limited time period).

6. EUROPEAN PERIPHERY: DEPENDENT FINANCIALIZATION IN CRISIS

There had been a debate within the dependency school on the meaning of capitalist industrial development for an overall socio-economic development. Transnational companies were seen as the important players in the new international division of labor established in the 1970s. (Weissenbacher 2015) As of the European periphery it is evident that processes of de-industrialization (for Eastern and Southeastern European countries during transformation processes: Becker/Ćetković/Weissenbacher forthcoming, for Greece, Portugal, and Spain during EC/EU integration processes: Etxezarreta et al. 2014:65, Lopez/Rodríguez 2011:8, Stathakis 2010:110, Santos/Jacinto 2006) disappointed once again modernization theories' promises of a transition towards a core-type homogeneous and diversified production structure.

Partial de-industrialisation and enhanced specialisation in construction, real estate and tourism ensued. These tendencies towards peripheralisation were cemented with the entry into the euro zone. With the adoption of the euro, the Southern European periphery lost its last protective dividedevice?. The German wage deflation aggravated the competitive pressures inside the euro zone while the appreciation of the euro put particularly the productive structures in the peripheral euro zone countries under pressure (cf. Álvarez et al. 2013, Becker/Weissenbacher 2014). Thus, the Mediterranean accumulation models (with the exception of Italy) were characterised by dependent financialisation (Becker/Weissenbacher/Jäger 2013), a specialisation in sectors enjoying protection through differential land rent and passive extraversion. Escalating current account deficits and external debts proved to be key vulnerabilities to crisis. In South Eastern Europe and in the Baltic countries with their strong monetary anchoring in the euro, similar peripheral accumulation models ensued. In these countries, the external imbalances tended to be even more pronounced than in the Southern euro zone economies (Becker 2014). These strongly financialised European peripheries have been particularly severely affected by the present crisis. The Central East European economies where relocated industrial export production was a second major pillar of the accumulation model besides financialisation fared somewhat better (Becker 2014b). However, the limits of that development model have become manifest during the crisis and have started to be discussed in the region (e.g. Baláž 2013)

The present crisis revealed that these peripheral accumulation models had led into a development cul-de-sac. There are basically two options available: a dramatic institutional change within the euro zone plus a rigorous EU industrial policy for the periphery or exiting the euro zone (in Southern Europe) respectively adjusting the exchange rate (in Eastern Europe) and pursuing pro-productive strategies from below. The first option is inter alia argued by Aglietta (2012). The present balance of forces in the EU is clearly not favouring such an option. The second option is closer to approaches inspired by dependency concepts like selective spatial closure and development from below. Such approaches put more emphasis on regional productive development than approaches informed by Keynesian or post-Keynesian positions. They emphasise the need for formal protective divices (including the possibility of an active exchange rate policy) in order to build productive capacities in the periphery and to break with development models that rely on sectors – like agriculture, mining, tourism real estate – enjoying the informal protection of differential land rent. They envisage progressive answers towards international processes penetrating and harming regional development. Also early regulationist analysis had come to such conclusions, with a similar wording:

'In the absence of a selective protectionism based on compliance with minimal standards of social welfare and trade-union rights, the countries of the centre reward the dominant classes of the Third World and their multinational allies who most excel in repression and super-exploitation. Under these conditions 'free trade' means bringing world norms of exploitation into line with the norms of the most underprivileged sectors of the global proletariat.' (Lipietz 1987:191)

Austerity within Europe and more of international liberal treaties like TTIP seem to intend bringing down standards leading to a downward spiral for the situation of European workers as well. The prevailing monetary system puts pressure on wages and obstructs a recovery of productive sectors in the European periphery. A rupture with the prevailing monetary regime would be extremely difficult. European dependency scholars had not been overly optimistic about the success of a region or country acting alone. Alternative plans envisaged collective self-reliance of peripheral regions or countries acting together. Difficult as such a process might be, a progressive debate on exiting the euro zone and on option for alternative development strategies has begun.

