

The new economy of space and geography in the era of market integration and globalization. This is the topic of the 11th edition of the Economics Festival, hosted in Trento on June 2-6, 2016. The basic idea is that, far from being weakened or becoming irrelevant, the territorial dimension of economic growth is gaining a new salience and momentum: the regional, and often the local level provide the right scale for efficient and effective combinations of productive factors and their virtuous embedment in appropriate social and cultural contexts. Borrowing from the “varieties of capitalisms” jargon, we could say that in the new post-industrial (or neo-industrial) globalized economy, the region and/or the large city are the optimal sites to produce and mobilize effective institutional complementarities.

What is the role of politics in these trends? Just like economics and sociology, political science has increasingly highlighted, in the last decade, the return of territories and more generally “space” in political and policy dynamics. Let us briefly review this strand of analysis and debate, with a view to offering to the Trento event a different “cut” on its chosen topic.

The demise of the nation-state and the revival of “territories”

The initial spur for the “re-territorialization” of politics and administration is linked to the crisis of the spatial unit which dominated European modernity until the end of the so-called Golden Age: the nation-state. This first wave of re-territorialization (and in particular, regionalisation) occurred already in the 1970s, and was partly a response to functional pressures, originating from the administrative overload of the central state and the ensuing search for more effective management of public services and a better implementation of national policies. But it was also partly the result of politico-institutional dynamics: the implementation of specific Constitutional prescriptions (as in Italy, Spain and Belgium), growing demands for democratic participation and control (also on sectoral activities of the state, such as education, health care and social services), the gradual de-freezing of traditional cleavage structures and party systems. It was in the 1970s and 1980s that regionalist parties made their first vocal appearance in many European countries, promoting or exploiting the revival of peripheral identities and inter-territorial rivalries. Once established as directly elected levels of government, regions matured of course an interest in self-accretion, elaborating more or less deliberate strategies of “competitive region-building”, i.e. institutional strengthening, at the expenses of both other regions (a strategy that might be

called horizontal region-building) and of other levels of government (vertical region building). The rise of this new regionalism can be seen as a significant endogenous brake for the wider process of national centralization and standardization which had peaked in Europe during the 1950s and 1960s.

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The trend towards re-territorialization was also linked to the internal logic of development of the welfare state, for at least two reasons. The first has to do with the expansion of social services, in a wide sense. Even though transfers (and especially pensions) were indeed the most dynamic component of social expenditure, starting from the 1960s and 1970s social services also begun a progress of significant real growth in terms of spending, infrastructures, staff and users. The Nordic countries were the pioneers on this front. Having embarked upon this path when economic resources were not a problem, these countries have been able to reconfigure the overall profile of their welfare state in a “service-rich” direction. The other European countries moved later in time, under increasingly severe resource constraints. But since the late 1980s the resources spent on services started to grow on average also outside the Nordic context.

This recalibration towards services was largely related to the changing structure of needs in European societies. Demographic ageing, the gender revolution, changes in family patterns and behaviours have brought to the fore “care” needs that can no longer be absorbed by households –let alone single individuals. The transition to post-fordist labour markets has in turn created the need for individually tailored insertion, training and retraining opportunities that were not foreseen by traditional unemployment insurance schemes or national labour exchanges. While still relevant, class positions have become less important than “life situations” in originating social needs. Life situations are determined not only by age, gender, physical and educational status, but also by the concrete opportunities and supports offered by the surrounding territory: in particular the local availability of adequate social and labour

market services. The place of residence and its endowment of social infrastructures does affect to a very significant effect people's life chances. Let us think of one of the most pressing "new" social risks which is rapidly spreading throughout European ageing societies: dependency, i.e. the loss of personal physical autonomy due to illness or disability. The ability to cope with this risk is critically linked to the local availability of an appropriate "care package", consisting of home help, community initiatives, organised transport, targeted health services and so on. National standards can still play a significant role in the area of new social risks: for safeguarding basic cross-local equity, for supporting and promoting territorial mobility, for benchmarking and evaluation purposes. But local and especially regional contexts have increasingly affirmed themselves as optimal areas for the planning and management of new forms of service provision.

