



# The Routledge Handbook to Regional Development in Central and Eastern Europe

Edited by Gábor Lux and Gyula Horváth

# The Routledge Handbook to Regional Development in Central and Eastern Europe

Twenty-five years into transformation, Central and Eastern European regions have undergone substantial socio-economic restructuring, integrating into European and global networks and producing new patterns of regional differentiation and development. Yet post-socialist modernisation has not been without its contradictions, manifesting in increasing social and territorial inequalities. Recent studies also suggest there are apparent limits to post-socialist growth models, accompanying a new set of challenges within an increasingly uncertain world.

Aiming to deliver a new synthesis of regional development issues at the crossroads between 'post-socialism' and 'post-transition', this book identifies the main driving forces of spatial restructuring in Central and Eastern Europe, and charts the different regional development paths which take shape against the backdrop of post-crisis Europe. A comparative approach is used to highlight common development challenges and the underlying patterns of socio-economic differentiation alike. The issues investigated within the Handbook extend to a discussion of the varied economic consequences of transition, the social structures and institutional systems which underpin development processes, and the broadly understood sustainability of Central and Eastern Europe's current development model.

This book will be of interest to academics and policymakers working in the fields of regional studies, economic geography, development studies and policy.

**Gábor Lux** is Senior Research Fellow at the CERS Institute for Regional Studies, the Hungarian Academy of Sciences, Pécs, Hungary.

**Gyula Horváth** was Research Advisor and former Director-General of the CERS Institute for Regional Studies, the Hungarian Academy of Sciences, Pécs, Hungary.



# Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

---

# The Routledge Handbook to Regional Development in Central and Eastern Europe

*Edited by Gábor Lux and Gyula Horváth*

First published 2018  
by Routledge  
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

and by Routledge  
711 Third Avenue, New York, NY 10017

*Routledge is an imprint of the Taylor & Francis Group, an informa business*

© 2018 selection and editorial matter, Gábor Lux and Gyula Horváth; individual chapters, the contributors

The right of Gábor Lux and Gyula Horváth to be identified as the authors of the editorial material, and of the authors for their individual chapters, has been asserted in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

*Trademark notice:* Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

*British Library Cataloguing-in-Publication Data*

A catalogue record for this book is available from the British Library

*Library of Congress Cataloging-in-Publication Data*

A catalog record for this book has been requested

ISBN: 978-1-4724-8571-7 (hbk)

ISBN: 978-1-315-58613-7 (ebk)

Typeset in Bembo  
by Keystroke, Neville Lodge, Tettenhall, Wolverhampton

# Contents

---

<i>List of figures</i>	<i>vii</i>
<i>List of tables</i>	<i>ix</i>
<i>List of contributors</i>	<i>xi</i>
1 Regional development paths in Central and Eastern Europe and the driving forces of restructuring: an introduction <i>Gábor Lux</i>	1
<b>PART I</b>	
<b>Economic transformation processes before and beyond the crisis</b>	<b>13</b>
2 Reintegrating economic space: the metropolitan–provincial divide <i>Gábor Lux</i>	15
3 Industrial competitiveness: beyond path-dependence <i>Gábor Lux</i>	29
4 The role of business and finance services in Central and Eastern Europe <i>Zoltán Gál and Sándor Zsolt Kovács</i>	47
5 The transformation of rural areas in Central and Eastern Europe <i>Péter Póla</i>	66
6 Factors influencing regional entrepreneurial activity in Central and Eastern Europe <i>Balázs Páger</i>	87
7 Creativity and culture in reproducing uneven development across Central and Eastern Europe <i>Márton Czirfusz</i>	106

**PART II**

**Social structures and governance 121**

- 8 Changing settlement networks in Central and Eastern Europe with special regard to urban networks 123  
*Zoltán Hajdú, Réka Horeczki and Szilárd Rác*
- 9 The development of regional governance in Central and Eastern Europe: trends and perspectives 141  
*Ilona Pálné Kovács*
- 10 Managing regional disparities 159  
*László Faragó and Cecília Mezei*
- 11 Rebordering Central and Eastern Europe: Cohesion Policy, cross-border cooperation and 'differential Europeanisation' 175  
*James Wesley Scott*
- 12 (Ethno-)regional endeavours in Central and Eastern Europe 188  
*Nóra Baranyai*

**PART III**

**Challenges in sustainable development 209**

- 13 The regional dimension of migration and labour markets in Central and Eastern Europe 211  
*Jan Sucháček and Mariola Pytliková*
- 14 The changing role of universities and the innovation performance of regions in Central and Eastern Europe 225  
*Zoltán Gál and Balázs Páger*
- 15 Transition and resilience in Central and Eastern European regions 240  
*Adam Drobníak, Adam Polko and Jan Sucháček*
- 16 New trends in Central and Eastern European transport space 261  
*Ferenc Erdősi*
- 17 Nature and spatial planning in Central and Eastern European countries 284  
*Andrea Suvák*
- 18 Spatial researches in Central and Eastern Europe 295  
*Gyula Horváth*
- 19 Conclusion: an evolutionary look at new development paths 309  
*Gábor Lux and László Faragó*

*Index 321*

# Figures

---

2.1	Changes in the share of industrial employment in CEE countries, 1990–2008	18
2.2	The spatial structures of the CEE macro-region, 2013	22
2.3	The transformation and reintegration of post-socialist space	25
3.1	The spatial structures of Central European industry, 2013	35
3.2	The dynamics of industrial employment in the accession and the crisis periods	40
4.1	Share of service activities in employment, 2013	49
4.2	Exports of offshorable services and the sectoral composition of such, 2002, 2007 and 2012	51
4.3	Geographical and sectoral breakdown of the major services offshoring sites, 2010	53
4.4	Foreign ownership as a percentage of total banking sector assets in CEE, 1995–2014	56
4.5	FDI stock in financial services, 2006–2011	58
4.6	Dependencies on foreign bank resources (net external liabilities and debt), 2011	61
5.1	Urban–rural typology of NUTS-3 regions	67
5.2	Population density in CEE regions	68
5.3	The proportion of agriculture in GDP and employment in the CEE macro-region	69
5.4	Development of agricultural output since EU accession	77
6.1	The concept of the study	90
6.2	Regional entrepreneurial activity in the CEE regions	96
6.3	The situation of groups from the aspects of ‘Function 1’ and ‘Function 2’	99
7.1	Cultural–commercial redevelopment of a former industrial site: Manufaktura in Łódź	109
7.2	Budgets of European Capitals of Culture in CEE	113
8.1	Towns with population over 10,000 in the Visegrad countries according to their size, 2011	126
8.2	Distribution of towns and cities with population over 10,000 in South-Eastern Europe, 2011	131
8.3	Urban population in South-Eastern Europe, 1990–2015	132
10.1	Proportion of regional disparities between 2000 and 2013	164
10.2	Cohesion policy target regions within the macro-region	166
13.1	Foreign population stocks from EU8 member states residing in 26 OECD countries, 1995 and 2010	213
13.2	Foreign population stocks from Bulgaria and Romania residing in 26 OECD countries, 1995 and 2010	214



## Figures

13.3	Immigration to Central and Eastern European countries, 1995–2014	216
14.1	Regional innovation performance in Europe, 2007 and 2013	234
15.1	(a) Economic resilience of Central and Eastern European countries, 2001–2011; (b) Central and Eastern European countries' economic portfolio	245
15.2	(a) Economic resilience of the best and worst performing regions of Central and Eastern Europe, 2000–2011; (b) Economic portfolio of the best and the worst performing regions of Central and Eastern Europe	247
15.3	(a) Technological resilience of Central and Eastern European countries, 2000–2012; (b) Central and Eastern European countries' technological portfolio	249
15.4	Technological resilience of the Central and Eastern European regions with the best and worst performers, 2001–2011	250
16.1	Reloading stations/belts between two types of gauge networks between East Central Europe and the CIS region, 2014	264
16.2	The sum traffic of airports and specific passenger traffic in the countries of Central and Eastern Europe, 2014	275
16.3	Traffic in Central and Eastern Europe's port regions, 2013	277
18.1	Spatial research workshops in Central and Eastern Europe, 2012	302

# Tables

---

2.1	Foreign Direct Investment (FDI) in post-socialist countries, 1995–2011, and the sectoral breakdown of gross value added (GVA), 2013	20
2.2	Correlation between sectoral employment and nominal GDP per capita	21
3.1	Evaluation of industrial location factors in Central and Eastern Europe	39
4.1	The distribution of Foreign Direct Investment (FDI) by economic activity, 1990–2000	48
4.2	Branch density indicators, 2012	55
5.1	The proportion of cultivated land, 2013	69
5.2	The proportion of cooperative and state ownership of agricultural land before 1989	72
5.3	Average holding size, 2000	74
5.4	Changes in the significance of agriculture in the first years of the transition, 1990–1995	75
5.5	Changes in agricultural output since EU accession	77
5.6	Changes in ownership structure	79
5.7	Areas categorised as predominantly rural and the proportion of population living in them	80
5.8	The SWOT analysis of the macro-region's agriculture and rural areas	82
6.1	Descriptive statistics of the variables related to regional entrepreneurial activity	92
6.2	Descriptive statistics of the regional socioeconomic factors	93
6.3	ANOVA results in the cluster analysis for the CEE regions	93
6.4	Clusters within the CEE regions	95
6.5	The main characteristics of discriminant functions	97
6.6	Canonical discriminant function coefficients	98
6A.1	Structure matrix in the all-sector analysis	103
6A.2	Variables involved in the all-sector analysis	103
6A.3	The functions at group centroids in the all-sector analysis	104
6A.4	Structure matrix in the industrial sector analysis	104
6A.5	The Standardised Canonical – Discriminant Function Coefficients in the industrial sector analysis	104
6A.6	The functions at group centroids in the industrial sector analysis	105
8.1	Major settlement network characteristics in the Visegrad countries, 1990 and 2011	125
8.2	Towns according to administrative functions, 1990 and 2011	127
8.3	The difference between functional urban areas (FUA) and morphological urban areas (MUA) population	129

