Path Dependence: A Political Economy Perspective

STIJN OOSTERLYNCK

Abstract

In this commentary, I endorse Ron Martin’s thoughtful rethinking of the concept of path dependence in a successful attempt to improve our understanding of regional economic evolution. I take issue, however, with his quick dismissal of Marxist geographical political economy as an important reference point for understanding the evolution of the economic landscape. Taking inspiration from a spatialized reading of the regulationist perspective on socioeconomic development, I argue that Marxist geographical political economy is a key reference point for any theory of regional development because it points to the importance of capital accumulation, state restructuring and collective agency in shaping economic evolution.

Ron Martin has to be applauded for his timely effort in bringing much-needed clarity and coherence to the analysis of regional economic evolution through a critical and in-depth study of the multiple interpretations of the concept of path dependence. His attempt to steer path dependency away from equilibrist thinking (whether it is multiple, history-dependent and punctuated or not) and point out that an equilibrist interpretation of path dependence is incompatible with the basic notions of evolutionary economics such as novelty and constant transformation is important in retaining the explanatory power of path dependence. To overcome the shortcomings of the currently used notions of path dependence in evolutionary economics, Martin revisits institutional analysis in historical sociology and political science, and carefully crafts an alternative model of path dependence on the basis of the latter’s understanding of the composite nature of institutions. This, as Martin suggests, applies equally to technologies and industries, and highlights their internal heterogeneity. It is precisely this heterogeneity that allows for incremental and endogenous change in institutions, industries and technologies. By identifying in this literature several mechanisms through which path dependent institutions, industries and technologies can nurture slow and endogenous change, Martin relegates ‘lock-in’ to just one among several possible path dependent trajectories (Martin and Sunley, 2006: 157). The alternative model of path dependence he proposes, then, is much richer in the number of possible trajectories technologies, industries and institutions can follow, striking a good balance between stability and change, between lock-in and path creation.

I would like to thank the two IJURR referees for their helpful and insightful comments. I am grateful to the Economic and Social Research Council (UK) for providing me with a PhD scholarship that allowed me to carry out the research on which the case study is based (PTA-030-2002-00140).
While I fully concur with Martin’s rethinking of the canonical model of path dependence (which I am sure will prove to be a major advance in evolutionary thinking in economic geography), I do want to make a number of comments which are broadly related to the relationship between the evolutionary turn in economic geography and another strand of heterodox economic thinking in geography, namely Marxist-inspired geographical political economy (see also MacKinnon et al., 2009). In the editorial of a special issue of the *Journal of Economic Geography*, Boschma and Martin (2007) call for the construction of an evolutionary economic geography with its own theoretical foundations, derived amongst others from complexity theory and generalized Darwinism. Boschma and Martin recognize that, before the arrival of path dependence in economic geography, Marxist theories of uneven regional development in the 1980s were already well aware that the industrial and institutional history of a region crucially shapes its current and future development trajectory. However, they reject a Marxist approach to evolution of the economic landscape because it reduces it ‘either to teleological imputation — the result of an ineluctable “inner contradiction” of capitalism (an inescapable tendency to periodic overaccumulation crises) — or to unexplained episodic shifts in the technological and organizational basis of the labour process’ (ibid.: 539).

Elsewhere, Martin and Sunley (2006: 408) liken the Marxist approach to a punctuated equilibrium model, in which ‘spatial and regional configurations of economic activity and relations tend to be self-reproducing over time but are periodically disrupted by shifts in the mode, organization or profitability of production or by major technological innovations’. They then move on to consider post-Marxist research on regional development, which sees socially and locally embedded capacities for learning and innovation as the main driving force behind uneven regional economic development, ignoring the valuable insights the Marxist political economy critique of the new regionalism has to offer evolutionary thinking in economic geography (see e.g. MacLeod, 2001a; 2001b; MacKinnon et al., 2002). Many recent contributions to geographical political economy have paid ample attention to the myriad ways in which regional development trajectories are informed by the dynamics of state restructuring and economic imaginaries, without these being directly determined by the underlying dynamics of the capitalist economy (see e.g. Painter, 2000; MacLeod, 2001a; Cumbers et al., 2003; Hudson, 2004; Jessop and Oosterlynck, 2008). I would therefore like to argue that Martin and his various co-authors are too quick in dismissing Marxist geographical political economy as being economically reductionist and deterministic, and that in fact the concepts and themes mobilized by Marxist political economists are necessary to arrive at an adequate understanding of the path dependency of regional economies.

