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**Divergence and convergence of national and local
regulation**
The case of Austria and Vienna

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A Theoretical approach

Red Vienna, Red Zürich,...: The 1920s were the heyday of alternative local state projects. These did not fade into total oblivion, but they were not followed by new local experiments in the era of post-war prosperity either. It was only with the onset of the next crisis that alternative local development "from below" was discussed again, though a much less spectacular praxis has flown from that than in the inter-war years. These ups and downs of divergence of local regulation from the national one pose the question under which conditions local and national regulation can diverge.

In tackling this question, we will use the regulationist approach with a strong blend of Gramscian hegemony analysis. It permits to analyse the interaction between the economic and the political in a historical-geographic perspective. In applying the regulationist approach, it should, however, be borne in mind that its conception bears a strong imprint of the original object of research. This was the stable and regionally rather homogeneous mode of development of the post-war era which the regulationists called "fordism" in homage to Antonio Gramsci (1971: 277 et seq.). Thus, their research focus was rather on the structural elements propitious to stability than on crisis and conflict (cf. Hübner 1990) and spatially almost exclusively on the national social formation to the detriment of other spatial layers.

Nevertheless, they acknowledged that historical social formations evolve through crisis and

conflict (cf. Hirsch 1990: 17, Théret 1992: 189). It is in the "great crises" that the situation is comparatively "open" (Fiori 1995, Hirsch 1992: 230 et seq.) and that the decisive struggles about new dispensations are waged. Since the "great crises" are crucial junctures, we inverse the usual order of regulationist priorities and focus on periods of crisis rather than those of relative stability.

Accumulation strategies propelled by different social actors need certain shapes of the "structural forms" of regulation (Aglietta 1987) - state, monetary constraint, wage relation, form of competition, and adhesion to international regime. The state is structurally the central structural form since it is both an agent and an object of regulation (Jessop 1990: 315 et seq., Cox 1987: 105). As an agent of regulation, the state guarantees the other structural forms, and the organisations of civil society need the sanction of the state to push through far-reaching modifications of the structural forms. Therefore, the modes of access to state decision-making centres and the territorial configuration of state organisation are central objects of political conflict. The struggles might eventually result in a new stable "regime of accumulation" and a hegemonic order. Hegemony is domination based predominantly on consensus and active support of decisive parts of civil society. Other forms of domination, like clientelism and the use of force, continue to exist latently though they are kept in the back (Jessop 1990: chap. 7). Whereas hegemony needs to be built on a coherent regime of accumulation, other forms of domination can be quite prominent in propping up a stable regime of accumulation.

For a considerable time, regulationist analyses tended to neglect the spatial dimension of restructuring processes (an early exception is, however, Lipietz 1983). In the 1990s, it has, however, become common sense that space is at the heart of the current recomposition process (Lash and Urry 1987, Harvey 1989, Krätke 1996). Regulationists have, henceforth, increasingly turned their attention to the double process of internationalisation and increasing divergence of regional development trajectories (cf. Benko and Lipietz 1995) and the related transformation of the state and the territorial configuration of political regulation (Pecqueur 1996, Demazière 1996). At times, the transformation of the territorial configuration is discussed in terms of the "hollowing out" of the nation state (Jessop 1992: 249) and the revaluation of the local (and supranational) level. In our understanding, the heart of the matter is, however, not the mechanical balance of power between the different territorial layers of the state, but the qualitative dimension in how far and in which directions the the local state can deviate from the national (and supranational) pattern.

Most of regulationist analyses dealing with the spatial dimension are confined to the recent recomposition processes (cf Mayer 1996) and their departure from the fordist "territorial compromise" (Schmid 1996). However, the current crisis of spatial regulation is not the first one in Europe's modern history, nor is the reorganisation of political and economic space a new phenomenon. Limiting analysis to the last rupture, the crisis of fordism, impedes understanding the working out of time-space-enduring structural forms as well as historical-geographic contingencies (cf. Görg 1994: 93).

Therefore, we adopt a more long-term perspective in our analysis "of how practices of regulation and accumulation interact, both locally and nationally" (Goodwin et al. 1993: 85). Taking Vienna as an instructive example, we want to analyse under which conditions local and national "state projects" (Jessop 1990) and regulation can diverge. Following Fiori's historical approach, we will look at the dialectics of accumulation strategies and national and local state projects¹. On the one hand, accumulation strategies impact on the relationship between the economic space of reproduction and the political territory of regulation as well as on the regional homogeneity/heterogeneity of the national social formation which influence the range of strategic choices available at different territorial levels of the state. On the other hand, state and hegemonic strategies influence accumulation strategies. To summarize this relationship, stabilized accumulation is a precondition for hegemonic projects which - based on intellectual leadership, a clear state project and organisational empowerment of dominant groups - create favourable conditions for accumulation strategies.

In view to the articulation of the economic and the political at the different territorial levels, we distinguish four relevant historical periods in the modern history of Vienna and Austria. The economically dynamic and politically unsuccessful attempt towards centralisation in Habsburgian Empire was followed by a fragmentation in a small and economically disintegrated nation state and a world-wide known experiment of local socialism. From the point of view of

¹ Our effort is inspired by similar work done on Frankfurt and Zürich (Hitz et al. 1995).

regulation theory, fascism cannot be considered a proper period, although it shared important characteristics with the preceding social formation, and established at the same time some important foundations for post-war fordism. Its defeat led to a more successful form of nation building and national centralisation after the war and an emerging hegemony. In the last years national regulation entered in crisis in Austria too. In the following, we will try to analyse the relationship between economic and political, local and national development in more detail.

