

Path dependence of regional policy: Institutional responses to regional polarization in CEE

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Contents

Motivation

Research Aims

Methodological Approach

Conceptual Framework

Comparative Case Studies

Discussion

Next Steps & Considerations



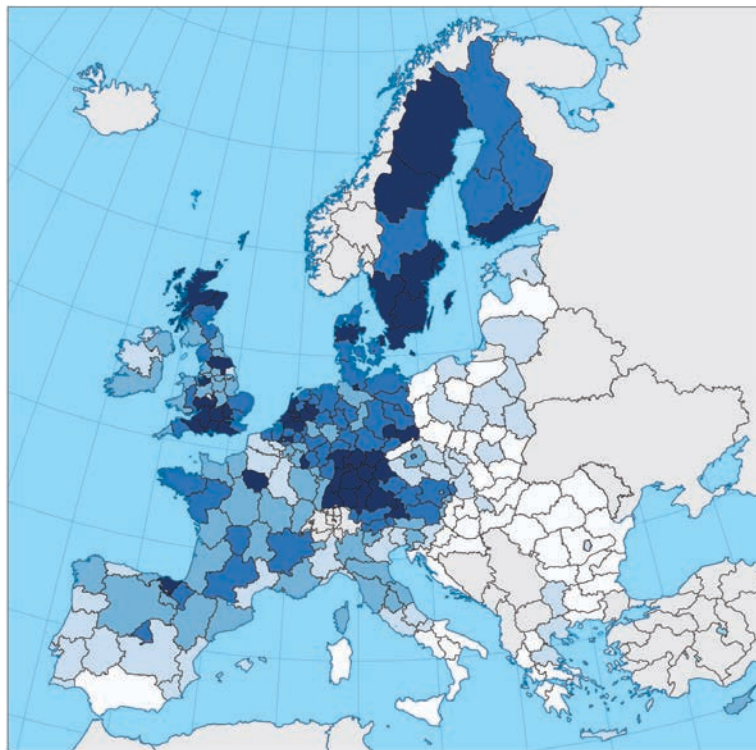
Motivation

- Institutions surrounding regional policy (RP) vary in national contexts and, in CEE, have been evolving in relation to EU frameworks since the transition period
- Key trends of RP considered:
 - Europeanization of spatial planning and streamlining of RP
 - Ambiguity and uncertainty surrounding the concept of territorial cohesion
 - Increasing regional disparities, especially in CEE
 - CEE especially prone to polarization (Lang, 2013)
 - Decreasing territorial cohesion (ESPON, 2014)
 - Convergence-divergence tendencies (Monastiriotes, 2014)



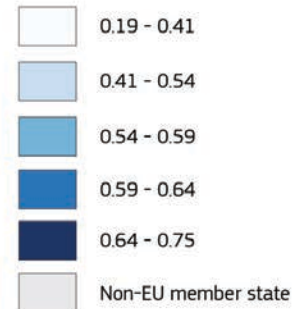
Motivation

Regional disparities



GDP per capita

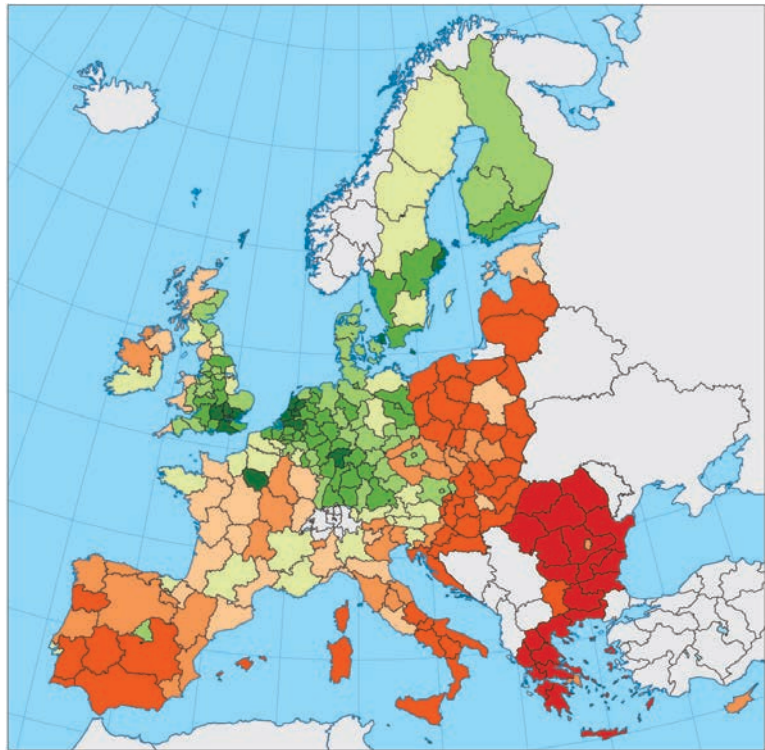
(Data: Eurostat, 2014)