## Tables

8.4	The effects of cyclical development on the urban network and space structure in South-Eastern Europe	132
8.5	Share of capital city regions	137
10.1	Regional disparities in Central and Eastern Europe based on GDP per capita, 2013	167
10.2	Regional policy toolkit and institutional systems of the Central and Eastern European countries	168
12.1	(Ethno-)regional organisations and endeavours in the individual countries	190
12.2	Size of population having regional or ethnic identity per areas	197
12.3	Regional support of (ethno-)regional organisations at the last elections	198
13.1	Overview of dates of lifting restrictions on the free movement of labour for workers from CEE countries	212
14.1	Number of students and HE institutes in CEE countries and capital city regions	228
14.2	The HE and business sector R&D expenditures as a percentage of GDP	231
14.3	Innovation performance of the CEE regions, 2007	236
14.4	Innovation performance of the CEE regions, 2013	236
16.1	Changes in freighting modal split in the countries of CEE, 1990–2013	268
16.2	The distribution of Russian sea foreign trade across Russian and foreign ports	280
17.1	Analysed national-level spatial planning documents of the Visegrad Four countries	289
18.1	The number of regional science researchers in Eastern and Central European countries, 2012	301
18.2	Some characteristics of the major regional scientific journals	304
18.3	The development level of the disciplinary criteria of regional science	306

# Contributors

---

**Gábor Lux (co-editor)** is Senior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. He graduated in 2004 as an economist from the University of Pécs, Faculty of Business and Economics, and earned his PhD in 2009 at the Doctoral School for Regional Policy and Economics. His main areas of research are industrial restructuring and industrial competitiveness in Central and Eastern Europe, industrial policy, urban economic governance and evolutionary economic geography. He is the author, co-author or editor of over 60 publications in Hungarian, English and Russian. He is a recipient of the Hungarian Academy of Sciences Academy Youth Award (2011) and the János Bolyai Research Fellowship (2014–2017). He is a member of the Regional Studies Association, the European Regional Science Association, the Hungarian Regional Science Association and former member of AESOP Young Academics.

**Gyula Horváth (co-editor)** was Professor in Regional Economics and Policy at the University of Pécs and Research Advisor of the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. From 1997 until 2012, he was Director-General of the Centre for Regional Studies of the Hungarian Academy of Sciences. From 2002 until 2011 he served as president of the Hungarian Regional Science Association, and from 2011 until 2015 as president of the Committee of Regional Science of the Hungarian Academy of Sciences. He was a member of the Academia Europaea (London), and member of the Presidency of the International Academy of Regional Development and Cooperation (Moscow). His research interests included European regional policy, restructuring and regional transformation in Eastern and Central Europe, and the regional development of science and higher education. He undertook extensive advisory and consultancy work within Hungary and Europe. He was visiting professor in Romania, Italy, Ireland, Russia and Denmark. He was author, editor and co-editor of 30 books and over 300 papers in Hungarian and in foreign languages. His latest book entitled *Spaces and places in Central and Eastern Europe: historical trends and perspectives* was published by Routledge in 2015. He passed away on 23 September 2015.

**Nóra Baranyai** is Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. She obtained her PhD in political sciences in 2013 at the University of Pécs. Her professional interest is regionalism and ethno-regionalism in Central and Eastern Europe.

**Márton Czirfusz** is Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences, and Senior Lecturer at Eötvös Loránd University. He is also a member of two Budapest-based independent groups, the ‘Helyzet’ Working Group for Public Sociology

and the Collective for Critical Urban Research. He graduated as a geographer in 2007 and holds a PhD in Geography (2012) from the Eötvös Loránd University. His main research fields are transformation of the Hungarian space-economy after 1990, labour geographies, and critical urban studies, primarily in the Budapest context. He has authored, co-authored or edited more than 40 publications in Hungarian, English and German. He is recipient of the Hungarian Academy of Sciences Academy Youth Award (2016). He serves as managing editor of *Tér és Társadalom*, the most prestigious journal of regional studies in Hungary.

**Adam Drobniak** is Professor at the University of Economics in Katowice and the University of Opole. He is a member of the Committee of Spatial Economy of the Polish Academy of Sciences and the Regional Studies Association. His research area mainly covers issues referring to local and regional strategic projects, urban resilience and vulnerability, trajectories of transition of post-industrial cities and regions, creative industries and local development design, comparative analysis of cities and regions in the CEE countries and Western Europe. He is the author or co-author of 10 books and over 100 publications in urban and regional studies. He serves as an active expert and moderator of local and regional self-government institutions in the field of development programming for cities (Bytom, Jaworzno, Katowice, Krakow, Mysłowice, Sosnowiec) and regions (Slaskie and Opolskie Voivodeship). He was coordinator of the RSA international Research Network on Transition and Resilience of the Post-Industrial Cities in Europe.

**Ferenc Erdősi** is Scientific Advisor at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. He holds the largest body of work in contemporary Hungarian geography as an expert on regional transport and telematics, and a leading specialist in applied regional science. He has been involved in scientific life since 1959, joining the Transdanubian Research Institute of the Hungarian Academy of Sciences and its successors in 1967. In 1993, he was appointed to the position of Professor at the University of Pécs; since 2011, he has been Professor Emeritus. His scientific results have been published in 17 individual monographs, 3 co-authored books, 3 university course books, 93 journal articles, 160 book chapters and several other research papers. He holds the Officer's Cross of the Order of Merit of Hungary (2014). He has played a leading role in the transport network development concepts of multiple Hungarian regions, for which he was awarded the Gábor Baross Award (2004).

**László Faragó** is Senior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. He graduated as an economist at the University of Pécs, and holds a PhD in political sciences. He teaches three different PhD programmes in regional planning and practice. His professional interests are planning theory and practice, space theory and regional policy. He contributed to several territorial plans in practice from the local to the national level. He is the author of 119 scientific publications.

**Zoltán Gál** is Associate Professor in Regional Economics at the University of Kaposvár and Senior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. His research fields include regional innovation, EU innovation policy, regional banking, financial and economic geography. He designed, implemented and managed several national and EU research projects as project coordinator, and was an invited expert at EC DG Research in regional foresight policy. He conducted research at Oxford University. He received the East-European Publication Prize from the SASE (USA) for his study on banking transition. He was one of the organisers of the RSA Research Network on Geographies of Finance and Post-Socialist Transformations. He is a member of the editorial board of the *Journal of Innovation and Entrepreneurship*.

**Zoltán Hajdú** is Scientific Advisor at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences, and was Professor of Geography at the University of Pécs. He graduated in 1976 at the Lajos Kossuth University of Debrecen with a teaching degree, becoming Candidate of Sciences in 1986 and Doctor of Sciences in Geography in 2002. His research interests include political geography, the history of regional geography, the geographic and historical analysis of long-term territorial processes, and public administration. He is the author of 375 publications, including 12 books and 84 journal articles. He is recipient of the Pro Regio Award (2010) and the Officer's Cross of the Order of Merit of Hungary (2013).

**Réka Horeczki** is PhD Aspirant at the Doctoral School for Regional Policy and Economics at the University of Pécs and Junior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. Her research is focused on the socio-economic development of small towns in Central and Eastern Europe.

**Sándor Zsolt Kovács** is PhD Aspirant at the Doctoral School for Regional Policy and Economics at the University of Pécs and Junior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. His research fields include the different factors of local and regional development, financial geography and economic modelling.

**Ilona Pálné Kovács** is Corresponding Member of the Hungarian Academy of Sciences, Director of the CERS Institute for Regional Studies, and Professor at the Department for Political and International Studies of the University of Pécs, where she is also leader of the PhD programme in political science. She graduated as a lawyer at the University of Pécs, defended her PhD in political science, and was elected as a corresponding member of the HAS in 2013. Her research interests are regional governance and local governments, the management of regional policy teaching, public administration and constitutional law. She was a leader and participant of several domestic and international research projects, including EU framework, ESF, INTERREG, TEMPUS, ESPON, UNESCO, EC DG Regio programmes. She has authored or co-authored over 350 publications. She is a member of several national and international professional organisations (ESF, IGU, RSA and NISPACee).

**Cecília Mezei** is Research Fellow at the Hungarian Academy of Sciences CERS Institute for Regional Studies and Associate Professor at the University of Kaposvár. She is a local development expert with experience in several applied and basic research projects. Her research areas have focused on local and regional development approaches and practices, local and territorial governance solutions, and the regional development processes, institutions and tools of European countries. She has authored over 50 publications. She is recipient of the Outstanding Young Regionalist Award of the Hungarian Regional Science Association (2011) and the János Bolyai Research Fellowship (2011–2014).

**Balázs Páger** is Junior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. He graduated as economist at the University of Pécs in 2010 and has been doing his doctoral studies at the Doctoral School for Regional Policy and Economics. In his research, he has focused on innovation, as well as measuring regional and national entrepreneurship.

