
Regional Asymmetries – Basis, Consequences and Counter-measures.

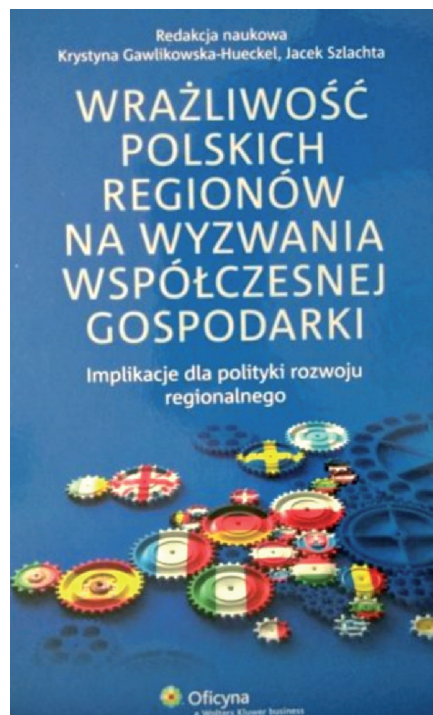
Reflections on the outline of the book, a scientific edition by Krystyna Gawlikowska-Hueckel and Jacek Szlachta entitled "Receptiveness of Polish regions to the challenges of contemporary economy: implications for regional development policy?"

Elżbieta Mączyńska

ABSTRACT

This book review is a collection of reflections on regional development in the context of crisis and turbulence in the global economy.

The book under discussion relates to the current fundamental issue of the regions resistance to negative phenomena in the contemporary economy. Just as importantly, it discusses the capacity of the regions to stand up to the fundamental economic and social challenges of contemporary times, including primarily those in the area of demography, innovation and investment. Whilst the analyses set out in the book relate mainly to Polish regions, many conclusions drawn from research however, can also be applied on a supra-national plane. Recommendations existing to counter irregularities in the regional development can certainly be applied to other countries, including, primarily, though not only, European. The basic contents of the book relate to regional asymmetry – its basis, consequences and possible counteraction. The book clearly also deals with issues of a supra-regional dimension, not only analyses of studies of the most important international publications and reports regarding the economic situation of regions and regional policy, but also statistical data analyses on the economies and experiences of other countries supported by mathematical models.



The book broaches two principal issues, i.e. resilience of regions in the face of crises and shocks in the economy and adaptation to the requirements of competitiveness – these are issues which prejudge economic growth, socio-economic growth and quality of life in individual regions. These issues require a rational strategic policy which extends beyond the short-term goals in its quantitative aspect. Marginalizing strategic thinking, a long-term approach in regional policy may, however, result in long-term degradation of regions. Authors of the book stress the dangers of strategic blindness or strategic oversight.

In economic publications and scientific research relatively little is still devoted to the regional development issue in the context of crisis situations and turbulence in the global economy. Therefore, new analyses on this subject are all the more worthy of attention. Those included in the book (seven chapters and 374 pages) are all the more noteworthy since the empirical research, conclusions drawn and recommendations for the regional policy are presented against a backdrop of in-depth theoretical and empirical studies regarding competitiveness, international trade and the attractiveness of regional investments (chapter I) and an in-depth empirical analysis of trends in the global and European economy, in particular from the aspect of the consequences of the world crisis (chapter II). The development determinants of the Polish regions are identified and measured using of mathematical models (chapter III). The next two chapters (chapter IV and V) analyse the development potential of Polish regions, its transformation and susceptibility to global challenges. Polish experience and regional achievements are additionally clarified in the analysis of national evolution and European regional policy in chapter VI.

The very essence of the analyses in the book is encapsulated in the final chapter (VII) containing conclusions for the regional development policy in the context of cohesion policy formulated by the European Union. The conclusions drawn in this chapter apply not only to Poland. In my opinion, they are of a more universal supra-European nature and dimension, and therefore make you stop and reflect on them, and to ask new questions.

