LSD
Large Scale Demonstrators

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**Large Scale Demonstrators**

- Latest innovation at the European policy level
  - Promoted as a tool that goes beyond projects and sectors and actively manages eco-system
  - Starts with public funding but will be self-sustained
- Not well known so far but first tender was concluded
  - LIMES project was already launched as part of the European Mobile and Mobility Initiative
- Is this what we were all waiting for?
- How can we conceptualise policy making at the regional level or in general?
- Why does it work in some region and why not in others?
- What are proven methods to deal with change?
What we will talk about

• Three forms of change
  • Restructuring (intended and mostly considered positive)
  • Restructuring (always happening and sometimes unpleasant)
  • Restructuring (external shocks of various sort and intensity – not funny at all)
• The role and characteristics of economic institutions
  • Foundations of regional innovation policy – leaving aside rent seeking behaviour, visionaries, and other non-systematic drivers (probably the most important reasons)
• Crisis intervention: best practice in restructuring
Economic and political institutions

- Acemoglu/Robinson (2012) distinguish between inclusive and extractive economic and political institutions
  - Societies which form inclusive political and social institutions become rich
  - They enable the flourishing of human talent and the search for self-improvement
    - permit persons to use their talents, to let them exploit productivity improvements and allocate the fruits of such efforts to these persons, promote development.
  - Societies with extractive institutions led to stagnation
Economic and political institutions

- Elites uses institutions to extract surplus from the population
  - This stifles innovation and technological change because this could reduce their power of exploitation.
  - Those not part of the elite are also not interested in productivity improvements because the results will be appropriated by their masters

- Junctures
  - Black Plague, Atlantic and Indian trade, The glorious Revolution 1688, Colonialisation in South America
Examples I

- Black plague: reduced Europe’s population by around half
  - Reduced labor supply increased the bargaining power of the remaining workers and led them to demand (and succeed) in having many of their feudal burdens
  - in Austria-Hungary, and Russia this led to the development of serfdom, which are really interested in productivity enhancing innovations
- Atlantic and Indian trade: created a class of merchants which eventually reduced the monopoly power of the English king.
- Large agglomerations of Aztec and Maya populations were used by their Spanish explorer/exploiters to work them in mines and plantations.
Examples II

• The “Glorious Revolution” of 1688: removed the exploitative Stuarts and brought in William and Mary of Orange whose deal with the rebels was to create much more inclusive institutions, sharing power and wealth.
  • This led to the Industrial Revolution which established English pre-eminence of an industrial power until World War I.
  • The liberty of Englishmen, their more participatory system, the budding rule of law and protection of property rights which enabled so many of them to make path-breaking inventions and innovations.
  • Austria-Hungary and Russia did not – until much later and much less – build railroads and encourage innovation for fear that the dominant power of their monarchies might become threatened.
Crisis as a teacher

- Progress and crisis are natural starting points for regional policies
  - As a reaction to restructuring at company or sectoral level
  - As an attempt to remain or become competitive
- Smart specialisation policies are (most of the time) a reaction to restructuring/crisis
- Policies in times of crisis have to be more decisive, act immediately and make systemic decision
  - What is done in years has to be done in weeks or months in times of crisis
  - Best practices during crisis help to formulate competitiveness oriented policies
Best practice in restructuring

• Measures in regional restructuring
  • Organising redeployment and developing territorial strategies
    • Restructuring at regional level
  • Developing anticipative common understanding of economic trends
  • Developing workers employability
    • Human capital development
  • Fostering multi actors and social dialogue as well as companies’ networking
  • Allowing crisis management (quick fixes)
    • Short term policy intervention
Economic policy implications

- Textbook economic policy is inefficient in countries and regions with extractive economic and political institutions
  - Engineering prosperity does not work
  - Independent national bank in Simbabwe
- That’s why development policy is inefficient in many instances
  - Instruments working else do not work in environments with different institutions
- Changing institutions is not an easy process
  - Empowerment and participation is crucial
Further Reading


• Kurt Bayer blog on Acemoglu and Robinson: http://kurtbayer.wordpress.com/2012/04/09/its-the-politics-stupid/