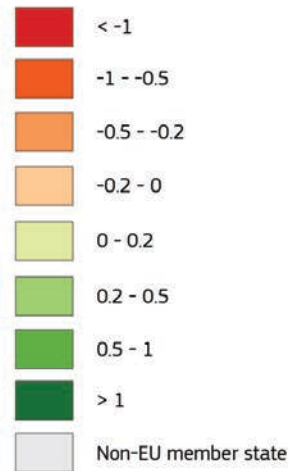
Motivation

Regional disparities



Regional Competitiveness Index

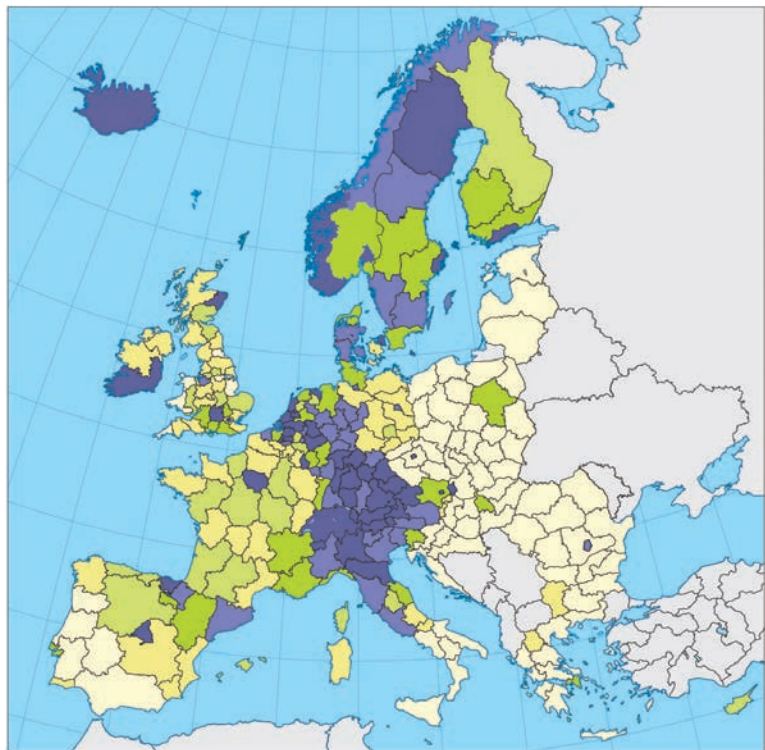
(Adapted from Annoni & Dijkstra, 2013)





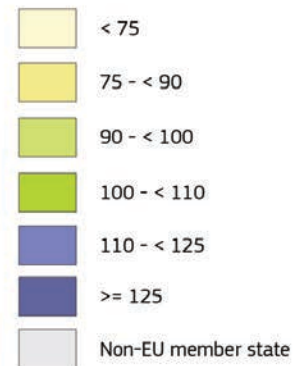
Motivation

Regional disparities



Human Development Index

(Adapted from Hardeman & Dijkstra, 2014)





