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**Vienna in an emerging trans-border region:
Socioeconomic development in Central Europe**

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Abstract:

Drawing upon a periodisation of socio-economic development based on the regulation approach, the paper conducts a historical spatial development analysis of Vienna in its broader territory and multi-level perspective. The National context and the East-West cleavages mark the geography of the study. This periodisation is the basis to understand the strategies of Vienna in changing territorialities, the social forces and discourses that are reflected in the present context of Europeanisation, internationalisation and integration of border regions. A critical institutionalist approach is used to analyse the hegemonic liberal and populist discourses and strategies. The lessons taken in this section build the path to outline windows of opportunity for progressive politics, which are sketch out in the last section of the article. The ideas exposed in the paper are partial results of broader research carried out in the frame of DEMOLOGOS, an EU financed project.

Key-Words: Socio-economic development; Vienna; progressive politics; Post-Fordism, democracy

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Introduction

This case study analyses the spatial dimension of socioeconomic development in Vienna. It illuminates the historically founded relationship between emerging territories and new socioeconomic institutionalizations and is based on the ASID-model, a critical institutionalist approach (Moulaert/Jessop 2006). By the analysis of Vienna and its regional context, it is aimed at discovering and elaborating windows of opportunity to progressive politics, i.e. a room of action with feasible alternatives to the current hegemonic mode of socio-economic development in Europe. This paper argues in favour of revitalising cosmopolitanism and democracy in a new approach, which allows overcoming the deep-rooted authoritarian traces of Austrian institutions as well as the social democratic inclination towards paternalist trusteeship.

The results presented in this paper are the preliminary conclusions of a broader study carried out in the frame of the research project DEMOLOGOS². The study relies on thorough empirical investigation, which, however are not object of the present paper, which focus on the periodisation of socio-economic development in Vienna in a wider spatial context. In this sense, section one exposes an historical overview of the West-East-cleavages in Europe and the roots of current key institutions, positioning Vienna as a semiperipheral city. This position is related to specific historical transformations which have shaped the “morphological contrast between the state in the East and West” (Gramsci 1971; Jessop/Sum 2006: 368).

Sections two to four are structured chronologically according to a periodisation based on the regulation approach (Jessop 2005, Becker/Novy 1999). The pre-Fordist socioeconomic development of Vienna took place in a multi-national mode of development with liberal traces, which became increasingly influenced by the visible hand of the state and large corporations. Section three analyses the city in the short 20th century focussing on post war Fordism and Keynesianism with its specific Austrian moulding. Fordist development in Vienna was conditioned by a national mode of development which created national parliamentary democracy and the welfare state as main social innovations. The neoliberal counterrevolution undermined the national consensus of labour and capital and shifted power to the latter (Harvey 2005), thereby ending the Fordist national mode of development. Post-Fordist development in Vienna was boosted by the fall of the Iron Curtain and has again led to a trans-nationalisation of the city’s

² DEMOLOGOS (Development Models and Logics of Socioeconomic Organisation in Space) is an EU-project funded under the 6th Framework Programme and coordinated by Frank Moulaert (<http://demologos.ncl.ac.uk/index.php>)

hinterland and to a more complex relationship to its neighbours. In this sense, section four is dedicated to the reorientation of Vienna towards the East after 1989 and the dynamics of Europeanization which culminated in the accession to the European Union in 1995.

This allows a critical institutionalist analysis of the correlation of forces and socio-economic strategies described in the periodisation. Therefore, section 5 draw upon lessons taken from this historical and geographical examination in each of the period previously described. Finally, section six dwells on windows of opportunity for alternative socioeconomic development based on an approach of strategic-selectivity. We argue on the necessity of European actors to focus on overcoming nationalism and liberal cosmopolitanism at the same time, and develop popular internationalist strategies.

1. Neither East nor West: Austria as a semi-periphery

West and East are crucial mind maps in Western thought (Hall 1994). While the West has historically defined itself as the centre of the world and the guiding example for other regions, the East has assumed different meanings on specific conjunctures. Europe has for long been characterised by changing West-East cleavages and borders. After the defeat of the Roman Empire, the centre of antique civilisation shifted to the East first to Byzantium, later to the Ottoman Empire (Komlosy 1994: 286). The Orient is one representation of the “East” in European thought. In the 9th century Charlemagne institutionalized another East-West divide delimiting a border crossing the present territories of Germany; Austria and Hungary (Szücs 1990: 13), separating the Franco-Germanic part of Europe from Slavic Eastern Europe. The division of labour has shown specific characteristics. While in West a Christian-feudal order with separation of state and society (Szücs 1990: 20) allowed the emergence of autonomous city with a plurality of languages in the power vacuum due to the lack of a centralized political authority (Anderson 1978: 148), creating a fertile ground for democratisation and citizenship in the 19th century. The Eastern Europe has been a heterogeneous region due to its border to the much larger Asian continent (Nolte 2004). For centuries the region had been confronted with invasions by Mongols, Tartars and other Asian nomadic people. Russia, the sentinel of Europe, had to bear the brunt of the attacks (Anderson 1980: 201) and after 1480, Russia started to expand to Asia (Braudel 1986: 495ff.). The centralist and authoritarian structure of the Russian state and society became the structuring model of state building in the East: militarization, bureaucracy, second serfdom of the peasantry, binding the nobility to the Court, and, time and again, attempts at

modernisation and enlightenment from above (Szücs 1990: 64 seq.). It was only in the 15th and 16th century that the East became a manorial economy, inflicting fights and tying peasants to its soil. The second – “Eastern” - serfdom in Europe lasted until the 18th century, following the first - “Western” - serfdom (9th to 14th centuries) (Anderson 1978: 255 seq.). Surrounded by Russia and the West, Eastern Central Europe emerged as an “in-between region” (Szücs 1990) with elements from Eastern and Western Europe. It consisted of Poland, Prussia and the Habsburg Empire which all have oriented themselves for centuries towards the West, but had difficulties to imitate the Western model³. The countryside was much more sparsely populated (Anderson 1980: 223), the cities were smaller and less independent, nobility was larger and more influential (Szücs 1990: 51).

In the 16th century, the Habsburg Empire for some time aspired towards a world Empire by uniting the Spanish and Austrian territories⁴. But this turned out to be too costly, resulting in its break up (Wallerstein 2004: 255). The Empire covered large parts of the region between Western Europe, the Ottoman Empire and Russia and was internally structured by centre-periphery relations. The Habsburg Empire was a hybrid, combining elements of the East and the West under one dynasty for more than 600 years. Therefore, Austria is a privileged place to study socioeconomic development and its spatial implication. Due to its Central European position between east and west, its socioeconomic development has to be systematically related to the development in the West and to emerging divisions of labour. Thus, the events after 1989 have to be seen as part of a long historical process and can be understood as a new round of peripheralisation (Berend 1996).