The authors of the book analyse the situation in Polish regions, inter alia, in the context of the consequences of the global crisis 2008+. Although it affected Poland to a relatively minor extent, nevertheless, as an open economy, the country relentlessly experiences the consequences which the crisis has brought. The global crisis has exposed widespread irregularities in the global economy, in particular in the finance sector. The concept of natural stability, efficiency and resilience of the markets in the face of serious crises has been rebuked. Therefore, the theory that the regions must adapt in advance to crisis shocks and dysfunction in the global economy is fully justified. One of the most devastating dysfunctions is the increasing turbulence and frequency of economic crises, the unemployment which continues to be long term and the increasing contrast between the two poles – wealth and poverty, not to mention disturbance of the ecological balance. All this, through “its infectious propensity”, has a negative influence on the socio-economic condition of many regions. One of the examples of this negative effect is a decrease in the dynamics of direct foreign investment. The global crisis has also exposed dysfunction of the global economy, at the same time, revealing the

weakness of the euro zone. This crisis has been a fairly ruthless test for regions testing their vulnerability in a collapse in the economy. On this particular aspect the book states that a new way of thinking and new line of approach in formulating the regional policy must be found. The co-authors of the book, Jacek Szlachta and Jacek Zauch, are of the opinion that of paramount importance in targeting this policy at the reinforcement of the regions capacity to “accommodate for negative macroeconomic shocks. The presence of capital, its augmentation, an expanded production base, capacity to create innovation etc. cease to be a sufficient condition for growth” (p. 70). This important assertion implies the need to strengthen the institutional dimension of change, which these authors acknowledge as key issues. All other co-authors of the book under discussion directly or indirectly confirm this also in their writings – Krystyna Gawlikowska-Hueckel, Tomasz Brodzicki, Stanisław Umiński, Dorota Ciołek and Ewa Głazek.

The evaluations of these authors set out in the book reflects the results of research conducted by other scientists, including by Maria Lissowska and Daron Acemoglu and James A. Robinson. Maria Lissowska, in her evaluation based on research conducted on the Polish transformation, states that *planning institutional changes has been left on the sidelines of the interests of the creators of the transformation*. In analysing the causes of this, she concludes on the basis of empirical research and studies of literature on the subject, that *liberalization and privatization should not be commenced without the proper preparations of institutional solutions and systems. Otherwise the market may become dominated by illegal, (mafia) structures of cooperation* (Lissowska M. (2008), *Market Economy Institutions in Poland. Institutions for the Market Economy. The Case of Poland*, p. 79). Results of analyses by Daron Acemoglu and James A. Robinson which have been published also confirm this. These scientists examine why some nations are wealthy, innovative, whilst others are poor. They conclude that the deciding factor is not culture or climate or the geographic location nor lack of knowledge on policy. None of these factors determines the direction of development in countries. The response of these scientists to the question, “what is the deciding factor on wealth and success?” is “Institutions, institutions, institutions”. “*The most common reason for the fact that nations are losers, is that it is institutions which exploit, function in them. /.../ Exploiting economic institutions do not encourage people to save, invest or introduce innovations. Exploiting political institutions support those economic institutions, concentrating authority in the hands of people, who stand to gain because of the exploitations*” (Acemoglu D., Robinson J. A. (2014), *Dlaczego narody przegrywają*” pp. 410-414).

These are consequences also weighing down greatly on regional policies. Therefore, it is no coincidence that there is little devoted to the institutional dimension of regional policy in the book. The co-authors Jacek Szlachta and Jacek Zaucha on this issue make reference to the concept of evolutionary resistance of the regions, understood as the “capacity of a region to ensure social welfare (development) in the long term, in accordance with the paradigm of sustained development, that is, retaining the appropriate proportions of natural, social, human and economic capital” (p. 70)¹.

¹ The source alone of the concept of the words *suspensivity*. *Suspensio, sustineo* speaks for itself; in Latin it means sustainment maintenance, tolerance. In turn, in English *sustainable* is the capacity to support, subsist (in this case permanence of development).

