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Post-socialism and transition

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Introduction

The concepts of post-socialism and transition are commonly used as territorial and temporal descriptors referring to the countries which experienced state socialism and to the period after the fall of this system. The rationale behind studying local and regional development in post-socialist areas lies in the belief that the social system of socialism as it actually existed had distinct features which could make development processes to some extent different from their attributes in other areas. From the evolutionary perspective, we cannot understand current structures and processes, if we do not know their historical roots.

The objective of this chapter is to identify the structures and mechanisms which are reproduced, transformed and/or created in the post-socialist era. This involves the analysis of various economic, social, cultural, and political factors which operate at different geographical scales (local, regional, national, European, global) and which originated in the pre-socialist, socialist, and post-socialist milieu. The focus is primarily on European post-socialist countries.

At the outset a brief survey is necessary of the specific qualities of local and regional development under socialism. This leads to a discussion on the current impact of the structural, institutional and cultural legacies of socialism, and the emergence of new mechanisms of development. In this context the chapter addresses the issues of the winners and losers in contemporary local and regional development, the spatial disparities which result and their explanations. The roles of the key actors are considered from the relational and institutional perspective, including global forces, local agency and public policies. The chapter is concluded by a debate on how far the transformation processes can be conceptualized as transition, modernization, and Europeanization or as a unique process.

What was specific about local and regional development under socialism?

The economic and political system

The socialist system was underlain by a belief in the necessity and possibility of creating new social reality. This mission was pursued by the centralized power, which attempted to control all economic, social and political activity, among other things, through state
ownership of the means of production and means of consumption. Priority was given to economic growth and an accompanying ideology of industrialization as the means of progress. The socialist economic policy is described as an ‘extensive development strategy’ as high rates of growth in output were pursued by maintaining high rates of growth in inputs rather than by increasing efficiency. There were soft budget constraints and as a consequence an unlimited expansion drive, in which overinvestment resulted in shortages, which in turn justified further investment. As a result the economy was limited by supply rather than by demand and became an economy of structural shortage (Nove 1986; Kornai 1992).

The fundamental feature of the system was the existence of non-market relationships between enterprises and the administrative allocation of social goods in society which by and large replaced the ‘anarchy’ of market exchange. This gave rise to the power of gatekeepers – state agents controlling access to scarce resources. Large industrial producers from the priority sectors integrated the role of employers and gatekeepers and hence gained enormous influence in local and regional space. This merger of the spheres of distribution and production represented industrial paternalism underlain by labor shortages. Industrial gatekeepers sought control over the labor market and, as a result, the administrative allocation of scarce goods and services by key state producers became the major source of social and spatial inequalities (Domariski 1997). This was a special type of segmentation of the labor market.

In sum, this social order was distinct from capitalism as major economic activities were not conducted by private firms, accumulated private wealth and unemployment were not the principal determinants of social inequalities, and market relationships were largely replaced by non-market mechanisms of distribution of goods in the economy and society. The socialist economies of Central and Eastern Europe were relatively isolated from the world economy, largely over-industrialized, dominated by big state-owned enterprises and a limited number of SMEs.

Regional development and spatial disparities

The emphasis on industrial expansion contributed to the fast growth of industrial areas. This generally enhanced disparities between more developed and less developed regions; new growth centers mainly emerged in areas of resource extraction. Numerous medium-sized and small towns dominated by a single industry and/or factory were created and/or expanded. Capital cities and regional administrative centers were in a privileged position due to the system of administrative allocation of social goods. There was a profound crisis for non-industrial small towns. They had lost their traditional central place functions due to the nationalization and concentration of the retail trade and services, together with the capturing of allocative functions by state-owned industrial and agricultural employers.

Another effect was the reproduction of, and even an increase in, the urban–rural contrast in terms of the standard of living. Vast rural regions were typical areas of multiple deprivation: poor housing conditions, limited educational opportunities, inadequate health services, etc. In addition, spatially concentrated industrial growth generated permanent demand for labor supply, which was satisfied by mass migration of young people from rural areas leaving behind a disproportionate share of the elderly.

