

Restructuring Economies of Old Industrial Regions – Local Tradition, Global Trends

Jaroslav Koutský, Ondřej Slach, Tomáš Boruta

Jaroslav Koutský

Jan Evangelista Purkyně University in Ústí nad Labem, Ústí nad Labem, Czech Republic
E-mail: koutsky@fse.ujep.cz

Ondřej Slach

University of Ostrava, Ostrava, Czech Republic
E-mail: ondrej.slach@osu.cz

Tomáš Boruta

University of Ostrava, Ostrava, Czech Republic
E-mail: tomas.boruta@osu.cz

Abstract

Old industrial regions belong undoubtedly among the principal "losers" in the deepening process of globalization. Nevertheless, examples from some regions show that the industrial history of such regions is not an insurmountable obstacle to new development trajectories. Adaptability and the formation of "new combinations" based on the interconnection of local and global trends can give birth to specific advantages which will be able to compete even with "normal" regions. With the example of Manchester, we attempted to demonstrate that a unique combination, or rather a re-combination, of local tradition and global trends, can markedly change the external, but also the internal representation of the whole region. However, even this selected example cannot be interpreted only and unambiguously positively. On the one hand, the stress on external presentation and adjustment to the needs of target groups led to a unification (or even disparagement in several places) of a number of "trendy" localities. On the other hand, the process when regeneration is driven by culture or creative sectors was highly selective and in the final result escalated the social-spatial tensions (see northern part of Manchester). Outside this internal dimension of transformation, it is also necessary to take into account that particularly this "new combination" is replicable in other regions with analogical structure only to a limited extent. Therefore, it should be perceived more as a source of valuable inspiration pointing out the directions of possible "new combinations", and not as a model fully applicable in other institutional and structural contexts.

Key words: economic restructuralization, old industrial regions, tradition, globalization

Introduction

The continuing globalization processes confirm more than ever before the importance of local quality conditions securing the competitiveness of regional economies. The thoughts that in the framework of the improving mobility of capital and people, the importance of regional structures will decrease proved to be unfounded. On the contrary, the quickly changing localization preferences, and especially the possibility of rapid changes of production factors exert pressure on the real configuration of the local situation. At the same

time, they affect the region's presentation towards the external environment and quality of region's management. The need to react flexibly to global trends, impulses, and demands with the help of regional offer of production as well as non-production factors seems to be more and more necessary. The role of adaptation processes becomes more emphasized. In this context, the position of old industrial regions appears to very interesting, but also specific and to a large extent problematic. These regions are limited in global competition due to the inadequacy of their existing structures. Regardless of this fact, the practical experience from model regions shows the possibility of finding a new productive combination between the inherited tradition and structures and the demands of the new era.

Old industrial regions and the process of their transformation – a brief outline

The professional literature offers various definitions of old industrial regions. Hamm and Wienert (1990) present the following basic parameters of an old industrial region:

- above-average population density and magnitude of settlement centers
- above-average endowment with physical infrastructure
- early industrialization in comparison with other regions within the country
- regional economy characteristics with dominance of specific production sectors in an advanced life cycle phase
 - prevalence of large enterprises
 - low ability to handle the transformation process solely with internal resources

Among other supplementary, but significant features of old industrial regions can be included also the situation when in the local urban, and generally condensed environment, the expected agglomeration savings are negative, becoming thus agglomeration costs (Hassink 2005, Boschma and Lambooy 1999). This is a paradoxical situation when during the emergence and formation of the primary localization of industry the agglomeration savings are playing a substantial positive role, but in the course of time the concentration of problematic structures, rigid processes and mechanisms becomes problematic, and obstructs the emergence of innovations, changes, and new leaders (Martin 2006).