INSERT TABLE „OVERVIEW“

A Habsburgian Vienna: Dynamic centre of a centralised non-national empire

B Austria

The economy of the late 19th and early 20th century of the Habsburg Empire was characterised by an extensive regime of accumulation². The electrical engineering and chemical and consumer goods industries made up for a large part of industrial production (Gross 1985: 232 et seq.). Financially potent groups invested mainly in industries related to agriculture and in transportation. Dynamic sectors, like electrical engineering and metal-working, were soon dominated by foreign firms (Chaloupek 1991). Industry concentrated in a few locations, mainly

² More detailed empirical material and an extended bibliography can be found in Becker and Novy (1996).

in the Western part of the Empire (today's Austria and Czech Republic). The Eastern, Hungarian part of the empire was, except for a few industrial centres, largely rural and hardly industrialised. Its wealthy strata provided a ready market for Western industries. In so far, the Eastern part of Habsburg Empire was functionally close to an internal colony and the industries in Western Habsburg Empire showed little export orientation (Good 1986). Like in other Central European states, banks played an extremely important role in fostering industrialisation. Through shareholdings and interlocking directorships they were intimately linked to industrial corporations. The Habsburg Empire was not exporting monetary capital on a significant scale, since the banks found outlets within the heterogeneous Empire. According to Platt (1984: 86), Austrian financial interests held about 90% of their „foreign“ investment in Hungary and most of the rest in the Balkan area.

Politically, the Crown and central bureaucracy and military, i.e. basically the (high) nobility, of the Empire were ambiguous about establishing unfettered capitalist relations of production and rather sought to preserve some vestiges of the old order. They embarked on what might be called a strategy of controlled change, a passive revolution (Gramsci 1971: 106ff.). As in other late industrialising countries in continental Europe, the state played a rather prominent role in fostering economic development. Therefore, it is not surprising that already at the end of the 19th century rather strong business associations were formed. Likewise a rather well organised trade union movement emerged in the industrial centres.

The dominant bloc shared an interest in preserving the multinational, economically and socially heterogeneous Empire. Some of the middle strata were much closer to a liberal economic agenda, but were national in outlook and thus threatening the unity of the Empire (Bruckmüller 1985: 446 et seq., Le Rider 1994). Mirroring this socio-political division, there were two intellectual strands - a multinational strand and several national ones. It was not in the least to contain democratic and heterogeneous national movements that the Crown and its political allies sought to centralise political decision-making with the exception of Hungary where the national was increasingly divorced from the democratic movement. The dominant position of the ruling social alliance was built on rather shaky social and ideological foundations. Due to the complicated socio-economic and socio-political constellation, it had to rely on dynastic legitimisation what was clearly anachronistic at the turn of the century (cf. Hobsbawm 1991).

B Vienna

Vienna was the uncontested centre of the heterogeneous Empire. The Viennese financial bourgeoisie was part of the closely knit international high finance (Polanyi 1990). Its financial tentacles reached more or less to every important corner of the Habsburg Empire. Production of products in a later phase of their product cycle began to leave Vienna as early as mid-19th century (Meißl 1983: 116). They were substituted by new industries, especially mechanical engineering industry that began to boom due to the railways construction. Small-scale production was more wide-spread than in many West European industrial centres or in Prague

(Melinz and Zimmermann 1996: 23 et seq.). State owned enterprises played an important role in the industrial structure, mainly in the military field (Meißl 1983: 120). At the end of the century, electrical engineering industry became a leading sector consisting in large part of foreign direct investment (FDI).

Politically, due to highly restrictive election laws, the financial, commercial and industrial bourgeoisie was able to control city politics. At the end of the century, even liberal city administrators had to increase the role of the local state. The financial base of the city, mainly indirect taxes on consumption and housing rents (Seliger 1996: 89) was propped up by subsidies of the central government because of the capital status. The formally independent petty-commodity-producers were increasingly used ideologically as the foundation of the Christian-Social party. As national industrial bourgeoisie remained weak, Vienna quite uniquely was governed already before the war by this non-liberal party. Karl Lueger, Vienna's major from 1896-1911, based his local government on an alliance between the upper strata of the petty bourgeoisie and the bourgeoisie. Out of the locational necessities of local industry, Lueger communalised public transportation and gas distribution, two crucial parts of the local infrastructure, as service delivery by private companies was very poor. Due to very high fees, revenues from communalised companies formed an important part of the city's revenues. Furthermore, the city had to take up big loans to finance communalisation (Seliger 1996: 90). These policies allowed the modernisation of the Viennese industry and a catch-up with Western Europe. Self-proclaimed "Municipal Socialism" did not, however, change the social structure of

the polarised city due to its unaltered budget policy. As at the national level it was a strategy of controlled change. It rested, however, on a more solid social bloc than at the Empire level. The national question did not interfere as much as at the level of the Empire. Society in Vienna was much more thoroughly capitalist in character than in the rest of the country. It is, therefore, not surprising that the ideological appeal of Viennese Social-Christians was comparatively modern in outlook. A central plank of this rather modern ideology was anti-Semitism which proved to be especially effective in gaining the adherence of large segments of the city's petty bourgeoisie (cf. Fuchs 1996: 58 et seq.). Socialdemocracy developed, however, into a significant counter-movement. Arguing from a marxist position it was in favour of industrialisation since this would strengthen the working class. And this in turn would be conducive to its emancipation in the long run. Electorally socialdemocracy was kept at bay by a restrictive electoral law.