Motivation

Focus on Institutions

- Organisational legacies and their effect on allocative and dynamic efficiency, a “fundamental tension” in Eastern Europe (Grabher & Stark, 1997)
- Continuous policy and institutional transformations in CEE since the political and economic transitions
 - Preparing, acceding and adapting to EU institutional and regulatory structures
 - Adapting to economic restructuring on multiple scales, becoming economically competitive in the EU and global markets, and withstanding the uneven effects of the financial crisis



Motivation

Regional Policy and Periphery

- CEE is characterized by different types of peripheries
 - RIS literature - Spatially peripheral areas are prone to organizational thinness (i.e. lack of capacity, knowledge and expertise), whereas economically peripheral old industrial areas are overspecialized in mature industries and prone to technological lock-in (Isaksen, 2001)
- The majority of the NUTS-II regions are classified as “Objective 1/Convergence”, therefore targeted for EU investment
- What kind of policies and institutions are needed/used to govern these peripheries?



Research Aims

- The concept of path dependence is used to follow institutional change and evolution in CEE countries
- The study aims to:
 - Describe and compare path dependent processes surrounding RP institutions in CZ, EE and HU
 - Identify path divergences, policy innovations and institutional factors leading to policy 'successes'



Research Aims

Main questions driving the research:

- How has RP been transferred and transformed to national contexts in CEE?
- How has RP addressed the EU concept of territorial cohesion and regional disparities in national contexts?
- What factors of RP are particularly effective for reducing regional disparities in CEE?
 - What should RP institutions look like in CEE?
 - Can a prescribed set of characteristics be applied universally?



Methodological Approach

Comparative Case Studies for cross-national research

- Design:
 - Small-*N* study, comparative method
 - Most Similar Systems Design, looking for difference (Political Science-Comparative Politics)
 - 3 country cases: CZ, EE, HU
- Unit of analysis
 - 'national' regional policy institutional system of each country
- Data:
 - Primary sources: Expert interviews
 - Secondary sources: Policy documents



Methodological Approach

Comparative Case Studies for cross-national research

- The comparative method (as opposed to experimental and statistical) is common in the social and political sciences, and especially Comparative Politics, where research is often characterized by “many variables, small number of cases” (Lijphart, 1971: 685)
- “[T]he intensive comparative analysis of a few cases may be more promising than a more superficial statistical analysis of many cases” (Lijphart, 1971: 685)
- “[T]here is no a priori reason to regard case-oriented, qualitative-comparative research as methodologically ‘soft’, and indeed this approach can provide a far more rigorous and sophisticated response to some types of research questions.” (Hopkin, 2002: 300)
- Comparative method builds upon previous studies of CEE in the transition and pre-accession periods



Methodological Approach

Comparative Case Studies for cross-national research

- The current focus on institutions directs towards the theoretical and methodological approach of Historical Institutionalists (HI) and Comparative Historical Analysis (CHA), emphasizing processes and events
- Historical institutionalists emphasize the particularities and specificities of individual cases, rather than establishing generalizations across large numbers of cases (Hopkin, 2002)
- Qualitative and/or historical approach aims to control explanatory variables through choice of cases (Hopkin, 2002)
- Therefore, the current study examines three post-socialist CEE countries through the transition, pre- and post- EU accession periods, attempting to control for similarities in the systemic transition processes and identifying particular institutional responses affecting regional polarization



Conceptual Framework

- Following qualitative-comparative approaches of Comparative Politics and Historical Institutionalism, the subject of RP institutions in CEE national contexts is investigated
- The research is built around the core concept of path dependence, employed in the Comparative Politics and Historical Institutionalist literature to examine institutional evolution and change
- The policy transfer and policy assemblage literature is consulted as a guide to institutional evolution and change of RP institutions through the Europeanisation process



Conceptual Framework

Path Dependence – from economics to political science

- Based on the phenomenon of ‘increasing returns’ (positive feedback)

