

Regional development by monopolistic competition in Austria:

An analysis of economic, social and political factors

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Young Economists Conference: 2nd October 2019

Development research in a developed country

- Austria = industrialized, developed country
- Urban hotspots, rural peripheries
- Rural peripheries either face rural exodus or prosper due to presence of corporation
- Investigation of a case on the basis of data generated by conducting 15 semi-structured interviews with 18 interviewees and secondary data collection

Development research in a developed country: The region I

- Peripheral region in Austria which is part of a greater area
- Greater area suffered economic misery and bankruptcy of important corporations twenty years ago → now prosperous area with several successfully operating international firms
- Region = 13 focus municipalities
- Region accommodates the headquarter + main production sites of a giant corporation (the ABC AG) and several other firms (SMEs, corporations)
- Focus on the ABC AG because of its role as the region's lead employer and astonishing economic growth

Development research in a developed country: The region II

- Area's gross regional product grew by 94% between 2000-2016 + accounts for second largest contribution to county GRP in 2016
- Focus municipalities had an 18% higher employment rate in 2014 than in 2001 (population grew by 9% in the same period); in 2019 population figures are 16% higher for focus municipalities than they have been in 2002; (+31% and +17% for accommodating municipalities)
- The ABC AG started enormous expansion in 2013, with sales almost tripling between 2008-2017 and employees more than doubling (~1,500 → ~3,200) in the same time

Development research in a developed country: The region II

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Enormous economic expansion = development?

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1 large corporation, 13 focus municipalities, 3 sets of factors

Development research following economic theory

- To understand what has happened and how to assess, approach to define and evaluate development needed
- Theoretical framework to understand the characteristics of a giant corporation = monopoly theory
- Theoretical framework to understand if and which development has taken place:
 - Uncovering economic ramifications of the presence and activity of a giant corporation on its surroundings = *linkages network* (Hirschman, 1958)
 - Analysing the reality of people living and/or working in the area by their freedoms/unfreedoms = *capabilities approach* (Sen, 1999; Nussbaum, 2000)

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Transcend narrow definitions and approaches to identify and evaluate development

Research questions

- 1 Which ramifications had/has the regional development of concerned municipalities by monopolistic economic activity of a lead firm on economic, social and political factors of the regional population in question?
- 2 How does this form of development create, distribute and destroy value for concerned municipalities and their population?
- 3 Which conflicts of interests could emerge from this form of development?

Step-by-step: How we proceed

- Outline of Hirschman's linkages network + the capabilities approach
- Data output: Explanation of identified themes
- Data analysis: Discussion of results
- Conclusion

Outline of theoretical concepts

Linkages network

(Hirschman, 1958)

- Emergence of domestic production triggers the establishment of backward and forward linkages
- Production (direct), consumption or fiscal linkages
- Lack of development is traced back to the lack of linkages and interdependencies

Capabilities approach

(Sen, 1999; Nussbaum, 2000)

- Means and ends of development is freedom
- Development = expansion of freedoms and abolishment of unfreedoms
- Instrumental freedoms: Political freedoms, economic facilities, social opportunities, transparency guarantees, protective security

Discussion identified themes: Data output

| Data | Themes | Subthemes |
|-----------|--|--|
| Economic | Increased Employment | <ul style="list-style-type: none"> • Higher income • Exclusive character of increased employment opportunity and related economic upswing |
| | Increased land usage | <ul style="list-style-type: none"> • More streets • More and expanding firms • Higher prices |
| Social | Increased population | <ul style="list-style-type: none"> • Higher liveliness of region • Higher diversity • Higher population density |
| | Persistent inequalities between groups | <ul style="list-style-type: none"> • Traditional views • Insufficient facilities and awareness about struggles of minorities |
| Political | Focus on supporting industry | <ul style="list-style-type: none"> • Higher tax income • Increased dissatisfaction with politics, related higher political diversity and collapse of government party's majorities |

Analysis: Research questions answered

1

Which ramifications had/has the regional development of concerned municipalities by monopolistic economic activity of a lead firm on economic, social and political factors of the regional population in question?

- *Capabilities show a mixed record of expansion, deprivation or difference between individuals through peculiar dynamics of economic in- and exclusion. Healthy, white male worker with technical background vs. female employees, mothers, people with different national or international origins, elderly, sick and disabled*
- *The emergence of parallel economies e.g. through rising land and housing prices ultimately have wider ramifications than solely economic exclusion and intensify the emergence of parallel societies.*
- *Past political neglect of dissatisfactions led to self-induced capability expansion for voters as reaction to perceived or real differences in political capabilities*

This means that capabilities expanded unevenly and differences in capabilities have emerged or intensified through regional development by monopolistic economic activity.