A „Hydrocephaly“ Vienna: Centre of a depleted nation state (1918-1938)

B Austria

Economically, the break-up of the Empire entailed grave consequences. The inherited, hardly modified regime of accumulation was built on capital and commodity exports from the Viennese core region to other parts of the Empire. The masked extraversion of the late Empire era was transformed into an open one. Both banking and industrial capital proved inept to adapt

to the changed circumstances.

The financial sector was shaken by the hyperinflation of the immediate post-war years. The austerity policies under the control of the League of Nations from 1922 onwards were laid out to prop up the financial sector and did bring down inflation. However, they did not stop the decline and permanent crisis of the banking sector. The Viennese banks which had partially been taken over by foreign capital tried to shore up their interests in the successor states of the former Habsburg Empire. This strategy proved to be built on political illusions and produced costly failures. The banks financed long-term commitments with short-term credits. From the late 1920s onwards, Austria's financial system was deeply affected by the U.S. crisis, and the collapse of the the largest Austrian bank with strong international links, Creditanstalt, in 1931 was a milestone in the deepening of the international financial crisis (Kernbauer et al. 1983, Weber 1995a). The rehabilitation of the banking sector in the early 1930s proved extremely costly and turned out to be prejudicial to all other sectors of the Austrian economy (Stiefel 1988).

The share of successor states in Austria's merchandise exports declined sharply because the new states did follow protectionist policies. Austrian industry was not highly competitive in other markets, and the high interest rates made modernisation an extremely costly undertaking. The share of final industrial product in commodity exports declined signalling a "reprimitivisation" of foreign trade ((Weber 1995a: 32). Austria's industry was particularly hard hit by the

protectionist policies in the 1930s since it did not have a large colonial sphere of influence to fall back on. The domestic market did not prove to be an alternative either. The conservative governments, backed by foreign interests, did their best to reverse the social conquests that the labour movement had won immediately after the war. It sought to reduce social security expenditure, actually following a pro-cyclical policy in this field. Especially in the 1930s, the conservative government attempted to reduce the real (and social) wages to enhance the international competitiveness (while maintaining a stable exchange rate). A considerable part of the population continued to be engaged in petty commodity production. Due to the conserved social structure and tight budgetary policies, the domestic market remained quite restricted. Thus, Austrian industry encountered a structural crisis entailing a rather depressed production and high unemployment even in comparatively "good" years. Even by the not very rosy international standards of that time, Austrian macro-economic performance was very poor in the inter-war years (Weber 1995a: 29, Tab. 4, cf. Stiefel 1988, Kernbauer et al. 1983).

Politically, in the inter-war years, there evolved one dominant capital faction - financial capital. Its accumulation strategy rested on a clearly recognisable ideological foundation - i.e. liberalism. That was, however, not well suited to the context of a large sector of petty commodity production with pre-capitalist traits which provided the social mass base for right wing-forces. Liberalism did not win the hearts and minds of peasants often still engaged in subsistence production. Therefore, economic liberalism was ideologically supplemented by a strong dose of Catholicism and romanticist ideological elements (e.g. conceptions of a „Ständestaat“, cf. Tálos

et al. 1995, esp. Parts 3 & 5). The working class and its political representative, social democracy, did neither embrace economic liberalism nor its catholic cloak. Social democracy remained committed to worker empowerment and socialisation of the means of production (cf. Butterwege 1991). Financial capital could not gloss over class and related ideological cleavages by appealing to nationalism since it was unable to come to terms with the new territorial dispensation. It is not surprising that under these circumstances the new Austrian nation state had severe legitimisation problems. There were continuous discussions about linking up with Germany or forming a new Danubian Confederation. The former option was initially rather favoured by the labour movement wishing to see more rapid industrialisation, the latter by certain sections of financial capital (Sandgruber 1995). The two options were, however, not mutually exclusive. Both strategies implied the attempt to conserve the central function of Vienna: either directly through links by the way of trade policies with the Danubian states or, if these would resist politically, backed by the German Empire (Stiefel 1988: 336). The incessant discussion about "Anschluß" to Germany and Danubian Confederation and the leadership of Austria, were just one facet of the territorial question (cf. Rásky 1995). Immediately after World War I, the historical „länder“ which embodied quite different socio-economic conditions re-emerged demanding regional autonomy. In the end, the centralised bureaucracies of the old Empire prevailed allowing only for the institutionalisation of a rather mild version of federalism. In this territorial reorganisation, the city of Vienna was strengthened by becoming a land, too, which implied a certain legal and fiscal autonomy. The further conflicts about centralisation vs. decentralisation in the First Republic were deeply tainted by the conflict between

the conservative central government and the socialdemocratic city and regional government of Vienna which was a "red island" in a "black sea". The right wing's attempts at re-centralisation were from the end of the 1920s increasingly linked to strategies of deparlamentarisation. In 1933/34, the Christian-Social government staged a creeping "autogolpe" and established a centralised austrofascist regime (cf. Tálos and Neugebauer 1988).