Jacek Szlachta and Jack Zaucha and other co-authors of the book stress that in regional policy, the changing conditions of world competition should be taken into account to a greater degree than at present, including the changing geo-political situation, the new economic geography, changes in the system of powers and others. The fact of the evolution of the concept of cohesion policy realized by the EU is exposed, here. Krystyna Gawlikowska-Hueckel stresses that initially this policy was oriented almost exclusively on support of the poorest regions. However, in recent years it was re-oriented to the increase of competition and *“supporting the usage of endogenic development potentials and only a supplementary orientation on the liquidation and limitation of barriers to development. The compensation itself for the consequences of poverty has faded into the background. The policy adopted in territorial systems, traditionally made up of two segments, regional policy and development policy of rural areas, was supplemented by a third segment – urban policy”* (p. 296).

Because of such change of orientation of the EU cohesion policy, in particular the conclusion by Krystyna Gawlikowska-Hueckel that *“poor and weaker regions, despite the fact of the lower scale of the relations with the external system, have proved to be considerably more vulnerable to disturbances of socio-economic development processes than regions connected with the large urban agglomerations”* gives cause for thought (p. 297). Although this assertion is qualified by a reservation, that this issue requires further research, in particular, from the aspect of *“better adaptation of public policies to the crisis and post crisis development context of Polish voivodships”*, nevertheless there is cause for doubt here. Above all, there is the question of the risk of inequality in the regional level of wealth and income becoming more serious. The change of orientation of the regional policy outlined in the book and decrease in the importance of countering poverty, may lead to an increase of the risk of such direction of regional transformations intensifying in the future, which is referred to (*in Polish*) as the “four b’s” syndrome:

rich → richer;
 poor → poorer.

This is a serious syndrome, which significantly affects the less than perfect state of the contemporary world and the growing disparities in income and non-inclusion, social exclusion. Proof of this is to be found in the latest book by the French economist Thomas Piketty, *Capital in the Twenty-First Century*, and of the Polish economists – Tadeusz Kowalik, author of many publications on the subject of inequality of income). The growth of these inequalities causes many negative phenomena for socio-economic development and the quality of life, occurring not only in poor regions but in the most wealthy. Currently in the USA it has been stated that there is an increasing risk of secular (i.e. permanent) stagnation. Renowned economists including Lawrence Summers and laureate of the Alfred Noble award in economy, Paul Krugmaan, warn of this. Secular stagnation is the negation of sustained development. It signifies a permanent loss of the possibility to adapt the socio-economic system to the material and financial resources and labour resources possessed and to the development needs of the region, country or group of countries. Such stagnation manifests itself in barriers to demand, a slow-down of economic growth and development and also in the growing disparity between the potential and actual increase of the gross domestic product (GDP). One

of the most spectacular of such disparities is the permanent persistence of unemployment, a manifestation of wasted human potential, that is, the most important factor of development. The basis of secular stagnation is primarily the deteriorating demographic situation in many regions, which is associated with a fall of the indices of the growth capacity in the birth-rate and an ageing of society. This weakens demand, becoming the fundamental factors decreasing the incentive for investment, which in turn generates unemployment and stagnation. Therefore, a type of "fairy ring" is formed, a vicious circle of helplessness. To break this, changes in the socio-economic policy are necessary, redefinition of the macroeconomic policy and the goals and priorities it assumes. It also requires redefinition of the nation's role. The solution put forward by many world renowned economists (including the aforementioned Krugman and Summers public investments, but those, which would not only be conducive to creating new work places, but at the same time would create more advantageous conditions for economic activity and a stimulus for investment revival. In this, it is essential to counter the growth of inequalities of income, thereby reinforcing purchasing, setting the direction of redistribution of income for the benefit of the lower-income group, whose growth transfers into market demand at a more rapid pace and with more impact.

