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Strategies of Regional Self-Organization in Response to Regional Differentiation

The role of coordination and trust

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Introduction

In the wake of the formation of new configurations of world wide industrial structures it is tempting to conclude, that given these conditions, the nation state - not to speak of (sub-national) "regions" - has lost its role in the provision of national welfare. Still, the conclusion of recent studies rather is, that national and regional advantages can be made. Sabel's study on Baden-Württemberg (Piore/Sabel 1984) and Telljohann's on the Emilia-Romagna (1993) and, of course, Porter's work (1990) have shown this very clearly, and it is not surprising that this has become an issue in the debate on the reorganization of structural and regional policies in the European Union. Only slowly it also becoming an issue in the candidate countries, in politics as well as in systematic scientific debate (Hausner et.al. 1995). This may be attributed to the central state structures of the transition countries, which, however, in the more developed economies, too, stand against regional decentralisation strategies – although the "structural dis-embedding" of emergent market forces and their "re-embedding" into an appropriate accumulation regime and social mode of economic regulation call for a modernisation and structural adjustment of economic and social policies and strategies.

Meanwhile this call has been heard around Europe. The problem discussed in this paper therefore is, how this new appreciation of regions as "actors" can be translated into into working politico-administrative structures: can governments perform and maintain over time the necessary communication and coordination processes? After a brief theoretical outline of politico-administrative coordination problems some results of an empirical study on regionalization processes in Northrhine-Westphalia will be presented and discussed. The example of Northrhine-Westphalia is appropriate for a consideration of regionalisation strategies in advanced industrial economies in so far, as as this region has been and still is coping with the imprints of its monostructural coal and steel past and the resulting role within the national and international division of labour. On this basis a second reflection of the results of this "new regional deal" will try to point out some issues of relevance for a debate on the rationale of a modern regional development policy.

1. Effective coordination by decentralization? Preliminary theoretical considerations.

The 'erosion of the hierarchical state' (Scharpf 1992) has been led by two basic social and political changes:

- in modern societies polycentric structures have emerged, which render it almost impossible to centrally govern societal developments or individual policy areas (Mayntz 1987; Marin/Mayntz 1991, 17; Grande 1993; Mayntz/Scharpf 1990; Willke 1992);
- since many years in western democracies consensual modes of decision-making have dominated ideal-type hierarchical top-down patterns (Lehmbruch 1967; Lijphart 1984; 1991; Scharpf/Reissert/Schnabel 1976).

These developments come to bear very clearly in the field of industrial and technology policy, but also in labour market policy, where government is just one actor among others, e.g. enterprises, associations, municipalities and the 'scientific community' (Voelzkow 1990; Grande 1993; Mayntz/Scharpf 1990, Braun 1993). These fields form a pluralistic policy

network (Kenis/Schneider 1991, 40 ff.; Scharpf 1993a, 39 f.), where formal rights are respected, but actual decision-making structures, procedures and outcomes are dependent on the contribution and commitment of other social subsystems.

Approaching the issue from the point of view of neo-corporatistic analysis, many authors anyway assume competence, 'tacit knowledge' and 'hidden endogenous potentials' etc. to be located in the regions, and that it was only consequent, from the point of view of efficient decision-making as well as from democratic theory, to move decision-making powers to where the knowledge and competence is, i.e. to the regions. And indeed, as numbers of case studies in various fields of policies have shown, obviously the capacity of central government agencies to develop differentiated solutions for differentiated problems is limited, and evidently decentralized horizontal interorganisational relations and self-coordination are able to compensate for these deficiencies¹. Still, at this point the question comes up whether negotiation and bargaining systematically produce "better" results, i.e. higher welfare gains, than traditional hierarchical modes of coordination.

Within such a framework, any coordinator, be it central government or decentral actors, would be left with two tasks:

1. to hinder the partial rationales of the participating subsystems to cumulate and to take a politically or socially unwanted direction²;
2. to structure within this "network" a "profit matrix" so that maximum profits are reached for all participants, i.e. regions or other sub-state actors.