Rural commuters constituted an underprivileged group produced by the creation of new jobs with limited housing opportunities in urban places. They were paid wages, but denied access to housing and social services available in towns. Underlying all this was inadequate public transport provision oriented to serving the needs of major industrial employers.
Urban issues

Large cities and medium-sized industrial towns experienced faster growth and enjoyed relatively better life chances than small towns and rural areas. However, they suffered at least to some degree from so-called ‘crippled urbanization’ (Domanński 1997). The endemic feature of urban growth under socialism was the imbalance between industrial expansion and underdeveloped housing and social infrastructure provision. This can be accounted for by the absence of mechanisms linking local economic and population growth with the supply of infrastructure and services. There was no local taxation and there were no multiplier effects – mechanisms, whereby local authorities and independent agents could develop provisions in response to the demand created by the employees. Planning, which was meant to substitute for these mechanisms, failed since the socialist system lacked agents capable of enforcing local and regional plans. Local and regional authorities always had very limited bargaining power with the economic entities which controlled the basic assets and represented branch ministries – the pillars of the socialist system of power. Thus large industrial employers were able to disregard territorially organized administration and shift scarce resources to their advantage (Smith 1989; Domanński 1997).

Vast groups of town dwellers experienced deprived access to many social goods due to industrial paternalism; women and the elderly were most affected. Industrial towns offered limited secondary and tertiary educational opportunities, being oriented at supplying the manual workers sought by industrial employers. There were company enclaves in towns and some urban places became company towns. The deteriorating conditions in old residential districts resulted from a preoccupation with the supply of new dwellings and the neglect of the existing housing stock, which reflected both the ideologically laden emphasis on the new at the expense of the old and the pressure of major employers demanding a new labor force. Last but not least, the serious environmental problems that arose in many places stemmed from the lack of environmental concern.

All in all, industrial towns were privileged vis-à-vis other urban places which might suffer from stagnation, but they often experienced pathological growth themselves. The activity of huge industrial enterprises did not contribute to the development of the socialist town but rather represented development in the town, bearing some resemblance to the effects of industrialization on early capitalist towns. This was underlain by suppressed local initiative, deficient social institutions and the absence of territorial self-government.

Post-socialism: the role of path-dependence vs. new mechanisms

The emphasis in many publications on post-socialist transition is on macro-economic and political institutional changes, namely privatization, liberalization, democratization, and internationalization. The major focus here is on the one hand on the impact of socialist and pre-socialist legacies and on the other on the emergence of new mechanisms and factors of local and regional development.

The restitution of private ownership of land and other assets was a complex, inevitably conflict-ridden process, which took different forms in individual countries. It produced fragmented ownership in certain domains and areas, and its concentration in others. One specific institutional legacy is an uncertain legal status of some areas and inconsistencies in the cadastre system which may frustrate tax collection and investment. A different division of power and relationships between the state and local/regional authorities was molded in various countries. There were powerful agents responsible for ownership transfer, e.g., Treuhand in eastern
Germany. Finally, new foreign-controlled players, including global transnational corporations (TNCs) and international bodies (e.g., IMF, EU), began to play an important role. All these institutional transformations entailed change in economic linkages and power relationships discussed later.

From the point of view of local and regional development, the critical change took place in the functioning of the labor markets (Rainnie et al. 2002). The shift from a situation where employers had to search for employees to an employer-dominated market and unemployment led to the erosion of the gatekeeping role of large employers as distributors of social goods in local communities. The re-emergence of demand-led multiplier effects eradicated the former imbalance between the production of capital goods and the supply of consumer products and services in urban areas. At the same time, new mechanisms of social and spatial inequalities appeared based on the segmentation of the capitalist labor market and the spatial reorganization of economic activities, worsening access to social goods for certain groups and places. Spatial variation in housing costs became a significant factor in migration. Suburban migration of the middle-class increased, whereas the mobility of the poorer segments of society was impeded (Pickles and Smith 1998; Bradshaw and Stenning 2004).

The fundamental material legacy of the pre-socialist and socialist past lies in the economic structures of towns and regions, their infrastructure and environmental situation which usually foster continuity and sometimes change in development trends. They are also affected by local educational levels and facilities and the demographic structures formed in the past.

Important as the changing formal institutions and material structures are, we cannot ignore the impact of the range of informal institutions and practices embedded in social networks and culture. There is enormous variation in social images, aspirations and activities at national, regional and local scales. This finds economic expression in entrepreneurship levels and attitudes to work and can be related to earlier migrations and contacts with relatives and friends in Western Europe and North America. One should not forget about the differences in the nature of the socialist regimes, some of which left more room for individual economic activity and contacts with abroad. The devastating impact of the erosion of trust in the relationships between citizens and public institutions characteristic of state socialism lasted longer in some regions than in others. A widespread belief in the irreparable crisis inherent in the socialist system, with its lack of hope, made the inhabitants of some Central European regions more open to radical change in the early days of the transformation. Where people widely believed that vast changes were necessary and/or inevitable, they were more prone to face up to new challenges, even though they could be disappointed with the consequences of the reforms. The significant differences in contemporary public attitudes, civil activity and institutions persist. Many authors point to the legacy of the old cultural divide between Western and Eastern Christendom and Western Christianity and Islam. A specific merger of political and economic power structures, patron–client relations, an aversion to transparency and high corruption levels may be rooted in the former Tsarist, Soviet and Ottoman monopolization of power (Turnock 2003; Van Zon 2008).