In their contribution to the debate on the rethinking of the ‘economic’ in economic geography, Martin and Sunley (2001: 155) argue that recovering a sense of political economy is vital for the continued policy relevance of the discipline; they interpret political economy in terms of a concern with issues of ‘growth, development, inequality and power’. This, they argue, should be done through an engagement with what economists are saying on these issues. For Martin Jones (2008: 378), geographical political economy implies finding ‘ways of capturing political, economic, social and cultural worlds as a moving spatial matrix of possibilities under capitalism’. Although in the work under scrutiny here, Martin moves beyond economics and engages deeply with historical sociology and political science in his construction of evolutionary economic geography, I would argue that Marxism is an inevitable reference point for those seeking to recapture a sense of political economy in economic geography.

What I aim to do in this brief commentary, then, is to revisit Martin’s evolutionary economic geography from a Marxist political economy approach, more specifically a spatialized regulationist-inspired perspective (MacLeod and Goodwin, 1999). This perspective combines a Marxist analysis of the contradictions embedded in capitalist accumulation with an analysis of the institutional forms through which these contradictions are — always temporally, partially and in specific spaces
Only — stabilized and how these institutional forms are the result of the social struggles and relations of power between various collective actors. For reasons outlined below, I agree with MacKinnon et al. (2009: 129) who favour ‘evolution in economic geography, not an evolutionary economic geography’. Several recent contributions to geographical political economy share with evolutionary economic geography its concern with the contextuality and historicity of economic processes (Jessop and Oosterlynck, 2008; Jones, 2008), but differ from it both in their concern with how regional economic evolution is embedded in the socio-spatial relations of capital, especially as they are institutionalized in the state and its scalar Gestalt (Jessop, 2002), and mediated through discourses and practices of collective actors (Jessop and Sum, 2001). As MacKinnon et al. (2009: 136) argue, ‘there is a need for EEG [evolutionary economic geography] to examine the relationships between the “emergence” of macrostructures from lower-level processes and the “embeddedness” of these micro-processes in broader sociospatial structures and relations’. This requires a concern with such structural features of the political economy of capitalism as capital accumulation and state restructuring, but also with the typical forms of human agency to be found within it, such as class-based collective agency. I now want to briefly elaborate on this and relate it back to the evolutionary thinking, before I illustrate my arguments with a necessarily brief and stylized account of the path dependent transition to post-Fordist forms of industrial governance in Flanders.

Capital accumulation is a process inherently fraught with difficulties and crisis tendencies (Jessop, 1990). It is precisely because sustained economic growth in a capitalist economy is not self-evident, but requires all manner of economic and extra-economic support (including the institutional conditions and learning capacities analyzed by new regionalist scholars), that a large variety of accumulation strategies can be observed. The state is highly relevant in the political framing and reproduction of these pre-conditions for capital accumulation. As a state is articulated on various spatial scales, scale becomes an important issue in understanding economic development trajectories (Jessop, 2002; Brenner, 2004). Martin and Sunley (2006) recognize the importance of scale, and refer to the need to understand how path dependencies operate on various scales and interact and co-evolve, although they also point out that this issue is virtually unexplored.

In fact, like in many new regionalist accounts (Agnew, 2000; MacLeod, 2001b), evolutionary economic geography as developed by Martin seems to work with a reified definition of the region, in which its contingent historical constitution is not questioned and collective agency other than on the firm level is not sufficiently explored. MacKinnon et al. (2009: 139) refer to the position of places within a wider territorial division of labour as a macro-structural economic factor shaping regional economic evolution, but at the same time stress the importance of ‘politics and power in structuring economic adaptation’. Indeed, how particular places respond to structural economic tendencies depends also on which particular actors succeed in positioning themselves as their representatives and thus contribute to how these very places are institutionalized. It is these socio-political actors that to a significant degree shape ‘the structure of the interactions between the constituent entities’ (Martin and Sunley, 2006: 413, original emphasis) making up a particular region, especially as many of the institutional assets and learning capacities that make for the place dependence of current knowledge-intensive forms of capital accumulation are embedded in state strategies.