For the sake of this paper coordination shall be defined as a welfare-theoretical problem. Welfare-theoretical efficiency can be measured along two different criteria: the Pareto- and the Kaldor-criterion (Scharpf 1991, 13f.; Benz/Scharpf/Zintl 1992, 14 ff.; Scharpf 1992, 96 ff.). The Pareto-optimum is met, when a certain solution favours at least one of the participants without putting the others at a disadvantage. The Kaldor-criterion is already met when the aggregated net-profits of all participants together outweigh the disadvantage of one or some of them. Yet for both criteria uncoordinated decisions can reduce potential welfare gains for all "players". To influence regional development governments would consequently have to display sufficient coordination capacities vis à vis regional actors. Can they?

1.1. Hierarchical coordination and self-organization: common problems

Hierarchical coordination has to tackle a motivation and information problem, and the limits of coordination by negotiation are drawn by the bargaining dilemma and the problem of (big) numbers of participants (Scharpf 1993b, 61 ff.; Benz/Scharpf/Zintl 1992, 20ff.; Miller 1992; Stöbe 1992;).

The motivational problem is the target of criticism of public choice-theory at central government hierarchical decision-making; some authors right away allege egocentric opportunism (on the side of the public actors) which can only be controlled by encompassing

¹ cf. also the debate on neo-corporatism: Streeck/Schmitter 1985; Heinze 1981

² cf. Keck 1984; Potratz 1986

formal rules and regulations (Brennan/Buchanan 1985; Williamson/Ouchi 1981, 351). The argument against that is that under these presuppositions formal regulations would be of not much use either (Simon 1991; 1993; March/Olsen 1989; Scharpf 1993b, 63). The proponents of bargaining theory, or more broadly: non-hierarchical decision-making, neither ignore nor negate the practical relevance of individual and institutional egoism or even the misuse of hierarchical powers; what they count on is the theoretical tradition of constitutional government and the "embeddedness" of actors in social values, norms and professional rules, which govern their behaviour. Still, motivation to orientate individual or institutional/organisational behaviour at collective welfare ("Gemeinwohl") remains precarious and calls for institutional structures whose incentives provide for a better congruence of individual or organisational interests and normative demands (Scharpf 1993b, 63).

Hierarchical information processing is traditionally based on the segmentation of tasks and responsibilities (Simon 1962; 1973). Communication between actors is focused on the respective organisational level or unit, and "cross-border" communications are reserved for the higher echelons. This organisation of information processing is efficient as long as internal communication and interaction is more important than with the outside. Yet with growing interdependency between tasks and functions and their interrelatedness, centralized hierarchical authorities are confronted with both an overload of information and insufficient information processing capacities. So the choice is either to keep up hierarchical structures and ignore real interdependencies, thus pushing coordination tasks farther up the ladder, or to accept real interdependencies and embark on some kind of decentralized self organized coordination and restrict interventions to those issues which definitely need to be decided at the top (Williamson 1985, 133-135; Milgrom/Roberts 1990).

Self-coordination by definition does not command hierarchical powers and authority, but is based on negotiations and bargaining between the actors concerned. They must reach a consensus about how to acquire collective welfare gains and how to distribute costs and profits (Scharpf 1993b, 65f.). Here again the argument of "opportunism" of public-choice-theory comes up: if there is only one partner behaving rigidly opportunistic and competitively, negotiations turn to a zero-sum-game allowing for neither constructive nor innovative nor broadly acceptable solutions. This danger of blockade increases, of course, with the number of participants and the number of options individual participants have at their command. Coordination by negotiation, therefore, requires - in analogy to the problems of hierarchical coordination - a norm controlled and voluntary commitment for cooperative behaviour, which opens up chances for trustful cooperation and open communication (Gambeta 1988; Häusler/Hohn/Lütz 1993). The "bargaining dilemma", thus, is made up by the incompatibility of competitive and cooperative behaviour. In so far, self-coordination as well remains precarious.

However, there is sufficient evidence that despite this apparent theoretical deadlock even in complex situations a considerable degree of coordination is achieved³. The explanation can be found in the working of the "shadow of hierarchy" (Scharpf 1993b, 67): as hierarchical structures still remain as the basic organisational framework of the politico-administrative system and as such are not eliminated, their specific mechanisms and sanctions still work, which means: bargaining results of lower levels still have to be ratified by higher levels and

³ this has already been shown in the early studies of Mayntz/Scharpf 1973; 1975

have to somehow meet the rationale of these levels, be it top administrative or political. This way rigid egoistic-competitive behaviour is controlled, because hierarchical structures, even if they are not capable of performing efficient coordination, at least define the framework within which negotiations and bargaining can take place and solutions be accepted (Scharpf 1993b, 70).