On the basis of the description of the book and also based of other analyses, we can conclude that the risk of secular stagnation may also apply to Poland, and in particular certain Polish regions, where typical phenomena for stagnation exist. These are: deterioration of the demographic situation and unemployment (including technological, due to the increasing resources and growing productivity of information technologies) and deindustrialization. This creates substantial barriers to the creation of new work places, especially in conditions of development of labour-saving information technology. This is accompanied by the looming deflation processes connected with barriers to demand, fall in the interest rate and a liquidity-pitfall syndrome, which manifests itself in the fairly weak tendency of enterprises to invest despite the available growing cash resources. The risk of secular stagnation increases all the more, as the EU financial aid to Poland will probably be expiring after 2020, but the re-orientation of cohesion policy indicated in the book may increase the threat of secular stagnation.

Therefore, rationalization of regional policy is all the more important, both national and EU. The authors of the book under review indicate this. Some conclusions it contains may, and probably should, be treated as an important warning. In my opinion, this is the nature of the following evaluation at the end of the book by Krystyna Gawlikowska-Hueckel: 'The analysis of Polish regional policy confirms its complete dependency on the European cohesion policy which is indirectly the result of the scale of financial transfers for the benefit of Poland within the structural funds of the Cohesion fund. The European Union's reaction to the changes of development conditions is mostly belated, formal and bureaucratic (p. 297). The author indicates, that in view of this, a new generation of European cohesion policy is necessary. This is essential and a condition for a positive reaction of the Polish regions and those of other EU countries to external development challenges. In the opinion of Krystyna Gawlikowska-Hueckel, the limitation of EU activities towards cohesion should mean a total exposure of some regions to global megatrends which are disadvantageous for Europe.

It is difficult not to agree with this opinion, especially as the only one of these trends is the threat of secular stagnation which has already been indicated, although this is a risk which the authors do not analyse in the book.

These are only some of the reflections to which the book prompts readers. It will certainly be of great interest not only to those who are involved in regional development issues, but also to those for whom improvement of the quality of life in Polish (and not only) regions, lies close to the heart. This book deserves to be noticed, all the more so, as its authors are well known Polish scientists, theoreticians and practicians of regional policy, experts holding important posts in EU institutions and other national and international organizations experts holding important functions in institutions, and also with experience from academic work, both research and didactic.

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STRESZCZENIE

Recenzja jest zbiorem refleksji na temat rozwoju regionalnego w kontekście sytuacji kryzysowych i turbulencji w gospodarce światowej.

prof. dr hab. Elżbieta Mączyńska – Professor of economics, graduate of University of Warsaw, the head of Department of Studies on Bankruptcy of Enterprises, also employee of Institute of Economic Sciences at Polish Academy of Sciences, from 2005 President of the Polish Economic Society, member of Presidium of Forecasting Committee of the Polish Academy of Sciences „Poland 2000 Plus”, member of the Committee of Economic Sciences Polish Academy of Sciences, in 1994-2005 scientific secretary and member of the Presidium of the Socio-Economic Strategy’s Council affiliated with the Council of Ministers. Author, co-author and editor of more than 200 publications on economic analysis, finances, valuation of enterprises and economic systems as well as socio-economic development strategies / profesor nauk ekonomicznych, absolwentka Uniwersytetu Warszawskiego, kierownik Zakładu Badań nad Bankructwami Przedsiębiorstw w Kolegium Nauk o Przedsiębiorstwie w Szkole Głównej Handlowej, pracownik naukowy Instytutu Nauk Ekonomicznych Polskiej Akademii Nauk; od grudnia 2005 r. prezes Polskiego Towarzystwa Ekonomicznego, członek Prezydium Komitetu Prognoz „Polska 2000 Plus”, członek Komitetu Nauk Ekonomicznych PAN; w latach 1994-2005 sekretarz naukowy oraz członek Prezydium Rady Strategii Społeczno-Gospodarczej przy Radzie Ministrów. Autorka, współautorka i redaktor naukowy ok. 200 publikacji z zakresu analizy ekonomicznej, finansów i wyceny przedsiębiorstw oraz z zakresu systemów gospodarczych i strategii rozwoju społeczno-gospodarczego.