On the whole, there are clear indications of both continuity and new mechanisms of local and regional development related to the (re)introduction of a capitalist economy and the integration into global networks and dependencies. Path dependence can be identified especially in the case of some patterns of ownership, the layers of investment, the reproduction of demographic and educational structures as well as public attitudes and civic activity built upon pre-socialist foundations. The new labor market segmentation...
Regional disparities and their explanations in post-socialism

Metropolitan areas

The most obvious winners of the post-socialist transformation are metropolitan areas. They benefit from the development of advanced producer services, a broad range of consumer services and the location of new manufacturing plants, being the most attractive place for both foreign investment and the growth of small- and medium-sized indigenous firms. Partners for cooperation can more easily be found here, so large investors are more likely to become regionally embedded.

The success of metropolitan areas rests on the size of their market, a pool of skilled labor and good accessibility. Therefore they take advantage of their favorable position inherited from the past and profit from new locational factors which came to the fore with the advent of the market economy. The growing diversified economic base, international linkages and the increasing standard of living nurture agglomeration forces which may sustain their further growth. This is especially true of the metropolitan areas based on major cities, which host high-order service functions. The development of polycentric urban regions may be slowed by their industrial legacy.

Industrial regions and towns

The intensively industrialized regions and localities found themselves in a dubious situation with the fall of socialism, which prioritized industrial growth. They lost their privileged access to public resources at the same time as their major firms were made to face up to previously unknown foreign competition. Their performance is conditioned by the success of the sector and/or of individual enterprises.

The effects of deindustrialization are most dramatic in single-industry or, still worse, one-factory towns, which are the product of early capitalist or socialist industrialization. The places that relied on shrinking sectors, such as manufacturing of textiles, heavy engineering and military equipment, and resource extraction became especially vulnerable. Towns dominated by huge defense-related producers, expanded during the Cold War arms race, were often developed in peripheral regions for strategic reasons.

The seeds of the crisis in many industrial towns and regions can be found in their economic structure and its social and institutional consequences. The structurally unsustainable dependence upon individual sectors and on large plants, commonly with obsolete technology, was accompanied by weak SMEs and an underdeveloped tertiary sector with a distorted educational structure. The situation could be exacerbated by environmental problems. From the point of view of locational factors which have become important in the market economy, many industrial towns lack a large enough market, adequate services and attractive living conditions, a quality labor force, and sometimes good accessibility. The symptoms of a crisis have sometimes triggered a defensive reaction geared toward maintaining the old local/regional trajectory and opposing changes – a path-dependent mechanism of institutional lock-in (Grabher and Stark 1997). Thus deindustrializing towns can not only experience the disappearance of their former economic activities, but, to make matters worse, may not be able to mobilize local financial and cultural assets to launch themselves on a new development path. This is accompanied by the growing intra-urban social disparities typical of post-socialist towns.

Still, towns and regions dependent on growing industrial sectors and firms may
do well. For example, one can observe the growth of several export-oriented resource-producing regions in Russia (Bradshaw 2006). Large old industrial regions with good accessibility may undergo successful restructuring, despite a decline of traditional sectors, attracting new manufacturing and service activities thanks to their large market, technical skills and other economies of agglomeration.

**Peripheral non-metropolitan rural areas**

The inferior position of non-metropolitan rural regions has been significantly aggravated in the post-socialist era. Poor accessibility associated with the inadequate road system has undermined their attractiveness to investment and has become a barrier to spill-over effects from the growth of metropolitan areas. Fragmented private agriculture with hidden unemployment, the collapse of state farming, the closures of socialist branch plants, and the shortage of young and educated people lie at the root of the generally low standard of living, limited market and poor human capital. All this hinders the multifunctional endogenous development of rural regions (Turnock 2003). A more favorable situation can be found in some border regions which may now profit from local transborder trade and service activity. This is especially the case with areas adjacent to the old EU countries. Other more successful poor areas may include the main transportation corridors.

**Spatial dynamics and disparities: continuity or change?**

There is a fundamental question concerning continuity or change in patterns of local and regional development in post-socialist countries. In general, diversified metropolitan regions perform better than industrial towns and regions and non-metropolitan rural areas. This indicates the reproduction of some earlier spatial structures, but also newly emerging patterns in the form of the fast growth of suburban and outer metropolitan zones along with the crisis of some industrial areas.