As Scharpf et.al. have shown in the case of cooperation between adjoining "Länder-" governments (Benz/Scharpf/Zintl 1993), the "shadow of hierarchy" also works in interorganisational pluralistic policy networks. Functional interdependencies create constellations, where formally independent actors time and again have to find solutions (e.g. in fields of traffic and environment planning) which serve collective welfare. Again, satisfying solutions can only be found under conditions of mutual trust and distinctly cooperative attitudes. "Trust" in such a real-life context describes a general stabile cooperative attitude among actors. Trust reduces the complexity and transaction costs of negotiations, and enhances the chances for common perceptions, interpretations of situations and cooperative (problem-solving) orientations. "Mistrust", on the contrary, leads to competitive attitudes, even animosity, and thus inevitably to sub-optimal results or even blockade.

It is not necessary (not even realistic) to assume generalized trust relations, it is sufficient, if "trust" is expressed by an attitude of indifference: actors can be sure that their interests are not unnecessarily hurt or disregarded, and in turn they are prepared not to exploit an advantageous situation to the full. At least this works as long as the pay-offs between give and take are well balanced and three conditions are met:

1. a stock of common knowledge, which enables actors to reach a collective interpretation of a situation;
2. a kind of "institutionalized memory" to guarantee that 'advance payments' are later adequately repaid;
3. and finally procedures that make sure that trade-offs or targeted welfare gains are efficiently realized.

To sum up: we have assumed that the requirements of a globalized economy call for an upgrading of the position of regions within the framework of national politics. But welfare-theoretical considerations show, that hierarchical coordination and decentralized self-coordination are confronted with similar problems: motivation (or acceptance of common norms and rules), information processing and fair distribution of costs and profits. However, the weight of these problems can be moderated by trust-relationships between actors. These are demanding prerequisites to be fulfilled, so that a general superiority of one mode of coordination over the other can not be assumed beforehand.

In the following section the results of a 'real life experiment' in decentralization performed in Northrhine-Westphalia during the late 80ies and early 90ies are summarized.

2. Changing the Management of Change: Dialogue and cooperation in regional development

To most students of regional development North-Rhine Westphalia (NRW) with its Ruhr-area is known as a typical old industrial region dominated by coal and steel. Although coal and steel have dwindled, these industries still live in people's minds and mentality. Still, one fifth of all employees in German manufacturing industries work in North-Rhine Westphalia. Major export goods are chemicals, products of mechanical engineering and cars. The size of plants is above average; more than a third of all employees working in either the mining or the manufacturing industries belong to a plant of 1,000 or more. More than anywhere else in Germany people live in urban districts. The labour market reflects the typical structures of industrial regions: less women are in employment (35% in 1991) than on the national average, unemployment has been above the average for decades, while growth rates lag behind. Yet still NRW contributes roughly 25% to the German GNP.

But this is only part of the picture: several new sectors, which are usually not connected with this country, gain in importance for regional and economic development. Düsseldorf features a thriving fashion industry and has become a focal point of financial services, trade fairs and exhibitions. In and around Cologne more people work in the mass media sector, in particular television, than anywhere else in Europe. Dortmund, traditionally known as the city of beer, coal and steel, has turned into a centre the German insurance business and thus developed as a stronghold of the service sector. Tourism, arts and culture have become economic factors, the dynamics of which are seldom realized. Yet although the economic mono-structure has diversified since the early sixties, political intervention was still required, triggered by the Montan-industries in the Ruhr area. By 1962, for example, there were still roughly 400.000 miners working in the coal mines between Duisburg and Dortmund; by 1994 their number was down to less than 100.000. To counter the permanent downswing, the 'Land' government in a new approach in 1979 organized a state-wide conference comprising all relevant "intermediate" actors for the economic development of the region.