**Péter Póla** is Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences and Associate Professor at the Eötvös József College of Baja, where he is

director of the Economic Institute. His research area has been rural development for nearly two decades, but he has also dealt with local development and social capital, as well as the institutions of local economic development. He is a member of the Hungarian Regional Science Association. He participated in several international research projects on Eastern Europe as participant or project lead. He is the author of over 50 publications.

**Adam Polko** is Assistant Professor at the University of Economics in Katowice. His research interests focus on the economics of urban public spaces and urban commons, urban regeneration and resilience. He is the author and co-author of books on creative industries, urban resilience, and the economics of urban public services in shrinking regions. He cooperates with several local and regional governments in Poland as an expert in URBACT II working groups, is a member of the Investment Board of the JESSICA Fund in Silesia Region (Poland), and has authored or co-authored several urban regeneration programmes implemented in Polish cities. He was a member of ARCA team which won the first prize in the international urban planning competition 'Nowa Huta of the Future' organised by the city of Kraków. He is a board member of the European Regional Science Association – Polish Section.

**Mariola Pytlíková** is Assistant Professor at CERGE-EI in Prague and Senior Researcher at the VŠB-Technical University of Ostrava, Czechia. She has previously worked at Aarhus University and at the Danish Institute of Governmental Research (KORA) in Copenhagen. She received her PhD in economics from Aarhus University in 2006. Mariola is research fellow at IZA, CReAM CCP and CELSI. In the past she has held visiting posts at Princeton University, the University of Illinois at Chicago, USA, and the University of Modena and Reggio Emilia, Italy, among others. Her research interests are in the field of labour economics and industrial relations; in particular she has worked on topics dealing with international migration, ethnic workforce diversity, gender pay gap and income inequality. She has published in outlets such as the *Economic Journal*, *European Economic Review*, *Journal of Population Economics*, *International Migration Review*, *European Journal of Population*, *Journal of Environmental Economics and Management* and the *Economics of Transition*, among others. She is a recipient of Kateřina Šmídková's Award for the best Czech female economist in 2015 and the 2005 Young Economist Award from the Czech Economic Society.

**Szilárd Rácz** is Scientific Secretary of the CERS Institute for Regional Studies of the Hungarian Academy of Sciences, and since 2008, Secretary of the Hungarian Regional Science Association. His main research fields are the spatial structure and urban network of the Balkans, and regional and urban development in Central Europe. He is the author of 38 publications.

**James Wesley Scott** is Professor of Regional and Border Studies, Karelian Institute at the University of Eastern Finland in Joensuu. He is a former Research Fellow of the Leibniz-Institute for Regional Development and Structural Planning in Erkner (Germany) and Associate Professor (Privatdozent) of Geography at the Free University of Berlin. He obtained his Habilitation (2006), his PhD (1990) as well as his MA (1986) degrees at the Free University of Berlin and his BSc at the University of California Berkeley (1979). His principal fields of research include urban and regional development, border regions, regional and urban governance, metropolitan area problems, and European and North American geography. He has coordinated numerous EU-funded research projects on cross-border cooperation such as EXLINEA and EUDIMENSIONS within the EU's Fifth and Sixth Framework Programmes, respectively,

and he has recently concluded the EUBORDERSCAPES project, financed by the EU's Seventh Framework Programme.

**Jan Sucháček** is the Head of the Department of Regional and Environmental Economics at the VŠB-Technical University of Ostrava, Czechia, where he has been a Senior Lecturer and Associate Professor since 2003. His research interests focus mainly on urban and regional development, the spatial aspects of European integration, and globalisation. He is the author or co-author of six books and more than 90 articles. He has been active in 20 international research projects and is a member of multiple editorial boards. He was one of the organisers of the RSA Research Network on Transition and Resilience for Post-Industrial Agglomerations in Central Europe.

**Andrea Suvák** is Junior Research Fellow at the CERS Institute for Regional Studies of the Hungarian Academy of Sciences. She graduated as an economist at the University of Pécs, Faculty of Business and Economics, and shortly after started PhD studies at the Doctoral School for Regional Policy and Economics. Since then her main field of interest has been local economic development, the role of the environment in spatial planning, and environmental ethics. She is the author, co-author or editor of 25 publications in Hungarian and English.





# Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

# Regional development paths in Central and Eastern Europe and the driving forces of restructuring

An introduction

*Gábor Lux*

---

## Introduction

The transformation of Central and Eastern Europe (CEE) has been the subject of considerable interest in social sciences. With systemic change, EU integration and accession, followed by the years and aftermath of the global financial and economic crisis, the CEE group of countries has undergone deep socio-economic restructuring, leading to new patterns of regional differentiation and development.

Influenced by a combination of inherited and newly emerging factors, territorial disparities have been on the rise. Examples of catching-up with western EU member states in the capital cities and a handful of successful regions are contrasted by the re-emergence of deep socio-economic problems in traditionally underdeveloped peripheries and newly hollowed-out regions still struggling with the legacies of industrial decline and the loss of economic functions. These differences, reflected in several spheres (e.g. competitiveness, social cohesion, governance and sustainability), shape the new national and subnational dividing lines of post-crisis Europe.

This volume, collecting the results of a comparative research project on the driving forces of spatial restructuring and regional development paths, aims to deliver a comprehensive view on the complex system of regional development within CEE. In its chapters, focused on the different aspects of restructuring, the authors identify the common features of spatial restructuring, as well as the underlying patterns of socio-economic differentiation, showing the CEE group to be just as heterogeneous as the EU15.

The global financial and economic crisis serves as a common lynchpin for many contributions, as its far-ranging effects can be said to represent the start of something new – a ‘post-transition’ period where the inherited problems of post-socialism slowly give way to new dilemmas. The dilemmas of post-transition evidently continue to be influenced by historical and institutional legacies, but the specificity of ‘post-socialism’ will be weaker, one among a set of influences dominated by deepening European integration, and against the backdrop of a new era of global uncertainties.

## Researching the regional development of Central and Eastern Europe

Over the transformation of Central and Eastern Europe, studies on the macro-region have mostly been dominated by macro-level analyses and thematic studies. Research on regional development has been a relatively smaller field of enquiry, going through multiple phases of interest. Pickles (2008), as summarised by Czirfusz (2011), put forward four waves of transition studies: a first wave centred around the broad policy issues of economic reforms, a second wave concerning increasing socio-economic inequalities, a third wave on spatially and socially uneven regional development, and a fourth wave ‘when logics and theories of transition studies became objects of scrutiny’ (21). In spite of constant academic interest, research has also had its ‘blind spots’ where much fewer works have been completed. While the EU accession period saw the proliferation of research programmes on structural and cohesion policy, most thematic volumes have either focused on the regional transformation of individual countries, or on specific topics (e.g. declining industrial regions, the spatial distribution of Foreign Direct Investment (FDI), the transformation of rural spaces, or new directions in urban development). In contrast, relatively few works have presented a comprehensive view of the macro-region in a monographic format, and most of these were written more than 15 years ago (Gorzalak, 1996; Heenan and Lamontage, 1999; Bachtler, Downes and Gorzelak, 2000; Turnock, 2001; and Hughes, Sasse and Gordon, 2004). Recent works with a broad outlook include Herrschel (2007) and co-authors with a systemic review of post-socialism and transition from a global perspective, Gorzelak, Bachtler and Smetkowski (2010) on development dynamics and policy responses, Gorzelak and Goh (2010) on the early consequences of the financial crisis, and Lang et al. (2015) on polarisation and peripherisation. However, the new development directions of CEE regions and the questions of the post-crisis period have not yet been adequately explored. More research is needed on the subject, and this book can only hope to contribute to the discussion.

The identities and interests of researchers who deal with CEE subjects are themselves worth noting. In a detailed study of publication patterns across 15 leading international journals in regional studies and human geography, extending to the period between 1995 and 2011, the author of this chapter found 485 articles dealing with various development issues of the CEE macro-region (Lux, 2012). Interest in CEE was more or less stable across this period, with most attention dedicated to the subject of urban development (19 per cent of all papers), followed by public administration (11 per cent), then regional policy, manufacturing, regional differences and rural issues (10 per cent each). The specific problems of post-socialism (8 per cent), border issues (6 per cent) and services (5 per cent) received comparatively less attention. There were two features of particular interest in publication patterns: first, *the clear dominance of individual case studies fitted into western theories, with a much weaker representation of comparative, synthetic or theoretical papers* with a CEE connection. Indeed, where the latter three were found, they were usually written by western primary authors, although sometimes with local co-authorship. Second, *the examined articles demonstrated proof of what is commonly referred to as the ‘Anglo-Saxon hegemony in human geography’* (for the broader debate, see Gutiérrez and López-Nieva, 2001; Rodríguez-Pose, 2006; Aalbers and Rossi, 2007; and Paasi, 2013; and for the specific question of CEE, Stenning, 2005, as well as Timár 2004a, 2004b). There was promising evidence of growing internationalisation: the share of papers with CEE primary or co-authors had risen from 52 per cent between 1995 and 2004, to 61 per cent between 2005 and 2011. Nonetheless, for good or ill, the production of regional studies was clearly tied to the dominant research hubs of the United Kingdom, the Netherlands and North America, and reflected the curiosity and research agendas of western academia.