The general characteristic of old industrial regions is their complexity and underdevelopment. Such regions cannot be thought of as lacking economic structures like e.g. peripheral regions, rather, they actually have very extensive structures but these structures have become obsolete and incompatible with the requirements of the present world. The accumulation and interconnection of the above mentioned features (a sector in an advanced life cycle phase, excessive reliance on single industries, negative externalities, rigidity of the environment, agglomeration costs) are forming limits for competitiveness, and influence negatively the more generally perceived (external as well as internal) image of old industrial regions. Steiner (1985) assesses this situation in the case of old industrial regions as a prevalence of externalities of similarity, which stands in contrast with the contemporary emphasis placed on the existence of externalities of diversity in the most progressive regions of the world. Old industrial regions can be thus rated as regions of second league of performance which did not catch up with the development trends and do not begin at the same starting position when facing the global competition of regions (Tripl 2004).

Based on the aforementioned characteristics, we can say that roughly since the 1970s (in European capitalistic countries), or since 1990s (in post-socialistic countries), there has been forming a group of regions which can be labelled as old industrial regions. Among the most illustrative, and in literature most described examples, is the British city of Manchester and its hinterland (particularly Ward and Peck 2002), German Ruhr Area (Schrader 1998) or Saarland, and the traditional industrial regions of northern France (Callais, Alsace, Lorraine). In Southern Europe we can mention the Basque Bilbao and its hinterland, and in Eastern and Central Europe the Lower Silesia and Ostrava region (Sucháček 2005), or Central

Transdanubia (Lux 2009). To make the picture complete, it is necessary to add that the occurrence of old industrial regions is not typical only for the European territory. Similar examples can be found also in other countries of the world (USA – Detroit and environs, China – Manchuria). In the most developed countries of the world, old industrial regions are becoming a counterpart to the so-called "new industrial spaces" like e.g. the Silicon Valley in the USA, the environs of M4 highway in Great Britain, or Bavaria (more details in Castells 2000, Markusen 1996, Scott 2000). These regions basically took over the original dominance of today's old industrial regions by creating values and stimulating growth for the contemporary society.

From the perspective of the regionalist research, as well as practical management, the key question is the possibility of (positive) change in old industrial regions. Pavlínek (1997) defines the transformation in general as a process which results in the changing character of capitalistic economic and societal system. Currently, the key transformation process is the change from post-Fordist accumulation to a flexible production regime. With a narrow perspective of the situation in old industrial regions, we can understand their transformation as an effort for an overall change and adjustment of key economic, social, and physical structures to the parameters currently required for competitive development. It is important to stress that the objective is not the return to the original dominant position in the industrial age, but an effort to find a new position with a certain level of significance in the post-industrial age. Economic restructuring may be regarded as the key component of the general transformation of the former economic (industrial) structures, with the objective to revive the potential for economic competitiveness and productivity, sustaining or strengthening employment and production.

New combination of local tradition and global trends

The transformation and adaptation process of the regional economy, and the features of newly assumed development trajectory of old industrial regions are the result of a mutual combination of long-term local traditions and general global trends of territorial units' development. Local tradition is understood as a spatial embeddedness and long-term enrooting of economic structures, institutions, and a specific knowledge system, whose substance is the ability to generate knowledge and learning, conventions, routines, and knowledge transfer (particularly the tacit knowledge; Storper 1995). General (global) trends then create demands for future orientation and adjustment in the interest of maintaining a competitive position. It is an ability of the regional economy to constantly produce the demanded values and to secure the regional needs (employment, wages). The existence of a functional innovative milieu is necessary for a long-term sustainability of a competitive trajectory of the regional economy (or in case of OIR for its recovery) (Ježek 2003). This can be defined the ability of selected areas to produce, attract, and sustain economic activity, and to hold relationships and bonds between the local knowledge system and global trends (Amin and Thrift 1992). In the following table we present selected traditional industrial regions which have been able to find transform the regional economy and find functional innovative systems in the specific sectors.