ECONOMICS

- Existence of increasing returns, lock-in and multiple equilibria (Arthur, 1983, 1990, 1994; David, 1985)
- Economic Geography: “The concentration of production in space is unmistakably path dependent.” (Krugman, 1991)
- Integrating historicity into economics (David, 2001)
- Institutional development is also subject to increasing returns (North, 1990)

POLITICAL SCIENCE

- Increasing returns effects are particularly prevalent and intense in politics (Pierson, 2000a)



Conceptual Framework

Path Dependence - Political Science

- Four features of positive feedback (Pierson, 2000a):
 - (1) Multiple equilibria; (2) Contingency; (3) Timing and sequencing; (4) Inertia
- Increasing returns take form through collective action, institutional development, exercise of authority, and social interpretation (Pierson, 2000a)
- Particular to politics:
 - Increasing returns are reinforced by political authority (Pierson, 2000b) and legitimation and standards (Mahoney, 2000)
 - Besides increasing returns, politics are also subject to event sequencing (Mahoney, 2000) and reactions and backlashes (Pierson, 2000b)



Conceptual Framework

Historical Institutionalism (HI)

- HI provides a framework for investigating institutional change using the concept of path dependence, timing and sequence of critical junctures, and incremental change
 - HI is interested in institutional legacies of historical processes, and understanding institutional change (Thelen, 1999)
 - HI is focused on the creation, persistence and change of institutions over time (Sorensen, 2015)
- Analysts look for 'critical junctures' when new institutions are established and path divergences/innovations are created
 - But, institutions also change through layering and conversion (Thelen, 2003), incremental change



Conceptual Framework

Comparative Historical Analysis (CHA)

- HI employs CHA based on a finite number of cases (Goldstone, 2003)
 - Small-*N* qualitative-comparative research, “look[ing] at phenomena within their contexts” (Hopkin, 2010)
- CHA works “share a concern with causal analysis, an emphasis on processes over time, and the use of systematic and contextualized comparison” (Mahoney & Rueschemeyer, 2003)
- CHA “aims to test, challenge and shift prior beliefs about a set of cases” (Goldstone, 2003)
- CHA takes a “historicist view of institutional genesis, evolution and change” (Thelen, 2003)
- Compatible with Most-Similar Systems Design (MSSD) (Comparative Politics)



Conceptual Framework

Policy Transfer (EU) and Policy Assemblage (National)

- Policy transfer is the “engine of Europeanisation” (Faludi, 2014)
- Conditionality - Coercive policy transfer often leads to policy failure (Dolowitz & Marsh, 2000)
 - Is EU Regional Policy working in national contexts?
- Policies are constraining due to legal and coercive power (Pierson, 2004)
- Assemblage approach - About processes associated with globalization and transnationalism, including international policy transfer (Prince, 2010)
 - Puts policy transfer into national contexts and global processes; incorporating historicity
 - Relevant to Thelen’s (2003) ‘institutional layering and conversion’ (HI)



Conceptual Framework

Summary

- The concept of path dependence has origins in 'increasing returns' in economics, which has been applied to institutions and politics
- Historical Institutionalism (HI) provides a framework for investigating institutional change using the concept of path dependence, timing and sequence of critical junctures, and incremental change
- Comparative Historical Analysis (CHA) is one qualitative method used by Historical Institutionalists focusing on a small number of cases
- Policy transfer and assemblage literature contributes to the study of institutional change and can be used to trace the evolution of regional policy in the country cases



Comparative Case Studies

- Expert interviews are conducted to investigate the institutional transformations affecting RP, establishing:
 - A timeline of key reforms and milestones of RP
 - Interpretations of territorial cohesion
 - Effects of the neoliberalisation and competitiveness agenda
 - Success stories, challenges and conflicts



Comparative Case Studies: Hungary

Interviews

- N=10, 1-2 hours
- Subjects consist of RP experts including academics, national bureaucrats and local politicians
- Careers ranged from 5 to over 30 years of experience in regional policy, and spanned public, private and academic sectors
- Many interviewees held positions in multiple sectors and/or multiple levels of government, and began their careers in regional policy during the socialist period