## Rationale for the book: emerging doubts about the CEE regional development model

Regional development in Central and Eastern Europe has long been framed by notions of *transition* from one model to another: central planning to market economy, authoritarian rule to democracy and top-down to bottom-up social organisation. While most components of transition have been articulated on a general, society-wide level, some are anchored in space: eastern vs. western orientation, hierarchies vs. networks, and centralisation vs. decentralisation. The spatial embeddedness of transition was not generally made explicit at the time of systematic change, and did not emerge as a cohesive agenda of *spatial justice* (c.f. Soja, 2009), but some of its elements were implicitly present in specific goals, particularly concerning the autonomy of local communities, and non-discrimination in development funding.<sup>1</sup>

The notion of transition, often conceptualised in the form of dichotomies, suggests instability along with fast-paced, substantial and lasting change towards a new stable system. However, the early hopes of transition failed to materialise: rapid change in some regions was counterbalanced by lagging development or decline in others; improvement in varied spheres by new crises and vulnerabilities. There is, perhaps most prominently in Hungary, also a certain sense of missed opportunities: the CEE macro-region has remained a periphery within Europe and on the global stage, and did not produce the standout growth rates, globally competitive firms, brands and narratives of the iconic post-war examples of successful modernisation. Politically, CEE has little influence beyond its borders and own affairs, and does not play on the European, let alone global, scale. It has little in the way of cultural exports, and its outside representation is deeply problematic whether we consider its public image or media coverage. There are success stories and hopeful signs, but hardly a reason for celebration. The roots of this disillusionment run deep. Crucial empirical evidence of increasing regional differences and limited modernisation under post-socialism was already presented in a comprehensive manner by Sokol (2001) and Dunford (2005), and troubling extrapolations until 2030 and 2050 have been provided more recently by the long-term development scenarios of the ESPON ET2050 programme (2015). Twenty-five years represent a rather long period in the development of countries and macro-regions, and yet expected benefits have failed to materialise, while many socio-economic problems thought to be short-lived seem to have become permanent features of the post-socialist condition. The explanations and responses to this dilemma have given rise to two major interpretations of post-socialist development.

One interpretation places emphasis on the slow-paced nature of regional change. Contradicting scenarios that calculate with fast-paced transformation, this approach posits that the malaises of state socialism are deeply rooted, and change must take place over decades, perhaps even generations. These explanations can draw especially relevant lessons from the results of the institutional turn in economic geography (Martin, 2000; Amin, 2001), as well as the emerging field of evolutionary economic geography (Boschma and Frenken, 2006; MacKinnon et al., 2009), which offer an array of useful concepts for discussion. Path-dependent development, lock-ins, institutional rigidities or problems associated with the accumulation of financial, social and knowledge capital may be seen to hold the key to explain 'historically embedded' growth processes. Similarly, institutions act as carriers of history – except in CEE, they are often considered the 'wrong' kind of institutions, either oriented towards reproducing undesirable results (similar to the vicious cycles characterising 'Old Industrial Regions'), or insufficiently prepared to accommodate and realise modern policies. Indeed, the chapters in this volume offer a wealth of evidence that hint at the *evolutionary* nature of CEE regional development paths, and to the outstanding relevance of institutions in shaping them. As Lengyel and Bajmócy (2013, p. 6) propose, '[u]nderstanding the changes in institutions or the behaviour of individual actors, recognising

*enduring behavioural patterns or bounded rationality arising from centralised decision-making are all crucial components in understanding post-socialist transition’.*

Another group of responses seems to lead to the conclusion that *in a sense, ‘transition’ may no longer be accurately described as an intermediate development phase, but a new, stable system with its own operating logic.* These explanations can trace their origins to early criticism of neo-liberal development policies in CEE, particularly two in-depth papers by Gowan (1995, 1996), but they have taken full form in the ‘varieties of capitalism’ debate (Bohle and Greskovits, 2004, 2006; Peck and Theodore, 2007; Rugraff, 2008; Nölke and Vliegenthart, 2009) which proposes the existence of a specific ‘dependent market economy’ (DME) model of capitalism to describe Central and Eastern European countries. The DME is ‘neither fish nor fowl’, differing from both the ‘liberal market economies’ (LMEs) exemplified by the Anglo-Saxon countries, and the more regulated ‘coordinated market economies’ (CMEs) mainly found in continental Europe.<sup>2,3</sup> In particular, Nölke and Vliegenthart (2009) make a persuasive case in charting the modern socio-economic dependencies of the macro-region, and calling attention to its inherently low upgrading potential. Most notably, this train of thought has seen further elaboration by Farkas (2011), who provides empirical proof of this distinct developmental model; by Drahokoupil and Myant (2015), who outline how upgrading processes may take place within a system of external dependencies; and by Medve-Bálint (2014), who places emphasis on the EU’s role in providing substantial policy support to establishing and maintaining this development model through its FDI policies.

While they are both useful in understanding the nature of regional development in CEE, and the truth may indeed lie somewhere in the middle, neither of these interpretations are without serious problems or contradictions. The first explanation can be contrasted by the experiences of geographic peripheries which have managed to chart an impressive development trajectory in recent decades, contradicting the notion that development is an a priori sluggish process. These examples include Ireland’s rapid modernisation from a rural, low-wage economy through a predominately FDI-based development path (Horváth, 1998), Scandinavia’s rise through the welfare state’s heavy investments into human capital and the knowledge economy (Pogátsa, 2016), and the developmental states of East Asia (Gereffi, 1995; Rugraff, 2008; Cimoli, Dosi and Stiglitz, 2015). While there is precious little to unite these cases (except perhaps a general attention to developing human capital), and their own problems must not be neglected, they seem to have demonstrated a modernisation performance surpassing that of post-socialist Central and Eastern Europe.

The second explanation – while it is internally self-consistent, and correctly identifies that many of CEE’s problems are not merely symptomatic, but systemic – has an uncomfortable tinge of geographic (and in some cases, cultural) determinism, and robs the varied actors of the macro-region of both their *agency* and their *responsibility*. Defeatist narratives neglect to consider the possibilities of individual and collective action, or even to appreciate the instances where they have achieved lasting, meaningful change (Domański, 2004; Pogátsa, 2014). The second explanation also tends to discount, or at least undervalue, the significance of rising inequalities and lagging growth within global/European core regions, and how they influence the growth prospects of CEE countries and regions. If CEE development is characterised by externally dependent relationships, then these dependencies also serve to transmit the ongoing crisis of post-industrial society, projecting its consequences on the admittedly more vulnerable socio-economic fabric of the CEE macro-region (Chapter 4 in this book provides a clear-cut example). All in all, *‘fixing’ the problems of CEE regional development cannot be discussed independently of ‘fixing’ the problems of Europe itself;* and in a sense, this is an encouraging reaffirmation of the positive results of European integration.

## Aims and scope of the book

In the original research project that served as the foundation of this work,<sup>4</sup> then over the course of planning and realising the book itself, *we have strived to provide a new synthesis of CEE regional development issues from a comparative, theoretically informed, empirically sound, historically embedded, but forward-looking perspective.* Our aim, explored through the book's 19 chapters, was to highlight the common patterns of regional development across the CEE group of countries, but also bring attention to the internal fault lines and differences which divide the macro-region and result in *increasingly divergent paths of regional development.*

These divides, ranging from differences between country groups (often the Visegrad countries – Czechia, Slovakia, Poland and Hungary – South-Eastern Europe, and the special case of Slovenia, although these demarcations are neither exact nor constantly applicable), to centre–periphery relationships (mainly between national capitals and a few more metropolitan areas, and non-metropolitan space) and finer patterns of functional differentiation, have produced a territory which is increasingly heterogeneous, and which is increasingly ill-served by ‘one size fits all’ development recipes. Indeed, one of our main conclusions is the reaffirmation of the importance of distinction, and, with it, a certain vision of spatial justice and a need for increasing subsidiarity on both the national and European level. There is a moral responsibility to recognise the different interests and values of different territories, and their right to be a part of the future on their own terms, and I believe the contributions in this book reflect this notion.

The effort to strike a balance between synthesis and comparison (detail) has invariably coloured the contents of this book. Although our research project involved significant regional-level groundwork and data collection, whose results were published separately (Horváth, 2015b), and the partial results have resulted in individual research monographs (including Horváth, 2015a) as well as numerous research papers, this book focuses on our main findings. This means *a deliberate emphasis on qualitative analysis.* Data are mainly used either to illustrate salient points, or to offer a macro-regional comparison; with in-depth quantitative methods only being used in chapters 6 and 15. The chapters are ‘theoretically informed’ by discussing their results within the context of the appropriate contemporary regional development theories, but it is empirical discussion that dominates. Finally, while the book explores the relationship between policy and socio-economic processes, its focus is mainly on the latter. What we *do* investigate with considerable interest is why certain policies have succeeded or failed across CEE countries. The record is not very convincing, and chapter after chapter finds that *policy transfer which disregards its territorial context, and cannot adapt to local needs and capabilities is setting itself up for disappointment.* This is true for both national and EU-financed initiatives. While warnings about ‘new regionalist’ policies are hardly new (see, for instance, Lovering, 1999’s particularly insightful critique), further risks of policy implementation lie in the macro-region’s specific, historically inherited institutional weaknesses and rigidities, another theme explored through the book (with a particular focus in chapters 9 and 10). Building efficient, democratic public planning is an unsolved puzzle for CEE societies.