Analysis: Research questions answered

2 How does this form of development create, distribute and destroy value for concerned municipalities and their population?

- *Economic value is created by a dense, regional supplier network, creating directly at least 150-205 additional jobs in the region.*
- *Linkages are rather confined to the industry sphere, even though the regional society profits directly through the support of local facilities and indirectly through the emergence of consumption and fiscal linkages.*
- *The ABC AG creates value through a set of regional linkages. However, distribution is uneven and largely remains inside in the firm's sphere. Outcompeting SMEs or causing higher land and housing prices are matters describing the destruction of value, also beyond purely economic dynamics.*

How value is being created, distributed and destroyed is commanded by the monopolistically operating firm; resulting uneven distribution and one-sided destruction of value provide reason for conflicts.

Analysis: Research questions answered

3

Which conflicts of interests could emerge from this form of development?

- *Between ABC AG-employees and non-ABC AG-employees, technically and non-technically skilled people and skilled or non-skilled workers (sexes, age, origin)*
- *Between healthy and elderly, sick or disabled*
- *Between citizens/environmentalists and businesses/politics*
- *Between the propertied and property-less*
- *Between local peoples and newcomers*

Political neglect of disparities already led to conflict in the region and will trigger further conflict if development is not equally distributed and interests mediated.

Conclusion

- Insufficient to define and evaluate development by purely economic means – re-inclusion of value-theory development in economic discipline?
- Other than merely associating conflicts with underdevelopment, development itself is accompanied by conflict potential
- Development strategies for rural peripheral regions in developed countries need to be aware that political support to establish a lead firm is important, however, economic development must be accompanied by *focussing on dialogue and mediation between business and social interests in order to avoid the break-out conflicts*

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Thank you!

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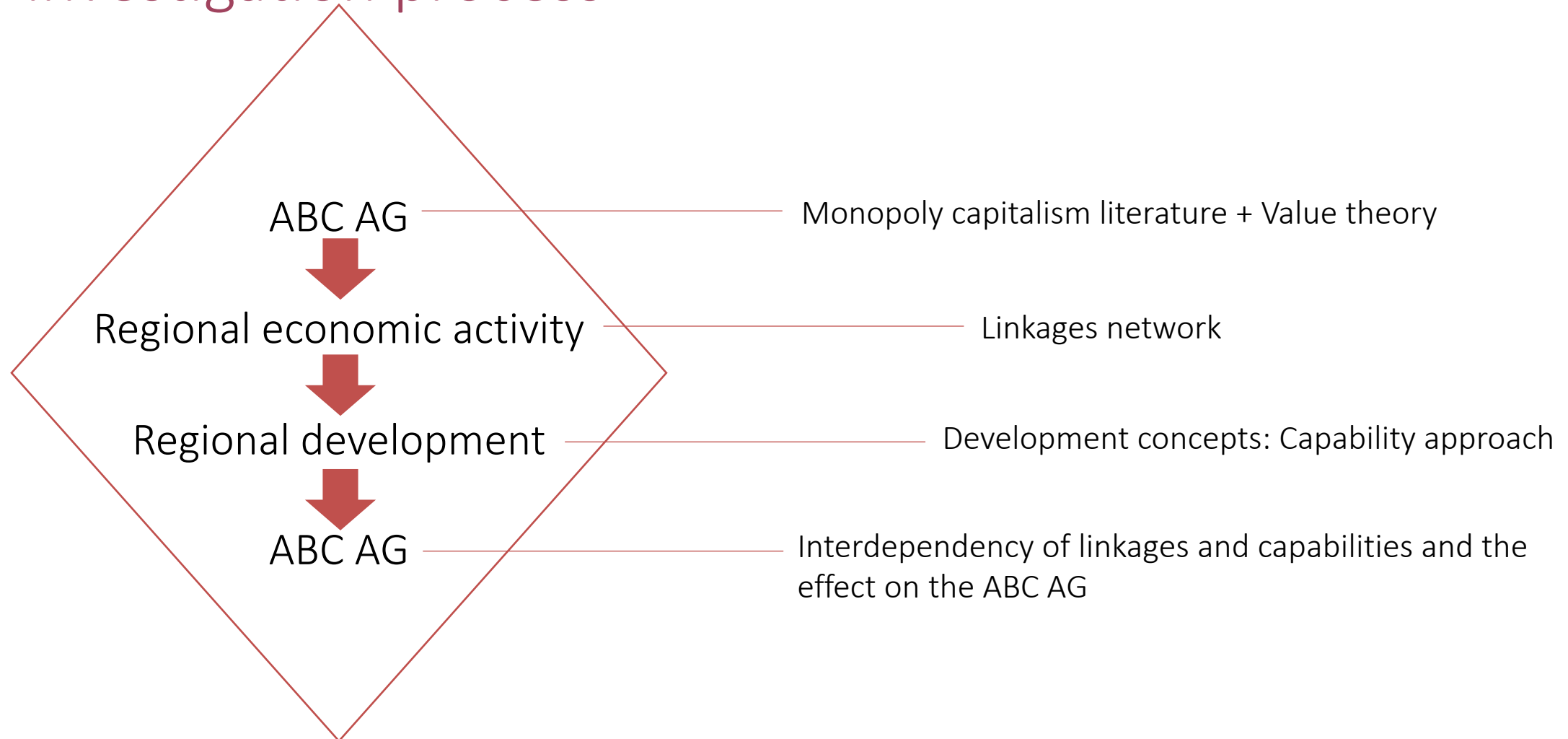
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BACKUP SLIDES