I would argue that this regulationist-inspired Marxist political economy perspective goes at least some way towards addressing Martin’s concern with the lack of attention to human agency and micro-foundations in Marxist political economy, while at the same time being compatible with the work of Schneiberg and Stark and Bruszt, which served as sources of inspiration for Martin’s alternative model of regional economic evolution (Martin, 2010). For Stark and Bruszt (2001: 1133), path dependence is ‘a method for grasping the recombinant character of social innovation’, thus highlighting how actors mobilize and recombine institutionalized resources created through particular
development paths to overcome obstacles to change. This fits with the internal structuralist approaches advocated by Schneiberg (2007: 72, original emphasis) in which development paths are said to contain within them ‘structural possibilities for alternatives’. They contain resources that actors mobilize for transformation and path creation. Schneiberg rejects crisis approaches, in which qualitative shifts (typically caused by exogenous shifts) are the main cause of change. Martin equally criticizes the crisis approach of Marxist political economy as a punctuated equilibrium model. Instead, Martin (2010: 22) privileges competition as a driving force of evolution: ‘the constant pressure of competition shapes the selection processes that determine the success and survival of firms and drives innovation and hence the production of variety’. Although the crucial role of market-based competition in generating novelty and inducing selection is beyond doubt, the focus of political economists is not necessarily incompatible with the internal structuralist approach proposed by Schneiberg. Firstly, from a non-reductionist Marxist perspective, crisis tendencies are internal to a particular accumulation strategy and the regulatory forms supporting it (and often linked to the dynamics of market-based competition in a capitalist economy). Secondly, crises in the accumulation strategy and its regulatory supports do not in themselves determine change, but if and when they become politically salient they are an important source of variety and novelty as structural openings are created for (often formerly non-dominant) actors to steer development paths into (partially or wholly) new directions. These are not political ‘chance events’, because path dependence is at work through the historically constituted but unevenly distributed resources that these actors mobilize to translate their crisis discourses into institutionalized practices and procedures, and later on in the structural social relations underlying an accumulation strategy (Jessop and Oosterlynck, 2008).

I will now illustrate the arguments above with a brief analysis (drawn from my PhD research on the path dependent transition to post-Fordist modes of industrial governance in Belgium, Oosterlynck, 2007), following up on Martin’s suggestion of applying the path dependence model to the region as a whole, not just to technological complexes or clusters of industries. I will take an evolutionary approach to explain the regionally differentiated political economic evolution in Belgium, and ground my account of the particular forms of path dependence and path creation at work in this transition process in a political economy account of the crisis of the Fordist accumulation and regulatory dynamics. I will pay particular attention to the regionally differentiated structures of accumulation, organizational forms and the strategic agencies, inherited from past paths of political economic development, that are mobilized in this transition process. The analysis takes the crisis of national Fordism as a starting point. The exhaustion of the growth dynamics (and profitability) of the Fordist system of mass production and consumption, the failure of Keynesian policies to stimulate national demand, mass unemployment and the consequent fiscal crisis of the state became politically salient during the late 1970s. Existing accumulation strategies were increasingly perceived to be no longer adequate and hence opportunities opened up for a variety of alternative discourses and strategies. The enhanced scope for variation which resulted from the political salience of the crisis of national Fordism is a good moment to see the dynamics of regional political economic evolution (both path dependence and path creation) and the ‘recombinant character of social innovation’ (Stark and Bruszt, 2001: 1133) at work. A political economic analysis of how some of these alternative discourses and strategies are selected because they resonate with the interests and identities of powerful actors, institutions and structures will also highlight the multiplicity of selection mechanisms involved in regional political economic evolution, of which market competition is just one.

The Belgian case is most appropriate to analyze the co-evolution of political and economic evolutionary processes, since the resurgence of new regional economic spaces as a response to the crisis of Fordism and the decentralization of the Belgian governance system, including industrial policy competencies, happened almost simultaneously (around 1980). Since the inception of the Belgian state in 1830, the nation’s economic
space has been characterized by uneven regional development (Mandel, 1963; Vandermotten et al., 1990). In the south, French-speaking Wallonia industrialized in the nineteenth century (with a focus on coal mining and steel manufacturing) under the tight control of Brussels-based holding companies run by a francophone bourgeoisie (Mommen, 1982; Cottenier et al., 1989). In the north, Dutch-speaking Flanders remained rural throughout the nineteenth (and well into the first half of the twentieth) century, only industrializing when multinational capital started investing heavily there in second industrial revolution sectors such as car manufacturing, petrochemicals and consumer durables. In this multinationally funded economy, an elaborate network of Flemish small- and medium-sized family companies thrived, specializing in non-monopolized niche sectors and industries supplying these multinational companies. As Flanders boomed economically, Wallonia started a long and painful process of economic decline as the sectoral problems afflicting coal mining and steel manufacturing (in which it was so heavily specialized) turned into a full-blown regional crisis.