2. Vienna fin de siècle: Capital of a multi-national state

In the 19th century, Vienna was the uncontested financial centre of the Habsburg Empire and represented an important industrial location which was specialised in the production of luxury goods for Eastern Europe, of transport equipment, and, later, of electro-technical and mechanical equipment (Becker/Novy 1999). The Viennese financial bourgeoisie was part of the closely knit international high finance, which reached more or less every corner of the Empire. Small-scale production was more wide-spread than in many West European industrial centres or in Prague,

³ It lacked “the specific Western synthesis between a disintegrating tribal-communal mode of production based on primitive agriculture and dominated by rudimentary warrior aristocracies, and a dissolving slave mode of production, with an extensive urban civilisation based on commodity exchange, and an imperial State system” (Anderson 1978: 213).

⁴ It was a dynasty, expanding more by intelligent diplomacy and marriages than successful military undertakings (Anderson 1980: 39).

representing the economic basis of an important part of the electorate (Melinz/Zimmermann 1996: 23 seq.).

The multi-national space of the Habsburg Empire was constructed by force at a time when uneven development was accentuated by the spread of capitalist social relations. Austria's mercantilism fostered development, but it was only in the 19th century that capitalist development gained momentum (Good 1986: 41). The aborted social revolutions of 1848 were popular revolutions, most of the victims were the labouring poor (Hobsbawm 1975: 28). The uprising of the Hungarian population could only be defeated with the help of the Russian army in 1849 (Hobsbawm 1975: 32). After 1849, under neo-absolutist rule, a thorough reform of the state was initiated from above. Hungarian special rights were annulated until the defeat of the Austrian army against Prussia in 1866. Bohemia and Austria became the industrial parts of the Empire, Hungary the agrarian one, forming a "marriage of wheat and textiles" (Good 1986: 27.198). Export-orientation was especially strong in the Western part of Austria (Tyrol and Vorarlberg), integrated in transalpine trade between Bavaria and Lombardy (Good 1986: 36).

During Austrian neo-absolutism between 1848 and 1867 socioeconomic development in Austria fell behind Western Europe (Good 1986: 209), one reason being its deflationist fiscal policies that hindered growth (Good 1986: 217). The Austro-Hungarian settlement in 1867 accommodated Hungarian nobility to the detriment of the Slavic population. It was a complicated compromise that entailed a severely contested renegotiation of the customs union every decade (Good 1986: 34). Only foreign policy and the army were permanently unified. After 1870, the economic growth in the whole Empire accelerated and reached a similar level as ascending Germany, well above France and Britain. Hungary was even more dynamic than the Empire as a whole (Good 1986: 210 seq.). Policies were inclined towards mercantilist and protectionist measures (Komlosy 1994: 301) and relied more on the "visible hand" of bureaucracy and organisation than on the invisible hand of the market. Cartels as in the iron and sugar industry, banks and the state supplemented and substituted the allocative role of the market (Good 1986: 201 seq.). The Creditanstalt, Austria's most important bank, was founded by Rothschild in the 1850s, copying the idea of the *Crédit Mobilier*. Cautious after the crash in 1873, the banks became the "master of development by default" through the current account business. Vienna accounted for nearly 70% of all banking capital in Austrian part of Empire. In 1914, over one-half of the capital of Austrian limited liability, joint-stock companies was held by ten banks, exerting control via interlocking bank directorship (Cowen/Shenton 1996: 384 seq.). From the 1890s onwards, Viennese banks began to commit themselves increasingly in a direct way in industrial development (Good 1986:

181 seq.), creating an organized capitalism (Good 1986: 218). They provided funds and took up shareholdings in the new, more large-scale industries, esp. in the Czech lands. A complementary division of labour between the industrial centres of the Czech lands, Eastern Austria and Hungary emerged (Otruba 1975). Austria's then economic heartland around Vienna was clearly orientated eastwards to the Hungarian and Czech parts of the Empire which developed unevenly (Becker et al. 1999).

2.1. *Elitist liberal cosmopolitanism versus mass movements*

In the second part of the 19th century, the main political confrontation was between liberals and conservative forces. In Austria, liberalism had its heyday during the short period from 1848 to 1873 with the lasting impact of the liberal constitution in 1867 that guaranteed civic liberties. The liberals governed Vienna between 1860 and 1897, transforming the city according to their bourgeois ideals. The main architectural expression was the Ringstraße, a boulevard around the city centre that substituted the city wall which had been demolished only in 1859. It was a first type of Public-Private-Partnership in Austria (Stimmer 2007: 9). But even liberal city administrators had to increase the role of the local state, constructing a public water and sewage system and public transportation. The social costs of progress called for more interventionism, for “development” to heal the wounds of “progress” (Cowen/Shenton 1996). After the crash of the stock exchange in 1873, liberal free trade cosmopolitanism was on the retreat. Bourgeois liberals were identified with Jews and started a restrictive electoral law to secure power, thereby turning democracy and liberalism into opposites (Schorske 1982: 130). To secure private liberty, an authoritarian state was accepted as a protector (Hayek 1978, Canfora 2006). This strengthened popular opposition. While Schönerer organized the militant Pan-German nationalists without lasting success, Karl Lueger's democratic movement unified nationalism with clericalism, democracy with antiliberalism. His anticapitalism was profoundly anti-Semite. Against the will of the Emperor, he became mayor of Vienna, governing from 1897 to 1910. The social base of his Christian-Social party were the formally independent petty-commodity-producers and nobility, denounced as “culture-adverse masses” (Schorske 1982: 132). The Christian Social party was also anti-socialist, but it communalised public transport and gas distribution, as service delivery by private companies was very poor. Locational necessities of local industry and the social demands of its clientele asked for a more interventionist state.

Vienna at the turn of the century was a vibrant city. In 1910, 48,8% of the inhabitants were not born in Vienna (Stimmer 2007: 13). In 1890, 65% of its population were threatened with

repatriation to their home-villages, if they were in need of social assistance, a right which was strongly bound to the place of birth (*Heimatrecht*) (Komlosy 2004: 110). Fin de Siecle Vienna shows the tension between elitist liberal cosmopolitanism and the lifeworld of the majority of the population that aims at “embedding” socioeconomic structures, if necessary via authoritarian and exclusionary mechanisms.