Activism in these sectors can also serve competitive region building strategies, offering to sub-national elites a promising and rewarding ground for differentiating their policies in search of legitimation and votes. When different levels of government engage themselves in a politico-institutional competition, the locus of initiative and command of social policy programs can play a crucial role: social programs designed and controlled at the regional level can become instruments for strengthening regional cultures and enhancing the significance of local communities in the lives of citizens, thereby reinforcing differentiation and centrifugal tendencies at the national level. Given the pre-emption of "old" welfare programs (i.e. traditional social insurance schemes) on the side of central state institutions, it is not surprising that regional government have strived to move first in the promotion and control of the "new" programs, re-mobilising (where available) all the historical residues of social and institutional capital in this realm (e.g. a vibrant local tradition of voluntary work and organisations and/or of firm-based apprenticeship or vocational training practices).

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The second direct link between the welfare state and the new regionalism has to do with

fiscal imperatives. The pressing need to contain costs in order to reduce deficits and debts has prompted central governments to try and regain control over sub national spending. The first wave of decentralization had typically transferred to regions and local governments spending powers in service provision, while maintaining most taxing powers at the central level. During the 1990s a second wave of reforms has taken place in many countries, aimed at reconfiguring centre-periphery financial relations with a view to increasing the fiscal responsibility of sub national units. Rigid institutional constraints have been posed on the expenditure side, sometimes (as in Italy, Belgium and Germany) by stipulating an internal “stability pact” for complying with EMU requirements. Financial transfers from the central government have been reduced, forcing sub national governments to raise local resources in order to finance their own social programs. This “decentralization of penury” has been driven not only by functional pressures, but also by political calculations. “Passing the buck” to sub national governments had the obvious advantage of diverting towards them the blame for unpopular policies of retrenchment.

The effect of this new phase of centre-periphery relations has been a growing politicisation of the issue of inter-territorial transfers and solidarity. The new politics of austerity has acquired a salient territorial dimension, pitting richer vs. poorer, winner vs. loser areas, while regions have become important and vocal “entrenched interests” in the difficult game of welfare state recalibration. More “pay” (i.e. financial responsibilities) has prompted more “say”, encouraging regions to mobilise in all the relevant policy-making arenas and to occasionally act as powerful veto players. To the extent that regional mobilisation to block, influence or even disobey national decisions has been successful (as in the experience of Catalonia, Scotland, Flanders, even Lombardy), the decentralization of penury has fostered and accelerated, rather than contained, vertical region building dynamics. Instead of leading to a regained control over the peripheries, the second wave of centre-periphery reforms has ended up by strengthening regions both politically and institutionally.

The 21st century has thus begun with a marked revival of “peripheries” within European nation. Regions have increasingly become the spatial units of reference for organising a collective response to social needs and for the activation of developmental dynamics. Regional and local governments, as well as the authorities of large metropolises, have become important political and institutional actors; they are also prime protagonists and focal points for the emergence and functioning of those governance networks, extended to non public actors, which are becoming more and more important for the design and implementation of many social and economic programs aimed at territorial growth and development.

European integration, neo-regionalism and the rise of competitive solidarities

The revival of peripheries and the appearance of competitive region building have been promoted not only by endogenous elements, but also by two exogenous factors: economic internationalization and European integration. Starting from the 1980s, the growing openness of domestic economies and the creation of the single market, coupled with improvements in technology and communication as well as the rise of multinational corporations, have fundamentally altered the nature of territorial competition. During the Trente Glorieuses, national economies essentially functioned as “black boxes” connected to each other by flexible exchange rates. The metaphor of a black box is meant to highlight the self-contained nature of national territories and the relatively high degree of domestic sovereignty of their governments. As part and parcel of the black box, regional (i.e. within-state) territories were not directly and autonomously exposed to foreign competition. National boundaries carefully filtered their external transactions, locking them into a robustly bounded regulatory space. The public budget took care directly or indirectly of regional disparities and imbalances within the black box.