Comparative Case Studies: Hungary

Selected Results

- Key milestones corresponded with national legislation (1996, 1999) and EU accession/programming periods
- Relatively complex institutional legacy of RP beginning in 1980s and shaped by multiple public bodies, e.g. government, bureaucracy and academy
- RP decentralized in 1990s, followed by re-centralization upon EU accession
 - Subsequent creation and abolition of various intermediary bodies and agencies, shifting capacities
 - Paradox of EU influence on RP - the intermediate level was *weakened*



Comparative Case Studies: Hungary

Selected Results

- Frequent changes in governing party and institutional reorganizations
 - RP was shuffled between various ministries, institutes and agencies
- Nevertheless, the centralizing trend of RP was not reversed
- Today, RP considered by all to be extremely centralized, with key functional links between local and state actors lacking or absent
- Earlier “successes” were widely considered to be undone
- Overall, RP has been unstable in the long term and institutional capacity is continuously threatened



Comparative Case Studies: Estonia

Interviews

- N=3, approx. 1 hour
- RP experts currently in academic institutions and national ministries
- Careers spanning 20-30 years with overlap in the public, private and academic fields



Comparative Case Studies: Estonia

Selected Results

- Consistent right-wing, liberal ideology of non-intervention since the 1990s
- EU concept of 'territorial cohesion' not transferred to Estonian policy
 - EU makes no demands
 - Pre-accession funds were more restrictive and territorially based
- Very few funds for RP until EU accession, institution built from scratch
 - Historical programs targeted to islands and minority groups
- Policy (and EU funds) tends to follow sectors, not geography
- Overall, cannot say there is any 'regional policy' in Estonia



Comparative Case Studies: Estonia

Selected Results

- RP has been centralised in the Regional Development Department; shifted from Ministry of Interior to Finance
- Efficiency of public administration dominates the RP discourse
- The structure of PA has been relatively stable since the 1990s
- Functions from county level are gradually centralizing
- Municipal amalgamations legislation passed June 2016
 - Opportunity for path innovation with institutional reform, but related issues of functions, municipal cooperation, fiscal reforms, technology, etc. are excluded from the debate
 - Possibly path dependent policy development, continuing the status quo with limited potential to address regional inequalities



Discussion

- A preliminary policy review found that:
 - Variations in national perspectives can be produced within the EU streamlining process, and
 - Deeper comparative understanding of national and regional political-institutional contexts is needed to move beyond the neoliberal rhetoric of EU Regional Policy that is reproduced in national documents (Loewen, 2015)
- Interviews with policy experts show that different trajectories of RP institutions in HU and EE have been shaped by institutional legacies, stability of political ideology, and EU relations
- Despite acceding to the EU through a supposedly harmonized process, the national relationships with the EU had different effects on RP
 - Strong conditionality in HU, no strings attached in EE



Discussion

- The importance of institutional capacity for RP is reinforced in both cases
 - Lack of a functioning intermediary level
 - Peripheries are 'organizationally thin' (Isaksen, 2001)
- NUTS-II as the territorial basis of RP seems irrelevant and counterproductive in both countries
 - EE: No territorial differentiation within country
 - HU: Legitimacy of the traditional county level (NUTS-III) and counterbalancing role to the national government weakened



Discussion: Questions

- RP as it looks today is the result of EU funding conditions, therefore the EU is an important path shaper
 - Does it stifle policy innovation at the national/sub-national level?
 - Financial and legal requirements (e.g. Managing Authorities) reinforce centralization and peripheralization
- Common question of whether EU requirements undermined reforms made in the pre-accession period
 - Was it the intended effect?
 - Need to expand study to include EU experts involved in pre-accession and subsequent programming period MS negotiations
- Can RP be used to empower regional actors once more and legitimize intermediary levels of government, or is the 'region' finally out of RP for good?



Next Steps & Considerations

- Czech interviews
- Expand to include EU-level interviews
- Further analysis and articulation of path dependencies and innovations
- Literature suggestions:
 - Power relations?
 - Actor networks?
 - ...



Thank you!

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