With this initiative the 'Land' government, still tentatively, approached a strategy of dialogue, an improved exchange of information, negotiation and bargaining, decentralisation and coordination of structural and industrial policy activities between all actors involved. The aim of the conference was to more precisely identify the regionally relevant issues and to lay the foundations for a general consensus about a "Ruhr Programme" (Aktionsprogramm Ruhr), launched shortly after the conference. It included training and re-training schemes, the promotion of new technologies, city development, infrastructure and the promotion of cultural projects. A new structural policy instrument was introduced: a public real estate fund was set up for re-development of industrial wasteland, most of it heavily polluted.

Basically, the emphasis of this "Ruhr Programme" was the same as that of its predecessors; what was new about it, was that this programme marked the first experiment with a new strategic orientation: while in the 1970s there was a widespread belief that economic developments could be planned (more or less top-down), now in the 1980s the strategic thrust had shifted to give impulses for a change that was to be performed by the economic actors other than the state. The state's role was now seen as a coordinator and monitor of change.

By the end of the 1980s another paradigm of structural policy gained ground: again confronted with the massive problems of the former core sectors of the Ruhr-region a "Initiative for the

Coal and Steel Regions" ("Zukunftsinitiative Montanregionen") was implemented (and only two years later extended to all NRW-regions). Its basic idea was to more effectively coordinate and pool the resources of existing EU, federal and Land programmes. What was new, was the ambitious attempt to make local and regional actors participate in the design and the implementation of measures from the beginning. Indeed, it was the attempt to make regional development an issue of the the regions themselves.

With the "Initiatives" NRW had opted for a process orientated strategy rather than an indicative strategy setting definite goals. The basic conceptual considerations can be summarized in three points:

- a broad regionalization of structural policy was expected to open up more chances to synthesize specific local and regional potentials to achieve common benefits, mobilize specialized knowledge and encourage the regions' own responsibility for structural economic development;
- the inclusion of a broad range of actors on the regional level was meant to foster cooperative attitudes between public and private actors and initiate networks;
- intensive consultation both on regional level and between region and central government should serve to integrate structurally relevant measures and activities and gear them towards the specific regional development needs as defined by the Regional Conferences.

Its material goals again did not differ much from earlier programmes; five major policy areas were focused on:

- promotion of innovation and technology development
- training, retraining and qualifying further training
- job-creation and job-securing measures
- modernization of the infrastructure (traffic, communication technologies)
- improvement of the environment and rationalization of energy consumption

A final incentive to embark upon a new strategy should not go unmentioned: funds had become scarce. While the "Ruhr Programme" of 1979 had been staffed with DM 7 billion for four years, only DM 2 billion could be raised for the new "Initiative", combined from Land' and federal and EU-funds, for the same period of time. This called for a more intelligent, or at least an unconventional strategy.

3. Regionalized regional policy: structures, procedures and outcomes.

A necessary note beforehand: regional policy in Germany traditionally was geared towards upgrading "lagging regions", which meant the industrialisation of agricultural regions by redistribution, redirecting investment and relocation of enterprises. This was the basic model of the 70ies; however, in the 80ies the nature of the problem changed: the core of growth problems had shifted towards the "old industrial regions" and the agglomerations. The task was no longer to catch up, but to economically reconstruct and socially reorganize an existing

and socially deeply rooted structures. Northrhine-Westphalia was especially hard hit by this structural change (cf. ch. 2). There emerged something which might be called a philosophy of "egalitarianism and indigence", cultivated and guaranteed by successive governments. Practically that meant almost evenly spread assistance – irrespective of efficiency or actual achievements.

3.1. Structures and processes.

The concept was applied first to 12 coal and steel regions (covering basically the Ruhr area), later to 15 regions covering all of Northrhine-Westphalia. The institutional foundations of this concept were provided by "Regional Conferences" (RC) on the level of the regions and a Joint Managing Committee" (JMC) established with the Ministry of Economics on the government level.

The "Regional Conferences" were meant to be the central consultative body to work out development projects, set priorities and consensually formulate a "Regional Development Concept" (RDC). Central government, represented by the Ministry of Economics and the Joint Managing Committee, had refrained from setting specific guide-lines both for the composition of the RC's and procedures. Formally, because of legal reasons, it was not even required to reach a consensus on projects and concepts, but it was commonly understood that consensus was the first criterion for the submission of proposals and concepts. So in the end the regions were free to organize themselves.