Thus, both elements of continuity and change are evident, though some sort of continuity seems to prevail. This is evident in the strengthening of many developed regions and the formidable barriers to development faced by peripheral ones. The continued privileged position of the former can be interpreted as the result of self-reinforcing processes fostered by forces of agglomeration built upon earlier structures and their conformity with the new needs of market, accessibility and quality of labor. They also offer the best innovation and learning potential. A stable settlement hierarchy with a dominant position for major cities is vital here. A small market, low standard of living, and demographic distortions in peripheral rural areas cause limited local entrepreneurship and slow development. Eastern regions can be particularly disadvantaged from the foreign investment and export linkage point of view when compared to areas in geographical proximity to Western Europe. On the other hand, the structural legacies may put certain towns and regions at a disadvantage due to their dependence on shrinking industrial sectors and the vulnerability of single-factory towns.

The salient mechanisms underlying current local and regional development trends are of an economic nature, but demographic, social and cultural determinants have a profound effect. The impact of local and regional structures has been strengthened rather than superseded by new international relationships. The importance of local trajectories of development manifests itself in the fact that prosperous towns and pockets of unemployment or stagnation are often found next to each other in both growing and declining regions, reflecting successful or unsuccessful local restructuring processes and adjustment to the circumstances of the global economy.
All things considered, there seems to be a general increase in regional disparities encouraged by both endogenous and exogenous factors, which facilitate the development of more advanced regions, metropolitan areas in the main, and marginalize the weak regions. This results in the reproduction of the prosperity and backwardness from the pre-socialist era, which was — through different mechanisms — maintained under socialism. Thus, the contemporary spatial patterns of local and regional development appear as a structure of long duration.

There are obviously differences in spatial disparities and processes between post-socialist countries depending on the size of countries, their historical divisions, and the dominant position of the capital in the urban hierarchy, e.g., Budapest in Hungary vis-à-vis Warsaw in Poland.

Global forces, local agency and public policies: key players in the relational perspective

Finally, we may take into consideration the changing role of various agents of local and regional development and relationships among them. The obvious effect of the opening of former socialist economies and societies was greater dependence of towns and regions on processes and phenomena in faraway places. The earlier dependence on Soviet decision-makers and central decision-making bodies, mainly industrial ministries, has been replaced by the influence of transnational corporations and international organizations. TNCs’ investment is an evolutionary process involving learning and bargaining with various local stakeholders. The scope of their embeddedness in networks of local relationships is vital from the point of view of the multiplier effects they generate in the regional economy and the endurance of their activity in particular places. The role assigned to particular places by TNCs affects their upgrading or downgrading in global value chains and affects their development prospects. Foreign investors are responsible for strengthening more developed regions at the expense of weak ones since they are orientated to nationwide or international markets and search for a quality workforce.

The impact of the World Bank and the European Bank for Reconstruction and Development is often underscored as providers of blueprints for market reforms and the source of funds supporting macro-economic stability of post-socialist states. The aspirations to join the EU, and accordingly West European influence, became important to the new Member States. It is too early to judge the effects of EU funds on the development of problem regions.

The nation state has been instrumental in the transformation process due to its central role in the overhauling of the institutional system regulating various spheres of social and economic activity. This gave room for formal or informal bargaining between domestic and foreign firms and governmental bodies for favorable solutions concerning public support, domestic market protection, etc. Despite common external influences, the regulations and policies adopted in particular post-socialist states differ significantly, e.g., labor-market regulations and the division of competences between central, regional and local levels of public administration (e.g., Swain 2007). The lack of coherence and stability of national policies along with the low effectiveness of many government institutions undermines their strategies. Long-range innovation policy is especially missing.

There has been no consistent and comprehensive regional policy. There are public incentives offered to large investors in the form of tax exemptions or public subsidies. Despite some efforts to use them as instruments for attracting investors to problem areas (e.g., in the Polish Special Economic Zone program), they are usually standard forms of public support — the preference is for attracting foreign investors to the country rather than directing them to selected regions.
Government support for peripheral areas is mostly through infrastructure, especially road, investment. Several post-socialist countries have redrawn their regional administrative boundaries, e.g., preparing for EU accession. Older ethnic and religious divisions re-emerged as the basis for regionalist and sometimes separatist tendencies. Political breakup and military conflicts hindered the economic development of some areas.