From the 1960s onwards the Walloon labour movement felt increasingly frustrated by regional economic decline and what they saw as domination of the Belgian state by Flemish interests, and called for the decentralization of the instruments of economic governance (Quévit and Aiken, 1978; Reynebeau, 1995). The Flemish movement, which had been campaigning for cultural–linguistic autonomy for much longer, also had an economic wing — VEV, the Flemish employers’ organization — which was keen to pursue economic decentralization. In this way, VEV undermined the position of their main competitor in the field of employers’ interests, namely the Belgian employers’ organization VBO, and also that of the Walloon socialist movement (which was more militant than the pragmatic Christian Democrat-dominated Flemish labour movement, largely because Wallonia had industrialized during the formative years of the socialist movement). In 1980, at the height of the crisis of Fordism, the Belgian state decentralized its industrial policy competencies. This offers a great opportunity to analyze the transition to post-Fordist modes of industrial governance, with particular focus on how evolutionary processes are both dependent on and transformative of the inherited scalar geography of the state and the complex interactions between strategic agency, the organizational dynamics of the involved collective actors and the structures of accumulation. In the early 1980s, a variety of post-Fordist discourses focusing on industrial renewal, new technologies, entrepreneurialism and supply-side policies emerged on various spatial scales to deal with the crisis of Fordism. Take for example Maystadt’s microelectronics on the Belgian national scale, the Athena project on the Walloon regional scale and the Third Industrial Revolution in Flanders (TIRF) programme on the Flemish regional scale (Geens, 1983; De Batselier, 1984; Institut Jules Destrée, 1995). However, despite the omnipresence of post-Fordist discourses, it was only on the Flemish regional scale that a transition was made to post-Fordist industrial policies. I would now like to explore the reasons for the transition on the Flemish regional scale from an evolutionary perspective (i.e. paying attention to path dependence and path creation) and contrast them with the reasons for lack of transition on the Walloon regional scale and Belgian national scale.

Let us first look at the spatial structures of accumulation. Before decentralization in 1980, the regionally differentiated development trajectories of Flanders and Wallonia were contained within the same national regulatory system, until the centrifugal tendencies (unleashed by the Belgian cultural–linguistic conflict) became too strong and the national state was gradually decentralized (Moulaert and Willekens, 1984). Throughout the 1980s, however, the most problematic economic sectors remained a competency of the Belgian national scale, leaving no policy space and resources for an industrial policy directed at new sectors and technologies despite intentions to the contrary. In Wallonia the lack of diversity in its economic structure, i.e. the one-sided focus (or lock-in) of its accumulation strategy on a limited number of declining sectors, meant that it could not absorb the social and financial costs of a drastic market-based restructuring and redirection of its economy. There was no real alternative to a slow and painful reconversion, with no financial and
policy space left for anything else. This condition confirms Martin and Sunley’s (2006) statement that an exogenous shock is indeterminate in itself and does not always free regions from negative path dependence. The Flemish regional economy, however, had a much more diversified economic structure, with presence of declining sectors, but also a dynamic sector of both multinational and home-grown export-oriented companies. This internal diversity made it possible to refrain from both pumping financial resources into sectors and companies in difficulty (as employment was still available in other companies and sector), and finding an economic support base for a post-Fordist industrial policy.