The geographic scope of the original research did not encompass the entirety of CEE space, and this limitation is reflected in the following chapters. The main focus was on the Visegrad group of countries (Czechia, Slovakia, Poland and Hungary), as well as Romania, Bulgaria, and the more developed successor states of Yugoslavia (Slovenia, Croatia, Serbia, Montenegro and Macedonia), with this order of emphasis. Missing are the Baltic states of Estonia, Latvia and Lithuania, whose unique trajectory of development – from a particularly deep post-Soviet crisis to an interesting mixture of Scandinavian knowledge economies and Anglo-Saxon openness – was outside the expertise of our research team. Likewise, while the territory of the former German Democratic Republic offers a host of interesting parallels to our research

(c.f. Heimpold and Titze, 2014; Bartoli, Rotondi and Tommasi, 2014; or Horváth, 2012, on the problem of ‘the German Mezzogiorno’), its integration into Germany also comes with a host of differences which would have taken a significant effort to resolve within our research effort. Finally, our analysis did not extend to South-Eastern Europe’s internal periphery (Albania, Bosnia and Herzegovina and Kosovo), or the post-Soviet countries, whose development paths would merit a separate volume of their own. These omissions are acknowledged as our work’s limitations, although we believe that when it comes to offering a synthesis, many of our conclusions remain relevant even in the case of countries we could not investigate in detail.

## Structure of contributions

With the preceding comments in mind, the book is arranged into three main thematic units, followed by a conclusion. Each of the chapters examines a specific aspect of regional development in Central and Eastern Europe, discussing the most relevant socio-economic transformation processes which underpin them, and drawing attention to current problems as well as emerging challenges.

*Six chapters, forming the first part of the book, introduce the reader to the varied economic consequences of transition.* Chapter 2, serving to introduce the following chapters, provides an overview of structural shifts, drawing attention to how they are embedded within processes of globalisation and rescaling in post-Fordist economies. Different economic sectors not only create different spatial patterns, they also offer different development opportunities in different regions. Indeed, the territorially uneven processes of tertiarisation produce markedly superior results in metropolitan areas than outside them, and CEE’s urbanisation deficit limits the potential of service-based development in most provincial regions. Instead of a ‘one size fits all’ view on regional development, the chapter suggests that a regionally differentiated sectoral mix offers the best prospects for modernisation.

This notion is further examined in three contributions dealing with the transformation of specific economic sectors. Chapter 3, discussing the path-dependent processes of industrial development across CEE industrial regions, points out that while the global reintegration of CEE manufacturing has taken place under the dominant influence of FDI, the emerging structures are not spatially blind: they draw heavily upon strongly localised productive legacies, networks and production factors. The chapter also cautions that the post-socialist development model is nearing its limits, and may have insufficient upgrading potential without the revitalisation of endogenous, place-specific development potential.

Co-written by Zoltán Gál and Sándor Zsolt Kovács, Chapter 4 sheds light on development processes within the service sector, particularly business and finance services. The chapter confirms that the most valuable segments of the service-based economy show strong territorial concentration, locating in privileged metropolitan areas. However, Gál and Kovács also draw attention to emerging secondary cities which develop specialisation in certain fields, particularly services offshoring. Similar to manufacturing, the influence of FDI dominates development, and this external dependency has come with systemic vulnerabilities exposing CEE to exogenous shocks within the global economic system.

Chapter 5 by Péter Póla is concerned with a particularly difficult area of transition: the transformation of rural areas and agriculture. Not only have CEE’s rural areas struggled with historical underdevelopment and peripherality, they have often been adversely impacted by both the socialist system and by post-socialist development. This chapter explores how this picture hides multiple layers of complexity, as development paths strongly diverge on the national level, and are further segmented by the conflicting development interests of local communities and



external actors. The chapter draws attention to agricultural and non-agricultural land use as the two pillars of rural development, and places particular emphasis on the potential of the LEADER philosophy for involving and empowering local communities.

In Chapter 6, Balázs Páger investigates how entrepreneurial activity in CEE is increasingly influenced by a range of qualitative factors, reaffirming the significance of localisation and endogenous development. Following the end of the entrepreneurial boom of the 1990s, the most successful enterprises have been those which could successfully draw on their surrounding regional socio-economic environments. Competitiveness and entrepreneurship are not independent of their surroundings, and it is particularly higher education and the surrounding network of existing firms that make the difference in the post-crisis era.

Concluding the first part, Chapter 7 by Márton Czirfusz highlights the role of culture and the creative economy in the reproduction of uneven regional development. His contribution provides a critical look at how a trending topic in regional development shapes the economy and society of CEE cities as well as rural areas, and how cultural mega-projects and key events pose mounting challenges for effective governance across the macro-region. Well-informed by the theoretical and political debates surrounding his topic, Czirfusz draws special attention to the new social movements which oppose creativity policies and for-profit cultural redevelopment.

*The second part of the book is concerned with social issues underlying regional development, as well as policy development at the heart of the macro-region's transformation.* Chapter 8, the first of this thematic unit, is also of key importance in understanding the socio-economics of Central and Eastern Europe. Zoltán Hajdú, Réka Horeczki and Szilárd Rác call attention to the historical character and rigidity of settlement systems, yet also note how political change after 1990 has had far-ranging consequences on not just public administration, but also the growth or decline of towns and cities. New growth poles have emerged in newly independent states, and national capitals have become the unambiguous winners of transition. Meanwhile, the position of secondary cities (regional centres) can be much more ambiguous, and in their case, historical settlement patterns continue to dominate. Only a few countries have a genuinely polycentric character, while others struggle with the weight of one or two dominant metropolitan areas. This feature of regional development has far-reaching implications for a host of social and economic issues, as already discussed. If we live in 'the urban century' (Nijkamp and Kourtit, 2013; Kourtit, Nijkamp and Scholten, 2015) or 'a metropolitan world' (Lux, 2015), there is a pressing need to rethink the chances of minor cities and areas which lie outside the hinterlands of the main metropolitan nodes.

The remaining four chapters in this part form two interrelated pairs. Chapters 9 and 10 investigate two areas of public policy: governance and managing regional disparities. In Chapter 9, Ilona Pálné Kovács takes an in-depth look into the transformation of administrative systems across CEE. This is one area where national models influenced by long-lasting historical legacies prevail, yet there are still some common lessons to be drawn. In spite of ongoing divergence, CEE administrative systems are linked not just by unsatisfactory performance, institutional weaknesses and rigidities, but also the growing problem of stalling or abandoned regionalisation (a process rooted in the failure of 'new regionalism') and a shift towards the efficiency-driven re-nationalisation and central control of governance. These changes, as Pálné Kovács highlights, have been exacerbated by the economic crisis. The expansion of state power, however, stands in contrast with the principles of subsidiarity and bottom-up social organisation. We have entered a new period where both local governments and medium-level governance structures face harsh financial and political challenges and uncertain prospects.

Yet centralisation is not restricted to administrative systems, nor is it a uniquely CEE phenomenon. Placing the macro-region's regional policy development in the context of ongoing



‘EUropean’ trends, Chapter 10 by László Faragó and Cecília Mezei scrutinises the centralist impulses which also seem to have infected Brussels decision-makers. They highlight how existing centre–periphery relationships are giving rise to a generation of regional policies which increasingly serve the EU’s general political interests instead of the European (including Central and Eastern European) regions. As they argue, the discursive deficit of the ‘new’ EU member states has contributed to declining support for territorial cohesion, and an acceptance of significant development gaps. This chapter, an important pillar of our arguments for subsidiarity, also takes a bottom-up look at the efficiency of CEE regional policies. The authors propose that the effective mitigation of regional inequalities require a new commitment to territorial cohesion, and – echoing conclusions from the first part of the book – the exploitation of regional capital and endogenous development potential. Instead of focusing on regions where market-led change is already generating solid growth, regional policy should be focused on realising the potential of less developed regions, and it should be built on multilayered governance based on the principle of subsidiarity.

The second pair of chapters in this part deals with two heavily intertwined topics. James Wesley Scott’s Chapter 11 offers a look at bordering processes as well as the rise and (to an extent) decline of cross-border cooperation (CBC) initiatives within the macro-region. He examines how the euphoria of open borders has given way to more sober and perhaps also more realistic routines in border areas, and how CBC is restricted by local realities. It seems that competing territorial logics at different levels, conflicting attitudes, and the limited means of (often underdeveloped) border areas all contribute to the steady, but slower than expected de-bordering of Central and Eastern Europe.

Not independent of the previous contribution, Chapter 12 by Nóra Baranyai scrutinises how (ethno-)regional movements fit into the puzzle of the lagging, sometimes barely visible, process of CEE regionalisation. The chapter traces the history, objectives and achievements of CEE initiatives to push for administrative reform, and/or achieve some form of autonomy for specific historical or ethnic–multicultural regions. In a sense, this chapter provides an analysis of a failure, since in contrast with their Western European counterparts, local and regional autonomies have failed to materialise within the centralised CEE countries, and initiatives to this end have met considerable resistance from central governments and nation-building efforts.

*Over six chapters (and the conclusion), the third part of the book looks into questions related to the broadly understood concern of sustainability.* These chapters form the most heterogeneous section of the book, but they are connected by a common interest: looking into issues which will have a major impact on the regional development of the coming decades.