The Regional Conferences were convened by one of the main regional political figures, in some cases by the District Commissioner⁴, but from then on followed the principles of self-organization. The "core groups" represented in any RC were local government and administration, unions (in most cases represented by the Federation of Unions, DGB), Chambers of Industry and Commerce⁵ and the local or regional labour offices. The District Commissioner was included in most regions, but explicitly excluded in others. Other groups representing social interests (environmental protection, women's lib groups, churches, cultural associations etc.) had been suggested as participants in the "recommendations" issued by the ministry of economics, but there were no two identical patterns discernible among the regions.

A comparison carried out in the course of an evaluation study (Heinze/Voelzkow et.al. 1993; Potratz 2000) revealed that composition, internal structures and procedures reflected the political status quo of actors rather than the philosophy of the concept. Three types of regions could be discerned:

type 1: regions with a balanced internal power-structure, which appreciated the concept as a chance to display their own ideas of future development. A broad composition of the RC was complemented by an institutional framework (a "regional office" and "regional officers") to facilitate cooperation, consultation, lobbying and coordination with central government;

⁴ the District Commissioner is part of the state administration and represents government in a certain district; Northrhine-Westphalia e.g. is divided into five districts. Among others, this authority is responsible for regional planning and development within the district.

⁵ the Chambers of Industry and Commerce enjoy a semi-public status, because they fulfill, sometimes in collaboration with the unions, public functions, e.g. in vocational training.

- type 2: regions with a precarious or labile balance of power between the main actors, which took recourse to a commonly accepted "moderator" - the district commissioner - and which followed well established administrative procedures of cooperation and consequently an "exclusive" membership of only top administrators in the RC.
- type 3: regions with an economic centre-periphery structure and unbalanced power structure, which took recourse to a broad "inclusive" composition (up to 200 members) in defense against the dominating centre - with the result of lengthy procedures and tedious, and sometimes intransparent, decision-making and consensus-finding.

The Joint Management Committee with the Ministry of Economics consisted of top administrators of the ministries involved in regional development and a small number of staff. Their task was to screen proposals, to evaluate and to check them against central government plans, coordinate them with other regional projects in case they were of interregional importance or produced external effects, and finally to fit them into the most appropriate programme. Besides that their job was to propagate the concept in the regions, advise on procedures, inform about government long term policies. As the JMC was understaffed, neither job could be performed adequately and consequently their performance provoked criticism. However, being the main link between the regions and central government, the JMC held a key position, functionally as well as hierarchically. Because of legal and constitutional reasons the concepts worked out and submitted by the regions only had a "consultative" status, and indeed the JMC was free to alter priority lists and to choose from the lists projects to submit to the cabinet for final decision or to redefine projects to fit them into certain programmes.

In addition, in the earlier phases the JMC controlled a so-called "free fund", which served either to stock up the resources allocated to a certain project or to finance a project not covered by one of the programme regulations. It was this "free fund", which had two effects:

1. it made for the main incentive to embark on this new concept and to cooperate: ministerial departments as well as regional actors perceived this fund as an additional chance to draw money for projects (and the respective clientele) otherwise farther down the priority list;
2. it provided for a certain degree of flexibility in matching projects with programmes and in the handling of special cases.

This overall construction entailed a number of implementation problems and deficiencies. Viewed from the side of the regions, the abstention from giving neither clear-cut structuring guidelines nor an explication of government's problem definitions and goals in the various fields led to uncertainties in structuring the processes and the issues of the concepts, as well as to frustration about the final outcomes, which all too often did not reflect regional priorities. Uncertainties led to mixed attitudes towards the whole process: on the one hand, actors, especially municipalities, readily joined in the process of region-wide consensus-finding, on the other hand they tried to pursue their own goals the way they had always done it: by lobbying central government departments. Frustration was mainly due to the disability of the JMC to communicate its rationales e.g. in redefining projects, and to explain internal procedures. So in the regions the decision-making situation was characterized by well familiar

game theoretical constellations (e.g. the battle of the sexes) and the well known problems of decision-making in policy networks touched upon earlier:

Type-1-regions with a balanced power structure came nearest to the philosophy of the regionalization concept, in so far as they mobilized "endogenous" resources to build up an internal infrastructure for mutual consultation, broad societal debate and the management of common projects. In terms of game theory, high trust, common knowledge and a basically cooperative attitude allowed to approximate almost optimal collective welfare gains.