7. REFERENCES

Aglietta, Michel (1982): Régulation et crises du capitalisme. L'expérience des État-Unis. 2nd ed., Paris

Aglietta, Michel (2008): La crise. Comment est-on arrivé là? Comment en sortir? Paris

Aglietta, Michel (2012): Zone euro. Éclatement ou fédération. Paris

Álvarez Peralta, Ignacio/Luengo Escalonilla, Fernando/Uxó González, Jorge (2013): Fracturas y crisis en Europa. Buenos Aires/Madrid

Arrighi, Giovanni (1994): The Long Twentieth Century. Money, Power, and the Origins of Our Times. London/New York

Baláž, Vladimír (2013): Od montažnej dielne k inteligentnej ekonomike. In: Bútora, Martin et al. (eds.): Odkiaľ a Kam. 20 rokov samostatnosti. Bratislava, 566-581

Beaud, Michel (1987): Le système mondial/national hiérarchisé. Une nouvelle lecture du capitalisme mondial. Paris

Becker, Joachim (2002): Akkumulation, Regulation, Territorium. Zur kritischen Rekonstruktion der französischen Regulationstheorie. Marburg

Becker, Joachim (2006): Metamorphosen der regionalen Integration. In: Journal für Entwicklungspolitik, 22(2), 11-44

Becker, Joachim (2007): Dollarisation in Latin America and Euroisation in Eastern Europe: Parallels and Differences. In: Becker, Joachim/Weissenbacher, Rudy (eds.): Dollarization, Euroization and Financial Instability. Central and Eastern Europe between Stagnation and Financial Crisis? Marburg, 223-278

Becker, Joachim (2008): Der kapitalistische Staat in der Peripherie: polit-ökonomische Perspektiven. In: Journal für Entwicklungspolitik, 24(2), 10-32

Becker, Joachim (2009): Regulationstheorie. In: Becker, Joachim et al.: Heterodoxe Ökonomie. Marburg, 89-116

Becker, Joachim (2014a): Finanzialisierung und globale Peripherie. In: Heires, Marcel/Nölke, Andreas (eds.): Politische Ökonomie der Finanzialisierung. Wiesbaden, 181-196

Becker, Joachim (2014b): Osteuropa in der Krise: Ökonomische und politische Dynamiken. In: WISO, 37(2), 13-30

Becker, Joachim, Ćetković, Predrag, Weissenbacher, Rudy (forthcoming): Financialisation, dependent export industrialisation, and de-industrialisation in Eastern Europe. In: Finance and Industrial Policy: Beyond Financial Regulation in Europe . Oxford.

Becker, Joachim/Jäger, Johannes/Leubolt, Bernhard/Weissenbacher, Rudy (2010): Peripheral Financialization and Vulnerability to Crisis. A Regulationist Perspective. In: Competition and Change, 14(3-4), 225-247

Becker, Joachim/Raza, Werner G. (2000): Theory of Regulation and Political Ecology: an Inevitable Divorce? In: Économies et sociétés, Série 'Théorie de la régulation', No. 11, 55-70

Becker, Joachim/Weissenbacher, Rudy (2014): Berlin consensus and disintegration. Monetary regime and uneven development in the EU. In: Dymarski, Włodzimierz/Frangakis, Marica/Leaman, Jeremy (eds.): The Deepening Crisis of the European Union: The Case for Radical Change. Analyses and Proposals from the EuroMemo Group. Poznań, 15-32

Becker, Joachim, Weissenbacher, Rudy, Jäger, Johannes (2013): Abhängige Finanzialisierung und ungleiche Entwicklung. Zentrum und Peripherie im europäischen Integrationsprozess. In: Austrian Journal for Development Policy (JEP) XXIX (3): 34-54

Bertóla, Luis/Ocampo, José Antonio (2013): El desarrollo económico de América Latina desde la independencia. México, D.F.

Boratav, Korkut (2009): Uluslarası Krizin Düşündürükleri: Ankara Üniversitesi, 2009-2010 Öğrenim Açılış Dersi. In: Praksis, No. 21, 9-16

Boyer, Robert (1999): Le politique à l'ère de la mondialisation de la finance: Le points sur quelques recherches régulationnistes. In: L'Année de la régulation, 3, 13-75

Boyer, Robert (2000): Is Finance-led Growth Regime a Viable Alternative to Fordism? A Preliminary Analysis. In: Economy & Society, 29(1), 111-145

Boyer, Robert (2014): Diversité des capitalismes asiatiques, basculement des relations internationales. In: Alary, Pierre/Lafaye de Micheaux, Elsa (eds.): Capitalismes asiatiques et puissance chinoise. Paris, 53-91

Byé, Maurice/de Bernis, Gérard Destanne de (1987): Relations économiques internationales. 5th revised ed. Paris

Cardoso, Fernando (1977): The Consumption of Dependency Theory in the United States. In: Latin American Research Review 12, 3, 7-24.Cardoso, Fernando/Faletto, Enzo. (1976): Abhängigkeit und Entwicklung in Lateinamerika. Frankfurt/M.