Table 1: Examples of regional economy transformation as a combination of local tradition and global trends

Industrial region	Local tradition	Global trend	New combination
Manchester	Heavy industry	Cultural scene/ world pop culture	Culture sector
Ruhr Area	Heavy industry	Global tourism, experience economy	Industrial culture and tourism
North Pas-de-Calais	Textiles	Preference of consumption and comfort	Sectors of mail ordering of goods
Emilia-Romagna	Textiles	High-tech sectors	Fashion trends, clothing industry
Jutland	Furniture	Preference of quality and lifestyle	Trendy design furniture

Translated and modified according to Malecki and Hospers (2007)

The strengthening of the symbolic and iconic functions of local infrastructures and processes of these problematic regions becomes a very important element for increasing their competitiveness (more details in Lash and Urry 1994, Rumpel et al. 2010). Important is thus not only their actual substance, but also the manner in which it is reproduced and communicated. Regional marketing thus becomes an increasingly significant tool, be it in the form of a narrow interpretation as a way of communication towards the internal (local residents, companies) and external (potential residents, investors) target groups (e.g. Bianchini and Landry 1995), or in a broader interpretation as a complex concept of coordination of processes and priorities of regional management (Rumpel 2002). This situation is strengthened by the phenomenon of growing consumption at global level. It is interesting that besides the classical products and services, also the non-material and unique goods (experiences, events, performances), based on consumption in an irreproducible and symbolic environment, are becoming a subject of global consumerism (expressed mainly by tourism). The spheres which played a more passive role in the past such as the culture sector and historic heritage (Kunzmann 2002) are thus becoming the subject of economic relations, and thereby also of intra-regional competition (and also the content of regional development strategies).

From the general perspective, the possibilities of industrial regions responding to global trends are not completely optimal, as the complexity and rigidity of their existing structures, and the disturbed environment, are placing them into a disadvantaged starting position. On the other hand, compared to other problematic regions (e.g. peripheral or economically weak), they have preconditions for the functionality of innovative environment (Tripl and Todtling: 2008). There is a chance for the emergence and spread of positive externalities and agglomeration savings generated by concentration and proximity of actors in the urban environment. The long-term experience with the functionality of economic structures and a strong infrastructure base is a good starting condition. The cornerstone of a successful transformation process is thus finding and adopting the suitable combination of traditions and trends, which according to the experience from several selected regions (particularly Manchester and Ruhr Area) seems to be best.

The shaping of the cultural scene as a new topic of regional economy with links to the global market – the case of the city of Manchester

The city of Manchester and its hinterland (schematically it can be delimited as NUTS II The Greater Manchester) represents one of the world's oldest industrial areas, where the industrial revolution originated. It can be viewed as a model example of the genesis of early capitalism, as well as a demonstration of the deindustrialization processes. P. Dicken (2002) states that Manchester was not only the archetype of factory capitalism as a basis for the city's position in the world hierarchy of industrial age's cities, but a significant role was also played by the synergy of financial and trading power of the city in the textile industry, together with a highly integrated regional division of labor with specialized structure. Moreover, the textile industry served as a stimulus for the development of other industrial sectors, particularly mechanical engineering and chemical industry (mainly during the 19th century). The recession in industrial production began already before the World War II, but its principal demonstration can be observed only in the after-war years with its culmination in 1980s. Between 1972 and 1984, the number of jobs in the industry declined by 207,000 without any substitution in the form of a growing tertiary sector. In the 1980s, and at the beginning of 1990s, the unemployment in Manchester was exceeding 20%. A detailed analysis of causes of the decline would go well beyond the scope of this paper, but is offered in the work of P. Dicken (2002).

In city's life, the cultural scene had traditionally a strong position, but in the long-term perspective it was only a complementary sector of the economy with principal function of providing leisure time alternatives for industrial workers. A special attention was given mainly to the local music scene (particularly in the 1970s – e.g. The Hollies, The Bee Gees; 1990s - Take That, Simply Red, Oasis), and the world-famous music clubs (e.g. The Hacienda in 1980s). However, in the course of time, culture became a clearly profiled, productive sector of the regional economy with a considerable contribution to the production of the regional GDP. To a large extent, it is symbolic that in many ways it replaced the original economically powerful industrial structures. By contrast, these are today becoming a "mere" setting for cultural performances, or present an interesting localization preconditions for tourism.