2.2. *The popular, national and the social question*

In most European countries the 19th century was a period of mass alphabetisation and the spreading of public schools (Jafroodi 1999: 37). After the French revolution, the nation, the people and citizenship were intimately related concepts (Hobsbawm 1990: 22) with clear progressive connotation. After 1848, nationalism became a movement from above, in favour of national unification or expansion. Nation-building was a strategy of evolutionary progress towards a world society, based on the idea of a viable and large territory. *Großstaaterie*, as in the case of Italy and Germany, was not linked to ethnicity and language (Jafroodi 1999: 30) because a national state should be a viable economic, social and political unit. After 1870, two antagonist ways of mass politics became powerful: The nationalist and the socialist movement.

The nationalist movement was able to profoundly shape the political geography of the world. From the end of the 19th century, states were increasingly forced to implement a more organic relationship between rulers and the population. At first, this relationship was patriotic and state-based, not nationalist (Hobsbawm 1990: 85 seq.). Different revolts and reforms opened the way to democratisation for the first time systematically integrating the masses into politics (Hobsbawm 1990: 83). In the Habsburg Empire uneven development caused increasing political tensions, and the masses had to be taken into consideration in politics. Nationalism turned out to be an effective ideology to mobilize popular support. In 1873, the International Statistical Congress decided to include a question on language in future censuses (Hobsbawm 1990: 42). From 1880 onwards, this turned itself into a decisive nodal point in political agitation as it forced every individual to choose a linguistic nationality (Hobsbawm 1990: 100). As the capitalists, land owners and high state bureaucrats were in general German-speaking and living in the Austrian part of the Empire, social antagonisms were perceived as national antagonisms (Jafroodi 1999: 54). Supra-locally orientated business and banks, high nobility and central bureaucracy were eager to preserve the supranational economic space and political order. This establishment was confronted by national movements, which recruited their members among intellectuals, parts of the nobility and small businessmen that were exposed to the competition of big business (Becker 2004). Within a few

decades, mass nationalism triumphed over class-based socialism. But nationalism gained its real strength only by linking its demands to socialist claims (Hobsbawm 1990: 91, 123 seq.), transforming subalterns into citizens (Jafroodi 1999: 43). After 1918, *Kleinstaaterei*, the creation of small, economically not-viable nation states, was the dominant mode of nation-building.

At the beginning of the 20th century Austrian social-democracy tried to create an internationalist and socialist counter-movement based on rational planning of socioeconomic development. Arguing from a Marxist position the party supported industrialisation, which was thought to strengthen the working class and would in the long run lead to a gradual, peaceful and democratic revolution. In 1914, however, social democracy did not differ much from nationalist mass movements in its attitude towards the war. All over Europe social democrats supported war, opting for a “union sacrée” and military patriotism against their pacifist and internationalist rhetoric (Canfora 2006: 170). The expectation of the Austrian social-democracy was that after the war Austria would form part of a large economically viable Habsburgian or German state. But the course of war and the internal political situation made this impossible. Only in 1918, by deciding to suppress revolutionary agitation and strikes and to continue a lost war, the authorities of the Habsburg monarchy made sure that there would be a Wilsonian Europe of small nations rather than a socialist Europe of large nation states. In 1918 and 1919, “national independence without social revolution was, under the umbrella of Allied victory, a feasible fall-back position for those who had dreamed of a combination of both” (Hobsbawm 1990: 128). Socialist revolutions – which came to power in parts of Germany and Hungary – in Austria were accommodated by social democratic leaders (Bauer 1976). Austrian social democracy, however, obtained far reaching social rights institutionalised in laws and the constitution, and was able to create new institutions like the Chamber of Labour.

2.3. *Schumpeter and elitist development*

Vienna Fin de Siecle was not only a culturally fervent city, but a place of important research, e.g. in the field of economics. The Viennese school of marginal utility, the Austrian school of economics, was an explicit anti-development approach to economics (Screpanti/Zamagni 2001). But economists did not limit their activities to the university and often became involved in politics, even those that defended a pure theory of economics. Academically, the dominant economic policy was more influenced by Friedrich List and the German Historical School, based on development, protectionism and state interventionism. They were supported by the Austromarxists who insisted on a planned intervention in capitalist development (Good 1986: 205). This was not

obtained by nationalisation, but via the organic relationship of banks and industry called finance capital by Hilferding (Pirker/Stockhammer 2006). Schumpeter's understanding of capitalism was also strongly influenced by the specific Austrian context of fervent development brought about by a complex interplay of actors.

Schumpeter describes this complex development as a process of creative destruction that is based on innovation and entrepreneurship (Schumpeter 1947: Chapter 7), conducted by leadership (*Führerschaft*) (Schumpeter 1931; 1947: 124 seq.). This last concept reflects a form of elitist trusteeship that turned with the Nazis in a highly problematic concept in Austria. For Schumpeter entrepreneurship "involves the devising and realization of new ways of doing things to generate above average profits" (Jessop 2002: 120). The Schumpeterian account of competitiveness "suggests that competitiveness depends on developing the individual and collective capacities to engage in permanent innovation – whether in sourcing, technologies, products, organisation or marketing. These capacities extend beyond the narrow economy to include a wide range of extra-economic factors. Thus Schumpeterian competitiveness depends on dynamic efficiency in allocating resources to promote innovations that will alter the pace and directions of economic growth and enable the economy to compete more efficiently" (Jessop 2002: 121 seq.). New potentialities are realized by a strong leader who can alone impose his will in an authoritarian and patriarchal manner. Hierarchical and authoritarian institutions, like firms and executive bodies, facilitate his or her innovative agency. It is a form of trusteeship assumed by a selected elite. Schumpeter insists on the pivotal role of a mediator and judge played by the banker (Cowen/Shenton 1996: 377), a respected person in Vienna Fin de Siecle (Cowen/Shenton 1996: 381). The banker is the guide of development, the trustee who sanctions innovations (Schumpeter 1931: 110). This crucial role of finance to "systematically making money-capital available for production" (Cowen/Shenton 1996: 382), issuing the blessing for those who want to use it for productive investments (Marx 1984: 522).

Schumpeter's reflection on capitalist creative destruction was inspired by Marx, but differing in one decisive aspect: while democracy for Marx consists in the conscious regulation of production at all layers, Schumpeter reduces democracy to an act of choice between different leaders (März 1983: 39). His conception is profoundly elitist, influenced by Pareto and other social theorists that conceptualise society as a natural pyramid, led by the best and fittest (Pareto 1975: 111). Whenever Schumpeter refers to socialism, it is more in line with an elitist state than with popular sovereignty, taking the creative entrepreneur as a heroic great individual – this time in line with Weber and Sombart (März 1983: 99). But Schumpeter, by dwelling on the interplay of productive

investment and finance, correctly stressed the inherent danger of solving this organisational problem by naïvely personifying it in the body of the nation state (Cowen/Shenton 1996: 384). This explains his ambivalent position concerning socialisation, urged for by social democracy, during his short intermezzo as Austrian Finance Minister after World War I (März 1983: 54 seq.).