In the new liberalized context that has been gradually emerging since the 1980s, regional territories have come to find themselves into a completely different situation. The removal of boundaries has opened up unprecedented opportunities (and/or risks) of direct and autonomous cross-border transactions based on a logic of “naked” competition, i.e. a competition no longer (or more weakly) mediated by national regulatory regimes and flexible exchange rates. The objects of this competition are basically markets, investments and technology. In order to survive and be successful in the new environment, regional territories must be apt in valorising all available assets and comparative advantages: the logic of economically integrated areas is precisely that of promoting competitive specializations. Territorial differentiation is linked not only to economic assets and advantages *stricto sensu*, but also to social and institutional assets which can make a difference for attracting desirable mobile resources. Thus a region’s development is increasingly dependent on the overall “quality” of its territory: and not surprisingly quality enhancement (e.g. of local infrastructures, public services and administration or human capital) is one of the leading themes of the new region-building process and its politics. The strategies of competitive differentiation pursued by regional governments during the last couple of decades can be fruitfully interpreted in terms of “boundary-building”, i.e. the creation of novel spaces with increasingly distinctive public policy profiles, aimed at favouring insiders and at attracting

groups of outsiders that can bring advantages to the regional community. To a certain extent, these regional boundary-building strategies echo the traditional strategies already experimented with by national state-builders of different ideological leanings.

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European integration has fostered peripheral revival and neo-regionalism not only indirectly through market making, but also directly through its cohesion policies. In a nutshell, it can be said the emergence of a distinctive supranational policy of regional support and cohesion has had the following main effects:

- it has contributed to the re-politicisation of territorial cleavages and in particular of the issue of inter-regional redistribution;
- it has enhanced the salience and visibility of meso-governments as both membership spaces and as institutional and political actors ;
- it has made available new and increasingly substantial resources (primarily, but not exclusively, financial), both from the EU budget and from national budgets (through co-financing rules);
- it has provided further incentives to both horizontal and vertical region building dynamics, often acting as a catalyst for the formation of local developmental coalitions and of institutional capabilities;
- it has established and institutionalised a direct channel of access to supranational authorities on the side of such coalitions and thus direct means of communication between EC institutions (in particular the Commission) and the “third level” of governance.

All these developments have brought about a significant recalibration of Europe’s centre-periphery relations. If the debate on the economic impact of structural funds has produced conflicting findings, the literature on the politico-institutional consequences of the EU cohesion policy tends to agree that its net effect has been a substantial empowerment of sub

national governments vis-à-vis national ones.

The new dynamics of territorial competition and regional empowerment unleashed by European integration have intertwined with and reinforced most of the endogenous trends towards sub-nationalization. More fundamentally, however, they have put in place a new configuration of actors and opportunity structures in the sphere of territorial politics. As far as actors are concerned, the main novelty is not regional empowerment per se, but the complex web of different coalitions that can emerge from the proliferation of levels of governance. Horizontal inter-regional coalitions (possibly cutting across national boundaries) and vertical regional-supranational coalitions are obviously the most innovative combinations that can be registered on this front. As far as opportunity structures are concerned, the main novelty is a significant expansion of options for regional actors (especially the members of local developmental coalitions) to freely move across the geographical space of the EU (and even further out) in the pursuit of regional goals. The new institutional context provides also unprecedented opportunities for a region to opt out of certain existing domestic regulatory regimes, to stay out of newly established ones, to join inter-regional or EU wide programs: in other words regions can increasingly constitute themselves as distinctive localities, bounding or de-bounding themselves according to their own region-building strategy .