Perhaps it seems strange at first to place the issue of migration and labour markets here, as they are usually discussed among the fundamental social structures within the scope of demography, or viewed through a resource-based perspective and evaluated on the basis of their potential contribution to economic growth. But there is a good reason that Chapter 13, co-written by Jan Sucháček and Mariola Pytliková, is found here: human potential, along with the ability to renew, attract and retain it, is perhaps the most important lynchpin of socio-economic development in knowledge-based societies. ‘Who will build the future?’ is the question of our age, and as reflected across several of the previous chapters, the quality and quantity of skilled, knowledgeable people forms a large part of the answer. The question of human capital, even as its role was attracting worldwide attention in academic discourse and public policy, was neglected during the two decades of post-socialist development, and has only come to the fore with the recent shortages of skilled labour and the persistent human capital losses brought about by westwards out-migration. Sucháček and Pytliková capture migration and labour market trends at a most important turning point, where CEE countries are at a crossroads between their former,

no longer sustainable status as medium-low-wage, net emigration countries, and a position where improving wages provide incentives for strong human capital accumulation. The chapter also discusses how CEE is facing increased immigration, and how these processes have unfolded during the recent migration crisis. Last but not least, it looks into how the spatial patterns of CEE labour markets reflect and reinforce urban–rural polarisation, east–west gradients and the exclusive position of capital cities.

Chapter 14 by Zoltán Gál and Balázs Páger further elaborates on the challenges facing the emergence of knowledge-based societies in their study on higher education and innovation performance. Unsurprisingly, this is yet another aspect of development showing strong polarisation, particularly when it comes to the location preferences of high-tech employment. Yet, neither universities nor innovation are the monopoly of metropolitan centres: in their own way, they also make meaningful contribution to the development of the peripheries, where mid-range universities serve to supply local firms and society with vital knowledge. Accordingly, it is the challenge of the coming decades to narrow the gap, and create opportunities for knowledge-based development outside the main urban centres via investment into innovation and the networks that produce and disseminate it.

Another aspect of sustainability lies in the resilience of CEE regions, explored in Chapter 15 by Adam Drobníak, Adam Polko and Jan Sucháček. Their findings show a general improvement in economic, technological and environmental resilience across the macro-region, albeit with a significant development gap between CEE and the EU15. This, again, has much to do with institutional and path-dependent factors, which also show variance across different countries and regions; as well as the mismatch of local needs and existing administrative and political structures.

Ferenc Erdősi in Chapter 16 considers the situation of CEE through the major trends in transport space. He calls attention to how national and EU-level political support for motorway-oriented transport policies and a select number of main corridors have reshaped the transport space of a macro-region struggling with a weak post-socialist heritage. Indeed, just as the most polluting transport modes, motorway transport and air traffic, have gained enormously over recent decades – in a way that has scarcely benefited the peripheries – more sustainable railway and inland water transportation have been the losers of transition. Erdősi also examines how access to sea ports influences the transport policies of landlocked or largely continental countries, and how competition among Europe's less prominent eastern sea ports fits into the puzzle. Finally, he warns of the rising importance of interactions with (East) Asia, Africa and the Middle East, connections which have largely remained unexplored by CEE countries.

Chapter 17 by Andrea Suvák reflects on a more 'traditional' aspect of sustainability: the role of spatial planning in environmental policymaking. Suvák accentuates the influence of EU policy transfer in setting the agenda for post-socialist environmental policies and the surrounding institutional system, but also acknowledges the limits of policy uptake. Indeed, CEE environmental policies – here presented through a comparative analysis of policy texts in the Visegrad countries – reveal a different mix of motivations and concepts than their EU15 counterparts, and particularly the dominance of 'resource'-oriented narratives. Amidst rushed policymaking, the resulting policies and institutional systems are often incoherent and riddled with inherent conflicts.

Chapter 18 comes from Gyula Horváth, who had been the principal investigator of the research project serving as this book's foundation, helped develop the book proposal, and who passed away shortly after I could tell him the good news about our proposal's acceptance. In a way, this paper, an abridged and slightly edited version of a longer piece published in our institute's Discussion Papers series, has now become a coda to his life work, which had consistently

revolved around the idea of decentralisation and the empowerment of regions and local communities. In the chapter, he charts the evolution of this idea, from its roots to the emergence, proliferation and institutional development of regional studies in Central and Eastern Europe. This question was always close to his heart, and as his student, colleague and friend, I hope to honour his legacy by the paper's inclusion.

Concluding the book but continuing the debate on CEE's future, Chapter 19 proposes *four emerging dilemmas which will impact the sustainability of development paths in the post-transition period*. Of these four, the first two highlight the contradictions of the macro-region's current development paradigm. First, as many chapters in this book have attested, scale issues will remain prominent, or even grow in their importance in the following decades. The worldwide rise of metropolitan areas poses hard challenges for regions with a less dense urban network, and it remains a question how the minor cities and small towns of these regions will integrate their hinterlands. Second, further attention should be dedicated to map the system of external dependencies characterising CEE regional development, and policies elaborated to reduce their negative effects while retaining their benefits. A renewed focus on endogenous development and capital accumulation – particularly of human capital – should serve to transform hierarchical centre–periphery relationships into mutually beneficial network linkages. The second two dilemmas concern the future of European integration. The third is that of European regional policy, where spatially aware development approaches with a stronger emphasis on empowering local communities and regions should return to focus. A new regional policy based on the principles of subsidiarity and territorial cohesion lies in the long-term interests of both the EU15 and CEE member states, contributing to an internally strong European Union. Fourth, the principle of subsidiarity should return to the heart of the CEE–EU relationship. The currently emerging divide between Brussels and national capitals is the product of top–down philosophies, and results in ‘competing centralisms’ which subvert the European integration process and do not serve the best interests of citizens and communities. Rather, the way forward lies in a renewed commitment to decentralisation on multiple territorial scales – perhaps the most important message presented in our book.

## Acknowledgements

The publication of this research has been supported by project #104985 of the Hungarian National Research, Development and Innovation Office. While writing this paper, Gábor Lux was supported by the János Bolyai Research Scholarship of the Hungarian Academy of Sciences.

## Notes

- 1 Experts argued for a clean break with the consciously discriminatory planning practices of state socialism (industry over services and agriculture; cities over rural areas; self-sufficiency over trade), but instead of planning's democratisation, they achieved its almost complete dismantling, and the rise of new market-driven inequalities.
- 2 Citing Albert's (1993) earlier work, Dunford (2005) refers to these alternatives as the ‘neo-American’ and ‘Rhine’ models of capitalism, and points out that the uncritical adoption of the former during early transition has produced lacklustre results across CEE.
- 3 Much more limited attention in academia has been dedicated to drawing lessons from East Asian developmental states, while their example has been studied with considerable eagerness as of late by Hungarian policymakers.
- 4 Grant #104985 of the Hungarian National Research, Development and Innovation Office, whose financial assistance is gratefully acknowledged. Further chapters were commissioned during the development of this volume.

## References

- Aalbers, M.B. and Rossi, U., 2007. A Coming Community: Young Geographers Coping With Multi-Tier Spaces of Academic Publishing across Europe. *Social & Cultural Geography*, 8(2), pp. 283–302.
- Albert, M., 1993. *Capitalism Against Capitalism*. London: Whurr Publishers.
- Amin, A., 2001. Moving On: Institutionalism in Economic Geography. *Environment and Planning A*, 33(7), pp. 1337–1341.
- Bachtler, J., Downes, R. and Gorzelak, G., eds., 2000. *Transition, Cohesion and Regional Policy in Central and Eastern Europe*. Aldershot: Ashgate.
- Bartoli, F., Rotondi, Z. and Tommasi, D., 2014. Mezzogiorno and Neue Bundesländer: What Lessons Can Germany Learn from Italy? S. Collignon and P. Esposito, eds. *Competitiveness in the European Economy*. Abingdon: Routledge, pp. 197–211.
- Bohle, D. and Greskovits, B., 2004. Capital, Labor, and the Prospects of the European Social Model in the East. *CES Central & Eastern Working Paper*, 58.
- Bohle, D. and Greskovits, B., 2006. Capitalism without Compromise: Strong Business and Weak Labor in Eastern Europe's Weak Transnational Industries. *Studies in Comparative International Development*, 41(1), pp. 3–25.
- Boschma, R. and Frenken, K., 2006. Why Is Economic Geography Not an Evolutionary Science? Towards an Evolutionary Economic Geography. *Journal of Economic Geography*, 6(3), pp. 273–302.
- Cimoli, M., Dosi, G. and Stiglitz, J.E., 2015. The Rationale for Industrial and Innovation Policy. *Intereconomics*, 50(3), pp. 126–132.
- Czirfusz, M., 2011. Understanding Geographies of Post-Socialist Economies: Invoking the Arts. K. Kocsis, Á. Erőss and D. Karácsonyi, eds. *Regional Socio-Economic Processes in Central and Eastern Europe – 20 Years in Transition and 2 Years in Economic Crisis*. Budapest: HAS Geographical Research Institute, pp. 19–31.
- Domański, B., 2004. West and East in 'New Europe': The Pitfalls of Paternalism and a Claimant Attitude. *European Urban and Regional Studies*, 11(4), pp. 377–381.
- Drahokoupil, J. and Myant, M., 2015. Putting Comparative Capitalism Research in its Place: Varieties of Capitalism in Transition Economies. M. Ebenau, I. Bruff and C. May, eds. *New Directions in Critical Comparative Capitalisms Research*. London: Palgrave Macmillan, pp. 155–171.
- Dunford, M., 2005. Old Europe, New Europe and the USA: Comparative Economic Performance, Inequality and Market-led Models of Development. *European Urban and Regional Studies*, 12(2), pp. 149–176.
- ESPON ET2050, 2015. *Territorial Scenarios and Visions for Europe*. Luxembourg: ESPON and MCRIT.
- Farkas, B., 2011. The Central and Eastern European Model of Capitalism. *Post-Communist Economies*, 1, pp. 15–34.
- Gereffi, G., 1995. State Policies and Industrial Upgrading in East Asia. *Revue d'Économie Industrielle*, 71(1), pp. 79–90.
- Gorzelak, G., 1996. *The Regional Dimension of Transformation in Central Europe*. London: Jessica Kingsley – Regional Studies Association.
- Gorzelak, G., Bachtler, J. and Smetkowski, M., eds., 2010. *Regional Development in Central and Eastern Europe: Development Processes and Policy Changes*. Abingdon: Routledge.
- Gorzelak, G. and Goh, C.C., eds., 2010. *Financial Crisis in Central and Eastern Europe: From Similarity to Diversity*. Warszawa: Wydawnictwo Naukowe SCHOLAR.
- Gowan, P., 1995. Neo-Liberal Theory and Practice for Eastern Europe. *New Left Review*, 213, pp. 3–60.
- Gowan, P., 1996. Eastern Europe, Western Power and Neo-Liberalism. *New Left Review*, 216, pp. 129–140.
- Gutiérrez, J. and López-Nieva, P., 2001. Are International Journals of Human Geography Really International? *Progress in Human Geography*, 25(1), pp. 53–69.
- Heenan, P. and Lamontage, M., eds., 1999. *The Central and Eastern European Handbook*. Chicago, IL: Fitzroy Dearborn Publishers.
- Heimpold, G. and Titze, M., 2014. Economic Development in East Germany since German Unification: Results, Shortcomings and Implications for Economic Policy. S. Collignon and P. Esposito, eds. *Competitiveness in the European Economy*. Abingdon: Routledge, pp. 184–196.
- Herschel, T., 2007. *Global Geographies of Post-Socialist Transition: Geographies, Societies, Policies*. Abingdon: Routledge.
- Horváth, Gy., 1998. *Európai regionális politika* [European Regional Policy]. Budapest–Pécs: Dialóg Campus Kiadó.