3. Vienna in the short 20th century (1918 – 1989)

After World War I, Vienna was downgraded from the capital city of an Empire to that of a small nation state. After World War II, Fordist regulation was implemented differently from the US-American ideal type (Peck/Theodore 2005). The dominance of the national scale under Fordism, assigned Vienna the role of a national centre with a low level of international contacts, a situation which only started to change in the Post Fordist period.

3.1. *Red Vienna*

After 1918, the loss of its hinterlands caused a severe crisis in Vienna. Unemployment was high and population decreased. After revolutionary turmoil and the introduction of universal franchise in the immediate post-war, the social democratic party took over the city government. In 1922 a constitutional reform assigned Vienna the competences of a province (*Bundesland*) (Stimmer 2007: 13) and the social democrats were able to use their enlarged room for manoeuvre for innovative policies in the fields of housing, school reform and social policy. "Red Vienna" was based on a very strong link between the social democratic party, civil society and the city administration. The city's large-scale investment in housing stimulated the local industry in the 1920s. In many inter-war years, expenditure of the Viennese local government was even higher than that of the central government (Becker/Novy 1999). As the national government was conservative, all intellectual and political efforts of the party and the labour movement were concentrated on the city. The party, however, lacked a consistent economic strategy; the positive effects on local industry were mainly the result of its social commitment. "Red Vienna" was a reformist project of redistribution which accepted the capitalist laws of accumulation. Its enemies were less noble. To undermine the redistributive power of the local state, the conservative government started a deliberate strategy of centralisation against "Red Vienna". But in 1933 the governing Christian-Social party staged a creeping auto-coup, abrogating the constitution, which led to a short civil war in 1934 that ended liberal democracy and implemented an Austro-fascist regime, inspired by Italian fascism (Becker et al. 1999: 4). The Christian-Social corporatist regime repressed opposition and aimed at founding an Austrian nationalism linked to authoritarian and catholic

ideologies. Although allying with Italian fascism, it was not able to maintain national independence against Nazi Germany.

3.2. *The Third Reich (1938-1945)*

In 1938, Austria was annexed by Nazi Germany without open resistance. Even leaders of social democracy like Karl Renner approved the annexation. State bureaucracy was integrated into the German state and Austria's economy became part of the German war economy. New war-related heavy industries were established, esp. in the Central parts of the country. German capital took over many Austrian firms and banks using them as a conduit in the newly occupied countries in Eastern Europe (Becker et al. 1999: 3). In 1939, the Nazi regime integrated earlier independent municipalities into the city and created Greater Vienna, the "by area largest city of the German Reich" (Schubert/Theuerl 1995: 458). Nevertheless, the politically "dangerous" and "multi-culturally oriented" city was de facto downgraded. Jewish traders and artisans soon were driven out of business. Vienna became the experimental field of arianisation linked with rationalisation in petty trade and production (Aly/Heim 1993). 200.000 Viennese citizens were either deported to concentration camps and killed or had to flee the country (Faßmann 1995: 14).

3.3. *Looking West (1945-1989)*

The defeat of Fascism led to the occupation of Central Europe by the allied forces. In 1955 Austria became neutral, but de facto integrated into the Western bloc. Eastern neighbours became part of the Soviet bloc.

3.3.1. *Austrofordism*

After World War II the Austrian economy quickly recovered and started to catch up with Western European nations. This process was part of the international spreading of Atlantic Fordism (Jessop/Sum 2006). However, Austrian Fordism showed marked peculiarities both in accumulation dynamics and in structural forms of regulation. "Austrofordism" (Hwaletz 1996), the period from 1945 to the mid 1970s, was characterised by processes of industrial catch up and geographically restricted internationalisation of the Austrian economy. While for big Western industrial countries Fordism was a period of inward orientation, Austrofordism had a specific regime of regionalized internationalisation. High growth rates – the main aim of economic policies – was achieved by the modernization and Taylorization of the major industries. The state owned heavy industry played a strategic role in promoting modern technologies in the productive

sector. Later, especially Western Austria benefited from Western European FDI. Economic modernization led to deep social transformations: the universalization of wage labour, the decline of subsistence production and a far reaching commodification of social relations. Rising real wages made mass consumption possible; however, wages developed less dynamic than investment and exports. Nevertheless, Austria showed a chronic trade deficit that had to be balanced by mass tourism. In spite of growing wages labour could not increase its share in surplus value, which underlines the conservative stance of Austrofordism. The rule and the profits of the capitalist class were not challenged.

In the regulation arena, Austria shows specificities as well. The two state parties, the Social Democrats (SPÖ) and the Conservatives (ÖVP) created a genuine corporatist model of social partnership (*Sozialpartnerschaft*), which embryonically existed already in the inter-war period. This model was characterised by consensual decision making and a strong role of the chamber of commerce (*Wirtschaftskammer*), the chamber of labour (*Arbeiterkammer*) and the association of trade unions, the ÖGB (*Österreichischer Gewerkschaftsbund*). Economic policy was determined by negotiations of employers' and workers' associations, significantly weakening the decision making power of Parliament. This corporatist framework of social partnership integrated the reformist wing of the worker's movement into a coherent power structure (Becker et al. 1999) and marginalized more radical groups.

During the 1970s, first signs of a crisis of Austrofordism became apparent (Hwaletz 1996) and regional inequalities, whose origins date back to the post war occupation, deepened. Growth rates and productivity growth declined as the process of catching up of the Austrian industry was almost completed and the markets for consumer durables were saturated. Investment and profits went down as capital intensity rose, causing a severe slump in capital accumulation. The main strategy to overcome the crisis was further internationalisation. As ties with West Germany became stronger, the Austrian government sought a closer relationship with the European Economic Community – EEC, finally cemented by Austria's exchange rate policy. The adopted exchange rate in 1979/1981, which was high and henceforth stable vis-à-vis the German Mark, provided a stable currency framework for doing business with the most important trading partner and put at the same time pressure on business to increase productivity and on trade unions to keep wage increases low (Schubert/Theuerl 1995: 52 seq.). Exports to EEC-9 increased from a share of 47.8% in 1970 to a 61.3% in 1990, due to the surge of exports to West Germany, the destination of 23.1% of Austria's exports in 1970 and of 37.4% two decades later. More than 60% of Austrian imports originated from the EEC, two thirds of them coming from West Germany

(WIFO 1995: Tab 11, 12). Likewise, almost 40% of its FDI was originated in West Germany (Rammer 1996). Thus, internationalisation was de facto Western Europeanisation and boiled down to a closer integration into the German productive system. In the long run, such a close economic relationship with West Germany implied consequences for the political autonomy of the Austrian state (Becker et al. 1999).