B Vienna

In 1918, the loss of its hinterland entailed a grave crisis in Vienna. Unemployment was high, population decreased from 2.12 mn in 1910 to 1.92 mn in 1923 (Faßmann 1995: 14). The crisis opened the way for new actors in local Viennese politics. With the introduction of universal franchise in the wake of democratic reformism of the immediate post-war era, the Social Democratic Workers Party was able to take over the city government signalling a shift of local power. Using its enlarged room for manoeuvre it followed new policies which at least dampened the local economic crisis and improved living conditions considerably (Öhlinger 1993). At its core there was an extremely ambitious housing programme. An urban project for the city as a whole, however, was - in contrast to Zürich (Schmid 1996) - missing, limiting the 64.000 new public housings to enclaves of an unaltered imperial and bourgeois urban setting (Pirhofer 1993). The city's large-scale investment in housing stimulated the local industry in the 1920s. Capital expenditure of the Viennese local government was in many inter-war years higher than that of the central government. From 1924-28, capital expenditure of Vienna's local

government was higher than that of the Federal Government (Weber 1995b: 539, Tab. 3)! Socialdemocrats lacked, however, a consistent economic strategy, the positive effects on local industry being mainly the result of their social commitment. As the national government was conservative, all intellectual and political efforts of the party and its social movement were concentrated on the city. This allowed a surprising amount of innovative, world-wide praised strategies in such diverse fields as housing, school reform and social policy. "Red Vienna" was based on a very strong link between the party, civil society and the city administration. All aspects of the life were covered by party organisation (Maderthaner 1993). The city, respectively the party, took over the responsibility of delivering all relevant services to the population, especially the popular classes.

The divergent political developments at the national and Viennese level only were possible because the socio-economic structure was regionally that heterogeneous and the bourgeoisie lacked hegemony. Nonetheless, the experiment of „red Vienna“ was short-lived. The conservative government started a deliberate strategy of centralisation. Its core was the so called „fiscal march at Vienna“. Financially strangled by the national government and the severe economic crisis after 1929 „Red Vienna“ had to come back on some of its reforms already before the official take-over of the city administration by conservative forces after the civil war in 1934.

A German Fascism as a Prelude to Fordism (1938 - 1945)

At the beginning of 1938, the austrofascist regime's social base was eroded. Austria's international position was one of isolation, enabling fascist Germany to occupy the country easily. This was the first step towards German territorial expansion. The alliance between the German NS-government and industrialists aimed at overcoming the structural crisis of the extensive regime of accumulation by a territorially expansionist strategy which would provide German capital with cheap natural resources and a ready market. Politically, Austria was integrated into the German state. Economically, she was at once integrated into German war industry. The German war planners established new heavy industries in Austria, esp. in Upper Austria. Thus, Austria's industrial structure was significantly altered, geographically diversified, and increasingly orientated towards the west. The Austrian working class was significantly enlarged (though forced labour played an extremely important role in the establishment and running of war-related industries; cf. Mulley, 1988, Moser 1996). Insofar, German fascism retrospectively proved to be a prelude to fordism.

In 1939, the NS regime created Greater Vienna, the „by area largest city of the German Reich“ by integrating earlier independent municipalities into the city (Schubert 1985: 458). This only served to hide the real objective of downgrading this politically "dangerous" and "multi-culturally oriented" city. Jewish company owners were expropriated, the large number of small Jewish traders and artisans driven out of business. Vienna was to be the experimental field of arisation linked with rationalisation in petty trade and production (Aly and Heim 1993). Those

outstanding intellectuals which after four years of austrofascist dictatorship had not left the country were purged by the NS regime. 200.000 of Viennese citizens were either deported to concentration camps and killed or had to flee the country (Faßmann 1995: 14). Very few intellectuals returned to Vienna after the war (and in no way encouraged to do so), although an astonishingly large number of famous thinkers was born in Vienna.

A Post-war Vienna: Losing distinctness in a successful nation building exercise (1945 - ca. 1986)

B Austria

The Austrian version of fordism had its own peculiarities. Austrian fordism was initially built on supply-side policies, cheap and docile labour, and exports to other Western countries enlarging their domestic markets (Hwaletz 1996). From 1947/48 onwards, the Austrian government embarked on the development of the heavy industries mainly located in Upper Austria which had been inherited from German fascism and were nationalised after the war (Moser 1996). Differences within the coalition of socialdemocrats and conservatives prevented, however, the full-scale exploitation of this option since the conservatives successfully pushed for a ban on the branching out of nationalised industries into the production of final goods. Thus, nationalised industries fulfilled basically a supplier function for final goods industries in

the 1950s and 1960s. It was only in the 1970s that a socialdemocratic government was able to use the nationalised industries as a major vehicle of technological development (Scherb and Morawetz 1986). Austrian industries specialised increasingly in the provision of a changing range of cheap inputs to fordist industries in other West European states, esp. Germany. From the 1970s, FDI in Austria focused mainly on supplier industries. The export quota (merchandise exports/GDP) increased from 12.6% in 1950 to to 23.2% in 1987 (Maddison 1991: 326 Tab.F.7). There was another decisive link to the new fordist demand in Western Europe - mass tourism (Hwaletz 1996).

In spite of restrictive wage policies, real wages increased. From 1960 to 1990, the average annual growth rate of real wages amounted to 3.1 per cent compared to an annual growth rate of labour productivity (defined as GDP/employee) of 3.3 per cent (Guger 1993: 231, Tab. 1). Petty commodity production was increasingly absorbed by the capitalist sector (Hlawetz 1996: 110). Consumer industries remained dominated by small-scale and, medium-scale enterprises and compared with other Western European countries were rather traditional in outlook. State policies sustained demand. Due to the heritage of German fascism and post-war policies which in a cold war context aimed at strengthening the industries in the Western occupation zone (esp. Upper Austria) to the detriment of the Soviet occupation zone in the East, there was a durable westward relocation of Austrian industry (Moser 1996). The Austrian government pursued, however, a cautious approach to Western European integration favouring EFTA over EEC until the 1980s. In contrast to the inter-war years, fordism was a „golden age“ of Austrian capitalism,

with above West European growth rates of real per capita GDP (Maddison 1995: 62, Tab. 3-2).