Methodological framework underpinning the investigation process



Data sets and analytic method

| | Analytic method | |
|-----------------------|-----------------------|---|
| Data categories | Theoretical/Inductive | Experimental/Constructivist, Semantic/latent |
| Linkages | Theoretical | Experimental, semantic |
| Capabilities | Theoretical | Experimental, semantic |
| Conflicts of interest | Inductive | Constructivist, latent |

List and number of interviewees

| | Political decision maker | Journalist | Employed decision makers in key departments of the ABC AG | Regular employees/regional citizen |
|------------------------------------|---|--|---|---|
| Lives regionally | All | X | All | All |
| Works regionally | All | X | All | All |
| Expertise | Decision makers in political affairs of three municipalities (4) and supra-regionally (1) | Writes since the 90's for a regional newspaper, regularly covering news about the ABC AG | <ul style="list-style-type: none"> • Sales department • Purchasing department (2) • Human resources department • Employee representatives (3) | <ul style="list-style-type: none"> • Young mother working as care taker • Research employee with the ABC AG, handicapped • Project leading employee with the ABC AG • Neighbours of the ABC AG's production sites and members of resistance group (2) |
| Number of interviewees | 5 | 1 | 7 | 5 |
| Sum of interviewees/ interviews | <p style="text-align: center;">18 15</p> | | | |

Research interest and classification of interviews

| Interview style | Semi-structured interviews | | | Questionnaire-style interviews |
|-----------------------|----------------------------|------------|---|------------------------------------|
| Research questions | Political decision makers | Journalist | Employed decision makers in key departments of the ABC AG | Regular employees/regional citizen |
| Linkages | X | X | X | X |
| Capabilities | | | | X |
| Conflicts of interest | X | X | X | X |

Data analysis: The linkages network

Linkages network (Hirschman, 1958)

- The ABC AG's presence and expansion has triggered the emergence or expansion of multiple production-input supplier ventures
- Also consumption linkages have emerged
- Fiscal linkages could be the construction of a detour, public housing construction, child care facilities, etc.
- The firm has created a dense linkages network around its headquarter and production sites regionally, triggering business-, consumer- and public activity.
- Still, effects are mainly concentrated in the sphere of the firm, meaning the emergence of rather technical ventures which contribute to the establishment of parallel economies


Data analysis: The linkages network in depth

| | | | |
|--|--|-------------------------|--|
| <p><i>Production linkages</i></p> <p><i>Blacksmith (2)</i></p> <p><i>Locksmith</i></p> <p><i>Conveyor-technology supplier</i></p> <p>Drop-forgery</p> <p>Carpenter</p> <p>Plumber</p> <p>Concrete plant</p> <p><i>Plastic parts manufacturer</i></p> <p><i>Car retailer</i></p> <p><i>Key supplier subsidiary*</i></p> <p>Planned apartment block suppliers*</p> | <p><i>Production linkages: Museum*</i></p> <p><i>Consumption linkages</i></p> <p><i>Hotel</i></p> <p><i>Restaurant (1)</i></p> <p>Restaurant (2)</p> <p>Coffee shop</p> <p>Bank</p> <p>Supermarket (2)</p> <p>Flower shop</p> <p>Housing construction (private)</p> <p><i>Fiscal linkages</i></p> <p>Social care facilities</p> <p>Detour</p> <p>Housing construction (public)</p> <p><i>Train station</i></p> <p>Renewable energy park</p> <p>New industrial estate</p> <p>Planned/installed broadband internet provision</p> | <p>FORWARD LINKAGES</p> | <p>Key</p> <p>* = inside linkage</p> <p>Italic + red = satellite venture</p> <p>Numbers in brackets = number of ventures</p> |
| <p>BACKWARD LINKAGES</p> | | | |