Cardoso, Fernando, and Faletto, Enzo (1979): Dependency and Development in Latin America. Berkeley, Los Angeles, and London

Cartier Bresson, Jean/Kopp, Pierre (1982): L'analyse sectorielle. Approche du système productif en Amérique Latine. Thèse de doctorat, Université de Picardie. Amiens

Chesnais, François (1996): Introduction générale. In: Chesnais, François (ed.): La mondialisation financière. Genèse, coût et enjeux. Paris, 9-31

Dos Santos, Paulo L. (2009): On the Content of Banking in the Contemporary Capitalism. In: Historical Materialism, 17(2), 180-213

Elson, Diane (2013): Lehren aus der Krise: eine Gender-Perspektive. In: Kurswechsel, No. 4, 36-44

Faria, Luiz Augusto Estrella (1990): A inflação brasileira e a moeda-crédito. In: Faria, Luiz Augusto Estrella/Conceição, Octavio Augusto Camargo/Bello, Teresinha da Silva: Desvendando a espuma. Reflexões sobre crise, regulação e capitalismo brasileiro. Porto Alegre, 121-142

Faria, Luiz Augusto Estrella (1996): Fordismo periférico, fordismo tropical y posfordismo: el camino brasileño de acumulación y crisis. In: Ciclos en la historia, la economia y la sociedad, 6(10), 73-101

Faria, Luiz Augusto Estrella (2004): A chave do tamanho. Desenvolvimento econômico e perspectivas do Mercosul. Porto Alegre

Faria, Luiz Augusto E. (2007): Crisis financiera, estabilización y estancamiento en Brasil. In: Becker, Joachim (ed.): El golpe del capital. Las crisis financieras en el Cono Sur y sus salidas. Montevideo, 89-107

Fiori, José Luis (1999): Estados, moedas e desenvolvimento. In: Fiori, José Luis (ed.): Estados e moedas no desenvolvimento das nações. Petrópolis, 49-85

Gudynas, Eduardo (2009): Diez tesis urgentes sobre el nuevo extractivismo. Contextos y demandas bajo el progresismo sudamericano actual. In: Schuldt, Jürgen et al.: Extractivismo, política, sociedad. Quito, 187-225

Güngen, Ali Rıza (2010): Finansallaşma. Sorumlu Bir Kavram ve Verimli bir Araştırma Gündem. In: Praksis, No. 22, 85-109

Harvey, David (2004): Die Geographie des 'neuen' Imperialismus: Akkumulation durch Enteignung. In: Christian Zeller (ed.): Die globale Enteignungsökonomie. Münster, 183-215

Holman, Otto (2002): Die Neue Europäische Peripherie. Ost- und Süderweiterung der Europäischen Union im Vergleich. In: Prokla 32, 2, 399-420.

Hugon, Philippe (1999): L'économie d'Afrique. 2nd ed., Paris

Jäger, Johannes (2003): Urban Land Rent Theory: A Regulationist Approach. In International Journal of Urban and Regional Studies, 27(2), 233-249

Lipietz, Alain (1987): Mirages and Miracles. The Crisis of Global Fordism. London

López, Isidro/Rodriguez, Emmanuel (2010): Fin de ciclo. Financiarización, territorio y sociedad de propietarios en la onda larga del capitalismo hispano (1959-2010). Madrid

Lordon, Frédéric (2008): Jusqu'à quand? Pour en finir avec les crises financières. Paris

Marques-Pereira, Jaime (1998): Geld, politische Legitimität und Integration in Lateinamerika. In: Journal für Entwicklungspolitik, 14(2), 139-152

Marques-Pereira, Jaime/Théret, Bruno (2004): Régimes politiques, mediations sociales et trajectoires économiques. A propos de la bifurcation des économies brésilienne et méxicaine depuis les années 1970. In: Latour, Bruno/Marques-Pereira, Jaime (eds.): Brésil, Méxique. Deux trajectoires dans la mondialisation. Paris, 25-83

Marx, Karl (1979): Das Kapital. Kritik der politischen Ökonomie. Band 3. MEW 25. Berlin

Massey, Doreen (1979): In What Sense a Regional Problem? In: Regional Studies 13, 2, 233-43.