Until 1983 (and less pronounced until 1986), the socialdemocratic government attempted to preserve central traits of the fordist regime of accumulation while adapting to the new situation. In an "austro-keynesian" conception, the government aimed at both increasing international competitiveness and stabilising domestic demand. By maintaining a high exchange rate and eventually linking the Austrian Shilling to the DM, the government put pressure on the companies to increase productivity and provided a stable framework of currency policy for doing business with the core of the EEC. The trade unions accepted restrictive wage policies. They were rewarded with rather expansionary budget policies which stabilised demand. Protected sectors of the economy served as shock absorbers (cf. e.g. Weber and Venus 1993). Trade and investment linkages with Germany continued to grow, the Austrian industrial subsidiaries often serving as suppliers to German industries (Morawetz 1990). The high degree of wage differentiation with very low wages in some consumer goods industries enabled low-tech „traditional“ consumer goods industries (e.g. textiles, shoes) to survive (Guger 1993: 234-237). Para-statal were modernised. Compared to other Western countries, but in line with German developments, the Austrian financial sector remained rather controlled by the state, and, therefore, banking business was more restrained (cf. Aglietta 1993, Hwaletz 1996: 121 et seq. 135-140). Nevertheless, international activity of Austrian banks increased significantly. The Austrian mode of development in the 1970s and early 1980s was characterised by a rather strong continuity of the „golden age“. Real GDP per capita grew by 3.0% p.a. from 1973-79 and

by 1.9% from 1979-89 compared to an EU15 average of 2.2% and 2.0% respectively (OECD 1995: 50, Tab. 3.2). Unemployment was considerably lower than in most Western countries.

The post-war dispensation rested on a new social alliance between (productive) capital, middle strata and organised labour. Capital entered into that alliance economically and politically considerably weakened. After 1945, Austrian big private capital was virtually non-existent, private companies were of small or medium scale. After the nationalisation of the former German property, key sectors of the economy were state owned. Thus, private capital was economically less apt to assert its dominance than before the war.

Politically, the right wing was somewhat discredited by its rule in the inter-war years, and it had to contend with a heightened systemic competition at the international level. The working class was badly mauled by the two fascisms. De facto, social democracy renounced to those parts of its former political programme which had aimed at a systemic social transformation. Thus, both basic social forces and their political representatives were much more inclined to a social compromise than in the inter-war years. In addition, the international constellation was quite conducive to a social compromise. Austria's international status hung in the balance until 1955, and Austrian political forces tried to minimise internal disputes which might give external actors increasing leverage. Compromise entailed softening down class-based ideological appeals. The influence of the ideological apparatus of the party and the church, of Marxism and Catholicism, diminished dramatically. It was substituted by seemingly more neutral media: state-controlled

television and positivist science. Mass loyalty was bought by forging clientelist relationships. The state apparatus was permeated by party influence. Public employment, career prospects, access to public housing hinged to a large extent on carrying a party card. In the 1950s and 1960s, about 25% of the Austrian population carried a party card (Ullrich 1996:295). The two then big parties, SPÖ and ÖVP (successor to Christian-Social party), which usually formed coalition governments, were intertwined with trade unions and business organisations respectively. Government and large interest groups linked up in neo-corporatist institutions which made Austria a model of neo-corporatism. Individualisation was seen as dangerous by both dominant blocs. In the neo-corporatist framework, decision-making was highly centralised and top-down. This organisational set-up was functional to finding comprehensive compromises covering various fields of economic policies. Political stability resulting from neo-corporatism and economic growth facilitated the accommodation of disparate social interests. This proved mutually reinforcing and the Austrian nation state won a high degree of legitimacy in the 1970s (cf. Hanisch 1994).

To sum up, in the 1970s and 1980s Austrian society became more and more thoroughly capitalist in character. This socio-economic change was accompanied by broadly distributed improvements in social conditions. This pattern of social change enabled capital and its „organic intellectuals“ to inculcate capitalist values upon the subaltern classes. Clientelism began to lose importance (cf. Ullrich 1996).

B Vienna

Economically, 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. To her detriment, her industry concentrated on the national market. From the 1960s onwards plants were set up around the core area of Vienna, but later also in the peripheral parts of Eastern Austria (Tödting 1984: 406). This resulted in employment dispersion, but not in a decentralisation of control. In 1973, headquarters in Vienna controlled 43% of all jobs in Austrian industrial branch plants. In the manufacturing sector Vienna controlled almost three-quarters of jobs in Austrian branch plants (Tödting 1984: 404). From 1973 onwards the fordist national pattern of centre-periphery began to dissolve. Vienna's position as a centre of organisational control declined to the advantage of smaller cities (Maier and Tödting 1986: 1218).

Politically, socialdemocracy again took over local government. But political strategies were no longer elaborated at the local level. It was at the national level that keynesian policies were implemented, local policies followed the national pattern. Socialdemocracy, although receiving well above 50% of the votes, agreed on entering in a great coalition at the local level. This consensus-oriented politics secured social peace, but undermined social innovation and creativity. Local post-war economic policy consisted of two parallel strategies: First, the local

chamber of commerce protected the local economy by severe bureaucratic hindrances for newcomers. Second, the socialdemocrat finance secretary tried to attract big foreign investors. With regard to Vienna's international status as a political centre, the national and local governments were able to capitalise on Austria's status as a neutral power in the cold war. They were able to convince several important international organisations, like the UNO, OSCE, OPEC, to choose Vienna as an administrative centre.

The socialdemocratic local government and its city bureaucracy directly delivered social services - housing, education, health. This was the main function of the local state. The relationship to civil society changed, too. The party as the key institution of civil society was depoliticised and turned into a vehicle of clientelism. Concerning other parts of civil society, socialdemocracy pursued a successful strategy of co-optation; civil society was "etatized". The administration gave financial support to potentially oppositional forces, by this avoiding an open opposition of critical civil society. The progressive cultural and intellectual cosmos of the inter-war years, not to speak of Fin-de-Siècle-Vienna, was definitively destroyed.