Data analysis: The capabilities analysis

Capabilities approach (Sen, 1999; Nussbaum, 2000)

- Economic
 - Exp. of employee capabilities
 - Diff. due to different skills or higher prices
 - Dep. to live in a calm, natural environment
- Social
 - Exp. due to more public provisioning, cultural diversity
 - Diff. + Dep. due to traditional views and persistence of inequalities
- Political
 - Exp. due to larger political diversity
 - Diff. due to citizenship
 - Dep. due to politician's focus on supporting industry



The exclusivity of capabilities expansion, differences in or deprivations of capabilities could provide ground for **conflict potential**

Data analysis: The capabilities analysis in depth I

| Data | Themes | Subthemes | Capabilities |
|----------|--|---|---|
| Economic | Increased Employment | <ul style="list-style-type: none"> Higher income Exclusive character of increased employment opportunity and related economic upswing | <ul style="list-style-type: none"> Expansion: More job diversity, larger choice of employers, easier to find a job, better negotiation position, high provision of social services and good working conditions, short commutes, longer shopping hours for consumers No expansion: for non-technical profiles which are predominantly female, for low-skilled profiles which are often local people, migrants or elderly Deprivation: for people working in retail or artisanry jobs or are employed by SMEs. |
| | Increased land usage | <ul style="list-style-type: none"> More streets More and expanding firms Higher prices | <ul style="list-style-type: none"> Expansion: Mobility due to dense street network for car owners, more employment opportunities due to more/expanding firms, higher income from selling land for propertied people Deprivation: in capability of relaxation and safety due to increased noise and traffic, for property-less to buy/build/rent accommodation, in living where one grew up |
| Social | Increased population | <ul style="list-style-type: none"> Higher liveliness of region Higher diversity Higher population density | <ul style="list-style-type: none"> Expansion: Higher attractivity to live in the region, a larger pool of people to be socially included, find one's own group and exchange culturally, increased public provision of goods and services Deprivation: Ability to know everybody, to do things as they have always been done, to use up a lot of space |
| | Persistent inequalities between groups | <ul style="list-style-type: none"> Traditional views Insufficient facilities and awareness about struggles of minorities | <ul style="list-style-type: none"> Deprivation: social inclusion as woman, insufficient public transportation, health and elderly care takers, migrants facing prejudices, high-skilled newcomers facing scepticism |

Data analysis: The capabilities analysis in depth II

| Data | Themes | Subthemes | Capabilities |
|-----------|------------------------------|--|--|
| Political | Focus on supporting industry | <ul style="list-style-type: none"> • Higher tax income • Increased dissatisfaction with politics, related higher political diversity and collapse of government party's majorities | <ul style="list-style-type: none"> • Expansion: business upswing due to political support of industry, increased supply of public facilities, larger choice between political parties, deeper consideration of voter's interests through the need for collaboration between parties • No expansion: Exclusion of non-Austrian citizens from their right to vote • Deprivation: Neglect of social interests, dependence on tax income might potentially decrease citizens' ability to find political support for suggestions opposed to firm interests, potential political impotency through more tedious nature of decision-making processes |

Data analysis: Sources of conflict potential

Conflicts can emerge between groups with differences in capabilities or who face persistent deprivations of capabilities in the points identified as themes

- Between ABC AG-employees and non-ABC AG-employees, technically and non-technically skilled people and skilled or non-skilled workers (sexes, age, origin)
- Between healthy and elderly, sick or disabled
- Between citizens/environmentalists and businesses/politics
- Between the propertied and property-less
- Between local peoples and newcomers
- Between democrats and non-democrats
- Between Austrian citizens and non-Austrian citizens

Political neglect of disparities already led to conflict in the region and will trigger further conflict if development is not equally distributed and interests mediated