3.3.2. Austrokeynesianism

While the core institutions that stabilized the Fordist compromise remained stable until the 1990s (Hwaletz 1996), its economic foundations became weaker after 1973. Unemployment rose, growing public debts reduced the space of manoeuvre for political intervention. In this late Fordist period, to combat crisis tendencies, a variety of strategies under the chancellorship of the social-democrat Bruno Kreisky (1970 – 1983) were applied, which were later termed “Austrokeynesianism”. Its key elements were a combination of a fixed exchange rate to the German Mark and Keynesian deficit spending; supplemented by low interest rates, absorption of labour in nationalised industries, and a policy of wage restraint (Unger 2006). The key actors, who pursued this new policy, were the same as in the heyday of Austrofordism: the social partners. In favour of a consensual strategy of state-centred corporatism, trade unions moderated their demands. This cautious strategy differed strongly from other European countries (see Sablowski 1998). By stressing solidarity and the sense of community within the national container, Austrokeynesianism received broad support. On the agenda, was not redistribution, but the promise that no individual was to be left behind in Austrian society, and most importantly that the government would create jobs. The main recipient of employment policies was the Austrian male breadwinner. Women, migrants- so called guest workers- and people outside the labour market, were alien to the corporatist actors and decision makers and thus either treated as residual categories or became subject to legal discrimination and hostilities (Unger 2006). Politically, Austrokeynesianism was conservative and paternalistic, but economically it proved successful. Severe crises could be impeded and today’s relatively low unemployment rate is a result of Austrokeynesian policies of the 1970s and 1980s. Between 1970 and 1999 the average rate of unemployment in Europe was 6,4%, in Austria it was only 3,3% (Unger 2006: 68). The easy access to early retirement until the end of the century, however, blurs the real level of underemployment.

When the social democrats lost the absolute majority in the elections of 1983, they formed a coalition first with the then right wing liberal party FPÖ, which was substituted by the conservatives ÖVP, when Jörg Haider became the leader of FPÖ in 1986. With different

emphases, FPÖ and ÖVP had launched an attack on the Austrokeynesian orientation of economic policy and had demanded liberal reforms since the beginning of the 1980's. However, Austrokeynesianism had received a massive blow already earlier. The Austrian Central Bank kept interest rates low after the second oil shock (1979), and lost a third of its reserves (Unger 2006: 74). In this new international finance regime, the steering capacity of nation-centred Keynesianism declined. As a result of these developments and due to a world-wide rise of neoliberal discourse, privatisation, deregulation and liberalization became guiding principles of economic policy. In this context the SPÖ finally decided in favour of EU accession and a commitment to economic liberalization.

3.3.3. Vienna: Local social engineering

In the immediate post-war years, the policies of the Austrian government and the Western occupation powers effected a displacement of the industrial centre of gravity to the West of the country. Vienna, near to the Iron Curtain, was cut off from its hinterland and its industry had to concentrate on the national market. When the crisis of Austrofordism started local capital applied three strategies to overcome overaccumulation: First, accumulation shifted from productive capital to fictitious capital. Until the mid 1980's, manufacturing, mining, energy and construction sectors dominated the labour market in the Vienna and pushed Austria's catching up process. Like most of the industrialised countries, industrial employment in Vienna has experienced a steep decline. The industrial sector lost 50% of its jobs in the period from 1973 to 2001 (Lengauer 2004, Lengauer 2006, Novy et al. 2001, Novy et al. 2006). Furthermore, there was a shift from construction activities to the real estate business (Jäger 2003). Fictitious capital accumulation based on the appreciation of financial assets and real estate strongly gained importance. This is applauded as modernisation by the Global City approach (Taylor 2004), saw as a more crisis prone regime for the regulation approach (Becker 2002). In 1973, 45% of the Viennese workforce was employed in manufacturing and the construction sector, but this share has declined dramatically to 23,7 % in 2001, while the employment share of FIRE (Finance, Insurance, Real Estate) services almost trebled from 5,9% in 1973 to 16% in 2001.

Second, the extensification of capital accumulation which is characterized by sluggish productivity growth, the integration of broader sections of society into the workforce, and the rising importance of SMEs gained momentum (Lengauer 2006). The Fordist big plant, locus of intensive accumulation, productivity growth and exploitation of economies of scale was redeemed by SMEs. Between 1981 and 2001, employment most strongly grew in firms with fewer than 20 employees (+32%), and in middle sized enterprises with 20-200 employees (25%), while stagnant

in larger enterprises with more than 200 employees. In SMEs, trade union activism was harder to sustain, which might explain the steep decline of the labour share in the national income. Moreover, in SMEs, especially in the service sector, productivity and real wage growth was hard to achieve (Guger/Materbauer 2004).

Third, the internationalisation of production led to a geographical expansion of the accumulation space of Austrian capital. With the fall of the Iron Curtain, industry lost much of its key position, thus giving eastward expansion of Austrian capital a specific form: fortification of finance capital - banks, real estate and insurance companies. Vienna is the origin of the largest share of Austrian FDI. It became again a trans-national control centre for investment in Eastern and Central Europe. However, in spite of growing exports, the trade balance of the Vienna region has been negative for decades (Novy et al. 2006).

Politically, social-democracy took over local government after the war without losing it until now. Though, political strategies, comparable to the ambitious program of municipal socialism of the period 1918-1934 were no longer elaborated at the local level, which followed the national pattern. Nevertheless, the city administration stuck to policies of demand management until 1996, whereas Austrokeynesian policies had been dismantled at the national level since 1986.

Furthermore, the end of Austrofordism reflects the transformation of city urban planning. Although, in the 1970s a conservative turn in urban planning had emerged and soft urban renewal became the main urban policy, the emblematic urban project of the 1970's was the modernist artificial creation of the Danube Island, a large recreational area for the Viennese population. It was criticized by the conservative opposition as expensive and "gigantic" (Stimmer 2007: 42). "Creating the so-called Danube Island was paradigmatic of Fordist public leisure policies that aimed at the delivery of open, public and non-commercialized spaces" (Redak et al. 2003: 132).