A Vienna at the end of the century: A challenged centre in search of a local development strategy (since 1986)

B Austria

In the face of high international interest rates, it became increasingly difficult to sustain an expansionary fiscal policy which had been a major plank of austro-keynesianism. The EEC entered a new phase with the proposed Single Market. Since the Austrian economy was extremely orientated to the EEC, this programme was to have serious repercussions on Austria (Karlhofer and Tálos 1996: 50 et seq.). With the „opening“ of Eastern Europe in 1989 new chances and threats emerged putting heavy restructuring pressure on Austrian firms. These international developments did not only lead to economic restructuring, but politically strengthened business interests which demanded lower wage costs in order to increase profitability and desired to open up new fields to private capital. The government reacted by switching to a much more conservative fiscal policy (tax reform plus more cautious deficit spending), launching a more vigorous privatisation policy, liberalising the banking sector and capital flows, and applying for EEC membership. These measures boiled down to a more outward looking strategy downgrading the domestic market which came close to the strategy of competitive deflation en vogue in Western Europe. Some of the measures adopted were in line with the interests of financial capital investors. The two decisive social forces of the new dispensation were business (esp. export oriented fractions and financial intermediaries) and upper middle class.

Austrian capital banked more on extraversion. Austrian FDI stock abroad increased from

insignificant ATS 16.8 bn in 1988 to ATS 71.4 bn in 1995³. Towards the mid-1990s, this surge of FDI slowed down with FDI flows halving between 1992 and 1995 (Stankovsky 1996: 353). In anticipation of the EU Single Market and a possible Austrian entry into EU, most FDI was located in Western Europe though the relative share of Germany in the FDI capital stock was declining. Austrian companies responded quickly to the opening up of new opportunities in Eastern Europe, thus, 16.2% of FDI stock was located in Hungary in 1995.

Growth of FDI in Austria was not that spectacular with stocks increasing from ATS 51.6 bn in 1988 to ATS 71.3 bn in 1994 which continued to originate dominantly from German corporations (35.7% in 1985, 41.2% in 1995). In an attempt to increase international competitiveness and profits, Austrian business embarked on a labour cost cutting exercise. This took the form of job cuts and a restrictive wage policy to which the trade unions acquiesced (Hwaletz 1996: 190-193, Guger 1993: 232-234). Cost-cutting and increased internationalisation of productive capital did not translate into an increased export quota as far as merchandise exports are concerned, actually this quota declined slightly from 26.3.% in 1985 to 22.8% in 1994. Even, if the service exports are included, there was not a stable increase of the export quota (OECD 1995: 75, Tab. 6.12).

The restructuring entailed a steep decline of a number of traditional consumer good industries.

³ Cited data refers to nominal capital, based on publications of the Austrian central bank, Oesterreichische Nationalbank.

In agriculture, the main restructuring still has to come. The weight of some, but not all basic industries was accentuated. The high tech-sector lagged behind other West European economies, providing only 6.8% of exports in 1991 compared with an OECD average of 15.9% (Pointner and Schneider 1994: 49, Tab. 4). The privatisation of hitherto state-owned industries might even weaken the technological capacity since these companies are likely to be turned into subsidiaries of foreign corporations which have located their technological centres elsewhere.

Austria's entry into European Economic Area (EEA) in 1994 and into EU in 1995 implies a lasting reordering of political regulation amongst the different territorial levels and cementing the political reorientation begun in 1986. In fact, the two issues go together. Important political competencies have been shifted to the supranational level. Though labour relations, social security and environmental policies remain basically a prerogative of nation states, national policies in these fields are put under pressure of downward adjustment by the Single Market. These pressures are heightened by the Maastricht criteria which have already entailed a pruning down of the welfare state. The shift in the level of regulation to EU entails a shift in the social and political balance of forces. Trade unions and "new" social movements are less able to organise and act at the supranational level than are business associations since executive structures are extremely powerful compared to parliamentary ones which had been quite important to trade unions in winning concessions at the national level in the past. Though Austrian neocorporatist structures have organisationally been adapted to EU membership (Karlhofer and Tálos 1996), there is, however, not yet a clear trend towards micro-corporatism

as it can be observed in some other European countries. The role of Austrian neocorporatist institutions is being redefined as to give absolute priority to enhancing international competitiveness.

With the exception of some sections of the Greens and of socialdemocracy, neo-liberalism has been embraced by all parties reflecting the growing strength of an increasingly Europeanised bourgeoisie. While SPÖ and ÖVP favour a moderate version of neo-liberalism which would preserve neo-corporatist institutions, though in a modified way, the right-wing FPÖ propulses a radical neo-liberal programme which is bent on destroying neo-corporatist institutions in which FPÖ never has been represented in a significant way (cf. Schui et al. 1997: Chap. 8). FPÖ supplements its radical neo-liberalism with a strong nationalist and xenophobic discourse. This ideological blend can capitalise on wide-spread resentment against the ossified character of neo-corporatist institutions and on ideological predispositions which have a long history in modern Austria. It could be said, that liberalism has found a broader, though at times unwilling, acceptance in Austria than ever before. Liberal policies oscillate, however, between favouring financial and industrial capital, a coherent strategy of accumulation is lacking.