Regional economic evolution is not, however, an automatic response to the spatial dynamics of accumulation strategies; it also requires strategic agency which skilfully recombines the resources generated through past political economic development trajectories. On this level too, regionally differentiated path dependence played its role. The Belgian employers’ organization VBO was, as the traditional representative of the interests of employers in the state-backed socioeconomic dialogue, structured on the basis of sector federations. Because of institutional inertia, declining economic sectors maintained their original weight for some time and expected VBO to defend their interests. This delayed VBO’s promotion of new sectors and technologies. Unlike Flanders, Wallonia did not have its own well-developed employers’ organization (largely because its industries were controlled by francophone holding companies based in Brussels), which could voice the importance of a policy shift. The only vocal socioeconomic actor was the socialist movement, which through its grassroots was economically, socially and culturally too locked into traditional declining industries to pursue anything other than a defensive industrial strategy. The Flemish employers’ association VEV in contrast did not have sector federations, but individual companies as members (which is partially related to its role as the economic branch of the Flemish nationalist movement rather than as official representative). This meant that every company, including small and innovative companies, had an equal say in the association. Hence VEV did not have to take into account the traditional sectors as much. No surprise then that VEV developed the idea of the TIRF program, which would push Flemish industrial policy along a new post-Fordist path.

But VEV was not the only actor that mobilized the resources it built through its decades-long struggle for Flemish ‘economic emancipation’ to strategically intervene in the crisis. In 1980 the first Flemish regional government was established, which naturally sought to build political legitimacy. Given the international economic crisis, it aimed to do so by developing a more successful and positive crisis policy than the national government. Instead of devaluation, budget cuts and the rolling back of the welfare state, the Flemish government proposed the promotion of new technologies, entrepreneurialism and cooperation between universities and companies as a way out of the crisis. In fact, this different approach to the crisis had much to do with the scalar distribution of competencies and budgetary resources within the Belgian state, with the new Flemish government skilfully harnessing the lack of hard economic and budgetary competencies and financial resources for its own benefit. The Flemish government forged an alliance with VEV around the TIRF program, in a successful attempt to boost the legitimacy of the regional governance level in which they both had a stake. VEV could thus present itself as a more dynamic and entrepreneurial part of the economic elite (compared to the Belgian association VBO). The strategic alliance of the Flemish government and VEV thus helped them to recombine historical resources and create a new path for Flemish industrial governance. Amongst these were the political power and legitimacy of the new Flemish government (the result of decades of political organizing by the Flemish movement) and a dynamic group of private economic actors organized in a movement-like employers’ organization. This (path dependent) path creation was also successful because it was supported by a substratum of substantive economic relations (i.e. a diverse economic structure, with a significant amount of export-oriented home-grown SMEs).
To conclude then, Martin’s alternative model of regional economic evolution, based on insights from political science and historical sociology, is a timely contribution to the field of economic geography and marks a great advance by comparison to the bulk of the work concerned with path dependency as lock-in. As I argued in this commentary, however, Martin is too quick to dismiss Marxist political economy, as his evolutionary economic geography has much to benefit from the former’s concern with state, scale, collective political agency beyond the firm and capital accumulation. This was illustrated by a case study of the uneven transition to post-Fordist forms of industrial governance in Belgium’s regions. This case study highlights the importance of grounding an analysis of regional evolutionary processes in a Marxist political economy understanding of spatially differentiated forms of accumulation and the social struggles between various collective agents over the institutional forms through which its contradiction-fraught dynamics are regulated.

Stijn Oosterlynck (Stijn.Oosterlynck@ua.ac.be), Centre on Inequality, Poverty, Social Exclusion and the City, Department of Sociology, University of Antwerp, Sint-Jacobsstraat 2, 2000 Antwerp, Belgium.

References


MacLeod, G. and M. Goodwin (1999) Reconstructing an urban and regional political economy: on the state, politics, scale and explanation. Political Geography 18.6, 697–730.

Résumé

Ron Martin a judicieusement revisité le concept des sentiers de dépendance. Si ce commentaire souscrit à sa tentative réussie d’améliorer notre compréhension de l’évolution économique régionale, il critique néanmoins la rapide mise à l’écart de l’économie politique géographique marxiste en tant que pôle de référence important pour appréhender l’évolution du paysage économique. À partir d’une lecture spatialisée de la perspective régulationniste sur le développement socio-économique, on peut avancer que l’économie politique géographique marxiste constitue un repère essentiel pour toute théorie du développement régional puisqu’elle met en évidence l’importance de l’accumulation du capital, de la restructuration de l’État et de l’agence collective dans la configuration de l’évolution économique.

International Journal of Urban and Regional Research 36.1