The salient change has been a revival of elected local government which may represent the community, provide public services and have its own revenues. It has a significant impact as the activity of local leaders may mobilize the community, breaking out from dependency culture and creating the atmosphere of local success. The role of regional authorities is usually less prominent, though they can be involved in the allocation of the EU structural funds now.

NGOs and trade unions are part of a broad institutional setting missing under state socialism. Trade unions lobby for governmental support for certain places, whereas NGOs may both strengthen local social and economic activity and oppose certain investments, e.g., on environmental grounds.

All these main groups of actors are linked by a multitude of relationships of competition, conflict, cooperation, and control. Crucial relationships forged anew under post-socialism include those between foreign and domestic enterprises, between firms and public authorities, and between state institutions and local government. In comparison with state socialism, post-socialist regions are characterized by an increased role of both global actors and local agents.

The local and the regional should not be seen just as an arena, an obstacle or receiver responding to changes prescribed at the national or global scale. There is copious evidence that local and regional actors, the role of which was denied under state socialism, are vital. The activities of local governments and other institutions, together with the quality of human capital and public attitudes, constitute the basis for citizen mobilization and enterprise strategies. Local agency matters a great deal, hence endogenous capacities for development are crucial. The enhancing of these capacities should be the main task of public policies at all levels, which cannot only be preoccupied with the improvement of technical infrastructure (Gorzelak et al. 2001). The strengthening of linkages between peripheral regions and fast-growing metropolitan areas is also important so that the former could benefit from the multiplier effects of the latter.

**Conclusion: transition as modernization or a unique process?**

The validity of the notion of transition is questioned as implying a short-term, teleological change from socialism to capitalism treated as a single ideal type. Critics point out that the idea of transition ignores the evolutionary nature of post-socialist changes and suggests that they end with the achievement of a certain predefined state (Grabher and Stark 1997; Pickles and Smith 1998). In fact, transition constitutes a specific form of the concept of modernization. Thus we may ask about the nature of post-socialist transformation from the point of view of local and regional development processes. How far can it be conceptualized as transition or modernization?

“Modernization” views development as progress. It appears as a teleological (aiming at a certain known end), uniform, linear, and normalizing process. The “underdeveloped” countries and regions have to follow the path of the “developed” ones, moving to higher stages of development, epitomized by the latter. This rests on the geographical dichotomy of core and periphery; the process of development means that peripheral regions become similar to the areas regarded as “advanced” (core). In the context of post-socialist Europe, this means adoption of the West European economic and political models.
“Europeanization” is another concept belonging to the modernization perspective. It substitutes for the socialist model of modernization, which formerly dominated Central and Eastern Europe.

The problem with the interpretations conveyed by the notions of transition, modernization and Europeanization is that they offer a partial, one-sided understanding of post-socialist transformation. There is undoubtedly an element of modernization and there is a process of becoming more similar to West European countries, but they cannot be treated as general models explaining post-socialist changes. The post-socialist transformation comprises multiple processes of change, including the (re)introduction of liberal democracy, marketization, technological modernization, globalization and, in some cases, European integration. Many processes are rooted in structures, social cognition, practices and sequences of events from the pre-socialist and socialist eras; hence they are in a broad sense path-dependent. This means that current patterns and changes cannot be understood without a broader historical perspective. There is no single pre-determined final stage and/or model to be achieved, the transformation is not a process of normalization which would simply lead to copying the attributes of advanced West European regions (Bradshaw and Stenning 2004; Domanski 2005). Any deterministic interpretation can be challenged on the grounds that the processes of post-1989 development could have taken a different form in many post-socialist regions.

The belief in a single “jump” from socialism to capitalism presumes the ability to totally revamp social systems in a brief period of time, thus showing some resemblance to the faith of the socialist leaders from the past. Post-socialism constitutes a structural shift including elements of modernization mediated by the reproduction of former socialist and pre-socialist mechanisms and spatial patterns together with the creation of new ones. There were piecemeal changes and meandering policies. It has been a unique process in some respects; certain factors and mechanisms may remain specific to post-socialist regions like to post-colonial ones.

The experience of local and regional development under socialism and post-socialism confirms that national, regional and local structures, mechanisms, and culture make a difference even at a time of major economic and political shocks. This also shows that many social, economic and spatial structures are structures of long duration. This is visible in economic structures, settlement and infrastructural networks as well as in human minds and behavior. Culture appears no less important than institutional structures in the path-dependent processes. In the evolutionary and relational perspective, post-socialist transformation can be seen as a critical juncture in which the development paths of regions and localities are molded by the interaction of older structures and the agency of various local, regional, national and global players.

References


Further reading