B Vienna

Compared to other European cities, Vienna's growth rate from 1975 to 1993 is slightly above average (Mayerhofer and Palme, 1996: 34). At first glance, this comparatively good macro-

economic performance seems to be surprising. Industrial relocation to the city's periphery continued (Mesch 1989: 371, Reiterlechner and Schmee, 1995: 34). Austria's richest municipalities can be found in Vienna's functional urban region, increasing its share in population, employment and wealth. The local regime of accumulation transcends Vienna's political boundaries. Industrial FDI, however, continued to be concentrated in Vienna. There, it was less geared towards the West European and more towards the domestic market than in other Austrian regions. Services remained quite concentrated in Vienna, esp. financial services and non-industrial FDI (ÖStZ 1993: 275, Tab. 21.09, Glatz and Moser 1989: 83). Compared internationally, advanced producer services have developed rather late in Vienna, most firms are small and most of their linkages are at the regional or national level (Tödting and Traxler 1995: 189). As far as marketable services are concerned Vienna has no clear competitive advantages, although it is the largest German-speaking university city. The linkages between university, firms and local government are still very weak. Vienna has continued to rely heavily on non-market services, like public administration (22.1%). Taking industry and producer services together, Vienna lost 21.565 jobs between 1981 and 1991 and again 28.759 between 1991 and 1994 (Birner et al. 1997: 48.52). Public employment continued to expand.

Whereas national keynesian policies came to an end in 1986, Vienna was able to avoid any major ruptures for a decade. The strong growth performance of the public sector and construction industry reflects a local keynesian economic policy of demand stabilisation which dominated over more flexible strategies of high-tech and entrepreneurship promotion. Although

these sectors probably will come under increasing pressure in the near future, they seem to have contributed to alleviating restructuring costs. In this sense Vienna's policy can be considered as defensively deviant from the national and international pattern of neoliberalism with its meagre macroeconomic results (cf. Dunford 1994). However, defensive strategies of protecting small enterprises by bureaucratic mechanisms and attracting large investors increasingly lost viability.

A city secretariat, responsible for Viennese "foreign" affairs, was established to enhance Vienna's position in locational competition. She autonomised parts of public administration. New planning bodies were created for specific projects and objectives, thus being able to respond quickly and flexibly to investors. These bodies are no longer under direct parliamentary control (Mayerhofer 1994: 44 et seq.). Furthermore, the city continues to be the main share-holder of the largest Austrian bank, which became, due to so-called privatisations, owner of communal enterprises. Socialdemocratic control of the remodelled state has been increasingly guaranteed by informal networks linking central bureaucracy, autonomous bodies and (semi-statal) business. A new state project of an entrepreneurial state can be detected in this organisational changes, resulting in a diminishing range of democratic accountability. The creation of a women's secretariat and an „integration funds“ targetting immigrant workers, indicate that progressive forces are still able to implement changes. The old bureaucratic model, however, is still dominant. Fiscal room for manoeuvre is shrinking. Revenue from local taxes has stagnated over the last years. Vienna's share in transfers from the national government is declining. Over the last years, debt has significantly increased though comparatively less than at the national

level (Lehner and Mayerhofer 1997). It is, therefore, doubtful for how long Vienna's local government will be able to sustain the high expenditures in social services and construction.

In the 1996 municipal elections socialdemocracy lost 9 of its 52 seats in local parliament, with the far right (29 seats) and the new liberal party (6 seats) emerging clearly strengthened. Socialdemocracy favoured a weakened ÖVP (15 seats) over the stagnating greens (7 seats) as a coalition partner. There are indications that a major restructuring of Vienna's civil service is in preparation, signalling a switch from defensive deviance to more clear-cut neo-liberal policies. In line with this reorientation, local SPÖ politicians have become more muted in the criticism of the national leadership.

5. Conclusions

This paper showed the changing relationships between accumulation strategies and Austrian and Viennese state projects; identifying rather stable and rather crisis-ridden periods. The two periods of stability stand in marked contrast to each other. The pre-1914 Habsburgian regime of accumulation was characterised by a high degree of (masked) extraversion and regional heterogeneity. Politically, the social bloc propulsing this economic development project was rather weak. Vienna was the uncontested financial and industrial centre of the Empire. Vienna's dominant social bloc which was somewhat different in complexion from the national one pursued active local policies which were distinct from, though not in contradiction to, the

national political pattern. The post-1945 Austrian regime of accumulation was characterised by a rather high degree of introversion and regional homogeneity. The national power bloc gained a high degree of popular adherence. Vienna's socio-economic development lost some of its distinctiveness. Local politics were de facto downgraded to the execution of policies decided at the national level.

Both stable modes of development eventually entered into great crisis. They provided, however, different scope for the development of local counter-projects. In the inter-war years a distinct left-wing state project based on the popular classes could be formulated and partly implemented at the local level. It was even to foreshadow to some degree the post-World War II dispensation. The margin for manoeuvre was created not only by the inherited heterogeneous regional development, but also by the weakness of the national power bloc which partly originated from the Habsburg era. It lacked a viable accumulation strategy and was unable to gain a clear ideological upperhand. In contrast, the social bloc dominant in Austria today inherited the social preconditions for the mass acceptance of liberalism from the fordist era. Thus, there exist favourable conditions for pushing through a moderately liberal state project. It lacks, however, a coherent national accumulation project. Though regional heterogeneity is internationally on the increase, the socio-political conditions in Vienna are not propitious for the formulation of a local counter-project. Up to now, the Viennese local government has still followed a strategy of defensive deviance. Due to financial and ideological pressures it seems likely that local policies will follow the national pattern more closely in the near future.