Data analysis: Conflict potentials in depth I

| Capabilities | Sources of conflictual potentials |
|--|---|
| <ul style="list-style-type: none"> Expansion: More job diversity, larger choice of employers, easier to find a job, better negotiation position, high provision of social services and good working conditions, short commutes No expansion: for non-technical profiles which are predominantly female, for low-skilled profiles which are often local people, migrants or elderly | <p>Differences in capabilities arising out of exclusivity of economic upswing or provision of facilities</p> <ul style="list-style-type: none"> Classifying population through their employer non-ABC AG or ABC AG-employee Disadvantaging female, migrant or elderly employees |
| <ul style="list-style-type: none"> Expansion: Mobility due to dense street network for car owners, more employment opportunities due to more/expanding firms, higher income from selling land for propertied people Deprivation: in capability of relaxation and safety due to increased traffic noise, for property-less to buy/build/rent accommodation, of live where one grew up | <ul style="list-style-type: none"> Deprivation of capabilities through the destruction of the region's calm, natural environment Differences in capabilities out of increased prices for land and housing |
| <ul style="list-style-type: none"> Expansion: Higher attractivity to live in the region, a larger pool of people to be socially included, find one's own group and exchange culturally, increased public provision of goods and services Deprivation: Ability to know everybody, to do things as they have always been done, to use up a lot of space | <ul style="list-style-type: none"> Deprivation of capabilities through increase in number, density and diversity of population Deprivation of capabilities through prejudices and scepticism |

Step-by-step: Conflict potentials in depth II

| Capabilities | Sources of conflictual potentials |
|--|--|
| <ul style="list-style-type: none"> • Deprivation: social inclusion as woman, insufficient public transportation, health and elderly care takers, migrants facing prejudices, high-skilled newcomers facing scepticism | <ul style="list-style-type: none"> • Differences in capabilities through the preservation of traditional views and insufficient facilities and awareness about struggles of minorities |
| <ul style="list-style-type: none"> • Expansion: business upswing due to political support of industry, increased supply of public facilities, larger choice between political parties, deeper consideration of voter's interests through the need for collaboration between parties • No expansion: Exclusion of non-Austrian citizens from their right to vote • Deprivation: Neglect of social interests, dependence on tax income might potentially decrease citizens' ability to find political support for suggestions opposed to firm interests, potential political impotency through more tedious nature of decision-making processes | <ul style="list-style-type: none"> • Deprivation of capabilities by perceived low ability to find political support for suggestions opposed to firm interests • Deprivation of capabilities through the potential loss of potency of political agency • Differences in capabilities through citizenship |

Relevance and limitations of this case study

- Provides the case for how to lift a region out of economic misery and for argumentation to politically support local businesses in order to function as a leading corporation.
- Can also be used to provide a strategy against rural exodus.
- Provides advice to avoid the emergence of conflict potentials or guidance for in which respects conflicts could emanate.
- Results are useful for regions which are characterised by a low level of economic activity but with some businesses already present, a large out-commuting workforce, political parties with strong or absolute majorities and the absence of pull-effects due to relative geographic distance to a larger urban centre.
- Due to time constraints, the scope of a master's dissertation or data accuracy and availability, not all determinants and explanatory variables were considered. E.g. in one municipality included in the study is another large corporation located which has, supposedly, similar effects on the region as the firm included.
- Several limitations regarding the chosen methodology. Case studies are very specific and focused on a certain context, leading to difficulties in translating obtained results into other contexts.
- Limitations also arise from the qualitative interview (constraint to conduct a certain number of interviews within a specific time period to be able to include all relevant information, the subconscious influence of interviewee and researcher by situations before or during interviews or the relation between them could limit the results obtained, etc.)

Desirable future research

- Naturally, the scope of the topic is, despite its narrow regional focus, still not exhausted.
- The list of competing development concepts or potential conflicts and with it the possibility to gain useful information by interviewing a broader range of people is infinite.
- Detailed investigation of competition for e.g. talent or land between the large corporation in question and its smaller regional counterparts could be fruitful.
- Relationship between the large corporations headquartered close to the concerned municipalities investigated in this study, with regards to collaboration in various aspects.
- Analysis of dynamics between headquartering and neighbouring municipalities might deliver insights into communal rivalry and political conflicts.
- Expanding geographical focus or the inclusion of ecological factors possibly also entails relevant results.
- Future research on the status of women and migrants in rural, industrial regions like the one under scrutiny.
- Further future observation of the region's development and the testing of the hypotheses about the sources of conflict can illuminate strengths and weaknesses of the taken approach.