Although regions with a precarious power structure (type 2) performed not too badly, their decision-making and consensus-finding processes only worked because of the disciplining influence exerted by the demand for consensus: the choice was either to collaborate, to pool resources and to produce a plausible concept, or to let central government departments decide on what they thought fit for the region - which under conditions of sharp competition for scarce resources from other regions was a dangerous option. In these "precarious" regions the basic theoretical preconditions for bargaining strategies to work: a consensus about the distribution of costs and profits, as well as a certain degree of mutual trust developed only over time.

In regions with a centre-periphery structure (type 3) the bargaining dilemma at least in the first phases led to deadlock, with consensus only about a few unspecific common denominators such as a general request for more training capacities or better traffic connections (e.g. a regular intercity stop).

Another major shortcoming was the non-inclusion or non-participation - with rare exceptions - of regional enterprises. Enterprises did not participate because they were suspicious of the philosophy of the concept as well as of the sometimes awkward and fuzzy discussion- and decision-making processes. They were not included, because the regional Chambers of Industry and Commerce had a strong institutional interest to present themselves as the central representative and mediator of "economic interests".

Still, a certain stabilization of cooperative attitudes and cooperation and coordination procedures has been reached within and sometimes even between regions. The prospects of gaining access to additional resources by means of cooperation and on the basis of regional consensus has obviously payed off. In other cases "cooperation gains" were seen as not only covering external bonuses, e.g. funding from central government budgets, but also rewards accruing from internal coordination and cooperation.

However, what goes for internal regional relationships does not go for region - government relationships. The shortcomings of the first phases of regionalization, e.g. the intransparency of ministerial decision-making, lack of communication all along the decision-chain, insufficient coordination performance, lack of creation of common knowledge etc. had not been eliminated significantly, although they are at the core of the regionalization philosophy as well as of bargaining theory. Although bargaining structures had been developed on regional level on the initiative of central government, central government itself had not embarked upon the necessary change of its own hierarchical structures. Regionalization in this case thus consists of bargaining substructures without a corresponding bargaining superstructure - a constellation where outcomes necessarily will remain suboptimal.

3.2. Outcomes: innovation by regionalization?

The ongoing global reorganization of industrial structures call for and bargaining theory promises innovative policy concepts: does the Northrhine-Westphalian model live up to these goals? The synopsis of the contents of the RDC's is rather sobering: concepts strongly resemble each other, both in structure and content. The analytical sections are generally rather uncritical and do not reveal the hallowed "tacit knowledge of regional actors"; their function is mainly that of a documentation of a "codified" state of debate. In the conceptual sections, suggestions and project proposals tend to follow the trends of the day, from the request for local technology centres to logistic centres along the main traffic axes to CNC-training centres (because the neighbouring region also had one). Generally the overwhelming part of presented projects concern public investments; enterprises and their immediate industrial environments are targeted only by a small fraction of the concepts. With very few exceptions they contain no innovative moment, but instead list long cherished projects so far not realizable. No attention is paid to ongoing general economic trends in the strategic behaviour of firms, e.g. the introduction of some kind of lean production models and outsourcing practices or their position in supply-chains. The tapping of "local expertise" remained a theoretical issue.

Another important cleavage is to whom the RDC's and their project proposals are addressed. Though for the overwhelming part it is central government funds (type 2 and 3), in some regions, particularly those outside the Ruhr area (type 1), concepts and suggestions are addressed to the local and regional actors themselves. The process of negotiation, bargaining and consensus-finding here is used to commit actors to cooperative and collective action, irrespective of central government aid. Cooperation gains were appreciated higher than immediate financial aid.