- Horváth, Gy., 2012. *The German Mezzogiorno? Supplements to the Natural History of East German Regional Development*. Discussion Papers No. 86. Pécs: Hungarian Academy of Sciences Research Centre for Economic and Regional Sciences Institute for Regional Studies.
- Horváth, Gy., 2015a. *Spaces and Places in Central and Eastern Europe. Historical Trends and Perspectives of Regional Development*. Abingdon: Routledge.
- Horváth, Gy., ed., 2015b. *Kelet- és Közép-Európa régióinak portréi* [The portraits of Eastern and Central European regions]. Budapest: Kossuth Kiadó.
- Hughes, J., Sasse, G. and Gordon, C., 2004. *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe*. London: Palgrave.
- Kourtit, K., Nijkamp, P. and Scholten, H., 2015. The Future of the New Urban World. *International Planning Studies*, 20(1–2), pp. 4–20.
- Lang, T., Henn, S., Sgibnev, W. and Ehrlich, K., eds., 2015. *Understanding Geographies of Polarization and Peripherization: Perspectives from Central and Eastern Europe and Beyond*. London: Palgrave.
- Lengyel, B. and Bajmócy, Z., 2013. Regionális és helyi gazdaságfejlesztés az evolúciós gazdaságföldrajz szemszögéből [Regional and local economic development from the perspective of evolutionary economic geography]. *Tér és Társadalom*, 27(1), pp. 5–29.
- Lovering, J., 1999: Theory Led by Policy: The Inadequacies of the 'New Regionalism' (Illustrated from the Case of Wales). *International Journal of Urban and Regional Research*, 23(2), pp. 379–395.
- Lux, G., 2012. Saját tereikbe zárva? Közép- és Kelet-Európa a regionális Tudomány európai integrációjában [Locked into their own spaces? Central and Eastern Europe within the European integration of regional studies]. J. Rechnitzer and Sz. Rácz., eds. *Dialógus a regionális tudományról*. Győr: Széchenyi István Egyetem – Magyar Regionális Tudományi Társaság, pp. 151–170.
- Lux, G., 2015. Minor Cities in a Metropolitan World: Challenges for Development and Governance in Three Hungarian Urban Agglomerations. *International Planning Studies*, 20(1–2), pp. 21–38.
- MacKinnon, D., Cumbers, A., Pike, A., Birch, K. and McMaster, R., 2009. Evolution in Economic Geography: Institutions, Political Economy, and Adaptation. *Economic Geography*, 85(2), pp. 129–150.
- Martin, R., 2000. Institutional Approaches in Economic Geography. E. Sheppard and T.J. Barnes, eds. *A Companion to Economic Geography*. Oxford: Blackwell, pp. 77–94.
- Medve-Bálint, G., 2014. The Role of the EU in Shaping FDI Flows to East Central Europe. *Journal of Common Market Studies*, 52(1), pp. 35–51.
- Nijkamp, P. and Kourtit, K., 2013. The 'New Urban Europe': Global Challenges and Local Responses in the Urban Century. *European Planning Studies*, 21(3), pp. 291–315.
- Nölke, A. and Vliegenthart, A., 2009. Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe. *World Politics*, 61(4), pp. 670–702.
- Paasi, A., 2013. Fennia: Positioning a 'Peripheral' but International Journal under Conditions of Academic Capitalism. *Fennia*, 191(1), pp. 1–13.
- Peck, J. and Theodore, N., 2007. Variegated Capitalism. *Progress in Human Geography*, 31(6), pp. 731–772.
- Pickles, J., 2008. The Spirit of Post-Socialism: 'What Is to Be Understood by It?' J. Pickles, ed. *State and Society in Post-Socialist Economies*. London: Palgrave, pp. 1–16.
- Pogátsa, Z., 2014. Cultural Defeatism in Central Europe. *Visegrad Revue*, 27 January.
- Pogátsa, Z., 2016. *Magyarország politikai gazdaságtana: Az északi modell esélyei* [The political economy of Hungary: The chances of the Northern model]. Budapest: Osiris.
- Rodríguez-Pose, A., 2006. Commentary: Is There an 'Anglo-American' Domination in Human Geography? And, Is It Bad? *Environment and Planning A*, 38(4), pp. 603–610.
- Rugraff, E., 2008. Are the FDI Policies of the Central European Countries Efficient? *Post-Communist Economies*, 20(3), pp. 303–316.
- Soja, E.W., 2009. The City and Spatial Justice. *Justice Spatiale – Spatial Justice*, 1(1), pp. 1–5.
- Sokol, M., 2001. Central and Eastern Europe a Decade after the Fall of State-Socialism: Regional Dimensions of Transition Processes. *Regional Studies*, 35(7), pp. 645–655.
- Stenning, A., 2005. Out There and in Here: Studying Eastern Europe in the West. *Area*, 37(4), pp. 378–383.
- Timár, J., 2004a. More than 'Anglo-American', It Is 'Western': Hegemony in Geography from a Hungarian Perspective. *Geoforum*, 35(5), pp. 533–538.
- Timár, J., 2004b. What Convergence between What Geographies in Europe? A Hungarian Perspective. *European Urban and Regional Studies*, 11(4), pp. 371–375.
- Turnock, D., ed., 2001. *East Central Europe and the Former Soviet Union: Environment and Society*. Abingdon: Routledge.

## **Part I**

# Economic transformation processes before and beyond the crisis

---



# Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

# Reintegrating economic space

## The metropolitan–provincial divide

Gábor Lux

---

### Rescaling in the modern space economy

In the last decades, even the most developed European economies had to reconsider their development strategies due to increasing competition and the rescaling of the modern space economy. The pressures of ‘unlimited globalisation’ have been brought about by advances in transportation and info-communication technologies (ICT); massive worldwide deregulation; the appearance of several new actors in global economic integration; and the constantly increasing permeability of national borders. Controlled mainly by transnational corporations (TNCs), Foreign Direct Investment (FDI) flows have had an increasing role in shaping the development prospects of states and regions. Except for a few key players on the world stage, countries and their regions face adaptation pressure impossible to avoid without being threatened by marginalisation.

A process of rescaling has taken place, leading to increased concentration in global centres (Farágó, 2010). The new winners of worldwide agglomeration processes are the ‘ideal’ locations of space: *globalised metropolitan city-regions* which serve as frameworks for agglomeration economies (Gordon and McCann, 2000) and fulfil both hub and gateway roles in the distribution of transcontinental flows (Taylor, 1997; Derudder et al., 2003; Erdősi, 2003; Sassen, 2006; Gál, 2010). Their strengths, based on a spatially limited system of location advantages, enable them to collect the most advanced functions of the post-Fordist economy: knowledge-intensive business services (KIBS), the most advanced innovative technologies, command and control functions in both the commercial and the public sectors. The highest value-added economic branches show great concentration in these ‘world cities’ (Audretsch, 1998). In comparison, medium-sized metropolitan areas linked to the world city network tend to specialise only in a few activities, from finance (Frankfurt, Zurich) to fashion and culture (Milan). Their examples are often presented as idealised case studies or ready-made development recipes, without paying enough attention to their unique situation and capabilities. This problem has often led to the failure of new regionalist policies – a problem already discussed by Lovering (1999), and later by Moulaert et al. (2007).

Benefiting from state-led development policies (Gereffi, 1995), some – primarily East Asian – emerging economies have undergone significant upgrading from peripheral to global actors through attracting TNCs and supporting their own ‘national champions’. Globally established



companies possess special advantages when it comes to competitive strategies: they can optimise the factor intensity, the knowledge content and the added value of their activities on a worldwide scale. This unique ‘bird’s eye view’ enables them to pay their taxes in tax havens; locate their labour-intensive production on low-cost sites while exploiting high-skilled labour, innovative activities and management close to the global centres; and to sell their products to advanced economies as well as the broadening global middle class. Economies of scale and their bargaining power grant them a position similar to that of the global centres with which they exist in symbiosis – while locality is increasingly on the defensive, even when reinforced by powerful economic networks such as clusters and industrial districts. In the world of global value chains, everyone stands alone against the pressure of the markets.