4. Re-Orienting Vienna 1989-

After the cautious internationalisation of trade, a more coherent, liberal strategy of extraversion by finance capital and FDI was started in the 1980s. Two decisive events led to the modification of accumulation strategies. One was the formation of the European Single Market which enticed Austrian firms to significantly increase their foreign direct investment in Western Europe (Bellak 1995). German capital increased its stake in Austrian commerce and banking. The other event was

the collapse of state socialism. The increasing financial extraversion of accumulation in Post-Fordism was accompanied by rising unemployment and social polarization. In the Vienna region unemployment rose from 5,8% in 1987 to 9,5% in 2002. In 1987 unemployment in Vienna equalled the national figure. Since then it has grown faster and in 2002 exceeded the Austrian average quite significantly. As a result political opposition against the corporatist framework and the two state parties grew. While the Green critique from the left was moderately left liberal and elitist, the extreme-right critique of the FPÖ was populist. The old corporatist system, however, was designed to accommodate solely the two state parties, SPÖ and ÖVP, and their affiliated business associations and unions. As long as FPÖ had been a small party out of power, the corporatist structure had remained stable, because both state parties had broad popular support and neither of them wanted to challenge this balance of power. The FPÖ fiercely attacked corporatism as inefficient and demanded the concentration of power at the level of national government. From 1986 onwards, FPÖ and ÖVP had disposed of a potential majority in parliament which was hardly ever used. In 2000, however, the leader of the conservatives, Wolfgang Schüssel, exploited a window of opportunity, ended the grand coalition government and started a right wing coalition with the FPÖ. This was immediately sanctioned by the EU, as racist tendencies within FPÖ were considered beyond the European consensus of values (Novy/Hammer 2007). European actors, however, overlooked the fact that it was the right-wing government that deepened Europeanization of Austrian policies, in line with the European neoliberal mainstream (Huffs Schmid 2007). The Schüssel-administration has lastingly changed the balance of power in Austria. First, the new Europe-based consensus in favour of economic liberalism has weakened not only the trade unions, but the opposition parties as well. The extreme-right, effective promoter of domestic neoliberalisation and supported by important fractions of Austrian industry and business became increasingly out of tune with capital interests in the late 1990s because of its xenophobic rhetoric. Furthermore, the Green Party, in the 1990s against EU-membership, adhered in line with large parts of progressive civil society to the liberal consensus of Europeanisation, insisting on the advantages of a liberal and cosmopolitan regime over national provincialism. After having won the elections in 2006 the social democrat Alfred Gusenbauer became chancellor, his party, however, accepted the position of a junior partner, by ceding the most important ministries to the ÖVP. Moreover they were not able to set an alternative political agenda. It seems they accept the current correlation of forces which privileges capital over labour to an extent unknown in the short 20th century.

4.1. *Repositioning Vienna 1989-*

With Austria's integration into the European Union and the opening up of the Eastern European countries, Vienna's West and inward oriented policies came under pressure. Dominant discourses of entrepreneurship assume that the only way cities can compete in a globalized economy is by pursuing proactive strategies designed to secure competitive advantages over their perceived competitors (Peck/Theodore 2005; Sum 2005). Thus, in the eyes of many local politicians, planners and entrepreneurs, the repositioning of Vienna in a new international context had become an urgent necessity. Political legitimisation was no longer only aspired from the local population but also from the international business elite, real estate developers and tourists. The key person who contributed radical institutional changes at the political level was Hannes Swoboda, secretary of planning in the city government at the beginning of the 1990s and later on member of the European Parliament. He started a new round of liberal cosmopolitan orientation in tune with post-modern valorisation of citizens' participation, the environment and gender issues (Pirhofer 2007: 74). His aspirations were implemented by changing the balance of power at the level of the local state. Local parliament and local bureaucracy were weakened and a specific, elitist segment of civil society, composed of investors, architects, business and university, was empowered (Novy et al. 2001: 139). One event was crucial in this respect: the broad popular rejection of hosting the EXPO95 which was intended to "build bridges to the East" in partnership with Budapest (Pirhofer 2007: 68). From then on, planning was organized to immunize decision making from unexpected mass protests and democratic participation. Positive forms of opening the state structure, like participation models and dialogue fora with selected parts of civil society resulted in a further hollowing out of existing democratic institutions, especially the local parliament. A huge amount of quasi-governmental organisations and organisations subsidized or financed by the local state which are beyond public accountability were created (Novy/Hammer 2007).

Furthermore, the city government has tried to develop a regional, cross-border agenda. Together with the neighbouring provinces of Lower Austria and the Burgenland, the city government has begun to promote cross border regions like Centrope (Central European Region, financed by EU – INTERREG) or the Vienna-Bratislava Twin Cities project. Although these initiatives originate in the policy sphere their focus is predominantly business oriented. Thus, these initiatives can be seen as part of a more focussed regional economic and foreign policy, which runs independently from national strategies. The increasing involvement of the regional level in foreign affairs, however, can be understood as a key feature of post Fordist re-scaling in Austria.

5. A critical institutionalist approach to the periodisation of socio-economic development in Vienna

The history of Viennese socio-economic development under a periodisation of regulation theory (Jessop 2005) allows the emergence of preliminary lessons to an alternative mode of development if a critical institutionalist approach is applied. The DEMOLOGOS Synthesis Paper 1 (Moulaert/Jessop 2006) draws a critical institutionalist method of analysis, which is centred in agency, structure, institutions and discourse. It allows grasping development as a dynamic process made by actors who mobilise their resources⁵ under a structure of given and changing institutions.

Table 1: Periodisation of socioeconomic development in Vienna

	Accumulation	Regulation	Space / Scale	(Political) Culture
before 1914	extensive, out-ward oriented (towards the East), finance dominated VIENNA: capital of the Empire's finance	liberal, increasingly more interventionist state VIENNA: first European city with a non-liberal government	multi-national mode of governance, split sovereignty (Austro-Hungarian Empire)	elitist cosmopolitanism (Fin de Siecle) vs. democratic mass populism (Anti-Semite and social democrat)
1945 – 1994	Austrofordism, Western Europeanisation, national industry VIENNA: capital of the national industry	corporatist growth coalition Austrokeynesianism VIENNA: local social engineering (Danube island and the public interest)	nation-state-centred mode of development	national welfare state, parliamentary democracy, soft urban renewal- HOMOGENISATION
after 1989/ 1994	(Eastern)Europeanisation of production, finance-dominated VIENNA: Entrepot to the East	liberal European mode of regulation (common market, law, currency), national and local growth coalition: hegemonic consensus of capital and labour	trans-border regional development, Europeanisation	elitist cosmopolitanism of (left and right) establishment of culture and politics and outward-oriented fractions of capital, increasing popular discontent (cf. EU-referenda)

5.1. Preliminary lessons from Vienna Fin de Siecle

The Pre-national mode of development offers some insights for the analysis of current development. First, to study Pre-Fordist socioeconomic development is helpful to grasp dynamics of Post-Fordism. The power of finance capital, new transport technologies and imperial powers turned the world “genuinely global” (Hobsbawm 2003: 13), a process that was interrupted by two world wars.