In the framework of promoting the city as a cosmopolitan consumption center it is decisive to attract the stars of the global music scene (U2, Madonna, etc.), organize large music and cultural festivals (e.g. the annual worldwide famous festival for the homosexual community), or attract important congresses and conferences. The vibrant music scene is also connected with other cultural areas – dramatic art, painting, design, photography, etc. This forms an exceptionally strong and inspiring local cultural scene, attracting investments into the infrastructure necessary for the implementation and quality of such events. For example, the public sector had a new concert hall – Manchester Arena – with the capacity of 20,000 spectators built. It belongs among the world's best indoor concert halls. Major concerts of global stars take place in the City of Manchester Stadium with the capacity of circa 50,000 spectators (depending on the type of event).

The spatial concentration of creative people in the district of Northern Quarters is interesting in the framework of the city. In this quarter one can find many clubs, bars, studios, and rehearsal rooms, linked to the relevant private sector (promotion agencies, media sector companies, architectonic studios, designer studios, etc.) (Brown et al. 2000). Other thematic quarters in the city include Gay Village (where homosexuals meet), Curry Mile (Indian restaurants, bars, and other businesses linked to the given community), and China Town (little area in the city center with a significant concentration of Chinese restaurants and bars). These areas also emerge spontaneously, but are based more on the preferences of selected social groups (e.g. gay community, immigrants) than on a purposeful concentration of actual

economic activities. They are primarily used as a marketing tool for stimulating further consumption in these areas (Young et al. 2006).

In connection with the transformation of cultural production from local and regional products to the global consumption arena, regional marketing appears to be a necessary part of the change. Regional marketing is implemented with the help of specialized institutions (particularly Manchester Marketing) and conceptual strategies in which the shaping of a new cultural function of the city and the presentation of the city as vibrant, lively, and full of amusement and large events play a central role.

Conclusion

Old industrial regions belong undoubtedly among the principal "losers" in the deepening process of globalization. Nevertheless, examples from some regions show that the industrial history of such regions is not an insurmountable obstacle to new development trajectories. Adaptability and the formation of "new combinations" based on the interconnection of local and global trends can give birth to specific advantages which will be able to compete even with "normal" regions (Hospers 2005). With the example of Manchester, we attempted to demonstrate that a unique combination, or rather a re-combination, of local tradition and global trends, can markedly change the external, but also the internal representation of the whole region. However, even this selected example cannot be interpreted only and unambiguously positively. On the one hand, the stress on external presentation and adjustment to the needs of target groups led to a unification (or even disparagement in several places) of a number of "trendy" localities. On the other hand, the process when regeneration is driven by culture or creative sectors was highly selective and in the final result escalated the social-spatial tensions (see northern part of Manchester). Outside this internal dimension of transformation, it is also necessary to take into account that particularly this "new combination" is replicable in other regions with analogical structure only to a limited extent. Therefore, it should be perceived more as a source of valuable inspiration pointing out the directions of possible "new combinations", and not as a model fully applicable in other institutional and structural contexts.

References

- Amin, A. and Thrift, N. 1992. Neo-Marshallian Nodes in Global Networks. *International Journal of Urban and Regional Research* 16(4): 571-587.
- Boschma, R. A. and Lambooy, J. 1999. Evolutionary economics and economic geography. *Journal of Evolutionary Economics* 9(4): 411-429.
- Brown, A., O'Connor, J. and Cohen, S. 2000. Local music policies within a global music industry: cultural quarters in Manchester and Sheffield. *Geoforum*: 437-451.
- Castells, M. 2000. *The Rise of the Network Society*. Malden, MA: Blackwell.
- Dicken, P. 2002. Global Manchester: from globaliser to globalised. In: Peck, J. and Ward, K., eds. *City of Revolution: Restructuring Manchester*. Manchester: Manchester University Press. pp. 18-34.
- Hamm, R. and Wienert H. 1990. Strukturelle Anpassung altindustrieller Regionen im internationalen Vergleich. Berlin: Duncker & Humblot.