There are two differentiating characteristics between regions, which account for this cleavage:

1. especially in the Ruhr regions, economic and social history have left their imprint on enterprises, workers, unions and local government and administration in such a way, that government aid is regarded as a "national task and obligation" vis à vis a region which had been the pillar of economic reconstruction thirty years ago. The idea, that future can be shaped at home is disseminating only slowly in these areas.
2. against that some of the regions outside the Ruhr area, which are characterized by a broadly diversified industrial structure of small and medium enterprises, which are less dependent on regulated markets and which in most cases are economically better off, have seized the chance to emancipate from government programmes and to develop their own concepts about what might fit them in the foreseeable future.

4. Summing up: New paradigms, new strategies?

A review of 25 years of structural policy reveals clear paradigmatic changes in regional industrial policy. The early programmes of the 60s believed in centrally devised, top-down planned and implemented programmes. The 1970s was a decade of short-term crisis management. During the 1980s the programmes emphasised innovation and technology; also

the role of the state in economic and regional development was redesigned. The 1990s witnessed the break-through of a new paradigm, which might be called "regionalized communicative industrial policy": the state restricts itself to an organizing, impulse-giving and moderator's role, while it is up to all relevant regional actors to find out by means of dialogue, debate and consensual decision-making what steps should be taken. Has this new paradigm brought about new policies and new outcomes?

After meanwhile more than ten years of regionalization, it must be stated that the strategy of regionalizing structural and industrial policies has so far not lived up to its conceptual and political bench marks. Comparing the material outcome of this strategy with earlier programmes, it is hard to find any difference, and if so, to relate them to different modes of policy. The invocation of regional expertise, mobilisation of the regional endogenous potential and regional synergies has turned out to be incompatible with highly diversified and specialized sets of government programmes designed to serve specific needs (or vested interests) and to intervene in certain situations (e.g. in cases of competition from outside) - thus preserving once more outdated structures. Regional innovation requires innovative support structures based on an endurable consensus, "contracts" and trust within and between regions and central government. Yet active membership within the new bargaining framework almost "naturally" is being reduced to participants who command sufficient organizational capacities, manpower and financial resources - which means a concentration of decision-making on the established political, administrative and interest mediating bodies: do they really represent the regional innovative potential? To pin-point the argument even further: the described structures and processes have even enhanced a tendency of inward orientation and structural conservatism. Neither theoretically nor empirically decision-making in regional networks can go along with hierarchical intervention by the state government: new structures and modes of policy-making on the regional level need complementary structures on government level. The central theoretical and political dilemma, to simultaneously keep partial rationales in check and to structure a profit matrix to give room for endogenous potentials to mobilise has not been resolved yet.

Second thoughts.

The empirical findings are in contradiction to the proclaimed rationale of the regionalization concept, the logic of which had been to set up a support structure for a regional policy made in the regions, and thus to improve chances for collective action and efficiency. However, the institutional context and the incentives resulting thereof also allowed for non-cooperative behaviour as a rational alternative. As a consequence, the link between collective cooperative action and results (i.e. financial assistance) fell apart.

Yet this should not be taken as an argument for a hierarchical reconstruction of government – region – relations, since the insufficiencies of this particular concept have by no means proved the capability of central government to react to regionally differentiated situations. Rather, we might develop a new perspective for decentralized regional policy making, if we set up a new strategic frame. This would imply

a) to acknowledge, that the classical concept of regional policy by redistribution has neither contributed to the solution of growth and employment problems nor to structural change in lagging regions;

- b) consequently to devise growth strategies for growth potentials, even to the cost of uneven development;
- c) to introduce a competitive element to make regions politically responsible for their course of development (instead of only for the development of programmes), by using "competition as vehicle for discovery" of e.g. efficient institutional solutions and implementation strategies.

The crucial point besides competition as distribution mechanism of public (!) funds a change in the institutional structures. As has been shown, the regional conferences as embodiment of regional consensus rather work in favour of conventional solutions, i.e. within the framework of well established government programmes - and against innovative, may be risky, but may also be promising approaches, taking advantage of regional potentials and aiming at regional particularities. "Consensus" in too many cases has turned out to be rather a "cartel of perseverance" of those who live on the status quo, while competition at least also gives a chance to "benevolent conspiracies" of capable actors or alliances of actors – and may be also to finding a way out of the coordination problem?

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