⁵ The resources capable to be mobilized as objects of constructing reality, following Sum (Sum 2005) are material and imaginaries, i.e. discourse is also understood as a resource.

Second, internal contradictions and historical-geographical varieties make it difficult to identify stable elements of the Pre-Fordist mode of development. Cultural and academic development was fervent and conflictive, while social development was severely polarising, preparing a fertile ground for violence and social conflicts. Third, liberal institutions and discourses were strongest under the reign of neo-absolutism. Liberalism was the ideology of the age of capital (1848 to 1875), being followed by a first round of “post-liberalism” (Hobsbawm 1975: 355). Liberals all over Europe lost their dominant position in national parliaments, while the masses wanted to participate in socioeconomic modernisation, demanding a more active role of the state

5.2. *Preliminary lessons from Austro-Fordism and Keynesianism*

The national mode of development – Fordism – is the ideal type of the regulation approach. However, questions and reflections on this type of socioeconomic development are required. First, Austrian Fordism is a very specific variety of capitalism, differing from the text-book version of Atlantic Fordism in several aspects, the most important one being that accumulation was based on regionalized internationalisation instead of inward-oriented accumulation. The national container was a political and social one which created legitimacy and loyalty due to a universalising welfare state. Second, the national level became the power field of the 20th century unintentionally. Actors adapted to an emerging scalar form of politics that made the national the nodal point for democratic and social reforms. Third, Austrokeynesianism represents a distinct phase of Post-Fordist restructuring in Austria, which, while acknowledging the need to change, stuck to the model of nationally coordinated capitalism. National actors laid the foundation for the emergence of structures and institutions that would afterward overcome this stable mode of regulation. The driving force in undermining the national power container was the internationalisation of national capital, linking the Austrian Schilling to the strong German Mark and the liberalisation of capital markets, three measures that social democracy implemented when they officially still held the views of Austrokeynesianism. Economic liberalisation was seen as a measure to support capital accumulation which, in turn, would finance redistributive welfare measures.

5.3. *Preliminary lessons from Vienna eastwards repositioning 1989-*

There are several interesting lessons in studying Viennese development in Post-Fordism. First, there is a constant link in Austrian history of liberal cosmopolitanism with elitism and capital-friendly policies. This explains the lack of coherent anti-capitalist strategies which, furthermore, often have

anti-modernist, nationalist and racist traces. Alternative modes of socioeconomic development have to dwell on how to de-link the promotion of capital accumulation from cosmopolitan strategies of “one world politics and culture”. Second, a national container of power was compatible with the internationalisation of trade and an inflow of western FDI in the manufacturing sector. But it became unsustainable when finance capital became mobile – and dominant - at the end of the last century. Third, institutions are stronger than discourses. The grand coalition of Austrian national government today is based on a liberal discourse, while it was based on a Keynesian one during the national mode of regulation. The grand coalition and social partnership represent a deeply institutionalized hegemonic bloc in Austrian society which is able to survive profound shifts in discourse and ideology. At the roots of the consensus is a common and broad approval of Austria’s embedded capitalist market society: Capitalism has made Austrians rich! Not even during revolutionary turmoil in 1918, social democracy wanted a radical rupture. It opted for a soft evolution towards socialism and later on it fought for capitalism with a human face. This shows the intimate relationship of social democratic policies of redistribution with a flourishing capitalist economy. From Austromarxism onwards, the social democrats have accepted left wing rhetoric, which makes it difficult for parties left of social democracy. But in concrete practice it is adverse to all forms of left radicalism that might endanger business interests. This hegemonic consensus “to feed the cow that one wants to milk” explains that institutional arrangements like social partnership and the great coalition can survive even such dramatic events like the frontal attack performed during the Schüssel administration. Fourth, liberal capitalism that is not embedded in socially integrative regulation leads to polarisation and instability. Since the 1990s the wage spread has increased substantially, as well as short term contracts and part time employment. Today 60% of the existing job contracts in Vienna are quit every year (Huber/Mayerhofer 2006). About the same share of new contracts are started in the same period. Thus, the level of social stress has increased dramatically. Fifth, an underestimated problem of capitalist development is authoritarianism which is the hidden face of the Schumpeterian emphasis on innovation and entrepreneurship. The weakening of the parliament is only a signal of a tendency to isolate real power in the state and the economy from public accountability and democratic decision making.

6. Windows of opportunity for alternative socioeconomic development

This section presents preliminary political alternatives taking into consideration the given correlation of forces and the hegemonic liberal discourse (cf. Novy et al. 2006). The proposed

alternatives part from contradictions within liberal hegemony which resemble events that took place before World War I, when Vienna was a fervent world city. To avoid a repetition of defeats, progressive politics should actively aim at capitalizing on two potentials: cosmopolitanism, and democracy. Both consist in overcoming the deep-rooted authoritarian traces of Austrian institutions and the social democratic inclination towards paternalist trusteeship.

6.1. *Popular cosmopolitanism*

The first window of opportunity for alternative socioeconomic development is offered by the conflicts resulting from capitalist internationalisation. There exist two strong, competing discourses: The one is elitist and cosmopolitan and promoted by the EU-friendly establishment in social democracy, the conservatives and the Greens. They are the promoters of liberal reforms. This official discourse, as pursued by the Centropo-project, the newly created regional space around Vienna (Coimbra de Souza/Novy 2007) insists that “we have to change” to become competitive. Privatisation and workfare are justified by the necessity of change due to increased international competition. The other discourse is a popular consensus constructed in large part around the *Kronen Zeitung*, the main Austrian newspaper, which has a daily audience of a 3 million readers, which is more than a third of the population. This popular consensus of ordinary Joe (*kleine Mann*), a diction used by the Nazis, is that “they” (foreigners, the others) have to adapt, but “we need not to change”, a discourse employed to structure the topic of illegal migrant caretaker. This resembles discursive confrontation in the 19th century when the populist mass movements won against liberal cosmopolitanism (cf. chap. 2). It is worthwhile remembering that liberals were an economically and politically powerful elite, but out of tune with popular demands. Current latent discontent with the liberal mode of governance expresses itself again in outbursts, like the EU-referendum in France and The Netherlands – although without clear imaginaries of different Europe (Novy et al. 2006).

