

LSD

Large Scale Demonstrators

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INNOVATE - DON'T IMITATE

Large Scale Demonstrators

- Latest innovation at the European policy level
 - Promoted as a tool that goes beyond projects and sectors and actively manages eco-system
 - Starts with public funding but will be self-sustained
- Not well known so far but first tender was concluded
 - LIMES project was already launched as part of the European Mobile and Mobility Initiative
- Is this what we were all waiting for?
- How can we conceptualise policy making at the regional level or in general?
- Why does it work in some region and why not in others?
- What are proven methods to deal with change?



What we will talk about

- Three forms of change
 - Restructuring (intended and mostly considered positive)
 - Restructuring (always happening and sometimes unpleasant)
 - Restructuring (external shocks of various sort and intensity – not funny at all)
- The role and characteristics of economic institutions
 - Foundations of regional innovation policy – leaving aside rent seeking behaviour, visionaries, and other non-systematic drivers (probably the most important reasons)
- Crisis intervention: best practice in restructuring



Economic and political institutions

- Acemoglu/Robinson (2012) distinguish between inclusive and extractive economic and political institutions
 - Societies which form inclusive political and social institutions become rich
 - They enable the flourishing of human talent and the search for self-improvement
 - permit persons to use their talents, to let them exploit productivity improvements and allocate the fruits of such efforts to these persons, promote development.
 - Societies with extractive institutions led to stagnation



Economic and political institutions

- Elites uses institutions to extract surplus from the population
 - This stifles innovation and technological change because this could reduce their power of exploitation.
 - Those not part of the elite are also not interested in productivity improvements because the results will be appropriated by their masters
- Junctures
 - Black Plague, Atlantic and Indian trade, The glorious Revolution 1688, Colonialisation in South America



Examples I

- Black plague: reduced Europe's population by around half
 - Reduced labour supply increased the bargaining power of the remaining workers and led them to demand (and succeed) in having many of their feudal burdens
 - in Austria-Hungary, and Russia this led to the development of serfdom, which are really interested in productivity enhancing innovations
- Atlantic and Indian trade: created a class of merchants which eventually reduced the monopoly power of the English king.
- Large agglomerations of Aztec and Maya populations were used by their Spanish explorer/exploiters to work them in mines and plantations.



Examples II

- The “Glorious Revolution” of 1688: removed the exploitative Stuarts and brought in William and Mary of Orange whose deal with the rebels was to create much more inclusive institutions, sharing power and wealth.
 - This led to the Industrial Revolution which established English pre-eminence of an industrial power until World War I.
 - The liberty of Englishmen, their more participatory system, the budding rule of law and protection of property rights which enabled so many of them to make path-breaking inventions and innovations.
 - Austria-Hungary and Russia did not – until much later and much less – build railroads and encourage innovation for fear that the dominant power of their monarchies might become threatened.



Crisis as a teacher

- Progress and crisis are natural starting points for regional policies
 - As a reaction to restructuring at company or sectoral level
 - As an attempt to remain or become competitive
- Smart specialisation policies are (most of the time) a reaction to restructuring/crisis
- Policies in times of crisis have to be more decisive, act immediately and make systemic decision
 - What is done in years has to be done in weeks or months in times of crisis
 - Best practices during crisis help to formulate competitiveness oriented policies



Best practice in restructuring

- Measures in regional restructuring
 - Organising redeployment and developing territorial strategies
 - Restructuring at regional level
 - Developing anticipative common understanding of economic trends
 - Developing workers employability
 - Human capital development
 - Fostering multi actors and social dialogue as well as companies' networking
 - Allowing crisis management (quick fixes)
 - Short term policy intervention



Economic policy implications

- Textbook economic policy is inefficient in countries and regions with extractive economic and political institutions
 - Engineering prosperity does not work
 - Independent national bank in Zimbabwe
- That's why development policy is inefficient in many instances
 - Instruments working else do not work in environments with different institutions
- Changing institutions is not an easy process
 - Empowerment and participation is crucial



Further Reading

- Daron Acemoglu, James Robinson, Why Nations Fail, The Origins of Power, Prosperity and Poverty, Profile Books, 2012.
- Kurt Bayer blog on Acemoglu and Robinson: <http://kurtbayer.wordpress.com/2012/04/09/its-the-politics-stupid/>
- EVTA, European Restructuring Handbook, 2009, www.evta.net