The more general conclusion that can be derived from the Viennese experience is that a heterogeneous regional development is only a necessary, but not a sufficient condition for a local state project to diverge from the national one. It seems that popular forces can only establish a counter-project at the local level if the national dominant bloc fails to gain mass acceptance for its ideological dispensation and an emerging counter bloc is able to capitalise on this weakness by formulating its own social project. At present, these conditions usually do not exist. Therefore, the present crisis has its openings at all territorial levels to the right.

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Table: Austrian and Viennese regimes of accumulation and modes of regulation

| VIENNA | National regime of accumulation | National mode of regulation | Local regime of accumulation | Local mode of regulation |
|---|---|--|---|---|
| <p>1867 - 1914</p> <p>Dynamic Centre of an Empire</p> | <p>Extensive accumulation</p> <ul style="list-style-type: none"> * late industrialisation * export orientation (towards other parts of the empire) * nobility invested in agro-industry and transport * large sector of petty-commodity production * restricted domestic market | <p>Persistent strong influence of feudal interests</p> <ul style="list-style-type: none"> * liberal economic policies * gold standard * competitive labour market * incipient monopolist competition * British hegemony, with increasing German challenge | <p>Globally oriented - with a large hinterland</p> <ul style="list-style-type: none"> * increasing modernisation of industry (strong FDI) * financial centre of the Empire * specialisation in industries with comparative advantages for cities (qualified labour) | <p>From a passive to an active state</p> <ul style="list-style-type: none"> * active local regulation in synchrony with national level * controlled change "from above" * "Municipal Socialism" with limited political participation * communalisation of infrastructure |
| <p>1918 - 1938</p> <p>Centre of a depleted nation state</p> | <p>Crisis of accumulation</p> <ul style="list-style-type: none"> * blocked accumulation * high export orientation (but diminished external outlets) * large sector of petty-commodity production * restricted domestic market | <p>Orthodox stabilisation policies (under conservative rule)</p> <ul style="list-style-type: none"> * liberal state with increasing authoritarian tendencies * gold exchange standard * partially regulated labour market with incipient welfare state * incipient monopolist competition * crisis of international regulation | <p>Globally oriented - without hinterland</p> <ul style="list-style-type: none"> * loss of traditional markets for industry * failure of finance capital to adapt to demise of empire resulting in financial instability and crisis | <p>Red Vienna - local socialism</p> <ul style="list-style-type: none"> * counter-model to nation state * local welfare state and progressive taxation * no explicit economic policies * party dominance within civil society followed by destruction of opposition parties and civil society (austrofascism) |
| <p>1938 - 1945</p> <p>German Fascism</p> | <p>war economy</p> | <ul style="list-style-type: none"> * fascist state * autonomous German currency * authoritarian regulation of labour market and forced labour * monopolist competition | <p>* insignificant role in war economy</p> | <ul style="list-style-type: none"> * political degradation to a provincial capital * total loss of local autonomy |

| | | | | |
|---|---|---|--|---|
| <p>1945 - 1986</p> <p>Lagging national centre</p> | <p>Intensive accumulation</p> <ul style="list-style-type: none"> * high growth rates * export orientation redirected to western Europe * development of domestic mass market | <p>Supply-side fordism</p> <ul style="list-style-type: none"> * strong corporatism * autonomous local currency * monopolist regulation of labour market * monopolist competition * Bretton Woods system - US-hegemony | <p>National centre (of a nationally oriented economy)</p> <ul style="list-style-type: none"> * concentration on consumer goods-industry for national market * lagging behind growth rates * national financial centre and national centre of control | <p>Local fordism</p> <ul style="list-style-type: none"> * local execution of nat. strategy * welfare state as the delivery of social services (esp. housing) * etatisation of civil society * controlled change "from above" |
| <p>1986 - 1996</p> <p>In search of a regional centre status</p> | <p>Crisis of overaccumulation</p> <ul style="list-style-type: none"> * persistent low growth rates * increasing importance of financial accumulation * differentiation and weakening of domestic market | <p>Soft (socialdemocratic) neoliberalism</p> <ul style="list-style-type: none"> * weakening corporatism * eroding autonomy of local currency * slowly eroding monopolist regulation of labour markets * monopolist competition * crisis of international regulation and EU-membership | <p>Nationally oriented - with weakened national market</p> <ul style="list-style-type: none"> * de-industrialisation * diversified local production system * national centre of direct foreign investment | <p>Defensive local keynesianism</p> <ul style="list-style-type: none"> * slight deviance from national regulation * defense of fordist regulatory mechanisms (paternalistic welfare state, strong influence of Chamber of Commerce) * increasing fiscal constraints |

Summary

From a regulationist perspective, this paper wants to analyse under which preconditions local and national modes of development can diverge. Taking the modern history of Vienna and Austria as an example, the paper analyses the dialectics of accumulation strategies and national and local state projects. There can be distinguished four relevant historical periods. With regard to the convergence resp. divergence of local and national state projects, the two rather stable and the two rather instable periods stand in marked contrast to each other. The more general conclusion that can be derived from the Viennese experience is that a heterogeneous regional development is only a necessary, but not a sufficient condition for a local state project to diverge from the national one. It seems that popular forces can only establish a counter-project at the local level if the national dominant bloc fails to gain mass acceptance for its ideological dispensation and an emerging counter bloc is able to capitalise on this weakness by formulating its own social project.

ⁱ This research is part of a broader comparative research. A comparative project on Vienna/Austria/Europe and Montevideo/Uruguay/Mercosur is financed by the Austrian Science Foundation (FWF - Fonds zur Förderung der wissenschaftlichen Forschung). URSPIC (Urban Redevelopment and Social Polarisation in the City) compares European cities and is financed by the European Commission and coordinated by Frank Moulaert.



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