Politics of the possible can today capitalise on these contradictory traces of the two discourses. At the moment, it is opportune to be in favour of regional integration in Europe and official rhetoric is cosmopolitan. Even *Kronen Zeitung*, which by the way is owned 50% by a German media corporation, has moderated, but not abandoned its critique of the EU, especially its bureaucracy. This marginalizes intra-European racism in public debates and makes discrimination within EU-27 more difficult. This is compensated by a more deliberate strategy of constructing a fortress Europe, separating Europe from the rest of the world. This causes a challenge for the extreme right, as it has to overcome its parochial nationalism – be it Austrian or Austro-German. The FPÖ

tries to focus its concept of the enemy against Turks and Africans. But the deep-rooted nationalist prejudices that still exist within FPÖ difficult alliances against non-European “others”.

Therefore, reflecting on the Austrian case study, we suggest that the politics of the possible for alternative development has to fight against right-wing extremist strategies of a racist fortress Europe with militarist and imperialist aspirations (Altvater/Mahnkopf 2007). This suggestion is in tune with moderate politics analysed in other case studies of DEMOLOGOS (cf. Ken Livingstone in London and Falcomata in Reggio Calabria). But it differs fundamentally in its understanding of popular movements and cosmopolitanism. Alternative strategies have to overcome the unpleasant choice between chauvinist localism/nationalism and a cosmopolitan neoliberalism by de-linking cosmopolitanism from business-friendly policies and elitism. Efforts should be directed at forms of social innovation that promote popular cosmopolitanism. The challenge consists in an open-minded, but context-sensible approach to regional integration. This can be achieved by a new regional imaginary based on a social region and a community-based approach (Moulaert/Nussbaumer 2005), enriched by ecological sustainable forms of living and working. Social innovation asks for strategies that link the satisfaction of basic needs with empowerment.

6.2. *Region-building from below and a participatory form of regionalisation*

A second strategy of politics of the possible consists in building new European regions from below as a deliberate strategy of popular empowerment. A key problem of the existing mode of regional integration is its lack of democratic decision making and no regional public that discusses common strategies. This is due to deliberate efforts of neoliberal agents to de-legitimize democracy (Novy et al. 2006). Furthermore, current empowerment of networks poses the conceptual challenge to transform the existing concepts of democracy and popular sovereignty which have been linked to a territory. Therefore, any form of progressive regional integration must be based on popular participation and democratic decision making. Liberal cosmopolitanism opposes nationalism and offers certain fields of activity in favour of intercultural dialogue and cooperation.

6.2.1. Participatory project culture

Existing INTERREG projects like Centrope utilize “common culture and history” as rhetoric to obtain public support for regional integration of capital and markets. INTERREG programme enhances the competitiveness of border regions with socioeconomic development as a side effect.

Although INTERREG projects in the field of education are considered as means to enhance competitiveness they do support cross-border exchange and reduce old prejudices. Thus, they help to shape a lived cross-border space and raise awareness concerning common regional interests or problems. These contacts are the prerequisite for developing a joint political agenda from below. Regional integration in Centroe is promoted via a range of small to medium scale projects mainly initiated by bureaucracies or regional governments. In the last INTERREG programme period (2000-2006) the projects were financed by the Austrian authorities and the European Union, creating asymmetries of power to the detriment of the new European member states (Coimbra de Souza/Novy 2007). Moreover, INTERREG projects tend to be rather exclusive. Project members communicate with each other and to a certain degree with regional stakeholders, but not with a broader public. Due to strict EU regulations, project coordinators spend a lot of time with the bureaucratic and financial parts of project management. These regulations are inflexible and prevent creativity. As a consequence, INTERREG projects, although some like Centroe count on strong marketing are hardly known outside the circles of bureaucracy, the project members and regional scientists. Individual project coordinators often do not know what other INTERREG projects operate in the region. Thus, there is no shared idea or vision of regional integration, even among key actors working in the field of cross-border cooperation. For the broader public, regional integration is primarily a matter of small scale cross-border tourism and shopping. Austrians are attracted by lower prices, e.g. at the dentists, and by historical sights. For Hungarians, Slovaks and Czechs similar motives seem to be most relevant.

People on both sides of borders face essentially regional, cross-border problems. By now, it is mainly in the field of environmental policy and activism that this has been understood. The most severe environmental problems result from growing traffic. Being part of a TEN (Trans-European Transport Network), means that the European Union and national governments want to build motorways and train connections, thus increasing emissions and endangering the protected fluvial habitat. Cross-border ecosystems represent a common good, belonging to all people living in the region. Therefore, in the current conjuncture environmental issues could strengthen a progressive form of regional identity. The Alpine Convention, a multilateral agreement signed by the alpine states to protect the ecosystem and support sustainable development based on regional economic and cultural structures, might provide a good example (CIPRA 2007).

6.2.2. Democracy, dialogue and social innovation

The dominant solution to complexity and the need for innovative solutions tends to be elitist and authoritarian and the new compromise privileges large enterprises. This is a legacy of the

emblematic thinker of Post-Fordism, Joseph Schumpeter. His insistence on innovation and entrepreneurship emphasises decisive dimensions of socioeconomic development in the age of the knowledge economy. Unfortunately the hidden face of this policy turn has not been sufficiently discussed. The key challenge consists in overcoming elitist trusteeship and authoritarian imposition of innovations. Alternative socioeconomic development has to overcome the dualism of a closed democratic power container like a nation state versus a flexible, but non-democratic and elitist articulation of multi-scalar spaces to invent an imaginary of trans-national democracy. Democracy is no static situation, but an ongoing process (Beigewum 2003). In addition to networking of NGOs and trade unions in the region, a constitutional treaty between the neighbour states could create a form of regional, cross-border-citizenship, starting with the concept of urban citizenship (García 2006) and elaborating a concept of (trans-national) regional citizenship. This would allow for binding cross-border referenda or the election of a regional body of decision making. Regional citizenship rights would go beyond the actually existing practice of cooperation at the level of bureaucracies, Quangos and other not transparent networks of state and business actors. Democratisation means continuous experimentation with forms of opening access to all parts of the population, especially those at its margin (Novy et al. 2006). This is the core of popular sovereignty: What concerns all has to be decided by all, including common deliberation about the objectives of development. This presupposes accountable and transparent public institutions, beyond bureaucratic government and the parliament (Hirst 2000). Subsequently, dialogue and democratic decision making can include the people in a process of socioeconomic democratisation, an experiment that furthers insights from the participatory budgeting in Porto Alegre and the respective ideas of an open and public state (Novy/Leubolt 2005). The Austrian case study showed the lack of strong and autonomous actors of civil society. Therefore, we suggest merging state and civil society projects in an attempt to transform the state into an institution also accessible to the marginal parts of civil society. This implies that social innovation should aim at fostering democratisation of public institutions. Open and accountable public institutions represent the prerequisite for re-shaping regional socio-economic development to permit the free development of all.

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