Non-metropolitan spaces and those outside the great global flows often experience threats of marginalisation and decline. ‘Minor cities’, second-tier urban centres without sufficient critical mass (Sucháček, 2010), find themselves in a precarious situation amidst losing ground to global champions and having to balance their development agendas between strong specialisation and a flexible economic structure (Lux, 2015).<sup>1</sup> ‘For whoever has, to him more will be given; but whoever does not have, even what he has will be taken away from him’ – so Mark (4:25) describes the essence of historical accumulation processes, and these words have never been more true than in our age. Even advanced economies in Western Europe and North America feel the ensuing development challenges. Unlimited competition results in a race towards a relatively low global average, and exerts a burden on welfare states (Kilicaslan and Taymaz, 2008; Milberg and Winkler, 2010). Wage stagnation, long-term job displacements and labour market insecurity, coupled with a structural shift towards post-Fordism and the crisis of traditional industrial regions, have together led to the erosion of previously secure medium-skilled jobs in both blue- and white-collar professions. The phenomenon of the ‘vanishing’ or ‘disappearing middle’ has been noted as a severe problem by numerous authors (Goos and Manning, 2007; Acemoglu and Autor, 2010; Tüzemen and Willis, 2013), prompting a search for effective development strategies representing a ‘high road’ of global competitiveness, characterised by high levels of social spending, employee skills, innovation and (consequently) productivity (Milberg and Houston, 1999).

In regional policy, the spatial interpretation of high-road development has encouraged an entire set of policies, a ‘new consensus’ on regional development relying on the collaboration of territorially embedded public and private networks aiming to foster learning and innovation (Humphrey and Schmitz, 2002). *Endogenous development* stresses the exploitation of locally rooted, hard-to-reproduce location advantages, primarily unique skills and knowledge, in achieving competitiveness in a selected industrial or tertiary niche. The central tenets of this development approach are a combination of the following factors:

- concentrating resources, exploiting agglomeration advantages, enabling less dense regions to realise benefits similar to those in metropolitan city-regions;
- increasing the regional embeddedness of production through an upgrading process;
- empowering local small and medium-sized enterprises (SMEs) and their networks; and
- preserving social cohesion and the welfare state.

This philosophy is expressed in a variety of instruments and in concentrated development units, like regional clusters and industrial districts, growth poles, regional innovation systems, learning regions, etc. These concepts are interrelated inasmuch as they attempt to encourage local resource accumulation and the generation of spillover or multiplier effects which, starting from a concentrated location, try to integrate a broader region into a production network, whether operated by local actors or external investors. Endogenous development has become a ‘go-to’ development approach of EU regional policy, with mixed success.

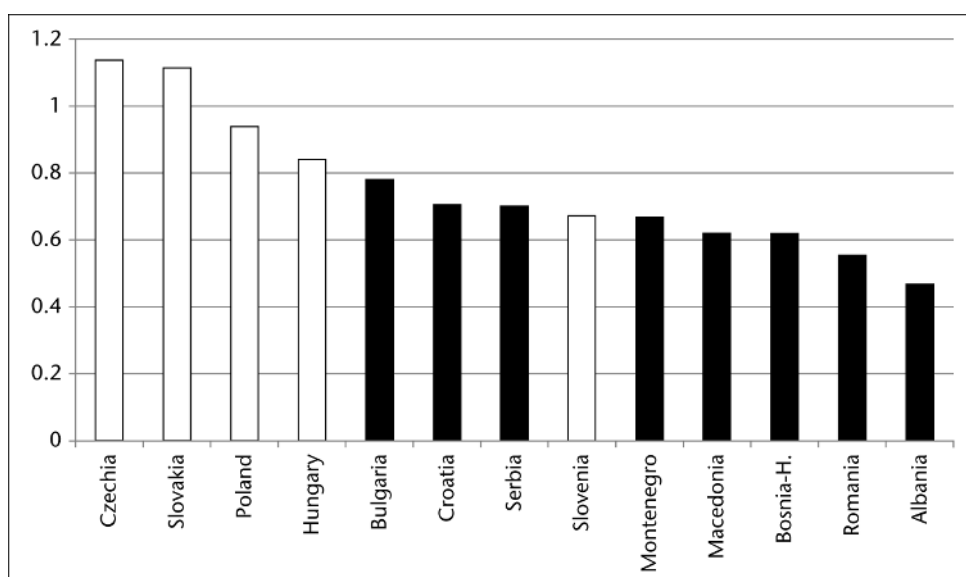
Like regional policy in general, the strategies of endogenous development are often applied haphazardly, without regard to local capabilities, historical antecedents or institutional development. In the last decade, even its success stories have been facing new challenges in the form of cost-based competition with post-socialist and particularly Far Eastern emerging economies. SME networks without effective niche strategies are increasingly disrupted by TNCs which have entered and captured the markets traditionally dominated by local enterprises. Furthermore, transnational private governance has introduced TNC-friendly legislation through the EU, representing Anglo-Saxon competitive philosophies in contrast to the continental model (Nölke, 2011). There has also been a cultural change characterised by weakening informal ties, less integrated firm networks and changing populations, particularly visible in Italian industrial districts (Parrilli, 2009). The result is the weakening of the environment which have allowed endogenous development models to succeed in non-metropolitan regions, the lower embeddedness of local companies, and the restructuring of local company networks into more hierarchical, centrally or even externally controlled formations.

This chapter aims to present the outcomes and the limitations of this worldwide rescaling and integration process in post-socialist Central and Eastern Europe. Reconfiguring the historical legacies of CEE regions, post-industrial development has produced territorially uneven results. While national capitals and their surroundings have emerged as advanced service economies integrated into European and worldwide networks of metropolitan growth areas (MEGAs), other regions have a more even balance between industrial and tertiary sources of competitiveness, or they experience hollowing-out processes which entail the dissolution of productive specialisations and long-term socio-economic decline. It is argued that in an era of globalisation and metropolisation, non-metropolitan regions in CEE face a significant risk of falling behind, which should be counteracted by comprehensive efforts to foster territorial reintegration and endogenous growth capabilities.

### **Territorially uneven structural changes under post-socialism**

Socialist development policies prioritised industrialisation at all costs, while neglecting or outright suppressing consumption and business services. This led to overindustrialised national and regional economies. Not only were these structures oversized, they were also unsustainable, burdened with a host of insoluble problems (see Chapter 3). Accordingly, regional restructuring in Central and Eastern Europe in the post-socialist era coincided with a rapid transition to post-Fordism, the far-reaching tertiarisation of the overindustrialised economies, and a massive decline in industrial employment (de-industrialisation). Restructuring eliminated the dominance of industry on all levels of the space economy, and the tertiary sector has universally become the main source of production and employment, absorbing much of the industrial labour surplus.<sup>2</sup> Post-traditional ruralisation, i.e. labour returning from the cities to the countryside and from industry to agriculture (Kovács, 2003), was a feature of the first decade of transition in South-Eastern Europe, where the primary sector acted as a temporary buffer for the unemployed (Büschendorf, 1999; Petrakos and Totev, 2000; Maniu, Kallai and Popa, 2001; Molnár, 2010). However, this was much more limited in the Visegrad countries where only Poland retained a large agricultural population. By the 2000s, this labour-absorbing role of rural areas was waning, although later it was again observed in Greece during the financial crisis.

However, the ubiquity of tertiarisation conceals important disparities: for example, those in the spread of service activities at both national and regional levels. Furthermore, these activities themselves show enormous differences with respect to their added value, innovation content, competitiveness and territorial integration. These differences are not only significant, they have



*Figure 2.1* Changes in the share of industrial employment in CEE countries, 1990–2008 (1990 = 100%)

*Source:* Author's calculations based on data from national statistical yearbooks and Eurostat.

*Legend:* White columns represent Central European, black columns represent South-Eastern European countries.

also turned out to be rather persistent, and they can have a far-reaching influence on long-term regional development paths. In order to understand the socio-economic differentiation of CEE countries and regions, beyond looking at the basic structural indicators, we must assess the underlying quantitative and qualitative differences as well. As services can be found ‘everywhere’ and agriculture has a comparatively low share in employment and economic output,<sup>3</sup> industry has become the main sector representing regional differences.

Encompassing the main period of radical structural changes, Figure 2.1 shows the national differences in de-industrialisation between the first years of transition and the global financial crisis. It is apparent that the long-term decline in industrial employment was significantly lower in the Visegrad group of countries than elsewhere. In fact, Czechia and Slovakia even experienced minor reindustrialisation. These features point beyond the common characteristics of transition, calling attention to the differences in market processes, political and institutional contexts surrounding structural transformation.

- In the Visegrad countries, tertiarisation has been partially counterbalanced by reindustrialisation, driven by high FDI inflows into the manufacturing sector. The duration of the transformation recession here was shorter than in South-Eastern Europe or the post-Soviet countries.
- In South-Eastern Europe, particularly in the successor states of Yugoslavia, deeper de-industrialisation is explained by both the slower pace of political and economic transition, and the very outdated industrial structure of state socialism. This has led to a lower survival rate of companies, delays in the spread of FDI and severe socio-economic problems. Furthermore, the original degree of industrialisation was itself a statistical illusion, bolstered by the underdevelopment of the service sector.