Hassink R. and Shin, D. H. 2005. The restructuring of old industrial areas in Europe and Asia. *Environment and Planning A* 37(4): 571-580.

Hospers, G. J. 2005. Best Practices and the Dilemma of Regional Cluster Policy in Europe. *Tijdschrift voor Economische en Sociale Geografie* 96(4): 452-457.

Ježek, J. 2003. Kreativní milieu jako předpoklad regionálního rozvoje. In: *Sborník příspěvků z konference Regio*. pp. 85-89.

Kunzmann, K. R. 2002. Wirtschaft und Raumentwicklung. Informationen zur Raumentwicklung, *Kultur* 4(4/5): 185-197.

Landry, C. and Bianchini, F. 1995. *The Creative City*. London: Demos.

Lash, S. and Urry, J. 1994. *Economies of Signs and Space*. London: Sage.

Lux, G. 2009. Divergent patterns of adaptation among Central European Old Industrial Regions. *European Spatial Research and Policy* 1: 145-157.

Malecki, E. and Hospers, G. J. 2007. Knowledge and the Competitiveness of Places. In: Rutten, R. and Boekema, F., eds. *The Learning Region: Foundations, State of the Art, Future*. Cheltenham: Edward Elgar. pp. 143-159.

Markusen, A. R. 1996. Sticky places in Slippery Space. *Economic Geography* 72(3): 293-313.

Martin, R. 2006. Pfadabhängigkeit und die ökonomische Landschaft. In: Berndt, Ch., Glückler, J., Eds. *Denkanstöße zu einer anderen Geographie der Ökonomie*. Bielefeld: Transcript Verlag. pp. 47-76.

Pavlínek, P. 1997. Vybrané teoretické interpretace současné transformace kapitalismu. *Sociologický časopis* 33(1): 41-56.

Peck, J., Ward, K. ed. 2002. *City of Revolution: Restructuring Manchester*. Manchester: Manchester University Press.

Rumpel, P. 2002. Teritoriální marketing jako koncept územního rozvoje. Ostrava: Ostravská univerzita.

Rumpel, P., Slach, O., Koutský, J. and Bednář, P. 2010. Re-imageing of industrial cities in the Czech Republic: chosen drivers of the change. *Mönchengladbacher Schriften zur wirtschaftswissenschaftlichen Praxi*. Göttingen: *Cuvillier Verlag* 22(1): 89-114.

Scott, A. J. 2000. Economic Geography: The Great Half-Century. *Cambridge Journal of Economics* 24(4): 483-504.

Schrader, M. 1998. Ruhrgebiet. In: KULKE, E. (Hrsg.), *Wirtschaftsgeographie Deutschland*. Rotha, Stuttgart: Klett Perthes. pp. 267-305.

Steiner, M. 1985. Old Industrial Areas: A Theoretical Approach. *Urban Studies* 22: 387-398.

Stoper, M. 1995. Territorial Development in the Global Learning Economy: the Challenge to Developing Countries. *Review of international Political Economy* 2(3): 394-424.

Sucháček, J. 2005. Restrukturalizace tradičních průmyslových regionů v tranzitivních ekonomikách. Ostrava: VŠB-TU.

Trippl, M. 2004. *Innovative Cluster in alten Industriegebieten*. LIT Verlag Berlin-Hamburg-Münster.

Trippl, M. and Otto, A. 2009. How to turn the fate of old industrial areas: a comparison of cluster-based renewal processes in Styria and the Saarland. *Environment and Planning A*, 41(5): 1217-1233.

Trippl, M. and Todtling, F. 2008. Cluster renewal in old industrial regions—continuity or radical change? In: Karlsson, C., ed. *Handbook of Research on Cluster Theory*. Cheltenham: Edward Elgar. pp. 203-218.

Young, C., Diep, M. and Drabble, S. 2006. Living with difference? The 'cosmopolitan city' and urban reimaging in Manchester, UK. *Urban Studies* 43(10): 1687-711.