This new configuration is likely to confer to the emerging EU political system a “stratarchic” imprint, i.e. to orient it towards a pattern of political transactions less structured on cross-local functional conflicts and alliances than on cross-level territorial ones. In a “stratarchy” the predominant mode of representation and political production will be based on the interaction between sub-state territorial coalitions of social groups and their territorial rulers, the national rulers and the centre-builders and central claimants at the EU level. Cross-territorial patterns of interaction, functional conflicts and alliances (both within the nation-state and in the EU system as whole) will obviously not disappear: but they will tend to be disturbed and deconstructed by the increasingly salient territorial issues of contestation and channels of representation.

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If these interpretative lines are correct, what are the implications for solidarity and sharing

ties? Will the dynamics of competitive region-building, stratarchic representation and EU central consolidation push in the direction of a significant sub-nationalization of social protection? Welfare policy does offer a fertile ground and precious resources for processes of politico-institutional structuring and re-structuring. As mentioned above, European societies are changing in a direction that renders place-based differences in life situations a relatively more important source of needs than traditional class-based inequalities. Conditions may thus be ripe for an evolution towards a model of “competitive solidarities” constituted around sub national communities, often backed by symbolic, financial and other resources provided by EU supranational authorities. Research on the new regionalism has underlined that the actual content and flavour of such territorial systems of solidarity may vary greatly, ranging from an exclusive-xenophobic extreme to an inclusive-cosmopolitan one. The latter model is obviously the most suited to promote the virtuous circles of economic development, social progress and institutional complementarities. In the wake of the crisis, however, the exclusive-xenophobic model has been gaining an increasing and alarming momentum.

The crisis and the dangers of exclusionary forms of spatial politics

Political parties with a restrictive agenda (typically right wing populist parties) are becoming more and more popular in Western Europe. Right-wing populism made an early appearance in the 1970s and 1980s, taking the form of anti-tax and anti-bureaucratic campaigns mainly addressed to a petite bourgeoisie of self-employed and small businesses: this is for instance the experience of the National Front in France or the Progress Parties in Norway and Denmark. Once established as organized political parties, however, these populist movements have gradually soft-pedalled their anti-welfare state profile, playing to other themes such as the fight against privilege and corruption, opposition to spending cuts (for native male insiders) and foreign immigration. The evolution of the Danish People’s Party (DFP), the Austrian Freedom Party (FPÖ), the National Front (FN) in France well represents this ideological turn, which has attracted towards these formations also the support of working-class voters, made anxious by globalization trends, economic shocks and occupational upheavals.

Negative attitudes towards migration and openness are typically associated with the socio-economic vulnerability of respondents, thus confirming the insight of “threat theory”: negative perceptions increase in contexts characterized by competition over scarce resources (jobs, services) as well as the size and the cultural distance of the outgroup. In the

Netherlands, France, Italy and especially the UK, populist parties call for an exclusionary reorientation of existing welfare state schemes, creating a sharper divide between nationals and members of other EU countries, nationals and extra-EU migrants, let alone illegal immigrants. More generally, such parties have adopted marked souverainiste profiles and have launched an overall attack against integration and the EU as such. Rising migration flows and inter-cultural relations have brought fuel also to the various “ethno-regionalist” parties, pushing them to enhance their anti-immigration and protectionist profiles. The growing presence and visibility of “otherness” allows these parties to magnify and mythologize local/ethnic cultural forms, often through historical manipulation. The local *Gemeinschaft* is thus presented as the natural place for identity-based forms of exclusionary sharing, highly reluctant to open themselves to strangers, and even neighbours. The increasing appeal and social entrenchment of such mindsets erodes the cultural predispositions for the acceptance and practice of inclusive cosmopolitanism. The revival of “place” and “territory” does constitute a precious economic opportunity for outlining new trajectories and modes of growth. It may also pave the way for the regress of Europe into a Fortress of Fortresses (national and even sub-national), with detrimental effects on economic development and social inclusion.

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