Mello, João Manuel Cardoso de (1998): O capitalismo tardio. Contribuição à revisão crítica da formação e do desenvolvimento da economia brasileira. 10th ed., Campinas

Nohlen, Dieter (1985): Ungleiche Entwicklung und Regionalpolitik in Südeuropa (Italien, Spanien, Portugal). Eine Einführung. In: Nohlen, Dieter, und Schultze, Rainer-Olaf unter Mitwirkung von Wolfgang Merkel (Hg.): Ungleiche Entwicklung und Regionalpolitik in Südeuropa: Italien, Spanien, Portugal. Bochum, 9-15. (=Politikwissenschaftliche Paperbacks 6)

Nohlen, Dieter, und Schultze, Rainer-Olaf (1985): Ungleiche Entwicklung und Regionalpolitik in Südeuropa. Externe Verursachungsfaktoren und endogene Entwicklungschancen. In: Nohlen, Dieter, und Schultze, Rainer-Olaf unter Mitwirkung von Wolfgang Merkel (Hg.): Ungleiche Entwicklung und Regionalpolitik in Südeuropa: Italien, Spanien, Portugal. Bochum, 17-73. (=Politikwissenschaftliche Paperbacks 6)

Ominami, Carlos (1986): Le tiers monde dans la crise. Paris

Orléan, André (1999): Le pouvoir de la finance. Paris

Palloix, Christian (1996): Société et économie ou les marchands et l'industrie. Paris

Palma, Gabriel (1981): Dependency and Development: A Critical Overview. In: Dudley Seers (ed.): Dependency Theory. A Critical Reassessment. London, 20-78.

Salama, Pierre (1989): La dollarization. Essai sur la monnaie, l'industrialisation et l'endettement des pays sous-développés. Paris

Santos, Vitor/Jacinto, Ana (2006): A industria portuguesa: Desindustrialização – progresso ou declinio? In: Romão, António (ed.): A economia portuguesa 20 anos após a adesão. Coimbra, 184-213.

Seers, Dudley (1979): The Periphery of Europe. In: Seers, Dudley, Schaffer, Bernard, and Kiljunen, Marja-Liisa (eds.): Underdeveloped Europe: Studies in Core-periphery Relations. Sussex, 3-34. (=Harvester Studies in Development 1)

Stathakis, George (2010): The fiscal crisis of the Greek economy. In: Kurswechsel, No. 3, 109-114.

Stöhr, Walter (1981): Development from Below: The Bottom-Up and Periphery-Inward Development Paradigm. In: Walter Stöhr and Fraser Taylor (eds.): Development from Above or

Below? The Dialectics of Regional Planning in Developing Countries. Chichester et al., 39-72.

Stöhr, Walter (1983a): Alternative Strategies for Integrated Regional Development. In: Seers, Dudley,and Öström, Kjell (eds.) (1983): The Crisis of the European Regions. London and Basingstoke, 6-14.

Stöhr, Walter (1983b): Alternative räumliche Entwicklungsstrategien endogener 'selektiver Eigenständigkeit'. In: Österreichische Zeitschrift für Soziologie 8, 3, 117-134.

Stöhr, Walter (1983c): Changing External Conditions and a Paradigm Shift in Regional Development Strategies. In: Stefan Musto (ed.): Europe at the Crossroads. Wien, 283-307.

Stöhr, Walter (1985): Selective Self-reliance and Endogenous Regional Development – Preconditions and Constraints. In: Nohlen, Dieter, und Schultze, Rainer-Olaf unter Mitwirkung von Wolfgang Merkel (Hg.): Ungleiche Entwicklung und Regionalpolitik in Südeuropa: Italien, Spanien, Portugal. Bochum, 229-249. (=Politikwissenschaftliche Paperbacks 6)

Sönmez, Mustafa (2015): AK Faşizmin, Inşaat İskelesi. Ankara

Weissenbacher, Rudy (2015): Studying Dependencies: the 'European Dependency School' Revisited. Manuscript. Vienna